MASSACHUSETTS STATE RETIREMENT BOARD



YOU SERVE THE COMMONWEALTH. WE SERVE YOU.



Annual Report for the Year Ended June 30, 2021

2021 Annual Statement of the Financial Condition for the Massachusetts State Employees' Retirement System

To the Executive Director of the Public Employee Retirement Administration Commission of the Commonwealth of Massachusetts for the Period Ended June 30, 2021

State Retirement Board

Deborah B. Goldberg

Treasurer and Receiver General, Chair

Theresa McGoldrick, Esq.

Elected Member

Francis Valeri

Elected Member

Patricia Deal

Appointed Member

Archibald (Archie) Gormley

Chosen Member

Main Office

One Winter Street, 8th FL Boston, MA 02108 Phone: 617-367-7770 Fax: 617-723-1438

Toll Free (within MA): 1-800-392-6014

Regional Office

436 Dwight Street, Room 109A Springfield, MA 01103 Phone: 413-730-6135

Fax: 413-730-6139

mass.gov/retirement

Table of Contents

Public Pension Award
Board Certification2
About the System42021 Fiscal Year in Review.5Members of the Board.9State Employees' Retirement System Staff.10Membership Information.12
Financial Statements of the State Employees' Retirement System PRIM Board
Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System Annual Statement Balance Tests
Notes on Financial Statements39



Public Pension Coordinating Council

Public Pension Standards Award For Funding and Administration 2021

PRESENTED TO

Massachusetts State Employees' Retirement System

In recognition of meeting professional standards for plan funding and administration as set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

ALAN H. WINKLE Program Administrator

Annual Statement for the Year Ended June 30, 2021 of the Conditions and Affairs of the State Employees' **Retirement System**

Organized under the Laws of the Commonwealth of Massachusetts to the PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

Date of Certificate: By Chapter 532 of the Acts of 1911

Administration Office

One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

We, the undersigned, members of the Board of Retirement of the STATE EMPLOYEES' RETIREMENT SYSTEM certify under the penalties of perjury, that we are the official board members of said retirement system, and that assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all the assets, liabilities, income of the said retirement system on the said thirtieth day of June last, and for the fiscal year ended on that date, according to the best of our information, knowledge and belief, respectively.

Massachusetts Retirement Board

Ex-officio Member

Deborah B. Goldberg (Chair)

Appointed Member

Patricia Deal

Term Expires 3/28/2022

Elected Member

Theresa McGoldrick, Esq.

Term Expires 4/30/2024

Elected Member

Francis Valeri

Term Expires 1/30/202

Member Appointed By

Other Members

Archibald (Archie) Gormley

Term Expires 3/25/2024 _

Manager

Investment Pension reserves investment management board

84 State Street

Suite 250

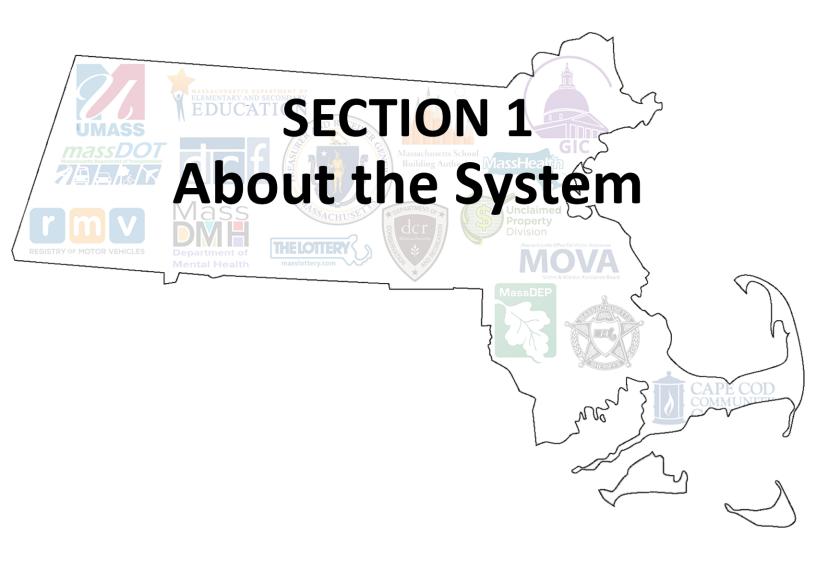
Boston, MA 02109

Consultant 84 State Street

Investment Pension reserves investment management board

Suite 250

Boston, MA 02109



About the System

The Massachusetts State Employees' Retirement System ("MSERS") is a contributory defined benefit retirement plan governed by Massachusetts General Law, Chapter 32. The MSERS was created under Chapter 532 of the Acts of 1911 and covers all eligible state employees and employees of certain other public entities. The MSERS is qualified by the United States Internal Revenue Service.

The State Board of Retirement ("Board") manages the MSERS operations and also administers the former Massachusetts Turnpike Authority Employees' Retirement System ("MTAERS"). MSERS and MTAERS assets are invested and managed separately by the Pension Reserves Investment Management ("PRIM") Board.

As of June 30, 2021, the Board is responsible to 89,048 active members, 66,779 retirees or beneficiaries, and 52,308 members who have funds on account with the MSERS (The January 1, 2021 valuation reports 87,136 active members; 66,901 retirees and beneficiaries; 27,927 members with funds on account). The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries.

The Board consists of five members: The Chair is the Treasurer and Receiver General, two elected members, an appointed member and a fifth member chosen by the other four members. The Board is currently administered by a staff of 80 full-time, 2 part-time, and 2 contract employees. Board offices are located in Boston and Springfield.

The Board's primary mission is the successful and accurate administration of pension and related benefits to its active and retired members. This mission touches almost every current state

employee and retiree in one form or another. Board responsibilities include fully educating and supporting members regarding their benefits, properly enrolling members, ensuring correct contributions are received, refunding, or rolling over contributions of those who leave state service, timely processing creditable service purchase applications, retirement applications, and survivor benefits.

Most members become vested after ten full-time years of creditable service. Generally, for those who became Group 1 members before April 2, 2012 a superannuation retirement allowance (service retirement) may begin at age 55 with the completion of ten years of creditable service or at any age upon the completion of twenty years of full-time creditable service. Members hired after April 2, 2012 must be at least age 60 and have completed ten years of creditable service. Retirement for certain hazardous duty and public safety positions may occur at an earlier age. Different eligibility rules and benefit formulas apply to those who became members of the MSERS on or after April 2, 2012. As of January 1, 2021, there were approximately 47,000 members hired after April 1, 2012.

The maximum retirement allowance benefit allowed is 80% of a member's highest consecutive three-year average annual rate of regular compensation if hired prior to April 2, 2012, or a consecutive five-year salary average if hired thereafter. Benefit payments are based on a member's age, length of creditable service, level of compensation and group classification.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement

benefit and the annuity is the pension. Employees who resign from state service are entitled to request a refund of their accumulated total deductions.

Members with less than ten years of creditable service who voluntarily resign from state service will receive their contributions plus 3% interest. Members with more than ten years of creditable service or who are involuntarily terminated will receive a return of their deductions plus the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

2021 Fiscal Year in Review

Board Operations

Due to the ongoing conditions created by the public health emergency MSRB staff continued to work in a hybrid capacity during the fiscal year both remotely and with limited staff rotating regularly onsite in both the Boston and Springfield offices. The monthly processing of the thousands of benefit requests remained uninterrupted and retirement benefits were paid regularly. MSERS retirees received a COLA adjustment authorized by the FY 2021 state budget. The COLA is an increase of 3% of the first \$13,000 of a member's annual allowance. Member outreach efforts and attendance for webinars remained strong.

During the 2021 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.57 billion. MSRB staff processed over 3,100 new retirements, over 3,000 member refunds / rollovers and more than 1,500 service purchase requests.

For the calendar year 2020 the MSRB's Benefit Calculation Unit added over 3,150

new retirees to the pension payroll and more than 450 survivors and beneficiaries. The team also continued to work on initially more than one thousand retroactive adjustments for retirees associated with collective bargaining agreements which had been adopted earlier this year and covered all or part of 2018, 2019, 2020.

Financial Status

As of June 30, 2021, the MSERS' market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$35.6 billion. The PRIT Fund is managed by a nine-member Pension Reserves Investment Management ("PRIM") Board, chaired by the Treasurer. The MSERS' funded ratio stood at 66.5% as of January 1, 2021. The January 1, 2021 valuation reflects a 7.00% investment return assumption (reduced from 7.25% as of January 1, 2019). The funded ratio represents the actuarial value of plan assets divided by the total actuarial accrued liability. The actuarial value of assets were at \$30.370 billion with unfunded actuarial liability of \$15.3 billion. The January 1, 2021 Actuarial Valuation of the MSERS was completed by PERAC and issued in the fall of 2021. The report can be found online at www.mass.gov/service-details/ publications-msrb.

