



Massachusetts

STATE RETIREMENT BOARD

2011 ANNUAL FINANCIAL STATEMENT

2011 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 Year Ended December 31, 2011

State Retirement Board

Steven Grossman

Treasurer and Receiver General, Chairman

Patricia Deal

Appointed Member

Ralph White

Elected Member

Theresa McGoldrick, Esq.

Elected Member

Chris Condon

Chosen Member

Main Office

One Ashburton Place, Room 1219

Boston, MA 02108

Phone: 617-367-7770 Fax: 617-723-1438

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Regional Office

436 Dwight Street, Room 109A

Springfield, MA 01103

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mass.gov/retirement

You Serve the Commonwealth, We Serve You.

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This Annual Financial Statement was prepared in house by Board staff
Robert Kenney, Financial Reporting and Compliance Manager
Jadene Yoke, Board Accountant
Natacha Dunker, Communications Director



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2011***

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 cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

Annual Statement for the Year Ended December 31, 2011 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 Effective Date: May 31, 2012

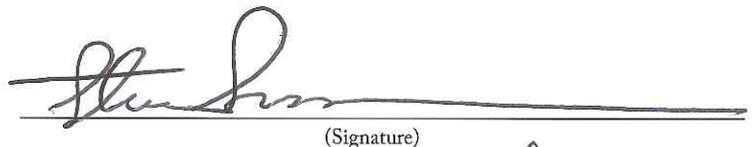
Administration Office

One Ashburton Place, Room 1219 , 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 and retirement system on the said thirty-first day of December last, and for the year ended on that date, according to the best of our information, knowledge and belief, respectively.

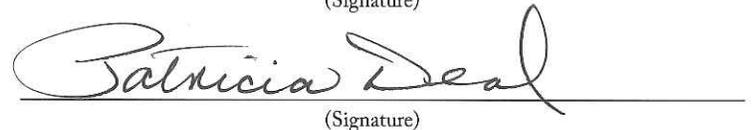
Board Of Retirement

Ex-officio Member
Steven Grossman (Chairman)



(Signature)

Appointed Member
Patricia Deal
Term Expires 3/31/2013



(Signature)

Elected Member
Ralph White
Term Expires 12/31/2013



(Signature)

Elected Member
Theresa McGoldrick, Esq.
Term Expires 04/30/2015



(Signature)

**Member Appointed By
Other Members**
Christopher Condon
Term Expires 12/31/2014



(Signature)

Investment Managers

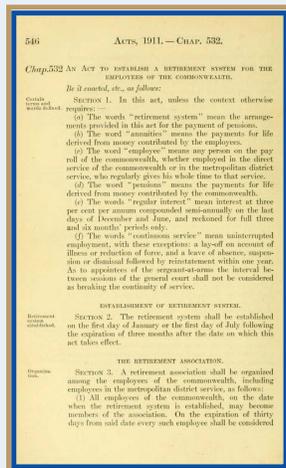
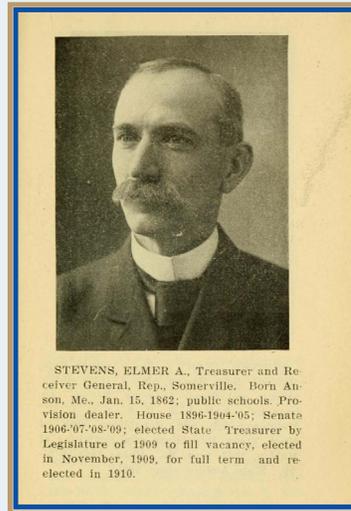
PENSION RESERVES INVESTMENT MANAGEMENT BOARD
84 State Street
Suite 250
Boston, Ma 02109

Investment Consultant

PENSION RESERVES INVESTMENT MANAGEMENT BOARD
84 State St
Suite 250
Boston, Ma 02109



1909: Elmer A. Stevens was elected the 37th Treasurer & Receiver General of Massachusetts. He would later become the first chairman of the State Retirement Board.



The Act to Establish a Retirement System for the Employees of the Commonwealth was enacted in July 1911. It was one of the first general state employee retirement pension plans in the country. The first Retirement Board meeting was held in 1912.

About the System

About the System

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

The State Board of Retirement ("Board") manages the system's operations and administers the former Massachusetts Turnpike Authority Employees' Retirement System. The Board, in its 100th year of operation, consists of five members: The Treasurer and Receiver General, who is an ex-officio member, two elected members, an appointed member and a fifth member chosen by the other four members. The Board is currently administered by a staff of 47 full-time employees and 4 part-time employees. Board offices are located in Boston and Springfield.

The Board's primary mission is maintaining the successful and accurate administration of pension and related benefits to its active and retired members. This mission touches almost every state employee in one form or another. From properly enrolling members, ensuring correct contributions are received, refunding or rolling over contributions of those who leave state service, or processing retirement applications, the Board and staff, and indirectly the Treasurer, interact with all our members.

The Board is presently responsible to more than 85,000 active members, more than 54,000 retirees or beneficiaries, and another 39,000 members who have funds on account

with our system.

The System provides retirement, disability, survivor and death benefits to members and their beneficiaries. Members become vested after ten full-time years of creditable service. Generally a superannuation retirement allowance (service retirement) may be received upon completion of twenty years of service or upon reaching retirement age (55) with ten years of service. Retirement for certain hazardous duty and public safety positions may occur at an earlier age.

The maximum retirement allowance benefit allowed is 80% of a member's highest three-year average annual rate of regular compensation. 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.

2011 Year in Review

Pension Reform Measures

Chapter 176 of the Acts of 2011 is the 3rd phase of recent pension reform measures and has the most comprehensive changes to Chapter 32 in many years.

The new law is effective April 2, 2012 and aims to make the system sustainable for future generations of public workers, with most provisions affecting new members. Current members and retirees will also see some changes. Major provisions include:

- Buyback Interest Changing
- Group Classification Policy Adjusted for New and Existing Members
- Anti-Spiking Provision
- Option Change Allowance for Retired Members and Survivors
- Change to COLA Base
- Increased Earnings Limits for Retirees
- Major Changes for Members Hired After April 2, 2012:
- Age factor changing
- Salary average period increasing
- Section 10 Termination Allowance Eliminated.

Board Suffers Loss

The Board lost two long time staffers unexpectedly in a short amount of time.

Robert Minue had worked at the State Retirement Board for nearly 30 years. He served with distinction as deputy director and was highly respected for his public service.

John Waldron, a retirement counselor with the Board for twelve years passed away in early 2012. He was highly regarded by both his colleagues and those he served. His contributions to the Board and his community were invaluable.

Both men exemplified what it means to be a public servant and we at the Board will continue to work hard in their honor.

