

# **STATE**

## **RETIREMENT SYSTEM**

### **AUDIT REPORT**

**JULY 1, 2017 - JUNE 30, 2021**



**PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION**  
**COMMONWEALTH OF MASSACHUSETTS**



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

Auditor DIANA DIZOGLIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

October 2, 2024

The Public Employee Retirement Administration Commission has completed an examination of certain activities of the State Employees' Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from July 1, 2017 to June 30, 2021. Based on an assessment in accordance with the policy outlined in PERAC Memo #18/2019, the scope of this audit was modified as noted below and was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00.

The specific objectives of our audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances are accurately stated, 4) that travel expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated and that first benefit checks were paid timely, 7) that required member documentation is maintained, 8) that appropriations certified by PERAC have been paid to the retirement system, 9) that refunds issued by the system were correctly calculated, and 10) that transfers out to other boards were completed correctly.

To achieve these objectives, we inspected certain records of the State Employees' Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash and investment balances, and tested a sample of travel expenses for Board approvals, supporting documentation, and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We also tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We reviewed a sample of member files for accuracy and completeness. We also calculated the number of days between retirement date and the first benefit check of all retirements during the audit period. We reviewed appropriations received and compared to PERAC appropriation letters for the fiscal years during the audit period. We tested a sample of refunds issued during the audit period and recalculated the interest portion of the refunds tested. We also tested a sample of transfers out to other boards during the audit period and determined that member accounts and creditable service were sent to the other boards. We calculated the number of days to payment of a sample of refunds and transfers out during the audit period.



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In our opinion, for those areas tested, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exceptions noted in the findings presented in this report.

In closing, I acknowledge the work of the auditors who conducted this examination, and express appreciation to the Board and staff for their courtesy and cooperation.

Sincerely,



William T. Keefe  
Executive Director

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS

### **1. Late Payments to Members and Transfers Out to other Boards:**

We used the full listing of new retirements – nearly 12,000 - during the audit period to calculate the number of days between the retirement date and the first benefit check date. We found that 6.4% were paid within 62 days, which is the maximum number of days allowed under Chapter 32, section 13(1)b, although timeliness was trending upward. The average number of days for the first benefit check was 134.

We tested 50 refunds from the audit period and noted that 52% of those took over 60 days to process. All disbursements should be processed within 60 days pursuant to Chapter 32, section 11(1)(a). The average number of days was 84.

We tested 50 transfers-out to other boards during the audit period and found that 44% were sent over 90 days from the request date. Section 3(8)(a) requires transfers to be sent within 90 days after the start of employment. The average number of days was 122.

**Recommendation:** The Board should review operations and continue to improve the processing time of member payments and disbursements to other boards in order to comply with Chapter 32.

### **Board Response:**

The MSRB is aware of the statutory time limits and the current averages for payments to new retirees and disbursements to members and other boards. Due to COVID and the departure of staff with experience and institutional knowledge, the average time for payments to new retirees and disbursements has increased over the last few years. Senior staff have been making significant changes in an attempt to lower these averages. Staff have been hired and training is ongoing in the Benefit Calculation and Disbursement units. Managers have been promoted and hired for these units. Additionally, in 2024, the Estimated Initial Benefit Payment (EIBP) program was launched and has been added to MARIS. The EIBP program issues automatic payments to new retirees based on estimates of their retirement allowance within 60 days of the retirement date. The initial phase of this program has been promising, with nearly 400 payments issued since February 2024, and Phase 2 will be introduced in October 2024. We expect that Phase 2 will increase the number of estimated payments significantly. All these changes have had a positive effect on reducing averages for payments to new retirees and disbursements to members and other boards. Although changes have resulted in progress with staff retention and reaching competitive salary ranges for existing and new staff, it remains an opportunity for improvement to assure the positive progress continues.

### **2. §91A Non-compliance and Overearnings:**

We noted the following when reviewing retirees with 91A non-compliance and overearnings issues:

- Six out of nine retirees who should have had their retirement allowances terminated for 91A non-compliance were still receiving payments.
- We reviewed 23 retirees with 91A overearnings and found that 17 had requested a hearing but no hearings were ever scheduled. Three outstanding hearing requests date back to 2019.

## EXPLANATION OF FINDINGS AND RECOMMENDATIONS (CONTINUED)

**Recommendation:** The Board should review retirees who are not in compliance with §91A requirements and communicate their status to the PERAC Fraud Unit through PROSPER. The Board should review those who have requested hearings and schedule hearings as needed.

**Board Response:**

The Board has submitted responses to the list of retirees who were cited as non-compliers and over earners for PERAC's review. We await PERAC's response to the information provided.

The MSRB has taken steps to reduce the time between being notified of non-compliance and overearning and the suspension of benefits. The MSRB approved a supplemental regulation reducing the number of notices necessary before suspensions occur. The Disability Unit is actively monitoring the lists in PROSPER and reaching out to members to try to resolve these issues. Given the large number of affected retirees, this is a significant commitment of staff.