Actuarial Valuation Results

In September 2021 the Board received from PERAC the January 1, 2021 MSERS actuarial valuation. The data reflected a 7.00% investment rate of return assumption, reduced from the 7.25% of the last valuation. All other material assumptions were maintained from the previous valuation. The change in the investment return assumption increased plan normal cost by \$50 million and the actuarial liability by \$1.168 billion. There have been reductions in the investment return assumption in the past several years (from 8.25% to 8.0% as of January 1, 2013, from 8.0% to 7.75% as

of January 1, 2015, from 7.75% to 7.50% as of January 1, 2016, from 7.50% to 7.35% as of January 1, 2018, from 7.35% to 7.25% as of January 1, 2019. From 7.25% to 7.15% as of January 1, 2020).

The MSERS' funded ratio increased from 63.7% to 66.5%. The unfunded actuarial liability decreased from \$15.45b to \$15.33b. The average retirement benefit was reported at \$38,419.00. As of January 1, 2021, the MSERS had 87,136 active members and 66,901 retirees and beneficiaries receiving benefits. Net total membership increased from the 2019 valuation by 838, with active members almost static and retired members increasing by approximately 1,500.

(Please see Membership Information on Page 12 as of June 30, 2021).

As of January 1, 2021, the actuarial liability was \$45.7b, and the actuarial value of plan assets was \$30.3b. The difference is the unfunded actuarial liability ("UAL"). Since 1990, the actuarial liability has grown by about 6.1 times while assets have grown by about 8.2 times.

From the 1990 funded ratio of 49.5% to the January 1, 2021 at 66.5%, reflects the funding progress to date. Over the past 20 years (2001-2020), the actual annual return on assets on a market value basis is approximately 7.3%. Over a 10-year and 5-year period, the returns have been 9.0% and 10.4% respectively. The 36-year return (since inception) is 9.6%.

MSRB Operational Developments

The accelerated first payment program continued to be a success to allow retirees earlier access to their benefits. This process allows retirees whose benefits are approved for payment to receive in midmonth their retro-active benefit payments (from their retirement date through the end of the month prior) rather than have them

wait until the end of month and receive the retro benefits together with their first month's benefit payment. These members then receive their regular monthly benefit payment at the end of the month. For FY 2021, 479 accelerated payments were processed with a total of almost \$5 million.

The MSRB successfully executed its Member Annual Statements to active members of the MSERS and issued the 2020 Form 1099-R's to retirees and beneficiaries.

The Board approved amendments to its Membership Regulation (941 CMR 2.03) to specify how differentials should be factored into a benefit calculation. The Board also adopted an updated group classification policy for active members.

Benefit Verification

In July 2020, the MSRB issued Benefit Verification Forms to all retirees and benefit recipients as it is required to do every two years. Due to the public health conditions and as authorized by the Board the BVF's only required the witnessing of the member's signature and not notarization. The second round of BVF's were issued in October and the third mailing in February 2021.

MSRB Outreach

The MSRB partnered with the Treasury's Office of Economic Empowerment, who was awarded a \$100,000 grant from the National Association of State Treasurers (NAST), to provide financial education to active state employees and retirees in Massachusetts. The goal of the one-year grant is to provide resources to current state employees and retirees in all regions of the Commonwealth and from all state agencies by utilizing a combination of formats, including digital learning management systems, webinars, videos, and other digitally based assets.

Active member Annual Statements were mailed in June 2021 to eligible members.

More than 85,000 statements were issued which reflect annuity account balances as of December 31, 2020.

The annual mailing by the Group Insurance Commission ("GIC") providing active state employees with information related to their health insurance coverage, and which includes MSRB beneficiary information was issued by the GIC in March of 2021.

The MSRB Communications Unit completed 98 webinars with 7,063 members attending. More than 48,000 benefit recipients subscribe to the montly electronic *Retiree eNews Bulletin*.

GASB Update

GASB 68 (Accounting and Financial Reporting for Pensions) are effective for state and local governmental employers that sponsor or contribute to pension plans for fiscal years beginning after June 15, 2014. It also applies to employers that participate in the Massachusetts State Employees' Retirement System ("MSERS") as well as other governmental employers that sponsor or contribute to pension plans. GASB 68 requires employers to recognize a proportionate share of the net pension liability in their financial statements, and includes other reporting changes.

Information needed by the MSERS participating employers to comply with GASB 68 is compiled in separate audited schedules of employer allocations and collective pension totals, including related footnotes to those schedules. The schedule of collective pension totals includes net pension liability, pension expense and deferred inflows/outflows related to pension. The audited schedules and related notes released by the Massachusetts Office of the Comptroller reflect the collective Employer and

Non-Employers' net pension liability as approximately \$17.157b as of June 30, 2020. The MSERS Schedule of Employer and Non-Employer Allocations and Schedule of Pension Amounts by Employer and Non-Employer as of June 30, 2018 are available on our website.

Board Updates

• COLA Approved

The FY 2022 state budget was signed into law, including the retiree COLA (Cost-of-Living Adjustment). For eligible members who retired before July 1, 2020, the COLA allowed an increase of 3% of the first \$13,000 of their annual benefit paid in monthly installments, effective July 1, 2021, for a maximum increase of \$390/year or \$32.50/month.

• March 2021: Board Election

In the first half of 2021 the MSRB successfully executed a Board member election with member Theresa F. McGoldrick, Esq. being re-elected by the MSERS membership. Of the 16,165 ballots cast Ms. McGoldrick received 13,487. Those who voted represented 10.74% of the active and retired members who received ballots. 7,290 members voted via paper; 7,128 voted via the internet; and 1,831 voted by telephone.

Board Membership

During the fiscal year the Board's Fifth Member, Archie Gormley was re-appointed to a three-year term. Mr. Gormley is a retired member of the Brockton Fire Department.

• Hampshire Council of Governments Transfer

MSRB staff implemented the requirements of legislation (Chapter 316 of the Acts of 2000) which included authorization for the transfer of the current retirees, inactive members, and active members of the former Hampshire Council of Government (HCOG)

from the Hampshire County Retirement System to the MSERS. The MSERS assumed benefit payments on July 1, 2021. Staffs from both retirement systems worked diligently since the fall of 2020 to assure a successful transfer.

• Legislative Efforts

The Board refiled several bills related to the operation of the MSERS and the MSRB. The proposals included efforts to clarify the payment of employer costs to the MSERS by non-state entities which participate such as regional vocational schools, planning commissions, etc.; clarification of the definition of Group 2 employees; the use of electronic signatures; and the merging of financial reporting and accounting responsibilities related to the former Massachusetts Turnpike Authority Employees Retirement System.

• State Auditor Report

In January 2021, the Office of the State Auditor issued its report on MSRB activities for the period July 1, 2017 - June 30, 2019. The report noted the MSRB had implemented additional controls since the last audit regarding the termination of benefits for deceased members, including more frequent death-match analyses to facilitate communication with external parties, and to ensure that it had access to the most current death data. The report also recommended the MSRB should send Salary Request and Release Forms to employing agencies upon receipt of retirement applications or within two weeks thereafter, and it should perform additional reviews and verifications of biennial BVF's to determine the accuracy of information reported.

Technology Upgrades

The MSRB Information System Team completed work with the MSRB's vendor related to the MARIS Framework Upgrade. This was the first major software upgrade since MARIS went live in 2017. Additionally,

the team implemented a major upgrade of the OnBase ECM system which the MSRB utilizes for scanning and storage of documentation. MSRB staff also completed a needs assessment with its consultant related to the eventual development of a Member Self-Service portal.

Board Award

The Board is the recipient of the 2021 Public Pension Standards Award in recognition of its high standards in plan design and administration.

Respectfully Submitted,

Nicola Favorito, Esq. Deputy Treasurer,

Executive Director

State Board of Retirement

Members of the Board

Membership and tenure in the five member State Board of Retirement is determined by Massachusetts General Laws Chapter 10 section 18. The Treasurer shall be a member ex-officio and shall serve as Chairman, one member is appointed by the Treasurer, two members are elected by current and active members of the State Employees' Retirement System, and one member is chosen by the other members of the Board.



Deborah B. Goldberg, Chair Ex-Officio, Treasurer & Receiver General

Treasurer Goldberg was elected to office in November 2014, and she took office in January 2015. She was re-elected in November 2018.



Appointed Member Patricia Deal

Ms. Deal is the retired Treasurer of the Massachusetts Clean Water Trust. She was first appointed in 2010.



Elected Member Theresa McGoldrick, Esq.

Theresa McGoldrick is an attorney for the Massachusetts Department of Revenue, Child Support Enforcement Division. She currently serves as President of SEIU/NAGE Unit 6, representing over 3,500 members statewide. Ms. McGoldrick was first elected to the Board in 2004.



Elected Member Francis Valeri

Mr. Valeri is the current President of the Massachusetts Retirees Association representing over 52,000 members. He is retired from State government after 38 years of service, with the Public Employee Retirement Administration Commission (PERAC), the state pension oversight agency, as well as many years with the state legislature. He was elected to the Board for a three-year term beginning January 2017.