Financial Status

At the end of 2011 the State Employees' Retirement System's market value of its assets invested in the Pension Reserves Investment Trust (PRIT) Fund amounted to \$18.4 billion. The PRIT Fund is managed by a nine-member Pension Reserves Investment Management ("PRIM") Board, chaired by Treasurer Grossman.

The System's funded ratio stood at 73.8% as of January 1, 2012. The funded ratio represents the actuarial value of plan assets divided by the actuarial accrued liability.

Board Operations

During 2011 the Board issued benefit payments and annuity payments to retirees and survivors totaling more than \$1.495 billion.

Board staff processed 2,988 new retirements, 6,485 requests for service purchases and 4,331 withdrawal or rollover requests. The Board received and processed more than \$67 million in payments related to service purchases and transfers into the Retirement System by members.

Retirement Counselors and staff carried out 61 group presentations and seminars across the state during 2011 in addition to individual in-person-counseling sessions in the Board's Boston and Springfield offices.

The Board successfully administered and issued more than \$44.4 million in COLA reimbursements to local retirement boards and cities/towns.

Communications

The Board continues its communications efforts with members. New this year is the Board Facebook page, which will be used as an additional means of communicating with members.

The active member newsletter, is delivered electronically to active members on a quarterly basis. The Retiree Connection, our bi-annual newsletter is delivered electronically to members with email addresses and a hard copy is mailed to all other benefit recipients.

Retirees and survivors can see their monthly statements and informational 1099-R's online with Retiree PayInfo.

The Board also reaches out to external employers via an e-newsletter to keep employers up to date on the new line of business system as well as Board updates.

Board Elections/Appointments

Theresa McGoldrick was re-elected to the Board for a 3-year term without compensation

in early 2012. Her term will expire April 30, 2015. She has served on the Board since since 2004.

Chris Condon was also re-appointed to the Board. He will also serve a three-year term without compensation until December 31, 2014. He has served on the Board since 2003.

New Line of Business Computer System

Development continues on the new line of business system. Sagitec Solutions, LLC, the vendor selected to develop the new system, which will replace our existing 39-year-old system, continues to work with the Board. The "go-live" date for the new Massachusetts Retirement Information System, or "MARIS", is early 2013.

This new line of business solution is expected to allow for member self service as well as less redundancy at the staff level. It is being customized to meet our business needs.

Ventera, a vendor specializing in data migration, continues to work with the Board, as well as Provaliant, LLC, working with the Board as project oversight manager.

Board Award

The Board is the recipient of the 2011 Public Pension Standards Award in recognition of our high standards in plan design and administration.

Respectfully Submitted,

Nicola Favorito

Nicola Favorito, Esq.

Deputy Treasurer,

Executive Director

State Board of Retirement

Gone But Not Forgotten...



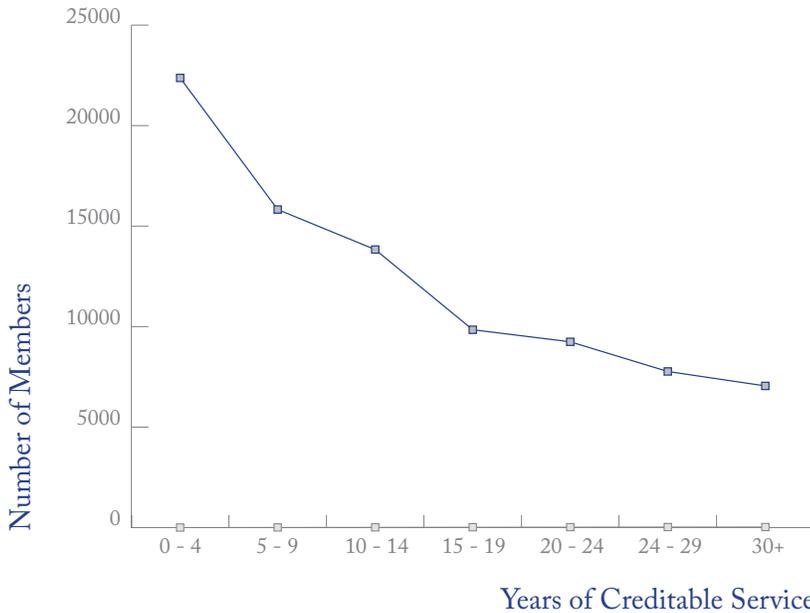
Robert C. Minue passed away in August 2011 after a tragic accident at home. He worked at the Board for close to 30 years. He last served the Board as Deputy Director spearheading the new line of business computer system project. The project has been renamed the Robert Minue Project in his honor. He is survived by his wife Alice, their son Christopher, and daughter Sarah .



John Waldron passed away in March 2012 after post-surgery complications after a fall suffered on his way to work. He was one of the Board's most highly regarded retirement counselors. His loss was a blow both to the Board and his beloved city of Brockton where he was active in civic and political committees. He is survived by his wife Mary, and their daughter Casey.

Membership Information

Creditable Service for Active Members



Active Members

Average Age: 47.5

Average Salary: \$57,280

Retired Members & Survivors

Average Age: 72

Average Benefit: \$27,423

Active Members

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

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 pay 12%). Members joining the System 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 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 2011 were \$528.1 million consisting of \$460.7 million in payroll deductions, \$3.3 million in member redeposits, \$59.8 million for members transferring from other systems and \$4.3 million from members' rollovers.

Active Members

Active Membership Previous Year Ending December 31, 2010:	86,309	
Net Change In Active Membership During Report Year 2011:	(759)	
Active Membership Current Year Ending December 31, 2011:		85,550

*Retired Membership, Beneficiaries and Survivors

Retired, Beneficiary and Survivor Membership Previous Year Ending December 31, 2010:	54,047	
Net Change During Report Year 2011:	874	
Retired Membership As Of December 31, 2011:	54,921	
Superannuation	43,687	
Ordinary Disability	630	
Accidental Disability	3,071	
Beneficiaries from Accidental Death	427	
Beneficiaries From Section 101	430	
Option (d) Survivorship Allowance	5,615	
Other Pensions(Non-contribs.)	1,061	
		54,921

Inactive Membership

Members who leave state service do not continue to contribute to their retirement account. Members may elect to remain inactive members of the System, retire if eligible, or withdraw their accumulated total deductions from the System.

Inactive Membership Previous Year Ending December 31, 2010:	37,913	
Net Change In Inactive Membership During Report Year 2011:	1,176	
Inactive Membership, Current Year Ending December 31, 2011:		39,089

Total Membership

Active, Inactive, Retired, Beneficiary and Survivors For Current Year Ending December 31, 2011		179,560
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Note: Data is as of January 2012

Members of the Board

Membership and tenure in the five member State Board of Retirement is determined by Mass. 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.



