

# Annual Statement

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· **OF THE FINANCIAL CONDITION**  
· **OF THE SALEM RETIREMENT BOARD**  
· **TO THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION**  
· **FOR THE YEAR ENDED 12/31/2016**  
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**Annual Statement for the Year Ended December 31, 2016 of the conditions and Affairs of the Salem Retirement Board.**

**Organized Under the Laws of the Commonwealth of Massachusetts to the Public Employee Retirement Administration Commission.**

Date of Certificate 07/01/1937

Effective Date 08/24/1937

**ADMINISTRATION OFFICE**

20 Central Street, Suite 110  
Street & Number

Salem, MA 01970  
City/Town, State and Zip Code

(978) 745-8983  
Telephone Number

We, the undersigned, members of the Salem Retirement Board certify under penalties of perjury, that that we are the official board members of said retirement system, and that on the thirty-first date of December last, all of the herein-described 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 of the assets, liabilities, income and disbursements, changes in fund balances, and the conditions and affairs of said retirement system on the said thirty-first date 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**

Sarah A. Stanton, Chair

(Name)

(Signature)

**Appointed Member**

**Term Expires** 04/01/2019

Dominick Pangallo

(Name)

(Signature)

**Elected Member**

**Term Expires** 06/03/2019

Sarah M. Hayes

(Name)

(Signature)

**Elected Member**

**Term Expires** 12/03/2017

Marcia A. Pelletier

(Name)

(Signature)

**Member Appointed by Other Members**

**Term Expires** 03/24/2019

Robert T. Lutts

(Name)

(Signature)

**Investment Managers**

PRIM

84 State Street, Suite 250 Boston, MA 02109

Ascent Ventures Partners

255 State St., 5th floor, Boston, MA 02109

**Investment Consultant**

None

N/A

**Custodian**

None

N/A

**ANNUAL STATEMENT BALANCE TESTS**

**1. ASSET BALANCE**

Assets Previous Year	138,598,253.27
Income Current Year	<u>28,513,752.02</u>
Disbursements Current Year	<u>16,671,746.03</u>
Assets Current Year	<u>150,440,259.26</u>

**2. ASSET DIFFERENCE**

Assets Current Year	150,440,259.26
Assets Previous Year	<u>138,598,253.27</u>
Difference	<u>11,842,005.99</u>

**3. INCOME DIFFERENCE**

Income Current Year	28,513,752.02
Disbursements Current Year	<u>16,671,746.03</u>
Difference	<u>11,842,005.99</u>

**4. FUND CHANGE DIFFERENCE**

Total Fund Change Credits Current Year	32,461,785.68
Total Fund Change Debits Current Year	<u>-20,619,779.69</u>
Difference	<u>11,842,005.99</u>

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

**Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.**

**ASSETS & LIABILITIES**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
1. 1040 Cash	2,584,301.95	2,316,073.94	2,537,092.81
2. 1100 Short Term Investments	0.00	0.00	79,169.81
3. 1180 Fixed Income Securities	0.00	0.00	0.00
4. 1170 Equities	0.00	0.00	0.00
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	0.00	0.00	0.00
7. 1173 Pooled International Equity Funds	0.00	0.00	0.00
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	0.00	0.00	0.00
10. 1182 Pooled International Fixed Income Funds	0.00	0.00	0.00
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	122,707.16	153,844.19	192,679.93
13. 1194 Pooled Real Estate Funds	0.00	0.00	36,759.53
14. 1195 Pooled Domestic Balanced Funds	0.00	0.00	0.00
15. 1196 Pooled International Balanced Funds	0.00	0.00	0.00
16. 1197 Hedge Funds	0.00	0.00	0.00
17. 1198 PRIT Cash	0.00	0.00	0.00
18. 1199 PRIT Fund	147,645,758.85	135,990,163.57	131,910,203.35
19. 1550 Interest Due and Accrued	0.00	0.00	0.00
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	0.00	59,172.81	805,489.67
22. 1910 Land	0.00	0.00	0.00
23. 1920 Buildings	125,000.00	125,000.00	125,000.00
24. 1929 Accumulated Depreciation – Buildings	-36,718.75	-33,593.75	-30,468.75
25. 2020 Accounts Payable (A)	(-789.95)	(-12,407.49)	(-5,025.49)
<b>TOTAL</b>	<u>150,440,259.26</u>	<u>138,598,253.27</u>	<u>135,650,900.86</u>
<b>FUNDS</b>			
1. 3293 Annuity Savings Fund	45,880,684.66	45,850,292.96	43,629,712.93
2. 3294 Annuity Reserve Fund	9,676,807.18	7,875,092.88	7,895,268.19
3. 3295 Military Service Fund	758.89	758.13	757.37
4. 3296 Pension Fund	2,421,757.10	1,906,933.88	1,285,458.53
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	92,460,251.43	82,965,175.42	82,839,703.84
<b>TOTAL ASSETS AT MARKET VALUE</b>	<u>150,440,259.26</u>	<u>138,598,253.27</u>	<u>135,650,900.86</u>