Additionally, the delay in addressing Section 91A hearings is due to resource constraints, which we are working to remedy. Historically, the MSRB contracted one post-retiree to be a hearing officer. We attempted during the period to hire a second hearing officer, without success. During this same period, the legal team experienced significant turnover and a reduction in staff. The legal team, which comprises the attorneys who pursue the cases, is now nearly fully staffed. MSRB is now investigating using attorneys at its pre-qualified law firms to act as hearing officers or to act on the MSRB's behalf to pursue matters. We anticipate the hearings for the three members to be scheduled shortly.

**PERAC Response:**

Subsequent to the audit fieldwork, the State Retirement Board has provided updated information regarding the retirees with 91A non-compliance and overearnings issues. PERAC auditors will review the status of these cases as part of the six-month follow-up review.

**FINAL DETERMINATION:**

***PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.***



# ANNUAL STATEMENTS (as submitted)

## STATE EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF LEDGER ASSETS AND LIABILITIES

		AS OF JUNE 30,			
		2021	2020	2019	2018
<b>Net Assets Available For Benefits:</b>					
Cash		\$105,477,820	\$91,215,463	\$88,695,126	\$103,007,476
Accounting Software Offset Account		3	3	3	3
PRIT Cash Fund		15,994,452	15,602,529	30,621,938	28,974,989
PRIT Core Fund		35,640,500,721	28,203,561,012	28,374,124,490	27,554,530,336
Prepaid Expenses		17,218	13,705	17,006	11,117
Accounts Receivable		2,026,947	713,325	0	0
Accounts Receivable		84,398,289	111,834,726	115,340,689	35,060,901
Accounts Receivable		23,531,572	20,306,812	15,908,908	13,929,220
Accounts Payable		(20,184,722)	(35,287,834)	(31,223,945)	(22,084,027)
<b>Total</b>		<u>\$35,851,762,300</u>	<u>\$28,407,959,742</u>	<u>\$28,593,484,214</u>	<u>\$27,713,430,015</u>
<b>Fund Balances:</b>					
Annuity Savings Fund		\$6,957,494,611	\$6,793,727,951	\$6,596,028,870	\$6,354,514,895
Annuity Reserve Fund		1,929,770,360	1,916,242,063	1,907,189,427	1,907,841,158
Pension Fund		0	0	0	0
Military Service Fund		33,698	33,665	33,631	33,598
Expense Fund		0	0	0	0
Pension Reserve Fund		<u>26,964,463,630</u>	<u>19,697,956,063</u>	<u>20,090,232,287</u>	<u>19,451,040,364</u>
<b>Total</b>		<u>\$35,851,762,300</u>	<u>\$28,407,959,742</u>	<u>\$28,593,484,214</u>	<u>\$27,713,430,015</u>

## ANNUAL STATEMENTS (as submitted) (Continued)

### STATE EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance July 1, 2017	\$6,097,436,164	\$1,939,304,078	\$0	\$33,564	\$0	\$17,945,741,002	\$25,982,514,809
Receipts	647,566,865	61,943,214	942,182,636	34	157,537,363	2,428,242,520	4,237,472,632
Interfund Transfers	(324,688,909)	326,655,125	920,976,942	0	0	(922,943,158)	0
Disbursements	(65,799,225)	(420,061,259)	(1,863,159,579)	0	(157,537,363)	0	(2,506,557,425)
Ending Balance June 30, 2018	6,354,514,895	1,907,841,158	0	33,598	0	19,451,040,364	27,713,430,015
Receipts	711,681,109	57,018,241	1,068,079,962	34	158,419,649	1,519,862,842	3,515,061,836
Interfund Transfers	(401,783,861)	388,856,849	893,597,932	0	0	(880,670,920)	0
Disbursements	(68,383,273)	(446,526,821)	(1,961,677,894)	0	(158,419,649)	0	(2,635,007,637)
Ending Balance June 30, 2019	6,596,028,870	1,907,189,427	0	33,631	0	20,090,232,287	28,593,484,214
Receipts	694,955,676	57,568,091	1,128,365,208	34	161,508,642	495,867,915	2,538,265,567
Interfund Transfers	(433,798,871)	427,850,018	894,092,991	0	0	(888,144,139)	0
Disbursements	(63,457,724)	(476,365,474)	(2,022,458,200)	0	(161,508,642)	0	(2,723,790,040)
Ending Balance June 30, 2020	6,793,727,951	1,916,242,063	0	33,665	0	19,697,956,063	28,407,959,742
Receipts	684,959,639	57,821,219	1,214,025,156	34	173,539,070	8,149,080,551	10,279,425,668
Interfund Transfers	(470,767,067)	466,616,335	886,723,715	0	0	(882,572,984)	0
Disbursements	(50,425,912)	(510,909,257)	(2,100,748,871)	0	(173,539,070)	0	(2,835,623,110)
Ending Balance June 30, 2021	\$6,957,494,611	\$1,929,770,360	\$0	\$33,698	\$0	\$26,964,463,630	\$35,851,762,300

