

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 12/31/2019**
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Annual Statement for the Year Ended December 31, 2019 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>04/01/2022</u>
	Dominick Pangallo, Chair (Name)	(Signature)
	Elected Member	Term Expires <u>12/01/2021</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>03/24/2022</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	174,745,328.80
Income Current Year	<u>49,776,735.95</u>
Disbursements Current Year	<u>19,503,925.22</u>
Assets Current Year	<u>205,018,139.53</u>

2. ASSET DIFFERENCE

Assets Current Year	205,018,139.53
Assets Previous Year	<u>174,745,328.80</u>
Difference	<u>30,272,810.73</u>

3. INCOME DIFFERENCE

Income Current Year	49,776,735.95
Disbursements Current Year	<u>19,503,925.22</u>
Difference	<u>30,272,810.73</u>

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	54,171,414.50
Total Fund Change Debits Current Year	<u>-23,898,603.77</u>
Difference	<u>30,272,810.73</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, 2019.

ASSETS & LIABILITIES

	2019	2018	2017
1. 1040 Cash	2,919,827.58	2,434,067.35	1,824,050.88
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	69,791.60	95,515.47	112,468.39
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	201,946,300.61	172,093,927.44	175,313,752.66
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)	10,569.73	56,389.61	189,692.54
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	-46,093.75	-42,968.75	-39,843.75
25. 2020 Accounts Payable (A)	(-7,256.24)	(-16,602.32)	(-8,648.46)
TOTAL	<u>205,018,139.53</u>	<u>174,745,328.80</u>	<u>177,516,472.26</u>
FUNDS			
1. 3293 Annuity Savings Fund	48,704,064.59	47,740,526.79	47,768,900.35
2. 3294 Annuity Reserve Fund	13,379,379.69	11,651,315.31	9,838,163.26
3. 3295 Military Service Fund	761.17	760.41	759.65
4. 3296 Pension Fund	3,445,950.31	3,016,008.97	2,656,289.69
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	139,487,983.77	112,336,717.32	117,252,359.31
TOTAL ASSETS AT MARKET VALUE	<u>205,018,139.53</u>	<u>174,745,328.80</u>	<u>177,516,472.26</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, 2019.

	Balance Dec. 31 Prior year	Receipts	Interfund Transfers	Disbursements	Balance Dec.31 Current Year
Annuity Savings Fund	47,740,526.79	6,111,574.61	-4,394,678.55	-753,358.26	48,704,064.59
Annuity Reserve Fund	11,651,315.31	356,449.88	4,360,936.30	-2,989,321.80	13,379,379.69
Pension Fund	3,016,008.97	14,922,890.66	0.00	-14,492,949.32	3,445,950.31
Military Service Fund	760.41	0.76	0.00	0.00	761.17
Expense Fund	0.00	1,268,295.84	0.00	-1,268,295.84	0.00
Pension Reserve Fund	112,336,717.32	27,117,524.20	33,742.25	0.00	139,487,983.77
Total All Funds	174,745,328.80	49,776,735.95	- 0 -	-19,503,925.22	205,018,139.53

List below all transfers:

Xfer from	Annuity Savings Fund Control Acct	to	Annuity Reserve Fund-Control Acct	in the amt of	4,361,627.69	on acct of	Current Year Retirements
Xfer from	Annuity Savings Fund Control Acct	to	Pension Reserve Fund Control Acct	in the amt of	41,410.37	on acct of	10 Year Inactives
Xfer from	Annuity Savings Fund Control Acct	to	Pension Reserve Fund Control Acct	in the amt of	124.42	on acct of	ASF Interest Xfered to the PRF
Xfer from	Pension Reserve Fund Control Acct	to	Annuity Savings Fund Control Acct	in the amt of	7,792.54	on acct of	Reinstatement of Inactive Member
Xfer from	Annuity Reserve Fund-Control Acct	to	Annuity Savings Fund Control Acct	in the amt of	691.39	on acct of	4(2)(b) refund
Xfer from		to		in the amt of		on acct of	

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2019.

