

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 12/31/2017**
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Annual Statement for the Year Ended December 31, 2017 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	
	Laurie Giardella (Name)	(Signature)
	Appointed Member	Term Expires <u>04/01/2019</u>
	Dominick Pangallo, Chair (Name)	(Signature)
	Elected Member	Term Expires <u>06/03/2019</u>
	Sarah M. Hayes (Name)	(Signature)
	Elected Member	Term Expires <u>12/03/2020</u>
	Marcia A. Pelletier (Name)	(Signature)
	Member Appointed by Other Members	Term Expires <u>03/24/2019</u>
	Robert T. Lutts (Name)	(Signature)
Investment Managers	<u>PRIM</u>	<u>84 State Street, Suite 250 Boston, MA 02109</u>
	<u>Ascent Ventures Partners</u>	<u>255 State St., 5th floor, Boston, MA 02109</u>
Investment Consultant	<u>None</u>	<u>N/A</u>
Custodian	<u>None</u>	<u>N/A</u>

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	150,440,259.26
Income Current Year	<u>44,779,889.35</u>
Disbursements Current Year	<u>17,703,676.35</u>
Assets Current Year	<u>177,516,472.26</u>

2. ASSET DIFFERENCE

Assets Current Year	177,516,472.26
Assets Previous Year	<u>150,440,259.26</u>
Difference	<u>27,076,213.00</u>

3. INCOME DIFFERENCE

Income Current Year	44,779,889.35
Disbursements Current Year	<u>17,703,676.35</u>
Difference	<u>27,076,213.00</u>

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	47,218,132.43
Total Fund Change Debits Current Year	<u>-20,141,919.43</u>
Difference	<u>27,076,213.00</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, 2017.

ASSETS & LIABILITIES

	<u>2017</u>	<u>2016</u>	<u>2015</u>
1. 1040 Cash	1,824,050.88	2,584,301.95	2,316,073.94
2. 1100 Short Term Investments	0.00	0.00	0.00
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	112,468.39	122,707.16	153,844.19
13. 1194 Pooled Real Estate Funds	0.00	0.00	0.00
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	175,313,752.66	147,645,758.85	135,990,163.57
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)	189,692.54	0.00	59,172.81
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	-39,843.75	-36,718.75	-33,593.75
25. 2020 Accounts Payable (A)	(-8,648.46)	(-789.95)	(-12,407.49)
TOTAL	<u>177,516,472.26</u>	<u>150,440,259.26</u>	<u>138,598,253.27</u>
FUNDS			
1. 3293 Annuity Savings Fund	47,768,900.35	45,880,684.66	45,850,292.96
2. 3294 Annuity Reserve Fund	9,838,163.26	9,676,807.18	7,875,092.88
3. 3295 Military Service Fund	759.65	758.89	758.13
4. 3296 Pension Fund	2,656,289.69	2,421,757.10	1,906,933.88
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	117,252,359.31	92,460,251.43	82,965,175.42
TOTAL ASSETS AT MARKET VALUE	<u>177,516,472.26</u>	<u>150,440,259.26</u>	<u>138,598,253.27</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, 2017.

	Balance Dec. 31 Prior year	Receipts	Interfund Transfers	Disbursements	Balance Dec.31 Current Year
Annuity Savings Fund	45,880,684.66	5,176,254.13	-2,438,243.08	-849,795.36	47,768,900.35
Annuity Reserve Fund	9,676,807.18	287,539.24	2,421,131.90	-2,547,315.06	9,838,163.26
Pension Fund	2,421,757.10	13,421,226.22	0.00	-13,186,693.63	2,656,289.69
Military Service Fund	758.89	0.76	0.00	0.00	759.65
Expense Fund	0.00	1,119,872.30	0.00	-1,119,872.30	0.00
Pension Reserve Fund	92,460,251.43	24,774,996.70	17,111.18	0.00	117,252,359.31
Total All Funds	150,440,259.26	44,779,889.35	- 0 -	-17,703,676.35	177,516,472.26

List below all transfers:

Xfer from	Annuity Savings Fund	to	Annuity Reserve	in the amt of	2,421,131.90	on acct of	Current Year Retirements
	Control Acct		Fund-Control Acct				
Xfer from	Annuity Savings Fund	to	Pension Reserve Fund	in the amt of	20,120.44	on acct of	10 Year Inactives
	Control Acct		Control Acct				
Xfer from	Pension Reserve Fund	to	Annuity Savings Fund	in the amt of	3,009.26	on acct of	Reinstatement of Inactive
	Control Acct		Control Acct				Member
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, 2017.