# ANNUAL STATEMENTS (as submitted) (Continued)

## STATE EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING JUNE 30,			
	2021	2020	2019	2018
<b>Annuity Savings Fund:</b>				
Members Deductions	\$652,911,325	\$659,014,623	\$632,730,132	\$600,704,672
Transfers from Other Systems	13,394,010	14,795,654	15,006,945	14,338,174
Member Make Up Payments and Re-deposits	6,365,621	5,610,494	8,864,323	5,902,574
Member Payments from Rollovers	4,523,309	7,627,119	47,191,297	18,899,240
Investment Income Credited to Member Accounts	<u>7,765,373</u>	<u>7,907,786</u>	<u>7,888,412</u>	<u>7,722,205</u>
Sub Total	<u>684,959,639</u>	<u>694,955,676</u>	<u>711,681,109</u>	<u>647,566,865</u>
<b>Annuity Reserve Fund:</b>				
Recovered Annuities Death	666,668	466,628	0	0
Investment Income Credited to the Annuity Reserve Fund	<u>57,154,552</u>	<u>57,101,464</u>	<u>57,018,241</u>	<u>61,943,214</u>
Sub Total	<u>57,821,219</u>	<u>57,568,091</u>	<u>57,018,241</u>	<u>61,943,214</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems	714,503	23,311,543	48,728,361	33,228,639
Pension Fund Appropriation	1,209,849,458	1,102,432,667	1,018,427,694	908,173,740
Settlement of Workers' Compensation Claims	490,619	452,194	749,669	598,333
Recovery of 91A Overearnings	186,538	130,342	174,238	181,924
Recovered Pension Death	<u>2,784,038</u>	<u>2,038,464</u>	<u>0</u>	<u>0</u>
Sub Total	<u>1,214,025,156</u>	<u>1,128,365,208</u>	<u>1,068,079,962</u>	<u>942,182,636</u>
<b>Military Service Fund:</b>				
Investment Income Credited to the Military Service Fund	<u>34</u>	<u>34</u>	<u>34</u>	<u>34</u>
<b>Expense Fund:</b>				
Investment Income Credited to the Expense Fund	<u>173,539,070</u>	<u>161,508,642</u>	<u>158,419,649</u>	<u>157,537,363</u>
<b>Pension Reserve Fund:</b>				
ORP Employer Reimbursements	\$0	\$0	\$17,085,946	\$0
Federal Grant Reimbursement	6,807,708	7,350,932	7,165,928	45,117,689
Interest Not Refunded	154,820	164,824	170,950	114,029
Miscellaneous Income	34,698,211	6,772,289	42,208,605	24,445,423
Excess Investment Income	<u>8,107,419,812</u>	<u>481,579,870</u>	<u>1,453,231,414</u>	<u>2,358,565,379</u>
Sub Total	<u>8,149,080,551</u>	<u>495,867,915</u>	<u>1,519,862,842</u>	<u>2,428,242,520</u>
<b>Total Receipts, Net</b>	<u>\$10,279,425,668</u>	<u>\$2,538,265,567</u>	<u>\$3,515,061,836</u>	<u>\$4,237,472,632</u>

# ANNUAL STATEMENTS (as submitted) (Continued)

## STATE EMPLOYEES' RETIREMENT SYSTEM STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING JUNE 30,				
	2021	2020	2019	2018
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$41,869,122	\$50,516,308	\$52,485,050	\$51,768,031
Transfers to Other Systems	<u>8,556,790</u>	<u>12,941,416</u>	<u>15,898,223</u>	<u>14,031,194</u>
Sub Total	<u>50,425,912</u>	<u>63,457,724</u>	<u>68,383,273</u>	<u>65,799,225</u>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	505,964,842	472,947,755	443,487,906	415,782,016
Option B Refunds	<u>4,944,415</u>	<u>3,417,719</u>	<u>3,038,914</u>	<u>4,279,242</u>
Sub Total	<u>510,909,257</u>	<u>476,365,474</u>	<u>446,526,821</u>	<u>420,061,259</u>
<b>Pension Fund:</b>				
Pensions Paid:				
Regular Pension Payments	1,826,863,816	1,737,530,423	1,657,913,934	1,583,095,013
Survivorship Payments	9,272,645	9,259,269	9,073,469	8,862,151
Ordinary Disability Payments	16,315,334	16,541,440	16,211,781	16,329,234
Accidental Disability Payments	153,024,401	145,452,952	140,464,558	134,295,071
Accidental Death Payments	53,987,259	52,571,883	52,063,908	49,909,276
Section 101 Benefits	5,106,002	5,233,353	5,290,134	5,261,421
3 (8) (c) Reimbursements to Other Systems	16,705,136	17,903,776	16,131,535	14,972,917
State Reimbursable COLA's Paid	13,842,018	13,826,140	15,800,215	17,205,857
Bad Debt Expense	4,917,758	827,422	0	0
3 (8) (c) Reimbursements to General Fund	<u>714,503</u>	<u>23,311,543</u>	<u>48,728,361</u>	<u>33,228,639</u>
Sub Total	<u>2,100,748,871</u>	<u>2,022,458,200</u>	<u>1,961,677,894</u>	<u>1,863,159,579</u>
<b>Expense Fund:</b>				
Salaries	5,748,126	5,574,070	5,267,951	6,509,253
Benefits	2,168,944	2,016,290	1,532,460	0
Management Fees	136,673,235	124,358,738	125,707,061	124,932,869
Custodial Fees	20,098,529	19,888,422	16,859,864	16,235,848
Legal Expenses	14,856	14,825	11,469	36,643
Fiduciary Insurance	47,260	48,342	47,974	0
Service Contracts	403,675	722,308	829,111	836,021
Rent Expenses	848,736	588,117	435,260	431,710
Professional Services	6,645,190	7,201,585	6,885,696	7,757,567
Education and Training	13,081	7,947	16,609	0
Miscellaneous Expense	0	0	0	(1,343)
Administrative Expenses	780,983	810,535	753,366	673,732
Furniture and Equipment	72,213	266,876	52,242	106,197
Travel Expenses	<u>24,243</u>	<u>10,586</u>	<u>20,587</u>	<u>18,866</u>
Sub Total	<u>173,539,070</u>	<u>161,508,642</u>	<u>158,419,649</u>	<u>157,537,363</u>
<b>Total Disbursements</b>	<u>\$2,835,623,110</u>	<u>\$2,723,790,040</u>	<u>\$2,635,007,637</u>	<u>\$2,506,557,425</u>