RECEIPTS

	2019	2018	2017
1. Annuity Savings Fund:			
(a) 4891 Members' Deductions	4,910,190.78	4,626,094.55	4,454,440.13
(b) 4892 Transfers from Other Systems	1,064,570.30	549,207.70	636,185.52
(c) 4893 Member Make Up Payments and Redeposits	24,484.75	0.00	34,140.91
(d) 4900 Member Payments from Rollovers	37,623.31	14,771.86	0.00
(e) Investment Income Credited to Members' Accounts	74,705.47	70,172.81	51,487.57
Subtotal	<u>6,111,574.61</u>	<u>5,260,246.92</u>	<u>5,176,254.13</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	356,449.88	297,713.61	287,539.24
Subtotal	<u>356,449.88</u>	<u>297,713.61</u>	<u>287,539.24</u>
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	180,055.25	118,478.07	179,520.96
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	106,196.61	184,809.54	68,796.26
(c) 4894 Pension Fund Appropriation	14,620,061.00	13,851,313.00	13,172,909.00
(d) 4840 Workers Compensation Settlement	8,300.00	0.00	0.00
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	8,277.80	0.00	0.00
Subtotal	<u>14,922,890.66</u>	<u>14,154,600.61</u>	<u>13,421,226.22</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	1,268,295.84	1,254,681.92	1,119,872.30
Subtotal	<u>1,268,295.84</u>	<u>1,254,681.92</u>	<u>1,119,872.30</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	4,969.11	2,522.88	1,404.37
(d) 4825 Miscellaneous Income	3,364.82	58,625.31	17,246.29
(e) Excess Investment Income	27,109,190.27	-4,967,452.37	24,756,346.04
Subtotal	<u>27,117,524.20</u>	<u>-4,906,304.18</u>	<u>24,774,996.70</u>
TOTAL RECEIPTS	<u>49,776,735.95</u>	<u>16,060,939.64</u>	<u>44,779,889.35</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2019.

DISBURSEMENTS

	2019	2018	2017
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	424,123.84	482,023.57	271,315.00
(b) 5756 Transfers to Other Systems	329,234.42	572,506.38	578,480.36
Subtotal	<u>753,358.26</u>	<u>1,054,529.95</u>	<u>849,795.36</u>
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	2,989,321.80	2,681,932.61	2,547,315.06
(b) 5759 Option B Refunds	0.00	46,057.29	0.00
Subtotal	<u>2,989,321.80</u>	<u>2,727,989.90</u>	<u>2,547,315.06</u>
3. Pension Fund:			
(a) 5751 Pensions Paid	13,704,956.97	12,821,764.82	12,407,914.24
Regular Pension Payments	10,549,698.37	9,750,802.69	9,263,789.27
Survivorship Payments	610,351.63	565,790.39	544,721.17
Ordinary Disability Payments	56,674.44	55,535.16	63,976.44
Accidental Disability Payments	2,024,464.41	1,969,174.61	2,116,228.70
Accidental Death Payments	513,564.09	555,002.71	527,045.15
Section 101 Benefits	49,292.46	38,533.93	22,513.81
(b) 5755 3(8)(c) Reimbursements To Other Systems	688,903.92	860,041.84	648,419.09
(c) 5752 COLAs Paid	99,088.43	113,074.67	130,360.30
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	<u>14,492,949.32</u>	<u>13,794,881.33</u>	<u>13,186,693.63</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	15,000.00	15,000.00	14,750.00
(b) 5119 Salaries	168,877.96	176,836.95	167,602.50
(c) 5120 Benefits	18,496.73	0.00	0.00
(d) 5304 Management Fees	966,530.58	933,413.96	846,173.79
(e) 5305 Custodial Fees	0.00	0.00	0.00
(f) 5307 Investment Consultant Fees	0.00	0.00	0.00
(g) 5308 Legal Expenses	7,256.24	16,602.32	8,747.50
(h) 5309 Medical Expenses	0.00	0.00	0.00
(i) 5310 Fiduciary Insurance	12,366.00	12,334.00	12,098.00
(j) 5311 Service Contracts	34,019.88	33,431.44	31,517.43
(k) 5312 Rent Expense	0.00	0.00	0.00
(l) 5315 Professional Services	0.00	0.00	0.00
(m) 5316 Actuarial Services	4,500.00	23,500.00	4,000.00
(n) 5317 Accounting Services	0.00	0.00	0.00
(o) 5320 Education And Training	1,870.00	1,600.00	1,500.00
(p) 5589 Administrative Expenses	33,647.34	25,925.21	26,917.14
(q) 5599 Furniture and Equipment	0.00	10,137.07	59.97
(r) 5719 Travel	2,606.11	2,775.97	3,380.97
(s) 5829 Depreciation Expense: Building	3,125.00	3,125.00	3,125.00
Subtotal	<u>1,268,295.84</u>	<u>1,254,681.92</u>	<u>1,119,872.30</u>
TOTAL DISBURSEMENTS	<u>19,503,925.22</u>	<u>18,832,083.10</u>	<u>17,703,676.35</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2019.