(A) Specific details for Accounts Receivable and Accounts Payable are to be disclosed on Schedule A

**Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.**

	<b>Balance Dec. 31 Prior year</b>	<b>Receipts</b>	<b>Interfund Transfers</b>	<b>Disbursements</b>	<b>Balance Dec.31 Current Year</b>
Annuity Savings Fund	45,850,292.96	4,801,145.36	-3,948,033.66	-822,720.00	45,880,684.66
Annuity Reserve Fund	7,875,092.88	262,379.92	3,912,103.22	-2,372,768.84	9,676,807.18
Pension Fund	1,906,933.88	12,967,794.08	0.00	-12,452,970.86	2,421,757.10
Military Service Fund	758.13	0.76	0.00	0.00	758.89
Expense Fund	0.00	1,023,286.33	0.00	-1,023,286.33	0.00
Pension Reserve Fund	82,965,175.42	9,459,145.57	35,930.44	0.00	92,460,251.43
<b>Total All Funds</b>	<b>138,598,253.27</b>	<b>28,513,752.02</b>	<b>- 0 -</b>	<b>-16,671,746.03</b>	<b>150,440,259.26</b>

**List below all transfers:**

Xfer from	Annuity Savings Fund	to	Annuity Reserve	in the amt of	3,912,103.22	on acct of	Current Year Retirements
	Control Acct		Fund-Control Acct				
Xfer from	Annuity Savings Fund	to	Pension Reserve Fund	in the amt of	35,930.44	on acct of	10yr Inactives
	Control Acct		Control Acct				
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	

**Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.**

**RECEIPTS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>1. Annuity Savings Fund:</b>			
(a) 4891 Members' Deductions	4,284,123.05	4,102,870.22	3,863,719.11
(b) 4892 Transfers from Other Systems	431,438.07	342,880.39	1,383,938.12
(c) 4893 Member Make Up Payments and Redeposits	20,151.87	5,376.56	63,414.28
(d) 4900 Member Payments from Rollovers	6,899.79	13,480.60	12,320.73
(e) Investment Income Credited to Members' Accounts	58,532.58	61,131.10	71,438.52
<b>Subtotal</b>	<u>4,801,145.36</u>	<u>4,525,738.87</u>	<u>5,394,830.76</u>
<b>2. Annuity Reserve Fund:</b>			
(a) 4750 Recovery of Annuity from Reinstatement	0.00	0.00	0.00
(b) Investment Income Credited to Annuity Reserve Fund	262,379.92	228,538.41	233,953.17
<b>Subtotal</b>	<u>262,379.92</u>	<u>228,538.41</u>	<u>233,953.17</u>
<b>3. Pension Fund:</b>			
(a) 4898 3(8)(c) Reimbursements from Other Systems	198,591.22	160,813.33	264,346.85
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	228,872.86	150,436.91	106,053.02
(c) 4894 Pension Fund Appropriation	12,527,730.00	12,181,169.00	11,942,341.00
(d) 4840 Workers Compensation Settlement	12,600.00	17,908.63	0.00
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	0.00	4,926.12	22,313.40
<b>Subtotal</b>	<u>12,967,794.08</u>	<u>12,515,253.99</u>	<u>12,335,054.27</u>
<b>4. Military Service Fund:</b>			
(a) 4890 Contributions Received from Municipality	0.00	0.00	0.00
(b) Investment Income Credited	0.76	0.76	0.76
<b>Subtotal</b>	<u>0.76</u>	<u>0.76</u>	<u>0.76</u>
<b>5. Expense Fund:</b>			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	1,023,286.33	938,624.13	914,912.35
<b>Subtotal</b>	<u>1,023,286.33</u>	<u>938,624.13</u>	<u>914,912.35</u>
<b>6. Pension Reserve Fund:</b>			
(a) 4897 Federal Grant Reimbursement	0.00	0.00	0.00
(b) 4895 Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 Interest Not Refunded	2,508.62	7,975.82	15,429.59
(d) 4825 Miscellaneous Income	9,650.02	561.62	0.00
(e) Excess Investment Income	9,446,986.93	123,381.51	8,459,529.00
<b>Subtotal</b>	<u>9,459,145.57</u>	<u>131,918.95</u>	<u>8,474,958.59</u>
<b>TOTAL RECEIPTS</b>	<u>28,513,752.02</u>	<u>18,340,075.11</u>	<u>27,353,709.90</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.