Chosen Member Archibald (Archie) Gormley

The Chosen member is a member who shall not be an employee, a retiree, or official of the Commonwealth and shall be chosen by the other four members for a term of three years. Mr. Gormley is a retired Brockton Firefighter and former Legislative Agent for the Professional Fire Fighters of Massachusetts (PFFM). He began his Board service in April 2018.

State Employees' Retirement System Staff*

Nicola Favorito, Esq.

Deputy Treasurer, Executive Director

Darrell Bright Director, Member Services

Kimberly Griffin Director, Information Systems & Technology **Kathryn Kougias** Director, Fiscal Services

Angela Olszewski Director, Business Support

Melinda Troy Director, Legal Services

Administration & Employer Reporting

Drenna Barrett, Assistant Manager Joseph Martin Winnie Rankin Marsha Shaw Barbie Welch Aneta Wertman

Benefits Calculation

Rachel Grimaldi, Assistant Director (Springfield) Kristine Mathis, Manager (S) Anyeli (Angie) Saunders, Manager Candice Williamson, Manager Thao (Tracy) Chau Rosa Cuellar

Pam Davou Katina Goodridge John Hayden (S) Ioi Haves-Headlev (S) Marlenis Hernandez

Marie Hilliard (S) Christopher Janke (S)

Joseph MacInnis Francis Bremon Moscat Darlene Keenan

Gregory Paquet Stephanie Sicard (S)

Shakir Thaice

Tenzin Latoe

Business Support

Nidhi Garg, Assistant Manager Diane Lloyd **Iean Simone** Michael Tevenan

Communications & Member Outreach

Paula Daddona, Assistant Director **Zachary Pierce**

Disability

Chanese Pearson, Manager Michaela Biggs Ioisei Horton Stephanie Medina Lisa Zale

Disbursements/Survivor Benefits

Diana Reves, Manager Cathy Eufrazio **Gerry Foley** Pat-Hugh Noel **Carol Powers** Ienna Slivinski Yves Sanon

Fiscal Services

Scott Curtis, Manager Martha Castillo Polane Maison **Iadene Yoke**

Group Classifications

Diane Scott

Internal Audit

Zhuoxin Tan, Manager Diana Duverge Pena

State Employees' Retirement System Staff* (continued)

Legal Services

Pamela Diggs Lori Krusell Yande Lombe Brendan McGough James Salvie

Information Systems & Technology

Michael Clancy, Manager Shawn Craig Abu Mahin Jeeva Purushothaman Christian Wangia

Member Services/Call Center

Robert Faneuil, Manager Hector Castro Angela Guarino Susan Horn Naomi Kimanthi

Office Management & Electronic Content Management

Pamela Holloman, Manager Domingas Amado Da Silva Timothy Guilfoy Robert Tarlow

Reinstatements/Service Purchases

Frank Morley, Manager Pamela Forde Jacques Joseph Wendy Huang

Training

Glenn Aissis, Manager Thomas Mancini

Membership Information for Fiscal Year 2021

Active Members

An active member is a participating employee of the MSERS who is currently employed and making retirement contributions.

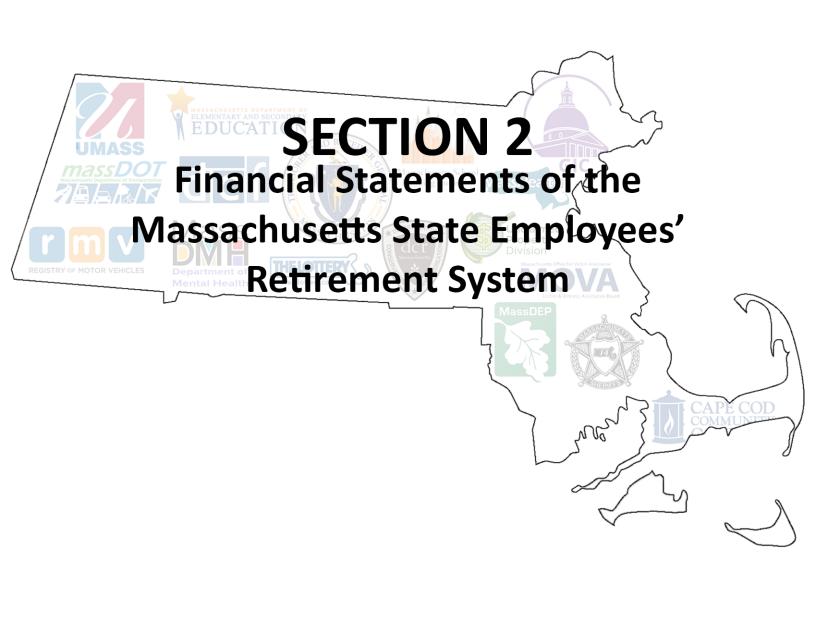
Annual Statement of the Massachusetts Retirement System for the Year Ended 06/30/2021

MEMBERSHIP FOR CURRENT YEAR				
ACTIVE MEMBERS	GROUP1	GROUP2/GROUP4	GROUP3	TOTAL
Active Membership, 06/30 Previous year	79,423	9,992	2,227	91,642
Inactive Membership, 06/30 Previous Year	62,651	7,794	544	70,989
Vested	4,091	466	34	4,591
Non Vested	58,560	7,328	510	66,398
Enrolled during Current Year	5,631	501	133	6,265
Transfers Between Groups	0	0		0
Reinstatement of Disabled Members	0	0	0	0
SUBTOTAL	5,631	501	133	6,265
Deduct:				
Death	144_	19	13	176
Withdrawals	2,265	207	7	2,479
Retirements	2,357	742	152	3,251
SUBTOTAL	4,766	968	172	5,906
Active Membership, 06/30 Current Year	76,883 65,086	<u>9,859</u> 7,918	<u>2,301</u> 584	89,043 73,588
Inactive Membership, 06/30 Current Year Vested	4,228	432	42	4,702
Non Vested	60,858	7,486		68,886
	00,838			00,000
RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS	50.040	44.400	2 207	CE 000
Retired, Beneficiary and Survivor Membership, 06/30 Previous Year	52,018	11,498		65,883
Retirements during the year:				
Superannuation	2,263	679	120	3,062
Ordinary Disability Accidental Disability	<u>9</u> 66	<u>4</u> 59	<u>0</u> 32	13 157
Termination Retirement Allowance	19	0	0	19
Beneficiary of Deceased Retiree	252	66		322
Survivor Benefits from Active Membership	66	11	13	90
SUBTOTAL	2,675	819	169	3,663
Deduct				
Deaths of Retired Members	1,494	299	57	1,850
Termination of Survivor Benefits	299	27	10	336
Reinstatement of Disabled Pensions	1	0	0	1
SUBTOTAL	1,794	326	67_	2,187
Retired Membership, 06/30 Current Year				
Superannuation	40,850	12,010	1,654	54,514
Ordinary Disability	419	146	7	572
Accidental Disability	2,050	835	<u>515</u>	3,400
Termination Retirement Allowance	1,840	4	0	1,844
Beneficiaries from Accidental Death	168	8		176
Beneficiaries from Section 100	1	0	14	15
Beneficiaries from Section 101	254	22_	75	351
Beneficiaries under Option (C)	2,891	444	80	3,415
Option (D) Survivor Allowance	2,126	328	38	2,492
• • • •				
Section 12B Survivor Allowance	0	0		0
Total Retired, Beneficiary, Survivor Membership 06/30 Current Year	50,536	13,797	2,446	66,779
TOTAL MEMBERSHIP:				
Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year	100 505	24 574	E 224	220 440
Cullent real	192,505	31,574	5,331	229,410

Member Contributions

Active members contribute between 5% and 9% of their gross regular compensation depending upon their beginning date of membership (State Police hired after July 1, 1996 contribute 12%). Members joining the MSERS after January 1, 1979 must contribute an additional 2% of regular compensation in excess of \$30,000.00. All member contributions are deposited into the Annuity Savings Fund. Members' contributions to this fund earn interest annually at a rate determined by the Executive Director of PERAC according to statute. Upon retirement, the members' contributions and interest are transferred to the Annuity Reserve Fund. Cost-of-living adjustments and any other increase in benefits imposed by state law granted between 1981 and 1996 are borne by the state. Member contributions for FY'21 were \$685 million consisting of \$652.9 million in payroll deductions, \$6.3 million in member redeposits, \$13.3 million for members transferring from other systems and \$4.50 million from members' rollovers, and \$7.7 million of Investment Income Credited to Members' Accounts.

Note: Inactive membership as of June 30, 2021 includes 21,828 accounts with zero balance.



Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for the Year Ended June 30, 2021

The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund.

The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement systems in meeting their future pension obligations.

The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

The PRIT Fund consists of two investment funds: the Capital Fund and the Cash Fund. Cash, deposited and invested on a temporary basis, is transferred monthly from the Cash Fund to the Capital Fund. Once in the Capital Fund, funds are invested and reinvested across all asset classes under PRIM's long-term investment guidelines and asset allocation plan.