# ANNUAL STATEMENTS (as submitted) (Continued)

## STATE EMPLOYEES' RETIREMENT SYSTEM INVESTMENT INCOME

FOR THE PERIOD ENDING JUNE 30,				
	2021	2020	2019	2018
<b>Investment Income Received From:</b>				
Pooled or Mutual Funds	\$755,257,808	\$680,199,636	\$747,336,863	\$736,771,506
MMDT Investment Income	<u>33,479</u>	<u>292,249</u>	<u>524,339</u>	<u>391,045</u>
<b>Total Investment Income</b>	<u>755,291,287</u>	<u>680,491,886</u>	<u>747,861,202</u>	<u>737,162,551</u>
<b>Plus:</b>				
Realized Gains	2,435,142,147	1,057,824,969	1,171,684,935	1,459,389,393
Unrealized Gains	<u>5,730,405,628</u>	<u>2,709,276,380</u>	<u>2,862,993,350</u>	<u>1,700,359,374</u>
Sub Total	<u>8,165,547,775</u>	<u>3,767,101,349</u>	<u>4,034,678,285</u>	<u>3,159,748,767</u>
<b>Less:</b>				
Realized Loss	0	(194,200,283)	0	0
Unrealized Loss	<u>(574,960,222)</u>	<u>(3,545,295,155)</u>	<u>(3,105,981,739)</u>	<u>(1,311,143,123)</u>
Sub Total	<u>(574,960,222)</u>	<u>(3,739,495,438)</u>	<u>(3,105,981,739)</u>	<u>(1,311,143,123)</u>
<b>Net Investment Income</b>	<u>8,345,878,840</u>	<u>708,097,796</u>	<u>1,676,557,748</u>	<u>2,585,768,195</u>
<b>Income Required:</b>				
Annuity Savings Fund	7,765,373	7,907,786	7,888,412	7,722,205
Annuity Reserve Fund	57,154,552	57,101,464	57,018,241	61,943,214
Military Service Fund	34	34	34	34
Expense Fund	<u>173,539,070</u>	<u>161,508,642</u>	<u>158,419,649</u>	<u>157,537,363</u>
<b>Total Income Required</b>	<u>238,459,027</u>	<u>226,517,926</u>	<u>223,326,335</u>	<u>227,202,816</u>
Net Investment Income	<u>8,345,878,840</u>	<u>708,097,796</u>	<u>1,676,557,748</u>	<u>2,585,768,195</u>
Less: Total Income Required	<u>238,459,027</u>	<u>226,517,926</u>	<u>223,326,335</u>	<u>227,202,816</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>\$8,107,419,812</u>	<u>\$481,579,870</u>	<u>\$1,453,231,414</u>	<u>\$2,358,565,379</u>

# ANNUAL STATEMENTS (as submitted)

## MASSACHUSETTS TURNPIKE AUTHORITY RETIREMENT SYSTEM STATEMENT OF LEDGER ASSETS AND LIABILITIES

AS OF JUNE 30,				
	2021	2020	2019	2018
<b>Net Assets Available For Benefits:</b>				
Cash	\$6,669,924	\$2,735,597	\$446,417	\$753,636
PRIT Cash Fund	176,938	153,742	235,103	248,083
PRIT Core Fund	180,867,003	156,056,176	169,577,674	174,856,275
Accounts Receivable	43,774	424,014	173,515	284,754
Accounts Payable	(48,567)	(28,746)	(120,514)	0
<b>Total</b>	<u>\$187,709,073</u>	<u>\$159,340,783</u>	<u>\$170,312,195</u>	<u>\$176,142,748</u>
<b>Fund Balances:</b>				
Annuity Savings Fund	\$41,024,658	\$41,040,813	\$41,071,191	\$41,099,874
Annuity Reserve Fund	28,524,459	29,780,241	31,068,848	32,433,379
Pension Fund	122	122	122	122
Military Service Fund	437	437	436	436
Expense Fund	0	0	0	0
Pension Reserve Fund	118,159,397	88,519,170	98,171,599	102,608,937
<b>Total</b>	<u>\$187,709,073</u>	<u>\$159,340,783</u>	<u>\$170,312,195</u>	<u>\$176,142,748</u>

