

Massachusetts State Retirement Board

ANNUAL REPORT

For the Year Ended June 30, 2022

YOU SERVE THE COMMONWEALTH. WE SERVE YOU.

MAP OF
MASSACHUSETTS.

2022 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, 2022

State Retirement Board

Deborah B. Goldberg

Treasurer and Receiver General, Chair

Theresa McGoldrick, Esq.

Elected Member

Francis Valeri

Elected Member

Maureen Valente

Appointed Member

Archibald (Archie) Gormley

Chosen Member

Main Office

One Winter Street, 8th FL

Boston, MA 02108

Phone: 617-367-7770

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

Regional Office

436 Dwight Street, Room 109A

Springfield, MA 01103

Phone: 413-730-6135

mass.gov/retirement

Table of Contents

Public Pension Award	1
Board Certification.....	2
About the System	4
2022 Fiscal Year in Review	5
Members of the Board.....	8
State Employees' Retirement System Staff	9
Membership Information.....	11
Financial Statements of the State Employees' Retirement System	
PRIM Board	13
PRIT Capital Fund Core Asset Allocation	14
Annual Statement Balance Tests	15
Assets and Liabilities	16
Statement of Funds Flow	17
Receipts	18
Disbursements.....	19
Investment Income.....	20
Schedule A	21
Schedule No. 1, Cash Account Activity During Year	22
Schedule No. 5, Schedule of Pooled Funds.....	23
Schedule No. 7, Summary of Investment Related Fees	24
Annuity Reserve Fund Interest Calculation.....	25
Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System	
Annual Statement Balance Tests	27
Assets and Liabilities	28
Statement of Funds Flow	29
Receipts	30
Disbursements.....	31
Investment Income.....	32
Schedule A	33
Schedule No. 1, Cash Account Activity During Year	34
Schedule No. 5, Schedule of Pooled Funds.....	35
Schedule No. 7, Summary of Investment Related Fees	36
Annuity Reserve Fund Interest Calculation.....	37
Notes on Financial Statements.....	38



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2022***

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)

A handwritten signature in black ink, reading 'Alan H. Winkle', is positioned above the printed name and title.

Alan H. Winkle
Program Administrator

Annual Statement for the Year Ended June 30, 2022 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

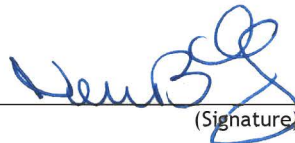
One Winter Street, Boston, MA 02108 Telephone Number: (617) 367-7770

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 State Retirement Board

Ex-officio Member

Deborah B. Goldberg (Chair)


(Signature)

Appointed Member

Maureen Valente

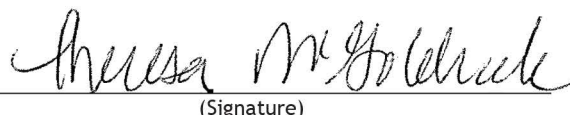
Term Expires 3/29/2025


(Signature)

Elected Member

Theresa McGoldrick, Esq.

Term Expires 4/30/2024


(Signature)

Elected Member

Francis Valeri

Term Expires 1/30/2023


(Signature)

Member Appointed By

Other Members

Archibald (Archie) Gormley

Term Expires 3/25/2024


(Signature)

Investment Manager

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

84 State Street
Suite 250
Boston, MA 02109

Investment Consultant

PENSION RESERVES INVESTMENT MANAGEMENT BOARD

84 State Street
Suite 250
Boston, MA 02109

A detailed, sepia-toned historical map of London and its surrounding areas, including labels for 'LONDON', 'HEATH', 'WINDSOR', and 'WIMBORNE'. The map is visible in the background, partially obscured by a white rounded rectangle.

SECTION 1

About the System

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"). The MSERS and MTAERS assets are invested and managed separately by the Pension Reserves Investment Management ("PRIM") Board.

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 MSRB is a multi-generational and diverse department within the Office of the State Treasurer with a staff of more than 90 full-time, part-time and contract employees. Board offices are located in Boston and Springfield.

As of June 30, 2022, the Board is responsible to 88,418 active members and 67,899 retirees or beneficiaries. The January 1, 2022 valuation reported 85,999 active members; 68,280 retirees and beneficiaries; The MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries.

The Board's primary mission is the support of our active and retired members through the successful and accurate administration of pension and related benefits. 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 for retirement benefits 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, 2022, there were approximately 44,000 members hired after April 1, 2012.

The maximum retirement allowance benefit 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.

2022 Fiscal Year in Review

Board Operations

The MSRB began Fiscal Year 2022 with staff continuing to operate in a modified in-office & remote work arrangement in Boston & Springfield due to impacts of the COVID challenge. Limited staff worked daily in both offices and remaining staff worked remotely. By November 2021 a pilot hybrid work program (two-day per week minimum in office schedule coupled with remote work ability) was put into place.

Due to unabating public health concerns, for the period of December 27, 2021 through January 17, 2022 the Treasury reverted to increased remote work along with reduced in-office presence similar to what was in place before November 1, 2021. The increased in-office / hybrid work arrangement resumed in February 2022 for the balance of the fiscal year after which a Tele-Commute arrangement was introduced.

During the 2022 Fiscal Year, the Board issued benefit and annuity payments to retirees and survivors totaling more than \$2.69 billion. MSRB staff processed over

3,100 new retirements, and over 3,700 member refund / rollover requests.

The MSRB's accelerated first payment program continued in effect. This process allows new retirees whose benefits are finalized to receive a payment in mid-month for 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 2022, more than 1,200 accelerated payments were processed with a total of almost \$16 million in retro-active benefits.

Actuarial Valuation Results

In September 2022 the Board received from PERAC the January 1, 2022 MSERS actuarial valuation. The data reflected a 7.00% investment rate of return assumption and as reported since January 1, 2021. All other material assumptions were maintained from the previous valuation. The total normal cost increased by \$13,817 from January 1, 2021.

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, and 7.0% for the last two years).

The MSERS' funded ratio increased from 66.5% to 72.9%. The unfunded actuarial liability decreased from \$15.33b to \$12.807b. The average retirement benefit was reported at \$39,602.00. As of January 1, 2022, the MSERS had 85,999

active members and 68,280 retirees and beneficiaries receiving benefits. The number of active members decreased from the 2021 valuation by just over 1,100 while retired members increased by approximately 1,900.

As of January 1, 2022, the actuarial liability was \$47.275b, and the actuarial value of plan assets was \$34.467b. The difference is the unfunded actuarial liability ("UAL"). The report can be found online at www.mass.gov/service-details/publications-msrb.

Supplemental Pension Funding

Over the course of the fiscal year the MSERS received \$102,420,667.24 in supplemental pension funding from the Commonwealth as part of legislation enacted. Chapter 33 of the Acts of 2021 provided a total of \$250m in payments to the MSERS and the Massachusetts Teachers Retirement System ("MTRS") in proportion to each system's membership. The MTRS received \$147,579,332.76.

Additionally, M.G.L. c.29, §5G requires that capital gains tax revenue in excess of the fiscal year capital gains tax threshold be transferred as follows: (i) 90% to the Commonwealth Stabilization Fund; (ii) 5% to the State Retiree Benefits Trust Fund (SRBTF); and (iii) 5% to the Commonwealth's Pension Liability Fund (PRIT). As a result the Commonwealth Pension Fund received \$126.255m divided proportionally between the MSERS and MTRS.

Commonwealth Actuarial Valuation

In the Fall of 2021 PERAC released the January 1, 2021 Commonwealth actuarial valuation which represents the combined pension funding and obligations for the MSERS, the MTRS and the Boston Teachers.

The report noted the impact to the total unfunded actuarial liability ("UAL") from changes to the investment return assumption to 7% was \$2.85b, and updated

mortality tables used for each system. These were offset by gains resulting from PRIM's investment performance and from other areas.