DISBURSEMENTS

	2016	2015	2014
<b>1. Annuity Savings Fund:</b>			
(a) 5757 Refunds to Members	296,486.42	292,224.52	507,176.17
(b) 5756 Transfers to Other Systems	526,233.58	205,419.13	583,640.22
<b>Subtotal</b>	<u>822,720.00</u>	<u>497,643.65</u>	<u>1,090,816.39</u>
<b>2. Annuity Reserve Fund:</b>			
(a) 5750 Annuities Paid	2,372,768.84	2,062,676.28	1,939,833.83
(b) 5759 Option B Refunds	0.00	0.00	0.00
<b>Subtotal</b>	<u>2,372,768.84</u>	<u>2,062,676.28</u>	<u>1,939,833.83</u>
<b>3. Pension Fund:</b>			
(a) 5751 Pensions Paid	11,850,157.47	11,279,289.12	11,188,916.64
Regular Pension Payments	8,757,447.63	8,190,164.76	7,910,298.90
Survivorship Payments	513,038.64	519,551.81	537,955.92
Ordinary Disability Payments	62,640.72	62,009.55	61,312.81
Accidental Disability Payments	2,131,614.74	2,110,406.56	2,086,460.22
Accidental Death Payments	507,372.10	525,348.72	568,119.18
Section 101 Benefits	24,027.24	21,386.66	24,769.61
(b) 5755 3(8)(c) Reimbursements To Other Systems	456,829.79	464,910.58	447,732.98
(c) 5752 COLAs Paid	145,983.60	149,578.94	0.00
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
<b>Subtotal</b>	<u>12,452,970.86</u>	<u>11,893,778.64</u>	<u>11,636,649.62</u>
<b>4. Military Service Fund:</b>			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
<b>Subtotal</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>5. Expense Fund:</b>			
(a) 5118 Board Member Stipend	13,250.00	12,000.00	12,000.00
(b) 5119 Salaries	146,201.62	137,488.36	140,526.19
(c) 5304 Management Fees	757,071.34	694,526.09	662,241.88
(d) 5305 Custodial Fees	0.00	5,725.00	10,375.00
(e) 5307 Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 Legal Expenses	5,118.75	9,343.75	7,837.50
(g) 5309 Medical Expenses	0.00	0.00	0.00
(h) 5310 Fiduciary Insurance	11,797.00	11,159.00	10,933.00
(i) 5311 Service Contracts	27,392.93	26,293.43	29,255.59
(j) 5312 Rent Expense	0.00	0.00	0.00
(k) 5315 Professional Services	0.00	0.00	0.00
(l) 5316 Actuarial Services	22,000.00	5,000.00	16,000.00
(k) 5317 Accounting Services	0.00	0.00	0.00
(n) 5320 Education And Training	1,200.00	1,350.00	1,240.00
(o) 5589 Administrative Expenses	32,903.39	26,830.96	18,823.19
(p) 5599 Furniture and Equipment	585.31	2,479.73	0.00
(q) 5719 Travel	2,640.99	3,302.81	2,555.00
(r) 5829 Depreciation Expense: Building	3,125.00	3,125.00	3,125.00
<b>Subtotal</b>	<u>1,023,286.33</u>	<u>938,624.13</u>	<u>914,912.35</u>
<b>TOTAL DISBURSEMENTS</b>	<u>16,671,746.03</u>	<u>15,392,722.70</u>	<u>15,582,212.19</u>

**Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.**

**INVESTMENT INCOME**

Investment Income received from:	<u>2016</u>	<u>2015</u>	<u>2014</u>
(a) Cash (from Schedule 1)	9,490.49	9,688.58	11,312.15
(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)	181.44	175.08	45.64
(e) Pooled Funds (from Schedule 5)	4,047,283.03	3,521,780.08	3,502,984.60
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 TOTAL INVESTMENT INCOME</b>	<u>4,056,954.96</u>	<u>3,531,643.74</u>	<u>3,514,342.39</u>
<b>Plus:</b>			
4884 Realized Gains (Profits)	4,005,685.74	4,898,688.40	5,587,603.91
4886 Unrealized Gains (Increase in Market Value)	12,071,230.93	7,054,853.01	8,091,763.94
1550 Interest Due & Accrued on Fixed Income Securities at End Of Current Year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>Less:</b>			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	109,086.83	67,718.09	84,520.02
4887 Unrealized Losses (Decrease in Market Value)	9,233,598.28	14,065,791.15	7,429,356.42
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>NET INVESTMENT INCOME</b>	<u>10,791,186.52</u>	<u>1,351,675.91</u>	<u>9,679,833.80</u>
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	58,532.58	61,131.10	71,438.52
Annuity Reserve Fund	262,379.92	228,538.41	233,953.17
Expense Fund	1,023,286.33	938,624.13	914,912.35
Military Service Fund	0.76	0.76	0.76
<b>TOTAL INCOME REQUIRED</b>	<u>1,344,199.59</u>	<u>1,228,294.40</u>	<u>1,220,304.80</u>
Net Investment Income	10,791,186.52	1,351,675.91	9,679,833.80
Less Income Required	1,344,199.59	1,228,294.40	1,220,304.80
<b>EXCESS INCOME TO PENSION RESERVE FUND</b>	<u>9,446,986.93</u>	<u>123,381.51</u>	<u>8,459,529.00</u>



Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.