The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on Page 14.

2012 - 2021 History of 10-Year Returns*

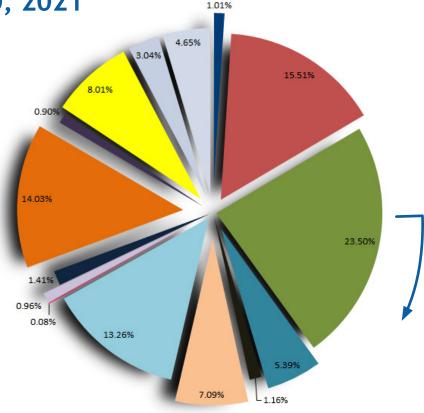


*Net of fees and includes cash

2011 - 2021 History of 10-Year Funded Ratio









Fiscal Year 2020 Values

As of June 30, 2020 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital and Cash Fund:

\$28,219,163,541.46

Fiscal Year 2021 Capital Fund

As of June 30, 2021 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund:

\$35,640,500,721.13

Fiscal Year 2021 Cash Fund

As of June 30, 2021 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund:

\$15,994,451.56

Annual Statement of the Massachusetts State Employees' Retirement System for the Year Ended June 30, 2021

Annual Statement Balance Tests

1. Asset Balance:

Assets Previous Year \$ 28,407,959,742.00

Income Current Year \$ 10,279,425,667.89

Disbursements Current Year \$ 2,835,623,110.26

Assets Current Year: \$35,851,762,299.63

2. Asset Difference:

Assets Current Year \$35,851,762,299.63
Assets Previous Year <u>28,407,959,742.00</u>

Difference: \$7,443,802,557.63

3. Income Difference:

4. Fund Change Difference:

Total Fund Change Credits Current Year \$11,632,764,759.27

Total Fund Change Debits Current Year 4,188,962,201.64

Difference: \$7,443,802,557.63

Note: The difference as a result of tests 2, 3, and 4 should be the same.

Assets and Liabilities

		FY 2021	FY 2020		FY 2019
1040 - 1070 Cash	\$	105,477,819.76	\$ 91,215,462.88	\$	88,695,125.76
8888 - Accounting Software Offset Account		3.17	3.17		3.15
1198 - PRIT Cash Fund		15,994,451.56	15,602,529.23		30,621,937.62
1199 - PRIT Capital Fund	3	5,640,500,721.13	28,203,561,012.23		28,374,124,489.67
1350 - Prepaid Expenses		17,218.22	13,705.22		17,006.07
1397 - Accounts Receivable (A)		2,026,946.60	713,324.88		0.00
1398 - Accounts Receivable (A)		84,398,289.05	111,834,725.64		115,340,689.44
1399 - Accounts Receivable (A)		23,531,572.21	20,306,812.34		15,908,908.01
2020 - Accounts Payable (A)	_	(20,184,722.07)	(35,287,833.59)	_	(31,223,945.28)
TOTAL:	\$3	5,851,762,299.63	\$28,407,959,742.00	\$	28,593,484,214.44

Funds

	FY 2021	FY 2020	FY 2019
3293 - Annuity Savings Fund	\$6,957,494,610.87	\$ 6,793,727,951.33	\$ 6,596,028,869.70
3294 - Annuity Reserve Fund	1,929,770,359.96	1,916,242,062.58	1,907,189,426.99
3295 - Special Military Service Credit Fund	33,698.46	33,664.83	33,631.20
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	26,964,463,630.34	19,697,956,063.26	20,090,232,286.55
TOTAL ASSETS AT MARKET VALUE:	\$35,851,762,299.63	\$28, 407,959,742.00	\$28,593,484,214.44

⁽A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.

Statement of Funds Flow

Fund	Balance 7/1/20	Receipts	Interfund Transfers	Disbursements	Balance 6/30/21
Annuity Savings Fund	\$ 6,793,727,951.33	\$ 684,959,638.52	(\$470,767,066.69)	\$ 50,425,912.29	\$ 6,957,494,610.87
Annuity Reserve Fund	1,916,242,062.58	57,821,219.14	466,616,335.39	510,909,257.15	1,929,770,359.96
Military Service Fund	33,664.83	33.63	0.00	0.00	33,698.46
Pension Fund	0.00	1,214,025,156.34	886,722,755.99	2,100,748,871.25	(958.92)
Expense Fund	0.00	173,539,069.57	0.00	173,539,069.57	0.00
Pension Reserve Fund	19,697,956,063.26	8,149,080,550.69	(882,572,024.69)	0.00	26,964,464,589.26
TOTAL FUNDS:	\$28,407,959,742.00	\$10,279,425,667.89	\$ 0.00	\$2,835,623,110.26	\$35,851,762,299.63

All Fiscal Year 2021 Transfers:

- Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$466,616,335.39 on account of Current year retirees.
- ◆ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$14,497,482.43 on account of 10 Year Old Inactive Accounts.
- Transfer from 3296 PF Fund to the 3293 ASF Fund in the amount of \$958.92 on account of former member's MSF balance transferred to other Board.
- Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$10,345,792.21 on account of Reactivated Accounts.
- ◆ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$886,723,714.91 on account of Funding Schedule.

Receipts

	FY 2021	FY 2020	FY 2019
1. Annuity Savings Fund:			
(a) 4891 - Members' Deductions	\$ 652,911,325.10	\$ 659,014,622.87	\$ 632,730,131.63
(b) 4892 - Transfers From Other Systems	13,394,010.18	14,795,654,44	15,006,945.25
(c) 4893 - Member Make Ups and Redeposits	6,365,621.40	5,610,493.89	8,864,322.92
(d) 4900 - Member Payments from Rollovers	4,523,309.34	7,627,118.89	47,191,297.44
(e) Investment Income Credited to Members' Accounts	7,765,372.50	7,907,786.40	7,888,411.53
Subtotal:	684,959,638.52	694,955,676.49	711,681,108.77
2. Annuity Reserve Fund:			
(a) 4750 - Recovery of Annuity from Reinstatements	0.00	0.00	0.00
(b) 4752 - Recovered Annuities Death	666,667.51	466,627.57	0.00
(c) Investment Income Credited to Annuity Reserve Fund	57,154,551.63	57,101,463.82	57,018,240.85
Subtotal:	57,821,219.14	57,568,091.39	57,018,240.85
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	714,503.40	23,311,543.31	48,728,360.99
(b) 4894 - Pension Fund Appropriation	1,209,849,458.00	1,102,432,666.50	1,018,427,694.00
(c) 4840 - Workers' Compensation Settlements	490,618.53	452,193.57	749,669.01
(d) 4841 - Recovery of 91A Overearnings	186,538.24	130,341.52	174,237.98
(e) 4753 - Recovered Pensions Death	2,784,038.17	2,038,463.56	0.00
Subtotal:	1,214,025,156.34	1,128,365,208.46	1,068,079,961.98
4. Military Service Fund:			
(a) Investment Income Credited to Military Service Fund	33.63	33.63	33.60
Subtotal:	33.63	33.63	33.60
5. Expense Fund:			
(a) Investment Income Credited to Expense Fund	173,539,069.57	161,508,642.11	158,419,648.88
Subtotal:	173,539,069.57	161,508,642.11	158,419,648.88
6. Pension Reserve Fund:			
(a) 4830 - ORP Employer Reimbursements	0.00	0.00	17,085,945.75
(b) 4897 - Federal Grant Reimbursement	6,807,708.10	7,350,931.83	7,165,927.57
(c) 4822 - Interest Not Refunded	154,819.52	164,824.16	170,950.10
(d) 4825 - Miscellaneous Income	34,698,210.82	6,772,288.84	42,208,604.97
(e) Excess Investment Income Credited to Pension	8,107,419,812.25	481,579,870.44	1,453,231,413.62
Subtotal:	8,149,080,550.69	495,867,915.27	1,519,862,842.01
TOTAL RECEIPTS:	<u>\$10,279,425,667.89</u>	<u>\$2,538,265,567.35</u>	<u>\$3,515,061,836.09</u>