The UAL stood at a combined \$45.575b up from \$43,989b in January 2019. The funded ratio increased to 58.2% from 56.3%. (The report noted the UAL would have decreased to \$43.5b and the funded ratio would have been 59.3% had there been no change in the actuarial assumptions.)

The report noted that the combined number of active number of members had increased over the two-year period to 190,113 from 188,430 (of which 82,800 were hired after April 1, 2012); and retirees/survivors came in at 140,487 an increase from 136,658. Combined benefits paid in 2020 were \$5.949b.

In his report the State Actuary indicated within the next 6/7 years the funding schedule payments would begin to cover the interest on the unfunded liability and end the presence of negative amortization.

The current Commonwealth pension funding schedule requires 100% funding by the conclusion of fiscal 2036 and after completion of the full Commonwealth valuation later in the year those results would be considered by PERAC, the Legislature and A&F as they are annually to determine if any changes were warranted to the scheduled appropriations or the schedule as a whole.

The MSRB successfully issued the 2021 Form 1099-R's to retirees and beneficiaries.

Benefit Verification

The first-round of 2022 retiree Benefit Verification Forms (BVF's) were mailed to all pension benefit recipients at the end of

June 2022 as required every two years.

MSRB Outreach

Active member Annual Statements were mailed in June 2022 to eligible members.

More than 85,000 statements were issued which reflect member annuity account balances as of December 31, 2021 and included MSRB beneficiary information.

The MSRB Communications Unit completed 75 webinars with 5,944 members attending. More than 50,000 benefit recipients subscribe to the monthly electronic *MSRB Retiree eNews Bulletin*.

Board Updates

• One-Time COLA Increase Approved

The FY 2023 state budget was signed into law, including a one-time increase in the retiree COLA (Cost-of-Living Adjustment). For eligible members who retired before July 1, 2021, the COLA allowed an increase of 5% of the first \$13,000 of their annual benefit paid in monthly installments, effective July 1, 2022, for a maximum increase of \$650/ year.

• Legislative Efforts

Legislatively, while several MSERS sponsored technical proposals were approved by the Joint Committee on Public Service and advanced to the Ways & Means Committee stage, none were enacted. The bills were re-filed for the second portion of the legislative session.

Separately, the Legislature did enact measures impacting MSERS members. First, annual earnings limits for retirees working in the public sector were waived for the balance of calendar year 2022. Second, corrective legislation was enacted to address the potential retro-active application of the SJC decision in Worcester Regional Retirement Board, et al. v. PERAC, 489 Mass. 94 (February 4,

2022). That decision and its predecessor decision held that certain supplemental payments when used in conjunction with worker's compensation benefits are not regular compensation for any retirement system member and applied to all forms of retirement benefits. In response the Legislature enacted Section 149 of Chapter 126 of the Acts of 2022, providing that the Vernava decisions shall not apply to any member of a retirement system who retired prior to July 1, 2022.

Board Award

The Board is the recipient of the 2022 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

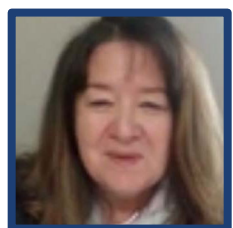
Members of the Board

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 2022.



Appointed Member Maureen Valente

Ms. Valente is the retired Chief Executive Officer of the Massachusetts School Building Authority. She was first appointed in 2022.



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 4,000 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

Kimberly Griffin
Director, Information
Systems & Technology

Rachel Grimaldi
Director, Benefits

Kathryn Kougias
Director, Fiscal
Services

Angela Olszewski
Director, Business
Support

Melinda Troy
Director, Legal
Services

Benefit Account Management

Nidhi Garg, Assistant Manager
Angela Guarino
Susan Horn
Joseph Martin
Barbie Welch
Aneta Wertman
Michael Tevenan

Benefits Calculation

Joseph MacInnis, Manager
Kristine Mathis, Manager (S)
Stephanie Sicard, Manager (S)
Deborah Armstrong
Jennifer Burns
Thao (Tracy) Chau
Pam Davou
Seth Emerson
John Hayden (S)
Joi Hayes-Headley (S)
Marlenis Hernandez
Marie Hilliard (S)
Justin Hunt
Christopher Janke (S)
Darlene Keenan
Mathew Kelly
Tenzin Latoe
Amanda Lavallee
Nicholas Leon Jr.
Stephen Pope
Gloria Santana (S)
Venkata Satya Deep Yalangi

Business Support

Diane Lloyd
Jean Simone
Judy Yim

Communications & Member Outreach

Paula Daddona, Assistant Director
Ebenezer (Ebbie) Shim
Zachary Pierce

Disability

Joisei Horton
Lisa Leary
Lisa Zale

Disbursements

Pamela Holloman, Manager
Adam McGeever
Karolyn Pires
Carol Powers
Jenna Slivinski
Yves Sanon

Electronic Content Management

Abu Mahin, Manager
Domingas Amado Da Silva
Michaela Biggs
Timothy Guilfooy

State Employees' Retirement System Staff* (continued)

Fiscal Services

Martha Castillo, Assistant Manager
Olivia Ciampa
Polane Maison
Jadene Yoke

Internal Audit

Beverley Zhuoxin Tan, Manager

Legal Services

Andrew Dickey
Pamela Diggs
Yande Lombe
James Salvie
Athila Soares-Nunes

Information Systems & Technology

Michael Clancy, Manager
Jeeva Purushothaman
Christian Wangia

Member Account Management

Drenna Barrett, Manager
Jason Olympia
Gregory Paquet
Winnie Rankin
Marsha Shaw

Member Services/Call Center

Robert Faneuil, Manager
Sandra Doctor
Gerry Foley
Akua Forrester
Naomi Kimanthi
Joseph Rich

Office Management

Micarlie Baptiste-Merisier, Manager
Ricardo Pierre
Robert Tarlow

Reinstatements/Service Purchases

Frank Morley, Manager
Jonathan Carey
Pamela Forde
Jacques Joseph

Survivor Benefits

Diana Reyes, Assistant Director
Carol Powers
Eloy Sanchez
Tania Joseph

Training

Thomas Mancini
Cory Taliaferro

Membership Information for Fiscal Year 2022

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 06/30/2022

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS	GROUP1	GROUP2/GROUP4	GROUP3	TOTAL
Active Membership, 06/30 Previous year	76,883	9,859	2,301	89,043
Inactive Membership, 06/30 Previous Year	65,086	7,918	584	73,588
Vested	4,244	433	42	4,719
Non Vested	60,842	7,485	542	68,869
Enrolled during Current Year	8,666	429	172	9,267
Transfers Between Groups	0	0	0	0
Reinstatement of Disabled Members	0	0	0	0
SUBTOTAL	8,666	429	172	9,267
Deduct:				
Death	142	20	6	168
Withdrawals	2,333	254	8	2,595
Retirements	2,222	731	144	3,097
SUBTOTAL	4,697	1,005	158	5,860
Active Membership, 06/30 Current Year	77,497	8,617	2,304	88,418
Inactive Membership, 06/30 Current Year	69,821	8,349	667	78,837
Vested	4,744	551	57	5,352
Non Vested	65,077	7,798	610	73,485
RETIRED MEMBERS, BENEFICIARIES AND SURVIVORS				
Retired, Beneficiary and Survivor Membership, 06/30 Previous Year	50,536	13,797	2,446	66,779
Retirements during the year:				
Superannuation	2,155	684	107	2,946
Ordinary Disability	9	6	0	15
Accidental Disability	50	41	37	128
Termination Retirement Allowance	8	0	0	8
Beneficiary of Deceased Retiree	252	74	11	337
Survivor Benefits from Active Membership	74	14	6	94
SUBTOTAL	2,548	819	161	3,528
Deduct				
Deaths of Retired Members	1,523	301	60	1,884
Termination of Survivor Benefits	254	14	6	274
Reinstatement of Disabled Pensions	3	0	0	3
SUBTOTAL	1,780	315	66	2,161
Retired Membership, 06/30 Current Year				
Superannuation	41,488	12,389	1,725	55,602
Ordinary Disability	402	140	6	548
Accidental Disability	2,034	857	528	3,419
Termination Retirement Allowance	1,825	4	0	1,829
Beneficiaries from Accidental Death	155	8	0	163
Beneficiaries from Section 100	1	0	14	15
Beneficiaries from Section 101	235	24	78	337
Beneficiaries under Option (C)	2,930	499	88	3,517
Option (D) Survivor Allowance	2,105	326	38	2,469
Section 12B Survivor Allowance	0	0	0	0
Total Retired, Beneficiary, Survivor Membership 06/30 Current Year	51,113	14,247	2,539	67,899
TOTAL MEMBERSHIP:				
Active, Inactive, Retired, Beneficiary, and Survivor, 06/30 Current Year	198,431	31,213	5,510	235,154