Steven Grossman, Chairman Ex-Officio, Treasurer & Receiver General - Treasurer
Grossman is currently serving his first term in office.



Appointed Member Patricia Deal - Ms. Deal is the retired Treasurer of the Massachusetts Water Pollution Abatement Trust. She was first appointed in 2010.



Elected Member Ralph White - Mr. White founded the Retired State, County, and Municipal Employees' Association in 1968 and has served as President since inception. Mr. White has served on the Board since 1997.



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



Chosen Member Christopher Condon - 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 for a term of three years. Mr. Condon is Legislative Director for SEIU Local 509. Mr. Condon began his Board service in 2003.

State Employees' Retirement System Staff (As of May 2012)

Nicola Favorito, Esq.
Deputy Treasurer, Executive Director

Marianne Gebert
Deputy Director

Karen Richardson
Operations Manager

Reinstatement ("Service Purchases")

Sandra Fallon, Reinstatement Manager
Robert Faneuil, Reinstatement Analyst
Donald Knight, Reinstatement Analyst
Sharon Lantieri, Reinstatement Analyst

Disability Retirement

Norma Toppin-Dove, Manager
Diane Murray, Disability Counselor
Scentia Romulus, Disability Counselor
Patricia Conley, Disability Counselor

Benefits Counselors

Kevin Caira, Benefits Counselor Manager
Ann Marie Burke, Benefits Counselor
James Condon, Benefits Counselor
Linda Danovitch, Benefits Counselor
William Krauss, Benefits Counselor

Administration & Finance

Dennis Giglio, A & F Manager
Kershny Gedeon, A & F Analyst II
Drenna Barrett, A & F Analyst II
Tamarra Desruisseaux, A & F Analyst I
Unique Dodd, A & F Analyst I

Springfield Regional Office

Rachel Grimaldi, Regional Office Manager
Michael Southerland, Benefits Counselor
Declan Hobbs, Benefits Counselor
James Lovotti, Benefits Counselor
Seamus Warwick, Benefits Counselor
Crystal Chow-Matthews, Associate General Counsel

Refunds

Darrell Ronan, Refunds Manager
Greg Gatsoigiannis, Refunds Analyst
Scott Kelley, Refunds Analyst
Linda Tobin, Refunds Analyst
Danielle Jones-McLaughlin, Refunds Analyst

Executive Staff

Andrea Anderson, Ex. Assistant/Office Manager

Financial Reporting & Compliance

Robert Kenney, Manager
Jadene Yoke, Accountant

Legal Department

Jamey Tesler, General Counsel
Erin Nally, Associate General Counsel
Emily Robbins, Associate General Counsel
Melinda Troy, Associate General Counsel
Amy Fagerlund, Legal Department Manager
Ann Bodor, Paralegal

Operations

Timothy Guilfooy, ECM Administrator
Winifred Rankin, ECM Coordinator
Susan Horn, Call Center Representative
Anthony Lucente, Call Center Representative
Adam Linskey, Member Services Representative
Jean Simone, COLA Coordinator
Diane Scott, Group Classification Coordinator

Communications

Natacha Dunker, Communications Director
Cynthia Lydon, Communications Specialist

Computer Systems

Richard Cady, Programmer
Ken Colebourn, Programmer

Employer/Board Services

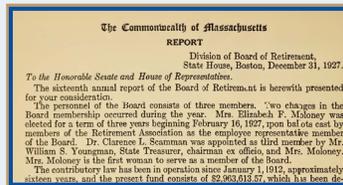
Angela Olszewski, Manager
Robert Soohoo

MARIS Project Development

Sally Rizzo, IT Project Manager
Alyce Smith, MARIS Administrator

Survivor Benefits

Carol Powers, Manager
Paul Egan



1927: Elizabeth F. Moloney is elected to the Board as the employee representative. She is the first woman elected to the State Retirement Board.

1983: The Pension Reserves Investment Trust (PRIT) Fund was created by Chapter 661 of the Acts of 1983. It is managed by the Pension Reserve Investment Management (PRIM) Board .



November 18, 2011: Governor Deval Patrick signs phase three of Pension Reform effective April 2, 2012. The new law takes steps to preserve and protect retirement benefits now and in the future.

Financial Statements

Massachusetts Pension Reserves Investment Management Board

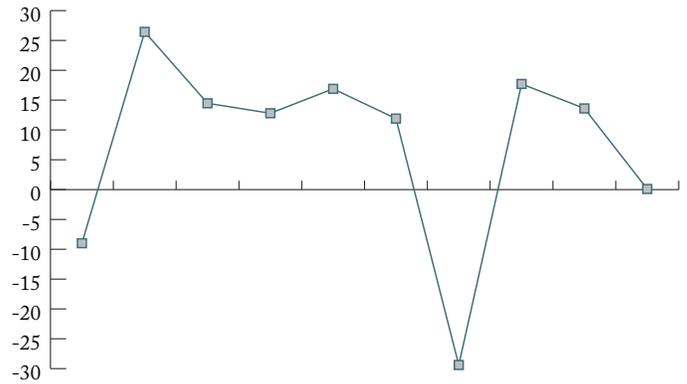
The Pension Reserves Investment Trust ("PRIT") Fund is a pooled investment fund established to invest the assets of the Massachusetts State Teachers' and Employees' Retirement Systems, and the assets of county, authority, district, and municipal retirement systems that choose to invest in the Fund.

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

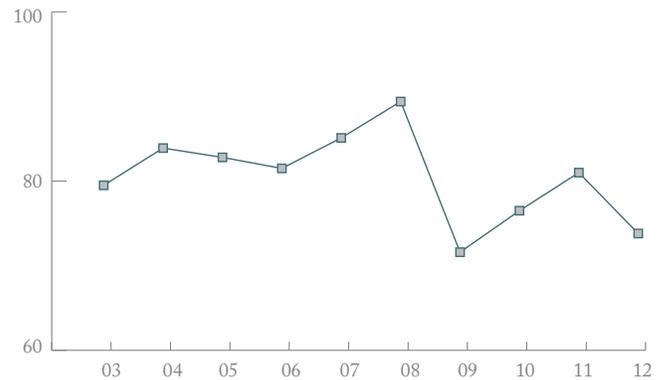
The Pension Reserves Investment Management ("PRIM") Board is charged with the general supervision of the PRIT Fund.

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

The Capital Fund serves as the long-term asset portfolio and consists of nine accounts: General Allocation Account (which is comprised of the other accounts, except the State Teachers' and Employees' Separate Account), Domestic Equity, Fixed Income, High-Yield Debt, International Equity (EAFE), Emerging Markets Equity, Core Real Estate, Non-Core Real Estate, Timber and Alternative Investments. The State Employees' and Teachers' Separate Account holds the State Employees' and Teachers' cash.