INVESTMENT INCOME

Investment Income received from:	2019	2018	2017
(a) Cash (from Schedule 1)	65,462.34	33,480.91	10,363.33
(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	998.75
(e) Pooled Funds (from Schedule 5)	5,002,515.40	4,829,644.63	4,452,047.41
(f) Commission Recapture and Securities Litigation	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	<u>5,067,977.74</u>	<u>4,863,125.54</u>	<u>4,463,409.49</u>
Plus:			
4884 Realized Gains (Profits)	9,315,880.31	8,125,860.49	7,301,318.00
4886 Unrealized Gains (Increase in Market Value)	22,554,282.49	6,278,155.53	14,487,822.81
1550 Interest Due & Accrued on Fixed Income Securities at End Of Current Year	0.00	0.00	0.00
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	0.00	0.00	26,042.36
4887 Unrealized Losses (Decrease in Market Value)	8,129,498.32	22,612,024.83	11,262.03
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	0.00	0.00	0.00
Additional Adjustments:			
4701 Carried Interest Expense	0.00	0.00	0.00
4702 Equalization Expense	0.00	0.00	0.00
4703 Miscellaneous Investment Expenses	0.00	0.00	0.00
NET INVESTMENT INCOME	<u>28,808,642.22</u>	<u>-3,344,883.27</u>	<u>26,215,245.91</u>
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	74,705.47	70,172.81	51,487.57
Annuity Reserve Fund	356,449.88	297,713.61	287,539.24
Expense Fund	1,268,295.84	1,254,681.92	1,119,872.30
Military Service Fund	0.76	0.76	0.76
TOTAL INCOME REQUIRED	<u>1,699,451.95</u>	<u>1,622,569.10</u>	<u>1,458,899.87</u>
Net Investment Income	28,808,642.22	-3,344,883.27	26,215,245.91
Less Income Required	1,699,451.95	1,622,569.10	1,458,899.87
EXCESS INCOME TO PENSION RESERVE FUND	<u>27,109,190.27</u>	<u>-4,967,452.37</u>	<u>24,756,346.04</u>

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2019.

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS	Group 1	Group 2 & 4	TOTAL
Active Membership, Dec. 31st, Previous Year	887	191	1,078
Inactive Membership, Dec. 31st, Previous Year	121	21	142
Enrolled During Current Year	124	10	134
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	124	10	134
Deduct:			
Death	0	0	0
Withdrawals	57	2	59
Retirements	21	14	35
SUBTOTAL	78	16	94
Active Membership, Dec. 31st, Current Year	962	198	1,160
Inactive Membership, Dec. 31st, Current Year	92	8	100

RETIRED MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	435	166	601
Retirements During the Year			
Superannuation	19	10	29
Ordinary Disability	0	0	0
Accidental Disability	0	4	4
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	1	0	1
Survivor Benefits from Active Membership	2	0	2
SUBTOTAL	22	14	36
Deduct:			
Deaths of Retired Members	14	4	18
Termination of Survivor Benefits	0	2	2
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	14	6	20
Retired Membership, Dec. 31st, Current Year			
Superannuation	370	114	484
Ordinary Disability	3	1	4
Accidental Disability	13	41	54
Termination	0	0	0
Beneficiaries from Accidental Deaths	1	11	12
Beneficiaries from Section 100	1	0	1
Beneficiaries from Section 101	3	2	5
Beneficiaries under Option C	27	5	32
Option (D) Survivor Allowance	24	0	24
Section 12B Survivor Allowance	1	0	1
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	443	174	617
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	1,497	380	1,877

Annual Statement of the Salem Retirement Board for the Year Ended December 31, 2019.

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	10,569.73	12/31/2019
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	10,569.73	
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	-7,256.24	12/31/2019
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	
TOTAL PAYABLES	-7,256.24	