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'22 were \$719 million consisting of \$694 million in payroll deductions, \$5.0 million in member redeposits, \$15.4 million for members transferring from other systems and \$4.60 million from members' rollovers, and \$8.7 million of Investment Income Credited to Members' Accounts.

The background of the slide is a sepia-toned historical map of Massachusetts, showing various towns, roads, and geographical features. The map is partially obscured by a large white rounded rectangle in the center.

SECTION 2

Financial Statements of the Massachusetts State Employees' Retirement System

Massachusetts Pension Reserves Investment Management Board

Summary of Plan Performance for the Year Ended June 30, 2022

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 elect to invest in the PRIT Fund.

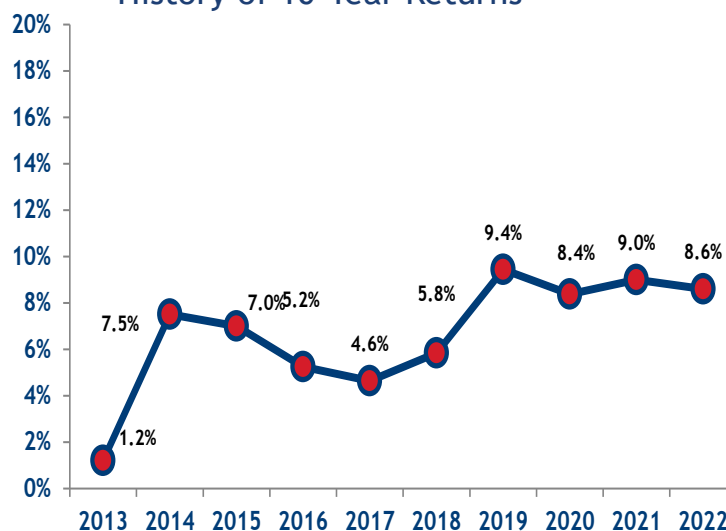
The PRIT Fund was created by the Legislature in December 1983 (Chapter 661 of the Acts 1983) with a mandate to accumulate assets through investment earnings and other revenue sources in order to reduce the Commonwealth's significant unfunded pension liability, and to assist local participating retirement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

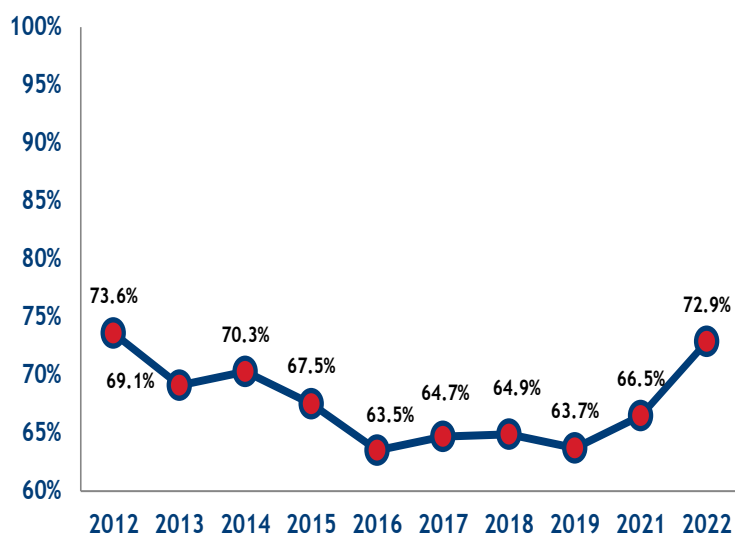
The Capital Fund serves as the investment portfolio of the PRIT Fund. It consists of the General Allocation Account (which holds units of all other investment accounts) and the investment accounts listed in the chart on Page 14.

2013 - 2022
History of 10-Year Returns*



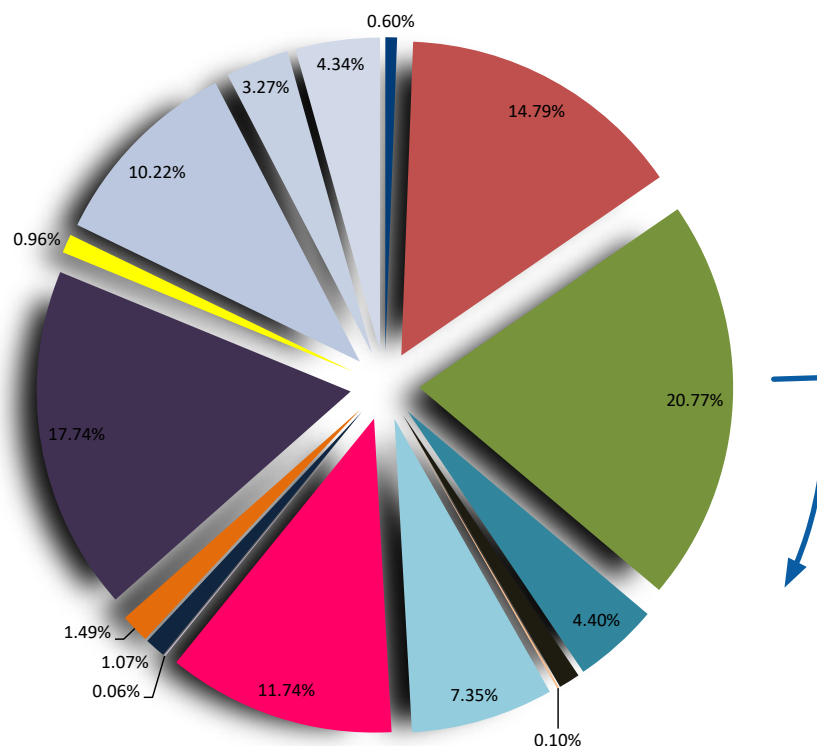
*Net of fees and includes cash

2012 - 2022
History of 10-Year Funded Ratio*



*Due to the COVID-19 outbreak, information is not available for 2020.