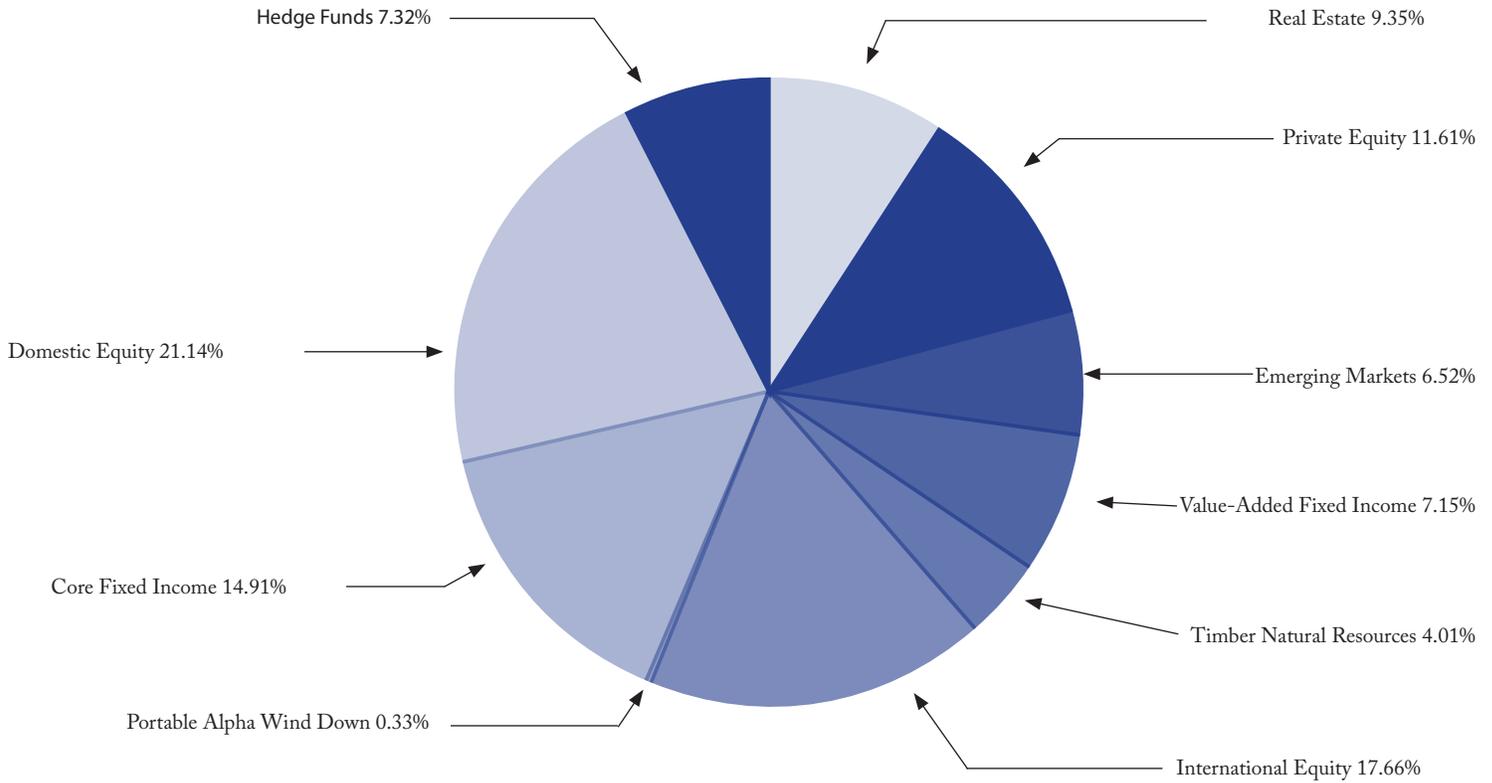


10 Year Return % 2002 - 2011



10 Year Funded Ratio % 2002 - 2011

PRIT Fund Core Asset Allocation



2010 Values

As of December 31, 2010, the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital and Cash Fund was:

\$19,078,246,594.74

2011 Capital Fund

As of December 31, 2011 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Capital Fund was:

\$18,451,481,780.53

2011 Cash Fund

As of December 31, 2011 the Net Asset Value of the State Employees' Retirement System's investment in the PRIT Cash Fund was:

\$15,570,572.16

Annual Statement Balance Tests

1. Asset Balance

Assets Previous Year	19,093,494,585.95
Income Current Year	1,110,404,040.60
Disbursements Current Year	1,711,960,969.50
Assets Current Year	18,491,937,657.05

2. Asset Difference

Assets Current Year	18,491,937,657.05
Assets Previous Year	19,093,494,585.95
Difference	(601,556,928.90)

3. Income Difference

Income Current Year	1,110,404,040.60
Disbursements Current Year	1,711,960,969.50
Difference	(601,556,928.90)

4. Fund Change Difference

Total Fund Change Credits Current Year	2,147,936,987.03
Total Fund Change Debits Current Year	2,749,493,915.93
Difference	(601,556,928.90)

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

Annual Statement of the State Employees' Retirement System for the Year Ended December 31, 2011

Fund	Balance 12/31/10	Receipts	Interfund Transfers	Disbursements	Balance 12/31/11
Annuity Savings Fund	4,944,928,316.37	538,147,118.13	(262,589,121.23)	56,590,690.80	5,163,895,622.47
Annuity Reserve Fund	1,349,030,949.16	40,755,532.43	260,953,924.11	239,105,384.90	1,411,635,020.80
Military Service Fund	49,716.53	96.49	(2,163.21)	0.00	47,649.81
Pension Fund	0.00	525,702,870.01	776,579,022.32	1,302,281,892.33	0.00
Expense Fund	0.00	113,983,001.47	0.00	113,983,001.47	0.00
Pension Reserve Fund	12,799,485,603.89	(108,184,577.93)	(774,941,661.99)	0.00	11,916,359,363.97
TOTAL ALL FUNDS	19,093,494,585.95	1,110,404,040.60	0.00	1,711,960,969.50	18,491,937,657.05

All 2011 Transfers:

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$260,953,924.11 on account of Current year retirees

Transfer from 3293 ARF Fund to the 3297 PRF Fund in the amount of \$3,931,875.92 on account of 10 Year Old Inactive Accts.

Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$776,579,022.32 on account of Funding Schedule

Transfer from 3295 MSF Fund to the 3293 ASF Fund in the amount of \$2,163.21 on account of Reimbursement for Retirees

Transfer from 3297 PRF Fund to the 3293 ASF Fund in the amount of \$2,294,515.59 return Members' accounts

Assets And Liabilities

	2011 End Balance	2010 End Balance	2009 End Balance
1040 - 1063 Cash	23,771,235.52	13,558,730.70	61,931,313.58
1100 - Short Term Investments	0.00	0.00	0.00
1180 - Fixed Income Sec (book value)	0.00	0.00	0.00
1101 - Pooled Short Term Funds	0.00	0.00	0.00
1170 - Equities	0.00	0.00	0.00
1172 - Pooled Domestic Equity Funds	0.00	0.00	0.00
1173 - Pooled International Equity Funds	0.00	0.00	0.00
1174 - Pooled Global Equity Funds	0.00	0.00	0.00
1181 - Pooled Domestic Fixed Income Funds	0.00	0.00	0.00
1182 - Pooled International Fixed Income Funds	0.00	0.00	0.00
1183 - Pooled Global Fixed Income Funds	0.00	0.00	0.00
1193 - Pooled Alternative Investments	0.00	0.00	0.00
1194 - Pooled Real Estate Funds	0.00	0.00	0.00
1195 - Pooled Domestic Balanced Funds	(0.03)	0.00	0.00
1196 - Pooled International Balanced Funds	0.00	0.00	0.00
1197 - Hedge Funds	0.00	0.00	0.00
1198 - PRIT Cash	15,570,572.16	17,908,608.11	18,156,487.28
1199 - PRIT Capital Fund	18,451,481,780.53	19,060,337,986.63	17,271,899,020.81
1350 - Prepaid Expenses	28,120.80	52,810.36	0.00
1398 - Accounts Receivable (A)	1,316,384.19	16,936,126.39	1,125,688.82
1550 - Interest Due & Accrued Fixed Inc Sec Cur Yr	0.00	0.00	0.00
2020 - Accounts Payable (A)	(230,436.12)	(15,299,676.24)	0.00
Total:	18,491,937,657.05	19,093,494,585.95	17,353,112,510.49

Funds :

	2011 End Balance	2010 End Balance	2009 End Balance
3293 - Annuity Savings Fund	5,163,895,622.47	4,944,928,316.37	4,719,695,068.63
3294 - Annuity Reserve Fund	1,411,635,020.80	1,349,030,949.16	1,259,970,544.65
3295 - Special Military Service Cr Fund	47,649.81	49,716.53	53,008.66
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	11,916,359,363.97	12,799,485,603.89	11,373,393,888.55
Total Assets at Market Value	18,491,937,657.05	19,093,494,585.95	17,353,112,510.49

(A) Detail for Accounts Receivable and Accounts Payable are to be placed on Schedule A

Receipts:

	2011	2010	2009
1. Annuity Savings Fund :			
(a) 4891 - Members Deductions	460,716,310.04	446,430,218.15	435,386,603.48
(b) 4892 - Transfers From Other	59,821,525.05	84,165,594.50	6,025,324.65
(c) 4893 - Make Up and Redeposit Payments	3,338,141.22	3,591,455.36	3,380,520.68
(d) 4900 - Member Payments from Rollovers	4,381,285.19	4,594,826.91	4,381,607.29
(e) Investment Income Cr to Members A/C	9,889,856.63	14,159,085.21	22,761,338.41
Subtotal	538,147,118.13	552,941,180.13	471,935,394.51
2. Annuity Reserve Fund :			
(a) Investment Income Cr to Annuity Res Fd	40,755,532.43	38,992,075.15	36,049,917.37
Subtotal	40,755,532.43	38,992,075.15	36,049,917.37
3. Pension Fund			
(a) 4898 - 3(8) (c) Reimburse from Other Sys	31,200,152.25	30,749,458.20	0.00
(b) 4899 - Rec'd from State for COLA & Survivors	0.00	0.00	0.00
(c) 4894 - Pension Fund Appropriation	494,229,002.00	455,369,723.29	268,379,061.07
(d) 4840 - Workers' Compensation Settlements	273,715.76	247,358.52	333,844.74
Subtotal	525,702,870.01	486,366,540.01	268,712,905.81
4. Military Service Fund :			
(a) 4890 - Contributions Rec (for Military Svc)	0.00	0.00	0.00
(b) Invest Income Credited	96.49	153.61	187.89
Subtotal	96.49	153.61	187.89
5. Expense Fund :			
(a) 4896 - Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Cr to Expense Fund	113,983,001.47	105,426,641.49	100,093,573.88
Subtotal	113,983,001.47	105,426,641.49	100,093,573.88
6. Pension Reserve Fund :			
(a) 4897 - Federal Grant Reimbursement	6,744,383.97	6,532,441.72	7,217,736.96
(b) 4895 - Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 - Interest not Refunded:	441,732.46	435,729.51	1,234,110.30
(d) 4825 - Misc. Income	999.55	1,339.81	0.00
(e) Excess Investment Income	(115,371,693.91)	2,155,845,482.08	2,484,367,890.80
Subtotal	(108,184,577.93)	2,162,814,993.12	2,492,819,738.06
TOTAL RECEIPTS:	1,110,404,040.60	3,346,541,583.51	3,369,611,717.52