RECEIPTS

	2017	2016	2015
1. Annuity Savings Fund:			
(a) 4891 Members' Deductions	4,454,440.13	4,284,123.05	4,102,870.22
(b) 4892 Transfers from Other Systems	636,185.52	431,438.07	342,880.39
(c) 4893 Member Make Up Payments and Redeposits	34,140.91	20,151.87	5,376.56
(d) 4900 Member Payments from Rollovers	0.00	6,899.79	13,480.60
(e) Investment Income Credited to Members' Accounts	51,487.57	58,532.58	61,131.10
Subtotal	<u>5,176,254.13</u>	<u>4,801,145.36</u>	<u>4,525,738.87</u>
2. Annuity Reserve Fund:			
(a) 4750 Recovery of Annuity from Reinstatement	0.00	0.00	0.00
(b) Investment Income Credited to Annuity Reserve Fund	287,539.24	262,379.92	228,538.41
Subtotal	<u>287,539.24</u>	<u>262,379.92</u>	<u>228,538.41</u>
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	179,520.96	198,591.22	160,813.33
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	68,796.26	228,872.86	150,436.91
(c) 4894 Pension Fund Appropriation	13,172,909.00	12,527,730.00	12,181,169.00
(d) 4840 Workers Compensation Settlement	0.00	12,600.00	17,908.63
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	0.00	0.00	4,926.12
Subtotal	<u>13,421,226.22</u>	<u>12,967,794.08</u>	<u>12,515,253.99</u>
4. Military Service Fund:			
(a) 4890 Contributions Received from Municipality	0.00	0.00	0.00
(b) Investment Income Credited	0.76	0.76	0.76
Subtotal	<u>0.76</u>	<u>0.76</u>	<u>0.76</u>
5. Expense Fund:			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	1,119,872.30	1,023,286.33	938,624.13
Subtotal	<u>1,119,872.30</u>	<u>1,023,286.33</u>	<u>938,624.13</u>
6. Pension Reserve Fund:			
(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	1,404.37	2,508.62	7,975.82
(d) 4825 Miscellaneous Income	17,246.29	9,650.02	561.62
(e) Excess Investment Income	24,756,346.04	9,446,986.93	123,381.51
Subtotal	<u>24,774,996.70</u>	<u>9,459,145.57</u>	<u>131,918.95</u>
TOTAL RECEIPTS	<u>44,779,889.35</u>	<u>28,513,752.02</u>	<u>18,340,075.11</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2017.

DISBURSEMENTS

	2017	2016	2015
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	271,315.00	296,486.42	292,224.52
(b) 5756 Transfers to Other Systems	578,480.36	526,233.58	205,419.13
Subtotal	<u>849,795.36</u>	<u>822,720.00</u>	<u>497,643.65</u>
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	2,547,315.06	2,372,768.84	2,062,676.28
(b) 5759 Option B Refunds	0.00	0.00	0.00
Subtotal	<u>2,547,315.06</u>	<u>2,372,768.84</u>	<u>2,062,676.28</u>
3. Pension Fund:			
(a) 5751 Pensions Paid	12,407,914.24	11,850,157.47	11,279,289.12
Regular Pension Payments	9,263,789.27	8,757,447.63	8,190,164.76
Survivorship Payments	544,721.17	513,038.64	519,551.81
Ordinary Disability Payments	63,976.44	62,640.72	62,009.55
Accidental Disability Payments	2,116,228.70	2,131,614.74	2,110,406.56
Accidental Death Payments	527,045.15	507,372.10	525,348.72
Section 101 Benefits	22,513.81	24,027.24	21,386.66
(b) 5755 3(8)(c) Reimbursements To Other Systems	648,419.09	456,829.79	464,910.58
(c) 5752 COLAs Paid	130,360.30	145,983.60	149,578.94
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	<u>13,186,693.63</u>	<u>12,452,970.86</u>	<u>11,893,778.64</u>
4. Military Service Fund:			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
5. Expense Fund:			
(a) 5118 Board Member Stipend	14,750.00	13,250.00	12,000.00
(b) 5119 Salaries	167,602.50	146,201.62	137,488.36
(c) 5304 Management Fees	846,173.79	757,071.34	694,526.09
(d) 5305 Custodial Fees	0.00	0.00	5,725.00
(e) 5307 Investment Consultant Fees	0.00	0.00	0.00
(f) 5308 Legal Expenses	8,747.50	5,118.75	9,343.75
(g) 5309 Medical Expenses	0.00	0.00	0.00
(h) 5310 Fiduciary Insurance	12,098.00	11,797.00	11,159.00
(i) 5311 Service Contracts	31,517.43	27,392.93	26,293.43
(j) 5312 Rent Expense	0.00	0.00	0.00
(k) 5315 Professional Services	0.00	0.00	0.00
(l) 5316 Actuarial Services	4,000.00	22,000.00	5,000.00
(k) 5317 Accounting Services	0.00	0.00	0.00
(n) 5320 Education And Training	1,500.00	1,200.00	1,350.00
(o) 5589 Administrative Expenses	26,917.14	32,903.39	26,830.96
(p) 5599 Furniture and Equipment	59.97	585.31	2,479.73
(q) 5719 Travel	3,380.97	2,640.99	3,302.81
(r) 5829 Depreciation Expense: Building	3,125.00	3,125.00	3,125.00
Subtotal	<u>1,119,872.30</u>	<u>1,023,286.33</u>	<u>938,624.13</u>
TOTAL DISBURSEMENTS	<u>17,703,676.35</u>	<u>16,671,746.03</u>	<u>15,392,722.70</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2017.