PRIT Capital Fund Core Asset Allocation, as of June 30, 2022



1. Cash Overlay	0.60%	7. Hedge Funds	7.35%	13. Real Assets	0.96%
2. Core Fixed Income	14.79%	8. International Equity	11.74%	14. Real Estate	10.22%
3. Domestic Equity	20.77%	9. Liquidating Portfolio	0.06%	15. Timberland	3.27%
4. Emerging Markets	4.40%	10. Other Credit Opportunities	1.07%	16. Value-added Fixed Income	4.34%
5. Equity Hedge	1.10%	11. Private Debt	1.49%		
6. Global Equity Emerging - Diverse Mgr. Program	0.10%	12. Private Equity	17.74%		

Fiscal Year 2021 Values

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

\$35,656,495,172.69

Fiscal Year 2022 Capital Fund

As of June 30, 2022 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund:

\$33,685,784,404.92

Fiscal Year 2022 Cash Fund

As of June 30, 2022 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund:

\$27,948,822.44

Annual Statement of the Massachusetts State Employees' Retirement System for the Year Ended June 30, 2022

Annual Statement Balance Tests

1. Asset Balance:

Assets Previous Year	\$ 35,851,762,299.63
Income Current Year	1,135,384,395.53
Disbursements Current Year	<u>3,024,292,977.50</u>
Assets Current Year:	\$33,962,853,717.66

2. Asset Difference:

Assets Current Year	\$ 33,962,853,717.66
Assets Previous Year	<u>35,851,762,299.63</u>
Difference:	(\$1,888,908,581.97)

3. Income Difference:

Income Current Year	\$ 1,135,384,395.53
Disbursements Current Year	<u>3,024,292,977.50</u>
Difference:	(\$1,888,908,581.97)

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$ 2,350,745,079.20
Total Fund Change Debits Current Year	<u>4,239,653,661.17</u>
Difference:	(\$1,888,908,581.97)

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

Assets and Liabilities

	FY 2022	FY 2021	FY 2020
1040 - 1070 Cash	\$ 160,533,272.39	\$ 105,477,819.76	\$ 91,215,462.88
8888 - Accounting Software Offset Account	3.17	3.17	3.17
1198 - PRIT Cash Fund	27,948,822.44	15,994,451.56	15,602,529.23
1199 - PRIT Capital Fund	33,685,784,404.92	35,640,500,721.13	28,203,561,012.23
1350 - Prepaid Expenses	11,178.79	17,218.22	13,705.22
1397 - Accounts Receivable (A)	3,890,860.57	2,026,946.60	713,324.88
1398 - Accounts Receivable (A)	92,642,520.66	84,398,289.05	111,834,725.64
1399 - Accounts Receivable (A)	23,616,181.07	23,531,572.21	20,306,812.34
2020 - Accounts Payable (A)	<u>(31,573,526.35)</u>	<u>(20,184,722.07)</u>	<u>(35,287,833.59)</u>
TOTAL:	<u>\$33,962,853,717.66</u>	<u>\$35,851,762,299.63</u>	<u>\$28,407,959,742.00</u>

Funds

	FY 2022	FY 2021	FY 2020
3293 - Annuity Savings Fund	\$ 7,139,630,254.53	\$ 6,957,494,610.87	\$ 6,793,727,951.33
3294 - Annuity Reserve Fund	1,906,262,794.50	1,929,770,359.96	1,916,242,062.58
3295 - Special Military Service Credit Fund	33,732.12	33,698.46	33,664.83
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	<u>24,916,926,936.52</u>	<u>26,964,463,630.34</u>	<u>19,697,956,063.26</u>
TOTAL ASSETS AT MARKET VALUE:	<u>\$33,962,853,717.66</u>	<u>\$35,851,762,299.63</u>	<u>\$28,407,959,742.00</u>

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

Statement of Funds Flow

Fund	Balance 7/1/21	Receipts	Interfund Transfers	Disbursements	Balance 6/30/22
Annuity Savings Fund	\$ 6,957,494,610.87	\$ 727,681,560.86	(\$475,847,190.64)	\$ 69,698,726.56	\$ 7,139,630,254.53
Annuity Reserve Fund	1,929,770,359.96	57,598,870.84	462,837,810.59	543,944,246.89	1,906,262,794.50
Military Service Fund	33,698.46	33.66	0.00	0.00	33,732.12
Pension Fund	0.00	1,456,548,988.08	752,522,873.08	2,209,071,861.16	0.00
Expense Fund	0.00	201,578,142.89	0.00	201,578,142.89	0.00
Pension Reserve Fund	<u>26,964,463,630.34</u>	<u>(1,308,023,200.80)</u>	<u>(739,513,493.03)</u>	<u>0.00</u>	<u>24,916,926,936.52</u>
TOTAL FUNDS:	<u>\$35,851,762,299.63</u>	<u>\$ 1,135,384,395.53</u>	<u>\$ 0.00</u>	<u>\$3,024,292,977.50</u>	<u>\$33,962,853,717.66</u>

All Fiscal Year 2022 Transfers:

- ◀ Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$462,837,810.59 on account of Current year retirees.
- ◀ Transfer from 3293 ASF Fund to the 3297 PRF Fund in the amount of \$23,168,738.11 on account of 10 Year Old Inactive Accts.
- ◀ Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$10,159,358.06 on account of Reactivated Accts.
- ◀ Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$752,522,873.08 on account of Funding Schedule.

Receipts

	FY 2022	FY 2021	FY 2020
1. Annuity Savings Fund:			
(a) 4891 - Members' Deductions	\$ 693,852,504.81	\$ 652,911,325.10	\$ 659,014,622.87
(b) 4892 - Transfers From Other Systems	15,401,580.61	13,394,010.18	14,795,654.44
(c) 4893 - Member Make Ups and Redeposits	5,050,114.30	6,365,621.40	5,610,493.89
(d) 4900 - Member Payments from Rollovers	4,634,436.80	4,523,309.34	7,627,118.89
(e) Investment Income Credited to Members' Accounts	<u>8,742,924.34</u>	<u>7,765,372.50</u>	<u>7,907,786.40</u>
Subtotal:	727,681,560.86	684,959,638.52	694,955,676.49
2. Annuity Reserve Fund:			
(a) 4750 - Recovery of Annuity from Reinstatements	0.00	0.00	0.00
(b) 4752 - Recovered Annuities Death	784,151.91	666,667.51	466,627.57
(c) Investment Income Credited to Annuity Reserve Fund	<u>56,814,718.93</u>	<u>57,154,551.63</u>	<u>57,101,463.82</u>
Subtotal:	57,598,870.84	57,821,219.14	57,568,091.39
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	25,336,162.93	714,503.40	23,311,543.31
(b) 4894 - Pension Fund Appropriation	1,427,257,071.84	1,209,849,458.00	1,102,432,666.50
(c) 4840 - Workers' Compensation Settlements	531,747.37	490,618.53	452,193.57
(d) 4841 - Recovery of 91A Overearnings	287,398.32	186,538.24	130,341.52
(e) 4753 - Recovered Pensions Death	<u>3,136,607.62</u>	<u>2,784,038.17</u>	<u>2,038,463.56</u>
Subtotal:	1,456,548,988.08	1,214,025,156.34	1,128,365,208.46
4. Military Service Fund:			
(a) Investment Income Credited to Military Service Fund	<u>33.66</u>	<u>33.63</u>	<u>33.63</u>
Subtotal:	33.66	33.63	33.63
5. Expense Fund:			
(a) Investment Income Credited to Expense Fund	<u>201,578,142.89</u>	<u>173,539,069.57</u>	<u>161,508,642.11</u>
Subtotal:	201,578,142.89	173,539,069.57	161,508,642.11
6. Pension Reserve Fund:			
(a) 4830 - ORP Employer Reimbursements	0.00	0.00	0.00
(b) 4897 - Federal Grant Reimbursement	6,862,249.32	6,807,708.10	7,350,931.83
(c) 4822 - Interest Not Refunded	92,141.27	154,819.52	164,824.16
(d) 4825 - Miscellaneous Income	56,711,476.19	34,698,210.82	6,772,288.84
(e) Excess Investment Income Credited to Pension	<u>(1,371,689,067.58)</u>	<u>8,107,419,812.25</u>	<u>481,579,870.44</u>
Subtotal:	(1,308,023,200.80)	8,149,080,550.69	495,867,915.27
TOTAL RECEIPTS:	<u>\$ 1,135,384,395.53</u>	<u>\$10,279,425,667.89</u>	<u>\$2,538,265,567.35</u>