Disbursements:	2011	2010	2009
1. Annuity Savings Fund :			
(a) 5757 - Refunds To Members	54,941,509.59	47,091,366.41	46,558,411.76
(b) 5756 - Transfers To Other Systems	1,649,181.21	1,418,449.65	2,332,810.82
Subtotal	56,590,690.80	48,509,816.06	48,891,222.58
2. Annuity Reserve Fund :			
(a) Annuities Paid	236,412,675.79	218,053,338.61	197,415,934.83
(b) 5759 - Option B Refunds	2,692,709.11	3,171,970.66	2,807,201.19
Subtotal	239,105,384.90	221,225,309.27	200,223,136.02
3. Pension Fund			
(a) 5751 - Pensions Paid			0.00
Regular Pension Payments	1,030,368,315.27	975,530,832.58	916,610,723.93
Survivorship Payments	63,405,189.16	60,343,374.07	58,331,460.02
Ordinary Disability Payments	9,606,423.01	9,362,056.87	9,608,653.43
Accidental Disability Payments	97,941,544.85	92,705,907.43	91,734,560.79
Accidental Death Payments	10,922,714.79	10,656,005.05	10,920,805.19
Section 101 Benefits	3,959,678.50	3,422,169.93	3,467,320.19
(b) 5755 - 3 (8) (c) Reimb To Other Sys	10,431,142.77	6,294,155.21	8,281,201.06
(c) 5752 - COLA's Paid	44,446,731.73	41,933,781.89	46,502,558.66
(d) 5700 - 3(8)(c) Reimb to General Fund	31,200,152.25	30,749,458.20	0.00
Subtotal	1,302,281,892.33	1,230,997,741.23	1,145,457,283.27
4. Military Service Fund :			
(a) 4890 - Return to Municipality for Members who withdrew their fund.	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00
5. Expense Fund :			
(a) 5118 Board Member Stipend	0.00		0.00
(b) 5119 - Salaries	3,678,623.77	3,273,893.39	2,941,282.93
(c) 5304 - Management Fees	85,121,357.64	73,555,214.78	81,860,682.96
(d) 5305 - Custodial Fees	9,383,093.52	9,510,331.53	10,205,451.38
(e) 5307 - Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 - Legal Expenses	9,296.12	37,184.27	117,012.61
(g) 5309 - Medical Expenses	0.00	0.00	0.00
(h) 5310 - Fiduciary Insurance	0.00	0.00	0.00
(i) 5311- Service Contracts	473,480.12	495,272.28	412,027.96
(j) 5312 - Rent Expense	14,924.04	14,924.04	14,924.04
(k) 5315 - Professional Services	2,287,031.18	2,669,633.97	0.00
(k) 5588 - Misc. Expenses	12,398,428.78	15,242,375.69	3,692,206.50
(l) 5320 - Education and Training	0.00	0.00	0.00
(m) 5589 - Administrative Expenses	475,111.19	544,382.03	687,611.48
(n) 5599 - Furniture and Equipment	132,012.13	77,685.14	151,297.79
(o) 5719 - Travel	9,642.98	5,744.37	11,076.23
(p) 5829 - Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	113,983,001.47	105,426,641.49	100,093,573.88
TOTAL DISBURSEMENTS:	1,711,960,969.50	1,606,159,508.05	1,494,665,215.75

Investment Income:	2011 End Balance	2010 End Balance	2009 End Balance
Investment Income Received From :			
(a) Cash (from schedules 1)	0.00	0.00	0.00
(b) Short Term Investments (sch 2)	0.00	0.00	0.00
(c) Fixed Inc Sec (from sch 3A and 3C)	0.00	0.00	0.00
(d) Equities (from sch 4A and 4C)	0.00	0.00	0.00
(e) Pooled Funds (from Schedule 5)	577,508,243.54	510,194,760.97	472,915,013.69
(f) Commission Recapture	0.00	0.00	0.00
4821 - TOTAL INVESTMENT INCOME:	577,508,243.54	510,194,760.97	472,915,013.69
Plus :			
4884 - Realized Gains	589,293,276.09	473,482,832.59	352,342,220.08
4886 - Unrealized Gains	1,864,356,513.88	3,477,562,948.44	4,189,403,925.04
1550 - Interest Due & Accrued Fixed Inc Sec Cur Yr	0.00	0.00	0.00
	2,453,649,789.97	3,951,045,781.03	4,541,746,145.12
Less :			
4823 - Pd Accrued Int - Fixed Inc Securities	0.00	0.00	0.00
4885 - Realized Losses	(10,621,728.25)	(15,536,572.63)	(1,142,319,223.17)
4887 - Unrealized Losses	(2,971,279,512.15)	(2,131,280,531.83)	(1,228,752,686.24)
1550 - Inc Due & Accrued Prior Year	0.00	0.00	0.00
	(2,981,901,240.40)	(2,146,817,104.46)	(2,371,071,909.41)
NET INVESTMENT INCOME:	49,256,793.11	2,314,423,437.54	2,643,589,249.40
Income Required :			
Annuity Savings Fund (Supp Schedule)	9,889,856.63	14,159,085.21	22,761,338.41
Annuity Reserve Fund	40,755,532.43	38,992,075.15	36,049,917.37
Expense Fund	113,983,001.47	105,426,641.49	100,093,573.88
Military Service Fund	96.49	153.61	187.89
	164,628,487.02	158,577,955.46	158,905,017.55
TOTAL INCOME REQUIRED:	164,628,487.02	158,577,955.46	158,905,017.55
Net Investment Income	49,256,793.11	2,314,423,437.54	2,643,589,249.40
Less : Income Required	(164,628,487.02)	-158,577,955.46	-158,905,017.55
EXCESS INCOME TO THE PENSION RESERVE FUND:	(115,371,693.91)	2,155,845,482.08	2,484,684,231.85

Schedule A - Detail of Accounts Receivable and Accounts Payable

Accounts Receivable

4891 - Members Deductions	\$377,194.63
4892 - Transfers From Other Systems	\$74,471.23
4893 - Member Make Up Payments and Redeposits	\$4,524.41
4900 - Member Payments from Rollovers	\$9,094.76
4898 - 3-(8)(c) Reimbursements From Other Systems	0.00
4899 - Received from Commonwealth for COLA and Survivor Bene	0.00
4884 - Realized Gain on Sale of Investments	0.00
4894 - Pension Fund Appropriation (Current Fiscal Year)	0.00
4894 - Pension Fund Appropriation (Previous Fiscal Year)	0.00
4890 - Contr Rec'd from municipality on a/c of mil serv	0.00
4897 - Federal Grant Reimbursement	\$805,061.90
4895 - Pension Reserve Appropriation	0.00
5757 - Cancelled Refunds to Members	\$46,037.26

Investments Sold but funds not received (list individually):

4901 - 2010 Federal Tax Receivable	0.00
4902 - 5752 COLA Repayment	0.00
4903 - 1040 Cash - annuity receivable for Turnpike Retirement Refunds	0.00
4904 -	0.00
4905 -	0.00

TOTAL RECEIVABLES	\$1,316,384.19
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Accounts Payable

5757 - Refunds to Members	0.00
5756 - Transfers to Other Systems	0.00
5750 - Annuities Paid	0.00
5759 - Option B Refunds	0.00
5751 - Pensions Paid	0.00
5755 - 3(8)(c) Reimbursements To Other Systems	0.00
5752 - COLA's Paid	0.00
5753 - Chapter 389 Beneficiary Increase Paid	0.00
4885 - Loss on Sale of Investments	0.00
4890 - Return to Municipality For Members who withdrew funds	0.00
5118 - Board Member Stipend	0.00
5119 - Salaries	0.00
5304 - Management Fees as offset to Expense Fund	0.00
5305 - Custodial Fees as offset to Expense Fund	0.00
5307 - Investment Consultant Fees	0.00
5308 - Legal Expenses	\$4,436.27
5309 - Medical Expenses	0.00
5310 - Fiduciary Insurance	0.00
5311 - Service Contracts	\$20,929.01
5312 - Rent Expense	0.00
5315 - Professional Services	\$183,182.12
5320 - Education and Training	0.00
5589 - Administrative Expenses	\$21,888.72
5599 - Furniture and Equipment	0.00
5719 - Travel	0.00