## ANNUAL STATEMENTS (as submitted) (Continued)

### MASSACHUSETTS TURNPIKE AUTHORITY RETIREMENT SYSTEM STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance July 1, 2018	\$41,226,826	\$33,752,836	\$0	\$557	\$0	\$100,596,111	\$175,576,330
Receipts	2,004	1,027,131	373,294	0	914,450	15,025,240	17,342,119
Interfund Transfers	0	0	13,012,535	(122)	0	(13,012,413)	0
Disbursements	(128,955)	(2,346,588)	(13,385,708)	0	(914,450)	0	(16,775,701)
Ending Balance June 30, 2018	41,099,874	32,433,379	122	436	0	102,608,937	176,142,748
Receipts	41,227	941,771	426,746	0	872,588	8,256,341	10,538,672
Interfund Transfers	13,287	(20,602)	12,700,994	0	0	(12,693,679)	0
Disbursements	(83,198)	(2,285,700)	(13,127,740)	0	(872,588)	0	(16,369,225)
Ending Balance June 30, 2019	41,071,191	31,068,848	122	436	0	98,171,599	170,312,195
Receipts	41,073	901,746	606,948	0	825,022	2,360,858	4,735,648
Interfund Transfers	0	0	12,013,287	0	0	(12,013,287)	(0)
Disbursements	(71,451)	(2,190,353)	(12,620,235)	0	(825,022)	0	(15,707,060)
Ending Balance June 30, 2020	41,040,813	29,780,241	122	437	0	88,519,170	159,340,783
Receipts	41,071	864,064	0	0	821,696	42,250,233	43,977,065
Interfund Transfers	0	0	12,610,006	0	0	(12,610,006)	0
Disbursements	(57,226)	(2,119,847)	(12,610,006)	0	(821,696)	0	(15,608,775)
Ending Balance June 30, 2021	<u>\$41,024,658</u>	<u>\$28,524,459</u>	<u>\$122</u>	<u>\$437</u>	<u>\$0</u>	<u>\$118,159,397</u>	<u>\$187,709,073</u>

# ANNUAL STATEMENTS (as submitted) (Continued)

## MASSACHUSETTS TURNPIKE AUTHORITY RETIREMENT SYSTEM STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING JUNE 30,			
	2021	2020	2019	2018
<b>Annuity Savings Fund:</b>				
Investment Income Credited to Member Accounts	<u>\$41,071</u>	<u>\$41,073</u>	<u>\$41,227</u>	<u>\$2,004</u>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited to the Annuity Reserve Fund	<u>864,064</u>	<u>901,746</u>	<u>941,771</u>	<u>1,027,131</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems	0	606,948	426,746	373,294
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>0</u>	<u>606,948</u>	<u>426,746</u>	<u>373,294</u>
<b>Expense Fund:</b>				
Investment Income Credited to the Expense Fund	<u>821,696</u>	<u>825,022</u>	<u>872,588</u>	<u>914,450</u>
<b>Pension Reserve Fund:</b>				
Interest Not Refunded	0	0	7	0
Miscellaneous Income	0	0	2,353	20,103
Excess Investment Income	<u>42,250,233</u>	<u>2,360,858</u>	<u>8,253,981</u>	<u>15,005,137</u>
Sub Total	<u>42,250,234</u>	<u>2,360,859</u>	<u>8,256,341</u>	<u>15,025,240</u>
<b>Total Receipts, Net</b>	<u>\$43,977,065</u>	<u>\$4,735,648</u>	<u>\$10,538,672</u>	<u>\$17,342,119</u>



# ANNUAL STATEMENTS (as submitted) (Continued)

## MASSACHUSETTS TURNPIKE AUTHORITY RETIRMENT SYSTEM STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING JUNE 30,				
	2021	2020	2019	2018
<b>Annuity Savings Fund:</b>				
Refunds to Members	<u>\$57,226</u>	<u>\$71,451</u>	<u>\$83,198</u>	<u>\$128,955</u>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	<u>2,119,847</u>	<u>2,190,353</u>	<u>2,285,700</u>	<u>2,346,588</u>
<b>Pension Fund:</b>				
Pensions Paid:				
Regular Pension Payments	9,327,722	9,555,361	9,975,660	10,311,668
Survivorship Payments	109,732	97,606	96,368	94,486
Ordinary Disability Payments	275,451	292,601	309,375	309,502
Accidental Disability Payments	1,808,832	1,840,068	1,893,418	1,891,888
Accidental Death Payments	489,414	492,693	509,424	535,032
Section 101 Benefits	98,504	98,883	85,832	96,079
3 (8) (c) Reimbursements to Other Systems	<u>500,351</u>	<u>243,022</u>	<u>257,663</u>	<u>147,052</u>
Sub Total	<u>12,610,006</u>	<u>12,620,235</u>	<u>13,127,740</u>	<u>13,385,708</u>
<b>Expense Fund:</b>				
Custodial Fees	105,492	113,661	103,178	105,241
Consultant Fees	<u>716,205</u>	<u>711,361</u>	<u>769,410</u>	<u>809,209</u>
Sub Total	<u>821,696</u>	<u>825,022</u>	<u>872,588</u>	<u>914,450</u>
<b>Total Disbursements</b>	<b>\$15,608,775</b>	<b>\$15,707,060</b>	<b>\$16,369,225</b>	<b>\$16,775,701</b>