Disbursements

	FY 2022	FY 2021	FY 2020
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	\$ 57,657,119.63	\$ 41,869,122.42	\$ 50,516,308.00
(b) 5756 - Transfers To Other Systems	<u>12,041,606.93</u>	<u>8,556,789.87</u>	<u>12,941,416.03</u>
Subtotal:	69,698,726.56	50,425,912.29	63,457,724.03
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	539,493,575.99	505,964,841.77	472,947,755.16
(b) 5759 - Option B Refunds	<u>4,450,670.90</u>	<u>4,944,415.38</u>	<u>3,417,718.79</u>
Subtotal:	543,944,246.89	510,909,257.15	476,365,473.95
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	1,913,722,963.65	1,826,863,815.86	1,737,530,422.89
Survivorship Payments	9,222,824.29	9,272,644.83	9,259,268.61
Ordinary Disability Payments	15,887,041.15	16,315,334.06	16,541,439.65
Accidental Disability Payments	156,054,282.26	153,024,400.57	145,452,952.19
Accidental Death Payments	55,158,318.61	53,987,259.13	52,571,882.82
Section 101 Benefits	4,993,307.05	5,106,001.60	5,233,353.00
(b) 5755 - 3(8)(c) Reimbursements to Other Systems	19,139,200.71	16,705,135.97	17,903,775.63
(c) 5752 - COLAs Paid	9,480,591.73	13,842,018.13	13,826,139.81
(d) 5600 - Bad Debt Expense	77,168.78	4,917,757.70	827,421.79
(e) 5700 - 3(8)(c) Reimbursements to General Fund	<u>25,336,162.93</u>	<u>714,503.40</u>	<u>23,311,543.31</u>
Subtotal:	2,209,071,861.16	2,100,748,871.25	2,022,458,199.70
4. Expense Fund:			
(a) 5119 - Staff Salaries	5,533,887.66	5,748,125.55	5,574,070.08
(b) 5120 - Benefits	2,171,204.65	2,168,944.30	2,016,290.41
(c) 5304 - Management Fees	164,387,885.19	136,673,234.77	124,358,738.21
(d) 5305 - Custodial Fees	22,806,240.81	20,098,529.05	19,888,421.55
(e) 5308 - Legal Expenses	18,619.68	14,855.56	14,825.47
(f) 5310 - Fiduciary Insurance	0.00	47,260.00	48,341.87
(g) 5311 - Service Contracts	372,697.58	403,675.12	722,307.68
(h) 5312 - Rent Expense	870,668.11	848,735.61	588,117.40
(i) 5315 - Professional Services	4,593,964.86	6,645,189.53	7,201,584.57
(j) 5320 - Education and Training	16,180.25	13,080.96	7,947.24
(k) 5588 - Miscellaneous Expense	0.00	0.00	0.00
(l) 5589 - Administrative Expenses	733,340.09	780,982.72	810,535.31
(m) 5599 - Furniture and Equipment	37,232.37	72,213.10	266,876.35
(n) 5719 - Travel Expenses	36,221.64	24,243.30	10,585.97
Subtotal:	201,578,142.89	173,539,069.57	161,508,642.11
TOTAL DISBURSEMENTS:	<u>\$3,024,292,977.50</u>	<u>\$2,835,623,110.26</u>	<u>\$2,723,790,039.79</u>

Investment Income

	FY 2022	FY 2021	FY 2020
Investment Income Received From:			
(a) Pooled Funds (from Schedule 5)	\$ 883,239,962.09	\$ 755,257,808.02	\$ 680,199,636.43
(b) MMDT Investment Income	<u>82,353.89</u>	<u>33,479.21</u>	<u>292,249.22</u>
4821 TOTAL INVESTMENT INCOME:	883,322,315.98	755,291,287.23	680,491,885.65
Plus:			
4884 - Realized Gains (Profits)	1,558,815,702.89	2,435,142,147.04	1,057,824,968.53
4886 - Unrealized Gains (Increase in Market Value)	<u>2,191,970,894.99</u>	<u>5,730,405,627.63</u>	<u>2,709,276,380.00</u>
Subtotal:	3,750,786,597.88	8,165,547,774.67	3,767,101,348.53
Less:			
4885 - Realized Losses	0.00	0.00	(194,200,282.93)
4887 - Unrealized Losses (Decrease in Market Value)	<u>(5,738,662,161.62)</u>	<u>(574,960,222.32)</u>	<u>(3,545,295,154.85)</u>
Subtotal:	(5,738,662,161.62)	(574,960,222.32)	(3,739,495,437.78)
NET INVESTMENT INCOME:	(1,104,553,247.76)	8,345,878,839.58	708,097,796.40
Income Required:			
Annuity Savings Fund	8,742,924.34	7,765,372.50	7,907,786.40
Annuity Reserve Fund	56,814,718.93	57,154,551.63	57,101,463.82
Expense Fund	201,578,142.89	173,539,069.57	161,508,642.11
Military Service Fund	<u>33.66</u>	<u>33.63</u>	<u>33.63</u>
TOTAL INCOME REQUIRED:	267,135,819.82	238,459,027.33	226,517,925.96
Net Investment Income:	(1,104,553,247.76)	8,345,878,839.58	708,097,796.40
Less Income Required:	<u>(267,135,819.82)</u>	<u>(238,459,027.33)</u>	<u>(226,517,925.96)</u>
EXCESS INCOME TO THE PENSION RESERVE FUND:	<u>(\$1,371,689,067.58)</u>	<u>\$8,107,419,812.25</u>	<u>\$ 481,579,870.44</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1397 - Accounts Receivable On Deaths

1397 - Accounts Receivable On Deaths	\$ 3,890,860.57
TOTAL RECEIVABLES:	<u>\$3,890,860.57</u>

1398-Accounts Receivable

Prior Year Balance	\$ 64,374,389.38
4891 - Members' Deductions	25,036,451.68
4892 - Transfers In	778,867.93
4893 - Makeups & Buybacks	70,895.31
4897 - Federal Grant Reimbursement	744,981.00
4898 - 3(8)(c) Reimbursements From Other Systems	<u>1,636,935.36</u>
TOTAL RECEIVABLES:	<u>\$92,642,520.66</u>

1399-Accounts Receivable for Yearly Employer Pension Reimbursement

Prior Year Balance	\$ 16,033,198.58
4825 - Miscellaneous Income	<u>7,582,982.49</u>
TOTAL RECEIVABLES:	<u>\$23,616,181.07</u>

2020-Accounts Payable

Prior Year Balance	\$ 24,690,904.91
5119 - Staff Salaries	45,890.75
5120 - Benefits	18,488.40
5311 - Service Contracts	20,931.72
5315 - Operating Expense-Professional Services	18,425.00
5320 - Education and Training	2,268.76
5589 - Administrative Expenses	195,721.94
5599 - Furniture and Equipment	2,016.62
5700 - 3(8)(c) Reimbursement to General Fund	1,636,935.36
5719 - Travel Expenses	2,595.25
5755 - 3(8)(c) Reimbursements to Other Systems	<u>4,939,347.64</u>
TOTAL PAYABLES:	<u>\$31,573,526.35</u>