Disbursements

	FY 2021	FY 2020	FY 2019
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ 41,869,122.42	\$ 50,516,308.00	\$ 52,485,049.84
(b) 5756 - Transfers To Other Systems	8,556,789.87	12,941,416.03	15,898,223.49
Subtotal:	50,425,912.29	63,457,724.03	68,383,273.33
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	505,964,841.77	472,947,755.16	443,487,906.36
(b) 5759 - Option B Refunds	4,944,415.38	3,417,718.79	3,038,914.17
Subtotal:	510,909,257.15	476,365,473.95	446,526,820.53
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,826,863,815.86	1,737,530,422.89	1,657,913,933.52
Survivorship Payments	9,272,644.83	9,259,268.61	9,073,468.71
Ordinary Disability Payments	16,315,334.06	16,541,439.65	16,211,781.38
Accidental Disability Payments	153,024,400.57	145,452,952.19	140,464,558.14
Accidental Death Payments	53,987,259.13	52,571,882.82	52,063,907.87
Section 101 Benefits	5,106,001.60	5,233,353.00	5,290,134.32
(b) 5755 - 3(8)(c) Reimbursements to Other Systems	16,705,135.97	17,903,775.63	16,131,534.73
(c) 5752 - COLAs Paid	13,842,018.13	13,826,139.81	15,800,214.65
(d) 5600 - Bad Debt Expense	4,917,757.70	827,421.79	0.00
(e) 5700 - 3(8)(c) Reimbursements to General Fund	714,503.40	23,311,543.31	48,728,360.99
Subtotal:	2,100,748,871.25	2,022,458,199.70	1,961,677,894.31
4. Expense Fund:			
(a) 5119 - Staff Salaries	5,748,125.55	5,574,070.08	5,267,951.20
(b) 5120 - Benefits	2,168,944.30	2,016,290.41	1,532,459.63
(c) 5304 - Management Fees	136,673,234.77	124,358,738.21	125,707,060.51
(d) 5305 - Custodial Fees	20,098,529.05	19,888,421.55	16,859,864.08
(e) 5308 - Legal Expenses	14,855.56	14,825.47	11,468.91
(f) 5310 - Fiduciary Insurance	47,260.00	48,341.87	47,974.00
(g) 5311 - Service Contracts	403,675.12	722,307.68	829,110.78
(h) 5312 - Rent Expense	848,735.61	588,117.40	435,260.38
(i) 5315 - Professional Services	6,645,189.53	7,201,584.57	6,885,695.64
(j) 5320 - Education and Training	13,080.96	7,947.24	16,608.53
(k) 5588 - Miscellaneous Expense	0.00	0.00	0.00
(l) 5589 - Administrative Expenses	780,982.72	810,535.31	753,366.33
(m) 5599 - Furniture and Equipment	72,213.10	266,876.35	52,241.96
(n) 5719 - Travel Expenses	24,243.30	10,585.97	20,586.93
Subtotal:	173,539,069.57	161,508,642.11	158,419,648.88
TOTAL DISBURSEMENTS:	<u>\$2,835,623,110.26</u>	\$2,723,790,039.79	\$2,635,007,637.05
			

Investment Income

	FY 2021	FY 2020	FY 2019
Investment Income Received From:			
(a) Pooled Funds (from Schedule 5)	\$ 755,257,808.02	\$ 680,199,636.43	\$ 747,336,862.92
(b) MMDT Investment Income	33,479.21	292,249.22	524,339.04
4821 TOTAL INVESTMENT INCOME:	755,291,287.23	680,491,885.65	747,861,201.96
Plus:			
4884 - Realized Gains (Profits)	2,435,142,147.04	1,057,824,968.53	1,171,684,935.41
4886 - Unrealized Gains (Increase in Market Value)	5,730,405,627.63	2,709,276,380.00	2,862,993,349.83
Subtotal:	8,165,547,774.67	3,767,101,348.53	4,034,678,285.24
Less:			
4885 - Realized Losses	0.00	(194,200,282.93)	0.00
4887 - Unrealized Losses (Decrease in Market Value)	(574,960,222.32)	(3,545,295,154.85)	(3,105,981,738.72)
Subtotal:	(574,960,222.32)	(3,739,495,437.78)	(3,105,981,738.72)
NET INVESTMENT INCOME:	8,345,878,839.58	708,097,796.40	1,676,557,748.48
Income Required:			
Annuity Savings Fund	7,765,372.50	7,907,786.40	7,888,411.53
Annuity Reserve Fund	57,154,551.63	57,101,463.82	57,018,240.85
Expense Fund	173,539,069.57	161,508,642.11	158,419,648.88
Military Service Fund	33.63	33.63	33.60
TOTAL INCOME REQUIRED:	238,459,027.33	226,517,925.96	223,326,334.86
Net Investment Income:	8,345,878,839.58	708,097,796.40	1,676,557,748.48
Less Income Required:	(238,459,027.33)	(226,517,925.96)	(223,326,334.86)
EXCESS INCOME TO THE PENSION RESERVE FUND:	<u>\$8,107,419,812.25</u>	\$ 481,579,870.44	<u>\$ 1,453,231,413.62</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1397 - Accounts Receivable On Deaths

1397 - Accounts Receivable On Deaths \$ 2,026,946.60

TOTAL RECEIVABLES: \$2,026,946.60

1398-Accounts Receivable

Prior Year Balance	\$ 62,344,029.50
4891 - Members' Deductions	20,732,808.92
4892 - Transfers In	18,068.28
4893 - Makeups & Buybacks	92,502.43
4897 - Federal Grant Reimbursement	638,287.04
4900 - Member Payments from Rollovers	49,167.46
5757 - Cancelled Refunds to Members	1,292.98
4898 - 3(8)(c) Reimbursements From Other Systems	522,132.44

TOTAL RECEIVABLES: \$84,398,289.05

1399-Accounts Receivable for Yearly Employer Pension Reimbursement

 Prior Year Balance
 \$ 13,838,730.53

 4825 - Miscellaneous Income
 9,692,841.68

TOTAL RECEIVABLES: \$23,531,572.21

2020-Accounts Payable

•		
Prior Year Balance		\$ 17,489,201.81
5120 - Benefits		2,995.44
5308 - Legal Expenses		24.60
5311 - Service Contracts		145,772.11
5315 - Operating Expense-Professional Services		758,217.57
5315 - Capital Expense-Professional Services		275,000.00
5589 - Administrative Expenses		48,080.67
5599 - Furniture and Equipment		5,002.94
5700 - 3(8)(c) Reimbursement to General Fund		522,132.44
5719 - Travel Expenses		231.73
5755 - 3(8)(c) Reimbursements to Other Systems		938,062.76
	TOTAL PAYABLES:	\$20.184.722.07

Schedule No. 1 - Cash Account Activity During Year - MSERS

(F) (G)	System Not Interest Reinvested Accrued Or June Redeposited 30th	I	I	I	I	I	I	I	I	l		l	
(E)	Sys Book Value June Re 30th This Year Rec	44,776,405.69	(\$ 8,512.11)	6,716,541.63	I	I	14,698,696.42	3 24,993,856.33	6,297,611.58	1,818,436.12	\$ 6,184,784.10	\$105,477,819.76	
(D)	Withdrawals During Year	\$ 566,336,347.54 \$	\$ 725,809,801.37 (\$ 2,093,585,813.34 \$	\$ 2,671,151.60	\$ 53,589,439.74	\$ 13,846,971.65 \$	\$	\$ 17,898,370.65 \$	\$ 65,762.38 \$	\$ 75,000.00	\$3,473,878,658.27	
(C)	Redeposited into Account	I	I	I	I	I	I	I	I	I		I	
(B)	Income Reinvested/ Total Deposits This Year	566,688,648.05	725,577,367.82	. 2,067,722,931.72	\$ 2,671,151.60	53,589,439.74	24,321,807.88	24,993,856.33	19,389,078.36	\$ 155,785.00	\$ 3,030,948.65	\$3,488,141,015.15	
(A)	Book Value at End Of Previous Year	\$ 44,424,105.18 \$	\$ 223,921.44 \$	\$ 32,579,423.25 \$		\$	\$ 4,223,860.19 \$	₩	\$ 4,806,903.87 \$	\$ 1,728,413.50	\$ 3,228,835.45	\$91,215,462.88	
	Description	1040-0000 Cash Annuity - MMARS	1042-0000 BNY Mellon Bank	1050-0000 Pension Payments & Receipts - MMARS	1051-0000 Returned Pensions & Annuities - People's United Bank	1052-0000 3(8)(c) & 59A Receipts - People's United Bank	1053-0000 COLA Payments	1054-0000 Capital Gains Tax Revenue Transfer	1062-0000 Operating Expenses - MMARS	1063-0000 Capital Expenses - MMARS	1070-0000 COLA Repayment Credits	TOTAL CASH	