# ANNUAL STATEMENTS (as submitted) (Continued)

## MASSCHUSETTS TURNPIKE AUTHORITY RETIREMENT SYSTEM INVESTMENT INCOME

FOR THE PERIOD ENDING JUNE 30,				
	2021	2020	2019	2018
<b>Investment Income Received From:</b>				
Cash	\$614	\$1,182	\$0	\$0
Pooled or Mutual Funds	<u>3,965,251</u>	<u>3,915,547</u>	<u>4,592,314</u>	<u>4,785,279</u>
<b>Total Investment Income</b>	<u>3,965,865</u>	<u>3,916,729</u>	<u>4,592,314</u>	<u>4,785,279</u>
<b>Plus:</b>				
Realized Gains	12,784,122	6,091,369	7,170,660	9,496,387
Unrealized Gains	<u>30,293,551</u>	<u>15,388,196</u>	<u>17,423,165</u>	<u>11,130,528</u>
Sub Total	<u>43,077,672</u>	<u>21,479,564</u>	<u>24,593,824</u>	<u>20,626,915</u>
<b>Less:</b>				
Realized Loss	0	(1,096,384)	0	0
Unrealized Loss	<u>(3,066,472)</u>	<u>(20,171,210)</u>	<u>(19,076,571)</u>	<u>(8,463,472)</u>
Sub Total	<u>(3,066,472)</u>	<u>(21,267,594)</u>	<u>(19,076,571)</u>	<u>(8,463,472)</u>
<b>Net Investment Income</b>	<u>43,977,065</u>	<u>4,128,700</u>	<u>10,109,567</u>	<u>16,948,722</u>
<b>Income Required:</b>				
Annuity Savings Fund	41,071	41,073	41,227	2,004
Annuity Reserve Fund	864,064	901,746	941,771	1,027,131
Expense Fund	<u>821,696</u>	<u>825,022</u>	<u>872,588</u>	<u>914,450</u>
<b>Total Income Required</b>	<u>1,726,832</u>	<u>1,767,842</u>	<u>1,855,586</u>	<u>1,943,585</u>
Net Investment Income	<u>43,977,065</u>	<u>4,128,700</u>	<u>10,109,567</u>	<u>16,948,722</u>
Less: Total Income Required	<u>1,726,832</u>	<u>1,767,842</u>	<u>1,855,586</u>	<u>1,943,585</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>\$42,250,233</u>	<u>\$2,360,858</u>	<u>\$8,253,981</u>	<u>\$15,005,137</u>

## SUPPLEMENTARY INFORMATION

### SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED STATE EMPLOYEES' RETIREMENT SYSTEM

(percentages by category)

AS OF DECEMBER 31, 2020		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
PRIT Cash Fund	\$289,969	0.0%
PRIT Core Fund	<u>32,439,240,411</u>	<u>100.0%</u>
<b>Grand Total</b>	<u><b>\$32,439,530,380</b></u>	<u><b>100.0%</b></u>

For the year ending December 31, 2020, the rate of return for the investments of the State Employees' Retirement System was 12.69%. For the ten-year period ending December 31, 2020, the rate of return for the investments of the State Employees' Retirement System averaged 9.05%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the State Employees' Retirement System was 9.55%.

The composite rate of return for all retirement systems for the year ending December 31, 2020 was 12.80%. For the ten-year period ending December 31, 2020, the composite rate of return for the investments of all retirement systems averaged 8.93%. For the 36-year period ending December 31, 2020, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.31%.

## SUPPLEMENTARY INFORMATION (Continued)

### SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all State Employees' Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

#### ADMINISTRATION

There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

#### PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

There are 4 classes of membership in the retirement system as follows:

##### **Group 1:**

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

##### **Group 2:**

Certain specified hazardous duty positions.

##### **Group 3:**

Specified hazardous duty positions made up exclusively of State Police officers and inspectors.

##### **Group 4:**

Police officers, firefighters, and other specified hazardous positions.

## SUPPLEMENTARY INFORMATION (Continued)

### MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of \$30,000.

Employees appointed to the State Police on or after July 1, 1996 contribute 12% of regular compensation. In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

### RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

### RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

### SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 50 with 10 years of service or age 55 if classified in Group 4.

## SUPPLEMENTARY INFORMATION (Continued)

### AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

The State Retirement Board uses a slightly different formula for calculating the allowance of state police officers.

## SUPPLEMENTARY INFORMATION (Continued)

### DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 73.

### WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

### DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

#### ORDINARY DISABILITY

**Eligibility:** Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s. 6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching “maximum age”. “Maximum age” applies only to those employees classified in Group 4 who are subject to mandatory retirement.

**Retirement Allowance:** For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member’s final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

## SUPPLEMENTARY INFORMATION (Continued)

### ACCIDENTAL DISABILITY

**Eligibility:** Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

**Retirement Allowance:** 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$980.88 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

### ACCIDENTAL DEATH

**Eligibility:** Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

**Allowance:** An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$980.88 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of \$300,000 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.