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

Description	(A) Book Value at End of Previous Year	(B) Income Reinvested/ Total Deposits This Year	(C) Redeposited into Account	(D) Withdrawals During Year	(E) Book Value June 30th This Year	(F) System Not Reinvested or Redeposited	(G) Interest Due and Accrued June 30th
1040-0000 Cash Annuity - MMARS	\$ 44,776,405.69	\$ 622,767,701.08	—	\$ 618,340,557.39	\$ 49,203,549.38	—	—
1042-0000 BNY Mellon Bank	(\$ 8,512.11)	\$ 795,387,559.05	—	\$ 795,379,046.94	—	—	—
1050-0000 Pension Payments & Receipts - MMARS	\$ 6,716,541.63	\$ 2,295,561,842.51	—	\$ 2,282,047,782.00	\$ 20,230,602.14	—	—
1051-0000 Returned Pensions & Annuities - People's United Bank	—	\$ 5,500,431.19	—	\$ 5,500,431.19	—	—	—
1052-0000 3(8)(c) & 59A Receipts - People's United Bank	—	\$ 32,642,300.67	—	\$ 32,642,300.67	—	—	—
1053-0000 COLA Payments	\$ 14,698,696.42	\$ 21,441,252.88	—	\$ 10,343,877.46	\$ 25,796,071.84	—	—
1054-0000 Capital Gains Tax Revenue Transfer	\$ 24,993,856.33	\$ 51,724,546.70	—	\$ 24,993,856.33	\$ 51,724,546.70	—	—
1062-0000 Operating Expenses - MMARS	\$ 6,297,611.58	\$ 12,701,715.66	—	\$ 15,040,371.37	\$ 3,958,955.87	—	—
1063-0000 Capital Expenses - MMARS	\$ 1,818,436.12	\$ 593,354.13	—	\$ 285,412.50	\$ 2,126,377.75	—	—
1070-0000 COLA Repayment Credits	\$ 6,184,784.10	\$ 1,308,384.61	—	—	\$ 7,493,168.71	—	—
1040-1070 Subtotal	<u>\$105,477,819.76</u>	<u>\$3,839,629,088.48</u>	—	<u>\$3,784,573,635.85</u>	<u>\$160,533,272.39</u>	—	—
1198-0000 PRIT Cash	\$ 15,994,451.56	\$ 1,590,677,811.29	—	\$ 1,578,723,440.41	\$ 27,948,822.44	—	—

Schedule No. 5 - Schedule of Pooled Funds - MSERS

	(A)	(B)	(C)	(D)	(E)	(F)
PERAC Account Number	Market Value at End of Previous Year	Contributions	Reinvested Investment Income	Realized Gain	Realized Loss	Unrealized Gain
1198-0000	\$ 15,994,451.56	\$ 858,180,569.66	\$ 188,092.13	\$ 0.00	\$ 0.00	\$ 0.00
1199-0000	\$ 35,640,500,721.13	\$ 0.00	\$ 883,051,869.95	\$ 1,558,815,702.89	\$ 0.00	\$ 2,191,970,894.99
TOTAL POOLED FUNDS:	\$35,656,495,172.69	\$858,180,569.66	\$883,239,962.08	\$1,558,815,702.89	\$0.00	\$2,191,970,894.99
	(G)	(H)	(I)	(J)	(K)	
PERAC Account Number	Unrealized Loss	Exchanges from (to) the Cash Fund	Redemptions	Net Fees Paid	Market Value at End of Year	
1198-0000	\$ 0.00	\$ 662,698,496.42	(\$ 1,509,112,787.33)	\$ 0.00	\$ 27,948,822.44	
1199-0000	(\$ 5,738,662,161.62)	(\$662,698,496.42)	\$ 0.00	(\$ 187,194,126.00)	\$ 33,685,784,404.92	
TOTAL POOLED FUNDS:	(\$5,738,662,161.62)	\$ 0.00	(\$1,509,112,787.33)	(\$187,194,126.00)	\$33,713,733,227.36	

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

Manager	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Total Paid or Accrued in FY2022	Payment Method
5304 Management Fees:						
Pension Reserves						
Investment Trust Fund	\$ 33,234,402.41	\$ 45,127,308.17	\$ 47,938,369.02	\$ 38,087,805.59	\$ 164,387,885.19	
5304 Management Fees TOTAL	\$33,234,402.41	\$45,127,308.17	\$47,938,369.02	\$38,087,805.59	\$164,387,885.19	Net
5305 Custodial Fees:						
BNY Mellon Bank	\$ 5,052,178.61	\$ 7,463,917.34	\$ 4,717,365.30	\$ 5,572,779.56	\$ 22,806,240.81	
5305 Custodial Fees TOTAL	\$5,052,178.61	\$7,463,917.34	\$4,717,365.30	\$5,572,779.56	\$22,806,240.81	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					\$187,194,126.00	

Annuity Reserve Fund Interest Calculation* - MSERS

FY2022

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	BALANCE	INTEREST (Balance x .0025)
July 1st (2021)	—	—	—	—	—	—	\$1,929,770,359.96	\$ 4,824,425.90
August 1st	\$43,263,853.33	\$ 231,458.31	\$0.00	\$0.00	\$27,152,836.67	\$0.00	\$1,913,427,884.99	\$ 4,783,569.71
September 1st	\$43,958,751.67	\$ 114,367.50	\$0.00	\$0.00	\$42,355,967.02	\$0.00	\$1,911,710,732.84	\$ 4,779,276.83
October 1st	\$43,996,937.73	\$ 43,054.78	\$0.00	\$0.00	\$36,502,765.09	\$0.00	\$1,904,173,505.42	\$ 4,760,433.76
November 1st	\$44,594,466.52	\$ 326,454.33	\$0.00	\$0.00	\$45,123,072.25	\$0.00	\$1,904,375,656.82	\$ 4,760,939.14
December 1st	\$44,688,174.47	\$ 163,437.00	\$0.00	\$0.00	\$41,178,938.49	\$0.00	\$1,900,702,983.84	\$ 4,751,757.46
January 1st	\$45,055,613.94	\$1,027,774.98	\$0.00	\$0.00	\$45,153,073.32	\$0.00	\$1,899,772,668.24	\$ 4,749,431.67
February 1st	\$44,874,914.15	\$ 248,942.92	\$0.00	\$0.00	\$34,163,636.89	\$0.00	\$1,888,812,448.06	\$ 4,722,031.12
March 1st	\$45,213,736.65	\$ 364,997.70	\$0.00	\$0.00	\$34,605,922.94	\$0.00	\$1,877,839,636.65	\$ 4,694,599.09
April 1st	\$45,566,192.75	\$ 414,398.02	\$0.00	\$0.00	\$41,144,364.14	\$0.00	\$1,873,003,410.02	\$ 4,682,508.53
May 1st	\$45,691,794.85	\$ 866,373.21	\$0.00	\$0.00	\$34,914,366.50	\$0.00	\$1,861,359,608.46	\$ 4,653,399.02
June 1st	\$46,386,122.42	\$ 154,542.83	\$0.00	\$0.00	\$46,119,731.51	\$0.00	\$1,860,938,674.72	\$ 4,652,346.69
June 30th (2022)								

TOTAL: \$56,814,718.93

*See Investment Income, Page 20.

The background of the slide is a sepia-toned historical map of Massachusetts, showing various towns, roads, and geographical features. The map is partially obscured by a large white rounded rectangle in the center.