Schedule No. 5 - Schedule of Pooled Funds - MSERS

(A) (B) (C) (D) (E) Market Value at End of Previous Year Contributions Reinvested Investment Income Investment Previous Year Realized Loss Realized Loss \$ 0.00 \$	(F)	Unrealized Gain	\$ 0.00	\$ 5,730,405,627.63	\$5,730,405,627.63	(K)	Market Value at End of Year	15,994,451.56	35,640,500,721.13	<u>\$35,656,495,172.69</u>
Amarket Value at End of Perivous Year Contributions Reinvested Investment Income Income Realized Gain \$ 15,602,529.23 \$ 698,282,344.34 \$ 78,856.80 \$ 0.00 \$ 28,203,561,012.23 \$ 698,282,344.34 \$ 755,178,951.22 \$ 2,435,142,147.04 \$ 228,219,163,541.46 \$ 6698,282,344.34 \$ 755,178,951.22 \$ 2,435,142,147.04 \$ Changes from (to) (l) (l) (l) \$ 574,960,222.32 (s752,055,030.85) (s 1,450,024,309.66) \$ 600,000 \$ 574,960,222.32 (s752,055,030.85) \$ 0.00 (s 156,771,768 \$ 574,960,222.32 \$ 0.00 (s156,771,768	(E)	ized Loss	\$ 0.00	0.00	\$0.00	3	Market Va	∨	↔	
Market Value at End of Contributions Reinvested Income	(0		0.00	142,147.04	42,147.04	(5)	Net Fees Paid		(\$ 156,771,763.82)	(\$156,771,763.82
## Market Value at End of Contributions Rei	1)	Realize					tions)24,309.66)	0.00	24,309.66]
(A) (B) Market Value at End of Previous Year \$ 15,602,529.23 \$ 698,282,344.34 \$ 28,203,561,012.23 \$ 698,282,344.34 \$ 28,203,561,012.23 \$ 698,282,344.34 (G) (H) (G) (H) Unrealized Loss Exchanges from (to) the Cash Fund \$ 574,960,222.32	(C)	Reinvested Investment Income		\$ 755,178,951.2.	\$755,257,808.03	(<u>)</u>	Redempt		↔	
	(B)	Contributions	698,282,344.34	0.00		(H)	Exchanges from (to) the Cash Fund		(\$752,055,030.85)	
PRIT Fund Fund Fund Fund Fund Fund Fund Fund	(A)	Market Value at End of Previous Year		\$ 28,203,561,012.23	\$28,219,163,541.46	(9)	Unrealized Loss			(\$574,960,222.32)
SERS Capital OLED FUI SERS Capital Cash I SERS Capital SERS Capital		Description	SERS PRIT Cash Fund	SERS PRIT Capital Fund	TOTAL POOLED FUNDS:		Description	SERS PRIT Cash Fund	SERS PRIT Capital Fund	TOTAL POOLED FUNDS:
PERAC Account Number 1198-0000 1199-0000 TOTAL PO 1199-0000 1199-0000 1199-0000 TOTAL PO		PERAC Account Number	1198-0000	1199-0000	TOTAL PO		PERAC Account Number	1198-0000	1199-0000	TOTAL PO

\$156,771,763.82

NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:

Schedule No. 7 - Summary of Investment Related Fees - MSERS

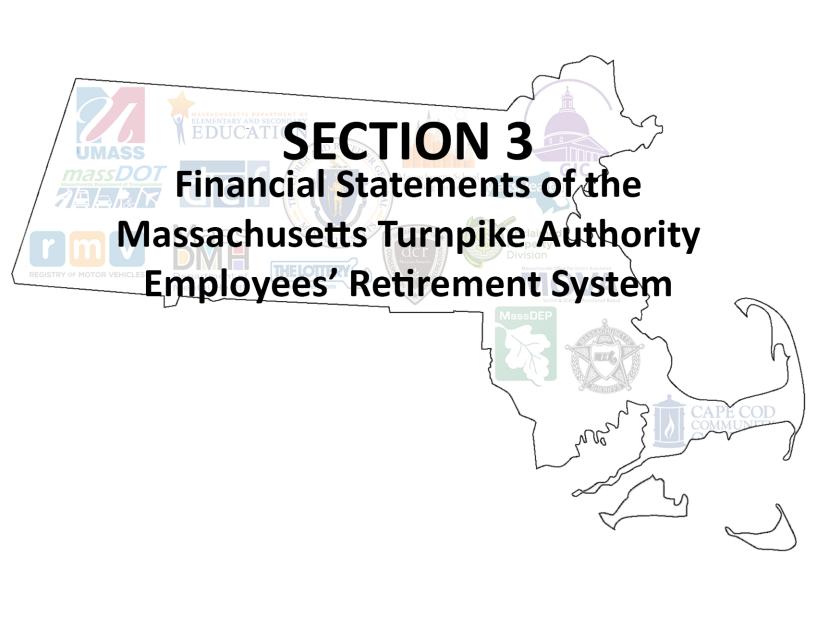
Payment Method	Net	Net
Total Paid or Accrued in FY2021	\$ 136,673,234.77 \$136,673,234.77	\$ 20,098,529.05 \$ 20,098,529.05
Q4 FY2021	\$ 41,862,097.97 \$41,862,097.97	\$ 5,101,032.37 \$5,101,032.37
Q3 FY2021	\$ 32,454,009.73 \$32,454,009.73	\$ 4,811,533.95 \$4,811,533.95
Q2 FY2021	\$ 30,091,985.64 \$30,091,985.64	\$ 5,709,280.40 \$5,709,280.40
Q1 FY2021	\$ 32,265,141.43 \$32,265,141.43	\$ 4,476,682.33 \$4,476,682.33
Manager 5304 Management Fees:	Pension Reserves Investment Trust Fund 5304 Management Fees TOTAL	5305 Custodial Fees: BNY Mellon Bank 5305 Custodial Fees TOTAL

Annuity Reserve Fund Interest Calculation* - MSERS

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Transfers Recovery from 3294 Transfers Balance (Balance x .0025)	- $+$ $+$ $+$ $+$ $+$ $+$ $+$ $+$ $+$ $+$	\$337,177.37 \$0.00 \$0.00 \$30,933,280.13 \$0.00 \$1,906,320,506.15 \$ 4,765,801.27	\$557,263.44 \$0.00 \$0.00 \$37,276,636.43 \$0.00 \$1,902,157,612.84 \$ 4,755,394.03	\$468,571.27 \$0.00 \$0.00 \$32,997,514.46 \$0.00 \$1,893,551,723.28 \$ 4,733,879.31	\$403,549.55 \$0.00 \$0.00 \$42,171,781.89 \$0.00 \$1,893,669,316.63 \$ 4,734,173.29	\$145,182.39 \$0.00 \$0.00 \$58,261,436.34 \$0.00 \$1,909,367,852.76 \$ 4,773,419.63	\$368,553.97 \$0.00 \$49,640,989.27 \$0.00 \$1,916,132,400.54 \$ 4,790,331.00	\$893,299.40 \$0.00 \$0.00 \$39,710,400.58 \$0.00 \$1,912,562,721.39 \$ 4,781,406.80	\$351,580.49 \$0.00 \$0.00 \$36,230,484.21 \$0.00 \$1,906,061,936.94 \$ 4,765,154.84	\$232,877.26 \$0.00 \$0.00 \$53,086,360.35 \$0.00 \$1,915,940,136.39 \$ 4,789,850.34	\$521,976.65 \$0.00 \$0.00 \$30,692,850.46 \$0.00 \$1,903,224,932.58 \$ 4,758,062.33	\$484,487.42 \$0.00 \$26,943,605.96 \$0.00 \$1,886,589,448.77 \$ 4,716,473.62	\$1,886,589,448.77	
Transfers Out	1		₩	↔	₩	₩	₩	↔	↔	₩	↔	↔		
5750 5759	I	\$40,517,659.19 \$337,1	\$40,882,266.30	\$41,134,832.75 \$468,5	\$41,650,638.99	\$42,417,717.82	\$42,507,887.52 \$368,5	\$42,386,780.33	\$42,379,688.17 \$351,5	\$42,975,283.64 \$232,8	\$42,886,077.62 \$521,9	\$43,094,602.35 \$484,4	1)	
	July 1st (2020)	August 1st	September 1st	October 1st	November 1st	December 1st	January 1st	February 1st	March 1st	April 1st	May 1st	June 1st	June 30th (2021)	

^{*}See Investment Income, Page 21.



Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended June 30, 2021

Transfer of Plan Administration

Pursuant to the provisions of §159 of Chapter 25 of the Acts of 2009, as amended by Chapter 26 of the Acts of 2009, the Massachusetts Turnpike Authority Employees' Retirement Board was abolished on November 1, 2009. The legislation provides for the continuation of the Massachusetts Turnpike Authority Employees' Retirement System with custody of its assets transferred to the State Treasurer and management of the System transferred to the State Board of Retirement also effective November 1, 2009. All future benefit payments made under G.L. c. 32 § 1 to 28 inclusive become obligations of the Commonwealth of Massachusetts.

The accompanying financial statements have been prepared under the provisions contained in that legislation. The financial statements do not include any adjustments relating to the recovery and classification of asset values, or the amount and classification of liabilities, or the amount and classification of future benefits that might occur as a result of the ultimate settlement arising from these actions.

Annual Statement Balance Tests

1. Asset Balance:

Assets Previous Year \$ 159,340,782.55 Income Current Year \$ 1,726,832.00

Disbursements Current Year ______15,608,775.42

Assets Current Year: \$ 145,458,839.13

2. Asset Difference:

Assets Current Year \$ 145,458,839.13

Assets Previous Year 159,340,782.55

Difference: (\$13,881,943.42)

3. Income Difference:

Income Current Year \$ 1,726,832.00

Disbursements Current Year 15,608,775.42

Difference: (\$13,881,943.42)

4. Fund Change Difference:

Total Fund Change Credits Current Year \$ 14,336,838.32

Total Fund Change Debits Current Year 28,218,781.74

Difference: (\$13,881,943.42)

Note: The difference as a result of tests 2, 3, and 4 should be the same.