**MEMBERSHIP FOR CURRENT YEAR**

<b>ACTIVE MEMBERS</b>	<b>Group 1</b>	<b>Group 2 &amp; 4</b>	<b>TOTAL</b>
Active Membership, Dec. 31st, Previous Year	801	184	985
Inactive Membership, Dec. 31st, Previous Year	128	5	133
Enrolled During Current Year	106	10	116
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
<b>SUBTOTAL</b>	106	10	116
Deduct:			
Death	0	0	0
Withdrawals	50	2	52
Retirements	26	14	40
<b>SUBTOTAL</b>	76	16	92
Active Membership, Dec. 31st, Current Year	856	180	1,036
Inactive Membership, Dec. 31st, Current Year	103	3	106
<b>RETIRED MEMBERS, BENEFICIARIES &amp; SURVIVORS</b>			
<b>Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year</b>	425	140	565
Retirements During the Year			
Superannuation	25	13	38
Ordinary Disability	0	0	0
Accidental Disability	1	1	2
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	1	0	1
Survivor Benefits from Active Membership	0	0	0
<b>SUBTOTAL</b>	27	14	41
Deduct:			
Deaths of Retired Members	20	3	23
Termination of Survivor Benefits	5	1	6
Reinstatements of Disabled Pensions	0	0	0
<b>SUBTOTAL</b>	25	4	29
<b>Retired Membership, Dec. 31st, Current Year</b>			
Superannuation	355	91	446
Ordinary Disability	4	1	5
Accidental Disability	16	40	56
Termination	0	0	0
Beneficiaries from Accidental Deaths	1	12	13
Beneficiaries from Section 100	1	0	1
Beneficiaries from Section 101	2	0	2
Beneficiaries under Option C	24	4	28
Option (D) Survivor Allowance	23	2	25
Section 12B Survivor Allowance	1	0	1
<b>Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year</b>	427	150	577
<b>TOTAL MEMBERSHIP</b>			
<b>Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year</b>	1,386	333	1,719

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2016.

Schedule A: Detail of Accounts Receivable and Accounts Payable

Accounts Receivable	Amount	Original Date
4751 Recovery of Pension from Reinstatement	0.00	
4840 Workers Compensation Settlements	0.00	
4841 Recovery of 91A Overearnings	0.00	
4891 Members Deductions	0.00	
4892 Transfers From Other Systems	0.00	
4893 Member Make Up Payments and Redeposits	0.00	
4900 Member Payments from Rollovers	0.00	
4898 3(8)(c) Reimbursements from Other Systems	0.00	
4899 Received from Commonwealth for COLA and Survivor Benefits	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 Contributions Received from Municipality on Account of Military Service	0.00	
4897 Federal Grant Reimbursement	0.00	
4895 Pension Reserve Appropriation	0.00	
Investments Sold But Funds Not Received (list individually)	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
<b>TOTAL RECEIVABLES</b>	<b>0.00</b>	
Accounts Payable		
5316 Actuarial Services	0.00	
5317 Accounting Services	0.00	
5320 Education and Training	0.00	
5757 Refunds to Members	0.00	
5756 Transfers to Other Systems	0.00	
5750 Annuities Paid	0.00	
5759 Option B Refund	0.00	
5751 Pensions Paid	0.00	
5755 3(8)(c) Reimbursements to Other Systems	0.00	
5752 COLAs Paid	0.00	
5753 Chapter 389 Beneficiary Increase Paid	0.00	
4885 Realized Loss on Sale of Investments	0.00	
4890 Return to Municipality for Members Who Withdrew Their Funds	0.00	
5118 Board Members' Stipend	0.00	
5119 Salaries	0.00	
5304 Management Fees	0.00	
5305 Custodial Fees	0.00	
5307 Investment Consultant Fees	0.00	
5308 Legal Expenses	-731.25	12/31/2016
5309 Medical Expenses	0.00	
5310 Fiduciary Insurance	0.00	
5311 Service Contracts	0.00	
5312 Rent Expense	0.00	
5315 Professional Services Expense	0.00	
5589 Administrative Expenses	-58.70	12/31/2016
5599 Furniture and Equipment	0.00	
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)		
58.70 City of Salem 4891 overpayment	0.00	
	0.00	
	0.00	
	0.00	
<b>TOTAL PAYABLES</b>	<b>-789.95</b>	