SECTION 3

Financial Statements of the Massachusetts Turnpike Authority Employees' Retirement System

Annual Statement of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended June 30, 2022

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	\$ 187,709,072.51
Income Current Year	(4,442,600.40)
Disbursements Current Year	<u>14,993,605.21</u>
Assets Current Year:	\$168,272,866.90

2. Asset Difference:

Assets Current Year	\$ 168,272,866.90
Assets Previous Year	<u>187,709,072.51</u>
Difference:	(\$19,436,205.61)

3. Income Difference:

Income Current Year	(\$ 4,442,600.40)
Disbursements Current Year	<u>14,993,605.21</u>
Difference:	(\$19,436,205.61)

4. Fund Change Difference:

Total Fund Change Credits Current Year	\$ 7,106,751.38
Total Fund Change Debits Current Year	<u>26,542,956.99</u>
Difference:	(\$19,436,205.61)

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

Assets and Liabilities

	FY 2022	FY 2021	FY 2020
1040 - 1062 Cash	\$ 7,490,759.50	\$ 6,669,923.94	\$ 2,735,596.92
1198 - PRIT Cash Fund	186,821.35	176,938.28	153,742.34
1199 - PRIT Capital Fund	160,523,085.20	180,867,003.12	156,056,175.63
1398 - Accounts Receivable (A)	186,329.46	43,773.98	424,014.06
2020 - Accounts Payable (A)	(114,128.61)	(48,566.81)	(28,746.40)
TOTAL:	<u>\$168,272,866.90</u>	<u>\$187,709,072.51</u>	<u>\$159,340,782.55</u>

Funds

	FY 2022	FY 2021	FY 2020
3293 - Annuity Savings Fund	\$ 41,010,453.71	\$ 41,024,657.93	\$ 41,040,812.86
3294 - Annuity Reserve Fund	27,329,392.43	28,524,458.69	29,780,241.30
3295 - Special Military Service Credit Fund	437.45	437.01	436.57
3296 - Pension Fund	121.75	121.75	121.75
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	99,932,461.56	118,159,397.13	88,519,170.07
TOTAL ASSETS AT MARKET VALUE:	<u>\$168,272,866.90</u>	<u>\$187,709,072.51</u>	<u>\$159,340,782.55</u>

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

Statement of Funds Flow

Fund	Balance 7/1/2021	Receipts	Interfund Transfers	Disbursements	Balance 6/30/2022
Annuity Savings Fund	\$ 41,024,657.93	\$ 41,040.81	\$ 0.00	\$ 55,245.03	\$ 41,010,453.71
Annuity Reserve Fund	28,524,458.69	827,590.74	0.00	2,022,657.00	27,329,392.43
Military Service Fund	437.01	0.44	0.00	0.00	437.45
Pension Fund	121.75	451,359.14	11,549,351.78	12,000,710.92	121.75
Expense Fund	0.00	914,992.26	0.00	914,992.26	0.00
Pension Reserve Fund	<u>118,159,397.13</u>	<u>(6,677,583.79)</u>	<u>(11,549,351.78)</u>	<u>0.00</u>	<u>99,932,461.56</u>
TOTAL FUNDS:	<u>\$187,709,072.51</u>	<u>(\$4,442,600.40)</u>	<u>\$ 0.00</u>	<u>\$14,993,605.21</u>	<u>\$168,272,866.90</u>

All Fiscal Year 2022 Transfers:

- Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$11,549,351.78 on account of Funding Schedule.

Receipts

	FY 2022	FY 2021	FY 2020
1. Annuity Savings Fund:			
(a) Investment Income Credited to Members' Accounts	<u>\$41,040.81</u>	<u>\$ 41,071.19</u>	<u>\$ 41,073.48</u>
Subtotal:	41,040.81	41,071.19	41,073.48
2. Annuity Reserve Fund:			
(a) Investment Income Credited to Annuity Reserve Fund	<u>827,590.74</u>	<u>864,063.91</u>	<u>901,746.40</u>
Subtotal:	827,590.74	864,063.91	901,746.40
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements from Other Systems	<u>451,359.14</u>	<u>0.00</u>	<u>606,947.69</u>
Subtotal:	451,359.14	0.00	606,947.69
4. Military Service Fund:			
(a) Investment Income Credited to Military Service Fund	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>
Subtotal:	0.44	0.44	0.44
5. Expense Fund:			
(a) Investment Income Credited to Expense Fund	<u>914,992.26</u>	<u>821,696.46</u>	<u>825,021.50</u>
Subtotal:	914,992.26	821,696.46	825,021.50
6. Pension Reserve Fund:			
(a) 4822 - Interest Not Refunded	0.00	0.00	0.00
(b) 4825 - Miscellaneous Income	0.00	0.00	0.00
(c) Excess Investment Income Credited to Pension Reserve Fund	<u>(6,677,583.79)</u>	<u>42,250,233.38*</u>	<u>2,360,858.13</u>
Subtotal:	(6,677,583.79)	42,250,233.38	2,360,858.13
TOTAL RECEIPTS:	<u>(\$4,442,600.40)</u>	<u>\$43,977,065.38</u>	<u>\$4,735,647.64</u>

*The Annual Report for fiscal year 2021 showed an incorrect value of \$0.00. The correct value for FY2021 is \$42,250,233.38.

The PRIM statement for 6/1/2021 - 6/31/2021 is the source document and the amount was verified. PRIM, PERAC and Board Auditor confirmed that there is no impact to the market value of assets, and it is considered to be an administrative typo.

Disbursements

	FY 2022	FY 2021	FY 2020
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	<u>\$ 55,245.03</u>	<u>\$ 57,226.12</u>	<u>\$ 71,451.13</u>
Subtotal:	55,245.03	57,226.12	71,451.13
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	<u>2,022,657.00</u>	<u>2,119,846.52</u>	<u>2,190,352.79</u>
Subtotal:	2,022,657.00	2,119,846.52	2,190,352.79
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	9,015,263.70	9,327,722.29	9,555,360.64
Survivorship Payments	125,798.32	109,732.28	97,606.32
Ordinary Disability Payments	279,741.00	275,451.00	292,601.45
Accidental Disability Payments	1,664,457.94	1,808,831.86	1,840,067.91
Accidental Death Payments	476,009.18	489,413.76	492,693.04
Section 101 Benefits	88,740.63	98,503.80	98,883.38
(b) 5755 - 3(8)(c) Reimbursement To Other Systems	<u>350,700.15</u>	<u>500,351.33</u>	<u>243,021.93</u>
Subtotal:	12,000,710.92	12,610,006.32	12,620,234.64
4. Expense Fund:			
(a) 5304 - Management Fees	803,548.09	716,204.76	711,360.98
(b) 5305 - Custodial Fees	<u>111,444.17</u>	<u>105,491.70</u>	<u>113,660.52</u>
Subtotal:	914,992.26	821,696.46	825,021.50
TOTAL DISBURSEMENTS:	<u>\$14,993,605.21</u>	<u>\$15,608,775.42</u>	<u>\$15,707,060.09</u>

Investment Income

	FY 2022	FY 2021	FY 2020
Investment Income Received:			
(a) Pooled Funds (from Schedule 5)	\$ 4,322,247.98	\$ 3,965,250.92	\$ 3,915,547.15
(b) MMDT Investment Income	<u>877.82</u>	<u>614.14</u>	<u>1,182.10</u>
4821 TOTAL INVESTMENT INCOME:	4,323,125.80	3,965,865.06	3,916,729.25
Plus:			
4884 - Realized Gains (Profits)	7,735,334.87	12,784,121.59	6,091,368.72
4886 - Unrealized Gains (Increase in Market Value)	<u>10,808,795.32</u>	<u>30,293,550.76</u>	<u>15,388,195.70</u>
Subtotal:	18,544,130.19	43,077,672.35	21,479,564.42
Less:			
4885 - Realized Losses	0.00	0.00	(1,096,383.76)
4887 - Unrealized Losses (Decrease in Market Value)	<u>(27,761,215.53)</u>	<u>(3,066,472.03)</u>	<u>(20,171,209.96)</u>
Subtotal:	(27,761,215.53)	(3,066,472.03)	(21,267,593.72)
NET INVESTMENT INCOME:	(4,893,959.54)	43,977,065.38	4,128,699.95
Income Required:			
Annuity Savings Fund	41,040.81	41,071.19	41,073.48
Annuity Reserve Fund	827,590.74	864,063.91	901,746.40
Expense Fund	914,992.26	821,696.46	825,021.50
Military Service Fund	<u>0.44</u>	<u>0.44</u>	<u>0.44</u>
TOTAL INCOME REQUIRED:	1,783,624.25	1,726,832.00	1,767,841.82
Net Investment Income:	(4,893,959.54)	43,977,065.38	4,128,699.95
Less Income Required:	<u>(1,783,624.25)</u>	<u>(1,726,832.00)</u>	<u>(1,767,841.82)</u>
EXCESS INCOME CREDITED TO PENSION RESERVE FUND:	<u>(\$6,677,583.79)</u>	<u>\$42,250,233.38</u>	<u>\$ 2,360,858.13</u>