Assets and Liabilities

		FY 2021	FY 2020	FY 2019
1040 - 1062 Cash		\$ 6,669,923.94	\$ 2,735,596.92	\$ 446,417.43
1198 - PRIT Cash Fund		176,938.28	153,742.34	235,102.57
1199 - PRIT Capital Fund		180,867,003.12	156,056,175.63	169,577,674.48
1398 - Accounts Receivable (A)		43,773.98	424,014.06	173,514.86
2020 - Accounts Payable (A)		(48,566.81)	(28,746.40)	(120,514.33)
	TOTAL:	\$187,709,072.51	\$159,340,782.55	\$170,312,195.01

Funds

	FY 2021	FY 2020	FY 2019
3293 - Annuity Savings Fund	\$ 41,024,657.93	\$ 41,040,812.86	\$ 41,071,190.51
3294 - Annuity Reserve Fund	28,524,458.69	29,780,241.30	31,068,847.69
3295 - Special Military Service Credit Fund	437.01	436.57	436.13
3296 - Pension Fund	121.75	121.75	121.75
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	118,159,397.13	88,519,170.07	98,171,598.93
TOTAL ASSETS AT MARKET VALUE:	\$187,709,072.51	\$159,340,782.55	\$170,312,195.01

⁽A) Refer to Schedule A for Detail of Accounts Receivable and Accounts Payable.

Statement of Funds Flow

Fund		Balance Receipts			Interfund Transfers		Disbursements		Balance 6/30/2021	
Annuity Savings Fund	\$	41,040,812.86	\$	41,071.19	\$	0.00	\$	57,226.12	\$	41,024,657.93
Annuity Reserve Fund		29,780,241.30		864,063.91		0.00		2,119,846.52		28,524,458.69
Military Service Fund		436.57		0.44		0.00		0.00		437.01
Pension Fund		121.75		0.00		12,610,006.32		12,610,006.32		121.75
Expense Fund		0.00		821,696.46		0.00		821,696.46		0.00
Pension Reserve Fund		88,519,170.07		42,250,233.38	_(12,610,006.32)	_	0.00	1	118,159,397.13
TOTAL FUNDS:	<u>\$1</u>	59,340,782.55	<u>\$4</u>	3,977,065.38	<u>\$</u>	0.00	<u>\$1</u>	5,608,775.42	\$18	<u>87,709,072.51</u>

All Fiscal Year 2021 Transfers:

■ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$12,610,006.32 on account of Funding Schedule.

Receipts

	FY 2021	FY 2020	FY 2019
1. Annuity Savings Fund:			
(a) Investment Income Credited to Members' Accounts	\$ 41,071.19	\$ 41,073.48	\$ 41,226.83
Subtotal:	41,071.19	41,073.48	41,226.83
2. Annuity Reserve Fund:			
(a) Investment Income Credited to Annuity Reserve Fund	864,063.91	901,746.40	941,771.01
Subtotal:	864,063.91	901,746.40	941,771.01
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	0.00	606,947,69	426,745.68
Subtotal:	0.00	606,947.69	426,745.68
4. Military Service Fund:			
(a) Investment Income Credited to Military Service Fund	0.44	0.44	0.44
Subtotal:	0.44	0.44	0.44
5. Expense Fund:			
(a) Investment Income Credited to Expense Fund	821,696.46	825,021.50	872,587.70
Subtotal:	821,696.46	825,021.50	872,587.70
6. Pension Reserve Fund:			
(a) 4822 - Interest Not Refunded	0.00	0.00	6.93
(b) 4825 - Miscellaneous Income	0.00	0.00	2,352.65
(c) Excess Investment Income Credited to Pension Reserve Fund	0.00	2,360,858.13	8,253,981.19
Subtotal:	0.00	2,360,858.13	8,256,340.77
TOTAL RECEIPTS:	<u>\$1,726,832.00</u>	<u>\$4,735,647.64</u>	\$10,538,672.43

Disbursements

	FY 2021	FY 2020	FY 2019
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ 57,226.12	\$ 71,451.13	\$ 83,197.72
Subtotal:	57,226.12	71,451.13	83,197.72
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	2,119,846.52	2,190,352.79	2,285,699.87
Subtotal:	2,119,846.52	2,190,352.79	2,285,699.87
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	9,327,722.29	9,555,360.64	9,975,659.52
Survivorship Payments	109,732.28	97,606.32	96,367.54
Ordinary Disability Payments	275,451.00	292,601.45	309,375.36
Accidental Disability Payments	1,808,831.86	1,840,067.91	1,893,418.43
Accidental Death Payments	489,413.76	492,693.04	509,424.00
Section 101 Benefits	98,503.80	98,883.38	85,831.97
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	500,351.33	243,021.93	257,662.84
Subtotal:	12,610,006.32	12,620,234.64	13,127,739.66
4. Expense Fund:			
(a) 5304 - Management Fees	716,204.76	711,360.98	769,409.89
(b) 5305 - Custodial Fees	105,491.70	113,660.52	103,177.81
Subtotal:	821,696.46	825,021.50	872,587.70
TOTAL DISBURSEMENTS:	<u>\$15,608,775.42</u>	\$15,707,060.09	\$16,369,224.95

Investment Income

	FY 2021	FY 2020	FY 2019
Investment Income Received:			
(a) Pooled Funds (from Schedule 5)	\$ 3,965,250.92	\$ 3,915,547.15	\$ 4,592,313.96
(b) MMDT Investment Income	614.14	1,182.10	0.00
4821 TOTAL INVESTMENT INCOME:	3,965,865.06	3,916,729.25	4,592,313.96
Plus:			
4884 - Realized Gains (Profits)	12,784,121.59	6,091,368.72	7,170,659.59
4886 - Unrealized Gains (Increase in Market Value)	30,293,550.76	15,388,195.70	17,423,164.58
Subtotal:	43,077,672.35	21,479,564.42	24,593,824.17
Less:			
4885 - Realized Losses	0.00	(1,096,383.76)	0.00
4887 - Unrealized Losses (Decrease in Market Value)	(3,066,472.03)	(20,171,209.96)	(19,076,570.96)
Subtotal:	(3,066,472.03)	(21,267,593.72)	(19,076,570.96)
NET INVESTMENT INCOME:	43,977,065.38	4,128,699.95	10,109,567.17
Income Required:			
Annuity Savings Fund	41,071.19	41,073.48	41,226.83
Annuity Reserve Fund	864,063.91	901,746.40	941,771.01
Expense Fund	821,696.46	825,021.50	872,587.70
Military Service Fund	0.44	0.44	0.44
TOTAL INCOME REQUIRED:	1,726,832.00	1,767,841.82	1,855,585.98
Net Investment Income:	43,977,065.38	4,128,699.95	10,109,567.17
Less Income Required:	(1,726,832.00)	(1,767,841.82)	(1,855,585.98)
EXCESS INCOME CREDITED TO PENSION RESERVE FUND:	<u>\$42,250,233.38</u>	\$ 2,360,858.13	\$ 8,253,981.19

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable:

\$ 0.00

TOTAL RECEIVABLES:

<u>\$0.00</u>

2020-Accounts Payable:

5755 - 2000 3(8)(c) Reimbursements To Other Systems \$ 48,566.81

TOTAL PAYABLES: \$48,566.81

Schedule No. 1 - Cash Account Activity During Year - MTAERS

(9)	Interest Due and Accrued June 30th	I	1	I	I	I	I
(F)	System Not Reinvested or Redeposited	I	I	I	1	I	I
(E)	Book Value June 30th This Year	\$ 6.93	\$ 6,649,924.23	I	\$ 19,992.77	\$6,669,923.93	\$ 176,938.28
(D)	Withdrawals During Year	\$ 2,184,078.93	\$ 12,371,501.43	\$ 1,013,618.52		\$15,569,198.88	\$ 18,707,977.72
(C)	Redeposited into Account	I	I	I	1	I	I
(B)	Income Reinvested/Total Deposits This Year	\$ 2,184,078.93	\$ 16,305,828.45	\$ 1,013,618.52	I	\$19,503,525.90	\$ 18,731,173.66
(V)	Book Value at End of Previous Year	\$ 6.93	\$2,715,597.21	I	\$ 19,992.77	\$ 446,417.42	\$ 153,742.34
	Description	1040-2000 Cash Annuity - MMARS	1050-2000 Pension Payments & Receipts - MMARS	1052-2000 3(8)(c) & 59A Receipts - BNY Mellon Bank	1062-2000 Operating Expenses - MMARS	TOTAL CASH	1198-2000 PRIT Cash