## SUPPLEMENTARY INFORMATION (Continued)

### DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

### DEATH IN ACTIVE SERVICE (OPTION D)

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

### COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

## SUPPLEMENTARY INFORMATION (Continued)

### METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

**Option A:** Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

**Option B:** A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

**Option C:** A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

### ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each system.

## SUPPLEMENTARY INFORMATION (Continued)

### SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a fiscal year (June 30) basis in accordance with statute.

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23(2) generally govern the investment practices of the system. The Board relies on the investment strategy of the PRIM Board to maintain their progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

A 3(8)c reimbursement is the pension benefit payment received from other Massachusetts public retirement systems for the portion of creditable service realized by retirees formerly contributing to another retirement system. These funds are swept by Treasury and posted to the Commonwealth's General Fund.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

## SUPPLEMENTARY INFORMATION (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. 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 Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

## SUPPLEMENTARY INFORMATION (Continued)

### ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Treasurer And Receiver General Of The Commonwealth who shall be a member ex-officio, a second member appointed by the Treasurer, a third and fourth member who shall be elected by the members in or retired from the service of the Commonwealth, and a fifth member appointed by the other four board members.

Ex-officio Member: Deborah B. Goldberg, Chairman

Appointed Member: Joanne F. Goldstein Term Expires: 01/24/2027

Elected Member: Theresa M. McGoldrick, Esq. Term Expires: 04/30/2027

Elected Member: Francis Valeri Term Expires: 01/26/2026

Appointed Member: Archibald Gormley, Jr. Term Expires: 03/27/2027

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$500,000 issued through Federal Insurance Company (Chubb Group of Insurance Companies). The system also has Fiduciary coverage to a limit of \$2,000,000 issued through RLI Insurance Company.

### BOARD REGULATIONS

The State Employees' Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/state-retirement-board-regulations>.

## SUPPLEMENTARY INFORMATION (Continued)

### ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2023. The dollar amounts below are reflected in thousands.

The actuarial liability for active members was	\$19,662,761
The actuarial liability for vested terminated members was	1,173,016
The actuarial liability for non-vested terminated members was	349,372
The actuarial liability for retired members was	<u>28,015,056</u>
The total actuarial liability was	\$49,200,205
System assets as of that date were (actuarial value)	<u>35,079,598</u>
The unfunded actuarial liability was	<u>\$14,120,607</u>
 The ratio of system's assets to total actuarial liability was	 71.3%
As of that date the total covered employee payroll was	\$7,088,063

The normal cost for employees on that date was 9.3% of payroll

The normal cost for the employer including expenses and transfers was 7.1% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 7.00% per annum  
 Rate of Salary Increase: Varies by group and service

### SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2023 (\$ In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets ( a )	Actuarial Accrued Liability ( b )	Unfunded AAL (UAAL) ( b-a )	Funded Ratio ( a/b )	Covered Payroll ( c )	UAAL as a % of Cov. Payroll ( (b-a)/c )
1/1/2023	\$35,079,598	\$49,200,205	\$14,120,607	71.3%	\$7,088,063	199.2%
1/1/2022	\$34,467,610	\$47,275,156	\$12,807,546	72.9%	\$6,651,010	192.6%
1/1/2021	\$30,370,096	\$45,704,298	\$15,334,202	66.5%	\$6,544,575	234.3%
1/1/2019	\$27,136,639	\$42,595,224	\$15,458,585	63.7%	\$6,354,473	243.3%
1/1/2018	\$26,248,250	\$40,456,611	\$14,208,361	64.9%	\$6,155,194	230.8%

## SUPPLEMENTARY INFORMATION (Continued)

### MEMBERSHIP EXHIBIT

(\$ In Thousands)

	2011	2012	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
<b>Retirement in Past Years</b>										
<b>Total Retirements</b>	2,988	2,921	1,055	1,121	3,365	883	968	1,441	1,383	1,476
Total Retirees, Beneficiaries and Survivors	54,921	55,721	57,333	58,454	61,819	62,702	63,365	64,500	65,883	66,779
Total Active Members	85,550	86,714	84,507	91,298	89,208	89,006	89,295	89,621	91,642	89,043
<b>Pension Payments</b>										
Superannuation	\$1,030,368	\$1,087,581	\$1,198,427	\$1,268,709	\$1,428,908	\$1,511,925	\$1,593,407	\$1,667,890	\$1,747,086	\$1,836,192
Survivor/Beneficiary Payments	63,405	66,950	73,159	77,075	81,002	46,458	8,957	9,170	9,357	9,382
Ordinary Disability	9,606	9,606	10,262	10,716	10,567	13,536	16,639	16,521	16,834	16,591
Accidental Disability	97,942	100,972	108,247	112,215	116,039	126,424	136,187	142,358	147,293	154,833
Other	<u>100,960</u>	<u>95,543</u>	<u>80,723</u>	<u>84,877</u>	<u>97,253</u>	<u>94,656</u>	<u>121,356</u>	<u>138,867</u>	<u>114,509</u>	<u>96,361</u>
<b>Total Payments for Year</b>	<u><u>\$1,302,281</u></u>	<u><u>\$1,360,652</u></u>	<u><u>\$1,470,819</u></u>	<u><u>\$1,553,592</u></u>	<u><u>\$1,733,770</u></u>	<u><u>\$1,792,998</u></u>	<u><u>\$1,876,545</u></u>	<u><u>\$1,974,806</u></u>	<u><u>\$2,035,078</u></u>	<u><u>\$2,113,359</u></u>