INVESTMENT INCOME

Investment Income received from:	<u>2017</u>	<u>2016</u>	<u>2015</u>
(a) Cash (from Schedule 1)	10,363.33	9,490.49	9,688.58
(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)	998.75	181.44	175.08
(e) Pooled Funds (from Schedule 5)	4,452,047.41	4,047,283.03	3,521,780.08
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	<u>4,463,409.49</u>	<u>4,056,954.96</u>	<u>3,531,643.74</u>
Plus:			
4884 Realized Gains (Profits)	7,301,318.00	4,005,685.74	4,898,688.40
4886 Unrealized Gains (Increase in Market Value)	14,487,822.81	12,071,230.93	7,054,853.01
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>
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	26,042.36	109,086.83	67,718.09
4887 Unrealized Losses (Decrease in Market Value)	11,262.03	9,233,598.28	14,065,791.15
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
NET INVESTMENT INCOME	<u>26,215,245.91</u>	<u>10,791,186.52</u>	<u>1,351,675.91</u>
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	51,487.57	58,532.58	61,131.10
Annuity Reserve Fund	287,539.24	262,379.92	228,538.41
Expense Fund	1,119,872.30	1,023,286.33	938,624.13
Military Service Fund	0.76	0.76	0.76
TOTAL INCOME REQUIRED	<u>1,458,899.87</u>	<u>1,344,199.59</u>	<u>1,228,294.40</u>
Net Investment Income	26,215,245.91	10,791,186.52	1,351,675.91
Less Income Required	1,458,899.87	1,344,199.59	1,228,294.40
EXCESS INCOME TO PENSION RESERVE FUND	<u>24,756,346.04</u>	<u>9,446,986.93</u>	<u>123,381.51</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2017.

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS	Group 1	Group 2 & 4	TOTAL
Active Membership, Dec. 31st, Previous Year	832	180	1,012
Inactive Membership, Dec. 31st, Previous Year	121	1	122
Enrolled During Current Year	112	16	128
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	112	16	128
Deduct:			
Death	0	0	0
Withdrawals	61	1	62
Retirements	18	5	23
SUBTOTAL	79	6	85
Active Membership, Dec. 31st, Current Year	886	186	1,072
Inactive Membership, Dec. 31st, Current Year	100	5	105

RETIRED MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	418	147	565
Retirements During the Year			
Superannuation	16	4	20
Ordinary Disability	0	0	0
Accidental Disability	0	1	1
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	4	2	6
Survivor Benefits from Active Membership	2	0	2
SUBTOTAL	22	7	29
Deduct:			
Deaths of Retired Members	20	5	25
Termination of Survivor Benefits	2	1	3
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	22	6	28
Retired Membership, Dec. 31st, Current Year			
Superannuation	348	91	439
Ordinary Disability	3	1	4
Accidental Disability	14	38	52
Termination	0	0	0
Beneficiaries from Accidental Deaths	1	13	14
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	24	1	25
Section 12B Survivor Allowance	1	0	1
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	418	148	566
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	1,404	339	1,743

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2017.

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	30,520.85	12/31/2017
4892 Transfers From Other Systems	158,369.54	12/31/2017
4893 Member Make Up Payments and Redeposits	802.15	12/31/2017
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	
TOTAL RECEIVABLES	189,692.54	
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	-114.05	12/31/2017
5759 Option B Refund	0.00	
5751 Pensions Paid	-630.66	12/31/2017
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	-7,903.75	12/31/2017
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	0.00	
5599 Furniture and Equipment	0.00	
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)	0.00	
	0.00	
	0.00	
	0.00	
	0.00	
TOTAL PAYABLES	-8,648.46	