Schedule No. 5 - Schedule of Pooled Funds - MTAERS

(F)	Unrealized Gain	\$ 0.00	30,293,550.76	\$30,293,550.76		at _	38.28	<u> 33.12</u>	1.40
(E)	Realized Loss	\$ 0.00	0.00	80.00	(X)	Market Value at End of Year	\$ 176,938.28	\$ 180,867,003.12	\$181,043,941.40
(D)	Realized Gain Re	0.00	<u>\$ 12,784,121.59</u>	\$12,784,121.59	(5)	Net Fees Paid	\$ 0.00	(821,696.46)	(\$821,696.46)
Ξ	Realize	∨	\$ 12,78	\$12,78		ons	971.43)	0.00	71.43)
(C)	Reinvested Investment Income	1,252.06	\$ 3,963,998.86	\$3,965,250.92		Redemptions	(\$ 18,700,971.43)		(\$18,700,971.43)
(B)	R Contributions In	\$ 380,240.08 \$	\$ 0.00 \$	\$380,240.08	(H)	Exchanges from(to) the Cash Fund	\$ 18,342,675.23	(18,342,675.23)	\$ 0.00
(A)	Market Value at End of Previous Year	\$ 153,742.34	\$ 156,056,175.63	\$156,209,917.97	(9)	Unrealized Loss	\$ 0.00	(3,066,472.03)	(\$3,066,472.03)
	Description	MTAERS PRIT Cash Fund	MTAERS PRIT Capital Fund	TOTAL POOLED FUNDS:		Description	MTAERS PRIT Cash Fund	MTAERS PRIT Capital Fund	TOTAL POOLED FUNDS:
	PERAC Account Number	1198-2000	1199-2000	TOTAL P.		PERAC Account Number	1198-2000	1199-2000	TOTAL PO

Schedule No. 7 - Summary of Investment Related Fees - MTAERS

Payment Method			Net			Net	
Total Paid or Accrued in FY2021		\$ 716,204.76	\$716,204.76		\$ 105,491.70	<u>\$105,491.70</u>	\$821,696.46
Q4 FY2021		\$ 212,848.86	\$212,848.86		\$ 25,929.28	\$25,929.28	IND EXPENSES:
Q3 FY2021		\$ 168,134.34	\$168,134.34		\$ 24,925.00	\$24,925.00	RELATED FEES A
Q2 FY2021		\$ 160,077.38	\$160,077.38		\$ 30,349.01	\$30,349.01	NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:
Q1 FY2021		<u>\$ 175,144.18</u>	<u>\$175,144.18</u>		\$ 24,288.41	\$24,288.41	NET TOT
Manager	5304 Management Fees:	Pension Reserves Investment Trust Fund	5304 Management Fees TOTAL	5305 Custodial Fees:	BNY Mellon Bank	5305 Custodial Fees TOTAL	

Annuity Reserve Fund Interest Calculation* - MTAERS

FY2021

INTEREST (Balance x .0025)	\$ 74,450.60	\$ 74,003.24	\$ 73,555.88	\$ 73,109.87	\$ 72,663.82	\$ 72,218.51	\$ 71,773.98	\$ 71,333.49	\$ 70,894.41	\$ 70,456.97	\$ 70,019.34	\$ 69,583.79		\$864,063.91
Balance	\$29,780,241.30	\$29,601,295.74	\$29,422,350.18	\$29,243,948.08	\$29,065,528.50	\$28,887,403.43	\$28,709,593.18	\$28,533,396.71	\$28,357,764.45	\$28,182,787.36	\$28,007,737.88	\$27,833,516.19	\$27,833,516.19	TOTAL:
Transfers	I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
3294	I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Recovery from Reinstatement 4750	I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
Transfers Out	I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
5759	I	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
5750	I	\$178,945.56	\$178,945.56	\$178,402.10	\$178,419.58	\$178,125.07	\$177,810.25	\$176,196.47	\$175,632.26	\$174,977.09	\$175,049.48	\$174,221.69		
	July 1st (2020)	August 1st	September 1st	October 1st	November 1st	December 1st	January 1st	February 1st	March 1st	April 1st	May 1st	June 1st	June 30th (2021)	

*See Investment Income, Page 33.

Notes on Financial Statements

Significant Accounting Policies

The accounting records of the MSERS and MTAERS are maintained on a fiscal year basis beginning January 1, 2013 under M.G.L. Chapter 32, Sec. 20, paragraph(h) in accordance with the standards and procedures established by the Executive Director of the Public Employees Retirement Administration Commission.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the MSERS or MTAERS receive a refund of their total accumulated contributions and a required amount of interest. Refunds-To-Members for fiscal year 2021 were \$50.4 million. The value of the Annuity Savings Fund was \$6.95 billion as of the end of the fiscal year.

Annuity Reserve Fund

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Special Fund for Military Service Credit. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance. The number of new retirees for July 1, 2020 to June 30, 2021 was over 3,100 and an amount of \$466 million was transferred from the Annuity Savings Fund to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.9 billion as of the end of the fiscal year.

Pension Fund

The Pension Fund contains the amounts appropriated by the Commonwealth of Massachusetts to pay the pension portion of each retirement allowance.

Pension Reserve Fund

The Pension Reserve Fund is administered by the Pension Reserves Investment Management Board ("PRIM Board"). This Fund contains amounts appropriated by the Commonwealth of Massachusetts for the purpose of funding future retirement benefits. Any investment income in excess of the amount required to credit the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund and the Special Military Credit Fund is credited to the Pension Reserve Fund. On November 7, 1996, the Massachusetts State Teachers' and Employees' Retirement Systems Trust ("MASTERS") was merged into the Pension Reserves Investment Trust ("PRIT") Fund to form a consolidated pension fund under the management of the Pension Reserves Investment Management Board. Inactive member account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity. The value of the Pension Reserve Fund was \$26.96 billion as of the end of the fiscal year.

Military Service Fund

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces and who receive creditable service for the period of that leave. On March 10, 1993, the Military Service Fund received a state appropriation of \$117,206.94 for military service credit for the 81 members of the State Employees' Retirement System who participated in operation Desert Storm.

Interest income credited to the Military Service Fund was \$33.63. The balance in the Military Service Fund on June 30, 2021 was \$33,698.46.

Expense Fund

The Expense Fund contains amounts transferred from investment income for the purpose of administering the State Employees' Retirement System. Remaining account balances are expended in the following month.

Retirement Board Operating and Capital Spending Plans

On April 25, 2020 the State Retirement Board ("Board") unanimously approved its Operating Spending Plan for FY 2021 in the amount of \$20,956,022 and these funds were used to pay for various operating expenses during FY 2021. The Board also approved the Capital Spending Plan for FY 2021 in the amount of \$1,428,026 to pay for capital expenses.

A monthly operating and capital spending report have been presented to the Board throughout the fiscal year.

Interest Not Refunded

Interest Not Refunded is interest forfeited by members upon withdrawal from the System prior to becoming fully vested. The interest forfeiture applies to members who commenced employment on or after January 1, 1984. The total interest not refunded transferred to Pension Reserve Fund for FY 2021 was \$154,819.52.

3(8)(c) and 59A Receipts and Disbursements

A 3(8)(c) reimbursement is the pension benefit reimbursement received from Massachusetts public systems for the portion of creditable service attained by a retired former contributing member of another retirement system. A 59A reimbursement is similar, except such receipts represent creditable service of retired former non-contributing members. The total 3(8)(c) and 59A reimbursements received in FY 2021 for report year 2020 \$714,503.40*. The reimbursements are transferred to the Commonwealth of Massachusetts General Fund for purposes of reducing the state's actuarial liability. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems were paid in May 2021 and a total of \$16.7 million.

Legislative Funding for Pensions

The State Employees' Retirement System received \$1,191,849,458 in appropriation funds from the Commonwealth of Massachusetts for the fiscal year 2021. This amount includes \$1,191,400,000.00 (including ERIP \$28.4M) for pension funding and an additional \$449,458.00 is for an adjustment of reduction to PERAC administrative expenses.

Under the Exclusive Benefit Rule as part of Chapter 5 section 8 of the Acts of 2017, the Commonwealth's appropriation funding schedule from the General Fund to the Pension Liability Fund includes the annual administrative expenses for PERAC.

Legislative Funding for COLA Reimbursements

The Commonwealth appropriated \$18,000,000 in order to set aside COLA (Cost of Living Adjustment) reimbursements to the other retirement systems in 2021.

COLA reimbursements to other retirement systems during fiscal year 2021 were \$13.8 million. A balance of approximately \$14.6 million remains as of June 30, 2021.

Bad Debt Expense

This represents the State Retirement Board's authority to write off outstanding pension receivables owed on behalf of deceased retirees and survivors deemed uncollectible after three years. At the March 2021 Board Meeting, the Board approved SRB to write off \$243,140.12 for 277 accounts deemed uncollectible based on members dates of death as of December 31, 2017 and remained outstanding as of December 31, 2020.

Miscellaneous Income

Miscellaneous Income for this fiscal year is \$34,698,210.82 representing obligations assessed yearly for employer pension reimbursement revenues as authorized by M.G.L. c. 32, section 8(4)(a). This amount also includes \$24,993,856.33 transferred from the Commonwealth's Stabilization Fund (Capital Gains Tax Revenues).