## SUPPLEMENTARY INFORMATION (Continued)

### LEASED PREMISES

The State Employees' Retirement Board leases approximately 15,693 square feet of space for its offices located on the Seventh and Eighth floors, One Winter Street, in the Downtown Crossing area of Boston. They signed an initial seven-year lease for 11,722 square feet on the Eighth floor with a term to expire on October 23, 2019. An Amendment dated August 28, 2019, extended the lease an additional six years with an expiration date of October 23, 2025. The Amendment also included an additional 3,971 square feet of office space located on the Seventh floor of the building. The landlord is Winsum Limited Partnership.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of June 30, 2021:

<u>For the fiscal year ending:</u>	<u>Annual Rent</u>
2021	\$856,368
2022	872,501
2023	888,634
2024	904,767
2025 (four months)	<u>303,382</u>
Total future minimum lease payments required	<u>\$3,825,652</u>

Also, the Retirement Board occupies office space located at in the State Office Building at 436 Dwight Street, Springfield, MA. The User Agency Occupancy Agreement is between the Division of Capital Asset Management and Maintenance (DCAMM) and the State Retirement Board in accordance with G.L.c. 7C, sections 33 and 26.



## SUPPLEMENTARY INFORMATION (Continued)

### SOFTWARE ACQUISITION AND DEVELOPMENT COSTS

The State Retirement Board has made a significant investment in new technology to improve efficiency for Board staff, employers and local retirement boards and improve service to its members and retirees. The new computer system, Massachusetts Retirement Information System (MARIS), was designed to improve the accuracy and reporting of data. MARIS went live in January 2017.

The following schedule displays the software and development costs as of June 30, 2021:


<u>For the fiscal year ending:</u>	<u>Costs</u>
2010	\$1,665,100
2011	2,956,829
2012	1,172,274
2013	3,823,181
2014	2,515,143
2015	4,999,784
2016	8,661,895
2017	17,618,781
2018	5,921,623
2019	4,464,234
2020	5,327,642
2021	<u>4,903,744</u>
Total MARIS costs since inception in FY10	<u>\$64,030,230</u>

### NOTE 9 - TRANSFER OF PLAN ADMINISTRATION

The Optional Retirement Program (ORP) is a retirement plan for employees at the Commonwealth's public institutions of higher education and the Department of Higher Education. Section 60 of the Pension Reform Act of 2011 allowed eligible employees to transfer from ORP to the SRB, effective May 1, 2014. There are assets still in TIAA Traditional Account at ORP that have not yet been transferred to the State. These assets cannot be transferred in one lump sum but may be transferred in installments over a period of time. There was \$23.6M of ORP assets not yet transferred to the State at June 30, 2021.







COMMONWEALTH OF MASSACHUSETTS  
Public Employee Retirement Administration Commission  
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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

Auditor DIANA DIZOGLIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

June 6, 2025

The Honorable Deborah B. Goldberg  
Treasurer and Receiver General  
Chairperson, State Retirement Board  
One Winter Street, 8<sup>th</sup> Floor  
Boston, MA 02108

**REFERENCE:** Report of the Examination of the State Retirement Board for the four-year period from July 1, 2017 through June 30, 2021.

Dear Chairperson Goldberg:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the State Retirement Board for the period referenced above. We conduct these visits as a regular part of the oversight process to ensure the timely implementation of the recommendations contained in that report. The examination also addressed the other matters discussed at the completion of the audit. The results are as follows:

***1. The Audit Report cited a finding that first benefit payments to new retirees, refunds to members and transfers-out to other boards were processed late, over the number days allowed by Chapter 32.***

**Follow-up Result:** We tested payments to members who retired in 2025 and found that 77% were paid within 62 days and the average days were 53.

We tested payments of refunds requested in 2025 and found that 98% were processed within the required 60 days and the average days were 16.

We also tested payments of transfers out to other boards that were requested in 2025 and found that 100% were processed within the 90 days and the average days were 32. This issue is resolved.



June 6, 2025

Page Two

***2. The Audit Report cited a finding that some members were not in compliance with §91A requirements and had overearnings issues.***

**Follow-up Result:** Our testing found that the two retirees who were not in compliance at the time of the audit are now complying. Most of the overearners from the audit have entered into payment agreements and one retiree's allowance was suspended. There were four retirees with hearings set up for May and June 2025 and two others are in the process of setting up payment plans. This issue is resolved.

The additional matters discussed have been reviewed and many have been resolved.

The Commission wishes to acknowledge the effort demonstrated by the staff of the State Retirement Board to correct many of the issues from the most recent examination of the system.

Thank you for your continued cooperation in this matter.

Sincerely,



William T. Keefe  
Executive Director

WTK/cms

cc: State Retirement Board Members