Investments Purchased but not paid for (list individually):

5901 - 5700 3(8)(c) reimbs. to Gen. Fd.	0.00
5902 -	0.00
5903 -	0.00
5904 -	0.00

TOTAL PAYABLES	\$230,436.12
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Massachusetts Turnpike Authority Employees' Retirement System

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 of the Massachusetts Turnpike Authority Employees' Retirement System for the Year Ended December 31, 2011

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	195,895,986.43
Income Current Year	1,521,486.43
Disbursements Current Year	19,622,561.69
Assets Current Year	177,794,911.17

2. ASSET DIFFERENCE

Assets Current Year	177,794,911.17
Assets Previous Year	195,895,986.43
Difference	(18,101,075.26)

3. Income Difference

Income Current Year	1,521,486.43
Disbursements Current Year	19,622,561.69
Difference	(18,101,075.26)

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	16,400,089.52
Total Fund Change Debits Current Year	34,501,164.78
Difference	(18,101,075.26)

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

Massachusetts Turnpike Authority Employees' Retirement System

ASSETS AND LIABILITIES

	2011	2010	Nov. to Dec. 2009
1040 - 1062 Cash	1,608,096.55	3,243,646.03	890,654.74
1198 - PRIT Cash Fund	41,485.94	73,847.28	528,248.46
1199 - PRIT Capital Fund	176,219,112.71	193,224,267.53	189,340,298.44
1550 - Interest Due And Accrued	0.00	0.00	0.00
1398 - Accounts Receivable (A)	0.00	0.00	0.00
2020 - Accounts Payable (A)	(73,784.03)	(645,774.50)	0.00
TOTAL ASSETS	177,794,911.17	195,895,986.34	190,759,201.64

FUNDS

	2011	2010	2009
3293 - Annuity Savings Fund	67,492,826.47	69,435,769.99	72,048,212.04
3294 - Annuity Reserve Fund	20,546,165.65	21,842,163.21	21,807,103.58
3295 - Military Service Fund	554.22	553.11	551.46
3296 - Pension Fund	0.00	0.00	0.00
3298 - Expense Fund	0.00	0.00	0.00
3297 - Pension Reserve Fund	89,755,364.83	104,617,500.03	96,903,334.56
TOTAL FUNDS	177,794,911.17	195,895,986.34	190,759,201.64

Massachusetts Turnpike Authority Employees' Retirement System

STATEMENT OF FUNDS FLOW

Fund	Balance 12/31/10	Receipts	Interfund Transfers	Disbursements	Balance 12/31/11
Annuity Savings Fund	69,435,770.99	138,871.54	(825,260.28)	1,256,555.78	67,492,826.47
Annuity Reserve Fund	21,842,163.21	639,631.05	825,260.28	2,760,888.89	20,546,165.65
Military Service Fund	553.11	1.11	0.00	0.00	554.22
Pension Fund	0.00	572,199.54	14,053,342.81	14,625,542.35	0.00
Expense Fund	0.00	979,574.67	0.00	979,574.67	0.00
Pension Reserve Fund	104,617,499.12	(808,791.48)	(14,053,342.81)	0.00	89,755,364.83
TOTAL ALL FUNDS	195,895,986.43	1,521,486.43	0.00	19,622,561.69	177,794,911.17

LIST BELOW ALL TRANSFERS:

Transfer from 3293 ASF Fund to the 3294 ARF Fund in the amount of \$825,260.28 on account of Current year retirees
Transfer from 3297 PRF Fund to the 3296 PF Fund in the amount of \$14,053,342.81 on account of Funding Schedule

SCHEDULE A: Detail of Accounts Receivable and Accounts Payable

Accounts Payable		
5757-2000	Refunds to Members	\$73,784.03

Massachusetts Turnpike Authority Employees' Retirement System

RECEIPTS

	2011	2010	Nov. to Dec. 2009
1. Annuity Savings Fund:			
(a) 4891 - Member Deductions	0.00	0.00	22,993.44
(b) 4892 - Transfers From Other Systems	0.00	0.00	0.00
(c) 4893 - Member Make Ups and Redeposits	0.00	0.00	0.00
(d) 4900 - Members Payments from Rollovers	0.00	0.00	0.00
(e) Investment Income Credited to Members Accounts	138,871.54	216,144.64	56,784.20
Subtotal	138,871.54	216,144.64	79,777.64
2. Annuity Reserve Fund:			
(a) Investment Income Credited to Annuity Reserve Fund	639,631.05	647,244.61	105,133.79
Subtotal	639,631.05	647,244.61	105,133.79
3. Pension Fund:			
(a) 4898 - 3(8)(c) Reimbursements From Other Systems	572,199.54	336,445.65	0.00
(b) 4899 Received from Commonwealth For COLA and Survivor Benefits.	0.00	0.00	0.00
(c) 4894 - Pension Fund Appropriation	0.00	0.00	0.00
(d) 4840 - Workers' Compensation Settlements	0.00	0.00	0.00
Subtotal	572,199.54	336,445.65	0.00
4. Military Service Fund:			
(a) 4880 - Military Service Gov't Contrib.	0.00	0.00	0.00
(b) Invest. Income Credited to Military Service Fund	1.11	1.65	0.46
Subtotal	1.11	1.65	0.46
5. Expense Fund:			
(a) 4896 - Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	979,574.67	868,148.46	236,006.36
Subtotal	979,574.67	868,148.46	236,006.36
6. Pension Reserve Fund:			
(a) 4897 - Federal Grant Reimbursements	0.00	0.00	0.00
(b) 4895 - Pension Reserve Fund Appropriation	0.00	0.00	0.00
(c) 4822 - Interest Not Refunded	0.00	0.00	0.00
(d) 4825 - Miscellaneous Income	21,048.20	37,846.06	0.00
(e) Excess Investment Income	(829,839.68)	22,076,489.80	6,155,730.91
Subtotal	(808,791.48)	22,114,335.86	6,155,730.91
TOTAL RECEIPTS:	1,521,486.43	24,182,320.87	6,576,649.16