Schedule A - Detail of Accounts Receivable and Accounts Payable

1398-Accounts Receivable:

4898 - 2000 3(8)(c) Reimbursements From Other Systems	\$ 4,054.66
TOTAL RECEIVABLES:	<u>\$186,329.46</u>

2020-Accounts Payable:

5755 - 2000 3(8)(c) Reimbursements To Other Systems	\$ 114,128.61
TOTAL PAYABLES:	<u>\$114,128.61</u>

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

Description	(A) Book Value at End of Previous Year	(B) Income Reinvested/Total Deposits This Year	(C) Redeposited into Account	(D) Withdrawals During Year	(E) Book Value June 30th This Year	(F) System Not Reinvested or Redeposited	(G) Interest Due and Accrued June 30th
1040-2000 Cash Annuity - MMARS	\$ 6.93	\$ 3,032,775.67	—	\$ 3,032,775.67	\$ 6.93	—	—
1050-2000 Pension Payments & Receipts - MMARS	\$ 6,649,924.23	\$ 12,700,877.82	—	\$ 11,880,042.26	\$ 7,470,759.79	—	—
1052-2000 3(8)(c) & 59A Receipts - BNY Mellon Bank	—	\$ 1,232,402.74	—	\$ 1,232,402.74	—	—	—
1062-2000 Operating Expenses - MMARS	\$ 19,992.77	—	—	—	\$ 19,992.77	—	—
1040-1070 Subtotal	\$6,669,923.93	\$ 16,966,056.23	—	\$ 16,145,220.67	\$ 7,490,759.49	—	—
1198-2000 PRIT Cash	\$ 176,938.28	\$ 15,951,665.40	—	\$ 15,941,782.33	\$ 186,821.35	—	—

Schedule No. 5 - Schedule of Pooled Funds - MTAERS

PERAC Account Number	Description	(A) Market Value at End of Previous Year	(B) Contributions	(C) Reinvested Investment Income	(D) Realized Gain	(E) Realized Loss	(F) Unrealized Gain
1198-2000	MTAERS PRIT Cash Fund	\$ 176,938.28	\$ 308,803.66	\$ 2,178.41	\$ 0.00	\$ 0.00	\$ 0.00
1199-2000	MTAERS PRIT Capital Fund	\$ 180,867,003.12	\$ 0.00	\$ 4,320,069.57	\$ 7,735,334.87	\$ 0.00	\$ 10,808,795.32
TOTAL POOLED FUNDS:		\$181,043,941.40	\$308,803.66	\$4,322,247.98	\$7,735,334.87	\$0.00	\$10,808,795.32

PERAC Account Number	Description	(G) Unrealized Loss	(H) Exchanges from (to) the Cash Fund	(I) Redemptions	(J) Net Fees Paid	(K) Market Value at End of Year
1198-2000	MTAERS PRIT Cash Fund	\$ 0.00	\$ 14,531,909.89	(\$ 14,833,008.89)	\$ 0.00	\$ 186,821.35
1199-2000	MTAERS PRIT Capital Fund	(\$ 27,761,215.53)	(\$14,531,909.89)	\$ 0.00	(\$ 914,992.26)	\$ 160,523,085.20
TOTAL POOLED FUNDS:		(\$27,761,215.53)	\$ 0.00	(\$14,833,008.89)	(\$914,992.26)	\$160,709,906.55

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

Manager	Q1 FY2022	Q2 FY2022	Q3 FY2022	Q4 FY2022	Total Paid or Accrued in FY2022	Payment Method
5304 Management Fees:						
Pension Reserves						
Investment Trust Fund	\$ 166,329.23	\$ 222,543.59	\$ 232,465.03	\$ 182,210.24	\$ 803,548.09	
5304 Management Fees TOTAL	\$166,329.23	\$222,543.59	\$232,465.03	\$182,210.24	\$803,548.09	Net
5305 Custodial Fees:						
BNY Mellon Bank	\$ 25,286.65	\$ 36,710.81	\$ 22,847.19	\$ 26,599.52	\$ 111,444.17	
5305 Custodial Fees TOTAL	\$25,286.65	\$36,710.81	\$22,847.19	\$26,599.52	\$111,444.17	Net
NET TOTAL INVESTMENT RELATED FEES AND EXPENSES:					\$914,992.26	

Annuity Reserve Fund Interest Calculation* - MTAERS

FY2022

	5750	5759	Transfers Out	Recovery from Reinstatement 4750	3294	Transfers In	Balance	INTEREST (Balance x .0025)
July 1st (2021)	—	—	—	—	—	—	\$28,524,458.69	\$ 71,311.15
August 1st	\$172,538.48	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28,351,920.21	\$ 70,879.80
September 1st	\$173,790.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28,178,129.31	\$ 70,445.32
October 1st	\$172,423.56	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$28,005,705.75	\$ 70,014.26
November 1st	\$170,975.77	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,834,729.98	\$ 69,586.82
December 1st	\$170,541.39	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,664,188.59	\$ 69,160.47
January 1st	\$168,680.60	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,495,507.99	\$ 68,738.77
February 1st	\$166,991.83	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,328,516.16	\$ 68,321.29
March 1st	\$166,922.44	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$27,161,593.72	\$ 67,903.98
April 1st	\$166,174.08	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$26,995,419.64	\$ 67,488.55
May 1st	\$165,112.09	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$26,830,307.55	\$ 67,075.77
June 1st	\$164,490.37	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$26,665,817.18	\$ 66,664.54
June 30th (2022)								
								<u>TOTAL:</u>
								<u>\$827,590.74</u>

*See Investment Income, Page 32.

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 2022 were \$69.7 million. The value of the Annuity Savings Fund was \$7.14 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, 2021 to June 30, 2022 was over 3,100 and an amount of \$462 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 \$24.91 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 \$33.66. The balance in the Military Service Fund on June 30, 2022 was \$33,732.12.

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 29, 2021 the State Retirement Board ("Board") unanimously approved its Operating Spending Plan for FY 2022 in the amount of \$18,365,285 and these funds were used to pay for various operating expenses during FY 2022. The Board also approved the Capital Spending Plan for FY 2022 in the amount of \$1,305,153 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 2022 was \$92,141.27.

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

A 3(8)(c) reimbursement is the pension benefit reimbursement received from other Massachusetts public retirement 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 2022 for report year 2021 were \$25.3 million. 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 2022 and a total of \$19.1 million.

Legislative Funding for Pensions

The State Employees' Retirement System received \$1,426,520,667.24 in appropriation funds from the Commonwealth of Massachusetts for the fiscal year 2022. This

amount includes Early Retirement Incentive Program ("ERIP") \$28.4M and \$102.4M pursuant to Chapter 33 of the Acts of 2021, and \$15,000,000 for the Cost of Living Adjustment ("COLA") to other retirement systems. An additional \$736,404.60 was received that is an adjustment reduction of PERAC administration 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 \$15,000,000 in order to set aside COLA (Cost of Living Adjustment) reimbursements to the other retirement systems in 2022.

COLA reimbursements to other retirement systems during fiscal year 2022 were \$9.5 million. A balance of approximately \$25.8 million remains as of June 30, 2022.

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 November 2021 Board Meeting, the Board approved SRB to write off \$77,168.78 for 107 accounts deemed uncollectible based on members dates of death as of June 30, 2018 and remained outstanding as of June 30, 2021.

Miscellaneous Income

Miscellaneous Income for this fiscal year is \$56,711,476.19 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 \$51,724,546.70 transferred from the Commonwealth's Stabilization Fund (Capital Gains Tax Revenues).



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