Massachusetts Turnpike Authority Employees' Retirement System

DISBURSEMENTS

	2011	2010	Nov. to Dec. 2009
1. Annuity Savings Fund:			
(a) 5757 - Refunds To Members	771,226.02	645,774.50	0.00
(b) 5756 - Transfers To Other Systems	485,329.76	0.00	0.00
Subtotal	1,256,555.78	645,774.50	0.00
2. Annuity Reserve Fund:			
(a) 5750 - Annuities Paid	2,749,687.59	2,794,997.17	472,488.81
(b) 5759 - Option B Refunds	11,201.30	0.00	0.00
Subtotal	2,760,888.89	2,794,997.17	472,488.81
3. Pension Fund:			
(a) 5751 - Pensions Paid			
Regular Pension Payments	12,330,810.90	12,379,734.25	1,888,001.51
Survivorship Payments	756,427.70	763,573.27	177,979.76
Ordinary Disability Payments	114,605.21	118,465.64	44,821.81
Accidental Disability Payments	1,168,448.55	1,173,082.45	285,861.28
Accidental Death Payments	130,308.65	134,839.01	7,859.37
Section 101 Benefits	47,239.20	43,303.47	7,513.53
(b) 5755 - 3(8)(c) Reimb. To Other Systems	77,702.14	123,617.95	0.00
(c) 5752 - COLAs Paid	0.00	0.00	0.00
(c) 5753 - Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	14,625,542.35	14,736,616.04	2,412,037.26
4. Military Service Fund:			
(a) Return to Municipality for Members who Withdrew their Funds	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00
5. Expense Fund:			
(a) 5118 - Board Members' Stipend	0.00	0.00	0.00
(b) 5119 Staff Salaries	0.00	0.00	0.00
(c) 5302 Consultant Fees	0.00	0.00	0.00
(d) 5304 Management Fees	877,217.42	768,018.35	209,893.00
(e) 5305 Custodial Fees	92,350.03	98,915.40	26,113.36
(f) 5307 Investment Consultant Fees	0.00	0.00	0.00
(g) 5308 Legal Expenses	10,007.22	0.00	0.00
(h) 5309 Medical Expenses	0.00	0.00	0.00
(i) 5310 Fiduciary Insurance	0.00	0.00	0.00
(j) 5311 Service Contracts	0.00	0.00	0.00
(k) 5312 Rent Expense	0.00	0.00	0.00
(l) 5315 Professional Services	0.00	0.00	0.00
(m) 5320 Education and Training	0.00	0.00	0.00
(n) 5588 PERAC Expenses	0.00	0.00	0.00
(O) 5589 Administrative Expenses	0.00	1,214.71	0.00
(P) 5599 Furniture and Equipment	0.00	0.00	0.00
(Q) 5719 Travel	0.00	0.00	0.00
(R) 5829 - Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	979,574.67	868,148.46	236,006.36
TOTAL DISBURSEMENTS:	19,622,561.69	19,045,536.17	3,120,532.43

Massachusetts Turnpike Authority Employees' Retirement System

INVESTMENT INCOME

Investment Income Received:	2011	2010	Nov. to Dec. 2009
(a) Cash (From Schedule 1)	0.00	0.00	0.00
(b) Short Term Investments (from Schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from Schedules 3A and 3C)	0.00	0.00	0.00
(d) Equities (from Schedules 4A and 4C)	0.00	0.00	0.00
(e) Pooled Funds (from Schedule 5)	5,676,282.22	5,355,503.68	905,955.26
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	5,676,282.22	5,355,503.68	905,955.26
Plus:			
4884 Realized Gains (Profits)	5,816,498.30	4,943,923.95	1,066,657.98
4886 Unrealized Gains (Increase in Market Value)	18,370,822.32	36,194,057.55	4,581,042.48
1550 Interest/Dividends Due & Accrued-Current Year	0.00	0.00	0.00
	24,187,320.62	41,137,981.50	5,647,700.46
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	(102,978.38)	(163,973.64)	0.00
4887 Unrealized Losses (Decrease in Market Value)	(28,832,385.77)	(22,521,482.38)	0.00
1550 Interest/Dividends Due & Accrued-Prior Year	0.00	0.00	0.00
	(28,935,364.15)	(22,685,456.02)	0.00
Net Investment Income	928,238.69	23,808,029.16	6,553,655.72
Income Required:			
Annuity Savings Fund	138,871.54	216,144.64	56,784.20
Annuity Reserve Fund	639,631.05	647,244.61	105,133.79
Expense Fund	979,574.67	868,148.46	236,006.36
Military Service Fund	1.11	1.65	0.46
TOTAL INCOME REQUIRED	1,758,078.37	1,731,539.36	397,924.81
Net Investment Income	928,238.69	23,808,029.16	6,553,655.72
Less: Income Required	(1,758,078.37)	(1,731,539.36)	(397,924.81)
Excess Income To Pension Reserve Fund	(829,839.68)	22,076,489.80	6,155,730.91

Notes On Financial Statements

Significant Accounting Policies

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of the Public Employee Retirement Administration Commission.

Annuity Savings Fund

The Annuity Savings Fund is the fund to which all members' contributions are deposited. Members withdrawing from the System receive a refund of their total accumulated contributions and a required amount of interest. The attrition rate of the State Employees' Retirement System reached a pinnacle in 1991 when total Refunds-To-Members disbursed from the Annuity Savings Fund were \$68 million. Refunds-To-Members for report year 2011 were \$56 million.

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 decreased by 8% from 3,246 in 2010 to 2,988 in 2011 and an amount of \$260 million was transferred to the Annuity Reserve Fund. The value of the Annuity Reserve Fund was \$1.4 billion in 2011.

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 purposes 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.

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

Notes On Financial Statements (Continued)

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. As of January 1, 2011 the balance in the Military Service Fund was \$49,716.53. The net adjustment made to the Military Service Fund during report year 2011 was \$2,163.21 representing retired members .

Interest income credited to the Military Service Fund was \$96.49. The balance in the Military Service Fund on December 31, 2011 was \$47,649.81.

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.

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 2011 Interest-Not-Refunded of \$441,732.46 was transferred from the Annuity Savings Fund to the Pension Reserve Fund.

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 2011 for report year 2010 were \$31 million. The reimbursements are transferred to the Commonwealth of Massachusetts General Fund for purposes of reducing the state's actuarial liability. The 3(8)(c) and 59A reimbursements billed in 2011 for report year 2010 was \$32 million. The State Employees' Retirement System's 3(8)(c) and 59A payments to other systems during report year 2011 was \$10.4 million.

Miscellaneous

Miscellaneous Expenses consist of \$3,661,332.13 in funding for the Public Employee Retirement Administration's ("PERAC") expenses from the State Employees' pension assets.

In addition, \$8,737,096.65 of the State Employees' pension assets and funds appropriated from the Commonwealth of Massachusetts was transferred to the Massachusetts Board of Higher Education as part of the Commonwealth's pension liability funding schedule for the purpose of supporting pension payments and administrative costs for the Optional Retirement Program managed by the Massachusetts Board of Higher Education.

As of December 31, 2011 \$259,458,998.00 in appropriation pension funds are due to the State Employees' Retirement System from the Commonwealth of Massachusetts for the remainder of fiscal year 2012.



State Board of Retirement

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