

Annual Statement

OF THE FINANCIAL CONDITION
OF THE ESSEX REGIONAL RETIREMENT SYSTEM
TO THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
FOR THE YEAR ENDED 12/31/2016

Annual Statement for the Year Ended December 31, 2016 of the conditions and Affairs of the Essex Regional Retirement System.

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

Date of Certificate 10/05/1936

Effective Date 01/01/1937

ADMINISTRATION OFFICE

491 Maple Street, Suite 202
Street & Number

Danvers, MA 01923-4025
City/Town, State and Zip Code

(978) 739-9151
Telephone Number

We, the undersigned, members of the Essex Regional Retirement System 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

Alan Benson (First Member)
(Name)

(Signature)

Appointed Member

Term Expires 12/01/2018

Kevin A. Merz (Second Member)
(Name)

(Signature)

Elected Member

Term Expires 12/01/2019

H. Joseph Maney (Chairperson)
(Name)

(Signature)

Elected Member

Term Expires 12/01/2019

Susan J. Yaskell
(Name)

(Signature)

Member Appointed by Other Members

Term Expires 12/12/2020

Vincent R. Malgeri
(Name)

(Signature)

Investment Managers

See Attachment

Investment Consultant

Dahab Associates

423 South Country Road, Bay Shore NY 11706

Custodian

State Street Corp.

200 Newport Avenue, North Quincy MA 02171

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	374,936,876.69
Income Current Year	75,544,219.06
Disbursements Current Year	50,334,035.24
Assets Current Year	400,147,060.51

2. ASSET DIFFERENCE

Assets Current Year	400,147,060.51
Assets Previous Year	374,936,876.69
Difference	25,210,183.82

3. INCOME DIFFERENCE

Income Current Year	75,544,219.06
Disbursements Current Year	50,334,035.24
Difference	25,210,183.82

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	89,952,508.73
Total Fund Change Debits Current Year	-64,742,324.91
Difference	25,210,183.82

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

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

ASSETS & LIABILITIES

	2016	2015	2014
1. 1040 Cash	1,992,096.98	2,401,994.41	3,814,027.30
2. 1100 Short Term Investments	0.00	0.00	0.00
3. 1180 Fixed Income Securities	5,599.57	5,184.16	4,437.38
4. 1170 Equities	0.11	0.74	0.74
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	11,027,930.04	14,860,341.01	17,855,357.46
13. 1194 Pooled Real Estate Funds	3,346,714.53	6,011,638.27	11,457,117.34
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	1,001,863.45	1,750,709.72	800,260.02
18. 1199 PRIT Fund	381,841,100.20	348,472,537.65	336,616,741.86
19. 1550 Interest Due and Accrued	141.21	130.17	117.14
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	991,835.17	1,374,955.34	1,325,150.31
22. 1910 Land	0.00	0.00	0.00
23. 1920 Buildings	390,830.00	390,830.00	390,830.00
24. 1929 Accumulated Depreciation – Buildings	-199,779.00	-185,405.00	-171,031.00
25. 2020 Accounts Payable (A)	(-251,271.75)	(-146,039.78)	(-93,611.91)
TOTAL	400,147,060.51	374,936,876.69	371,999,396.64
FUNDS			
1. 3293 Annuity Savings Fund	126,823,254.98	122,307,554.23	119,539,696.65
2. 3294 Annuity Reserve Fund	38,769,615.16	37,397,698.68	34,710,995.15
3. 3295 Military Service Fund	36,833.76	36,791.72	36,754.97
4. 3296 Pension Fund	5,066,700.30	2,851,874.32	3,496,932.26
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	229,450,656.31	212,342,957.74	214,215,017.61
TOTAL ASSETS AT MARKET VALUE	400,147,060.51	374,936,876.69	371,999,396.64

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

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

	Balance Dec. 31 Prior year	Receipts	Interfund Transfers	Disbursements	Balance Dec.31 Current Year
Annuity Savings Fund	122,307,565.61	15,388,110.11	-7,334,682.80	-3,537,737.94	126,823,254.98
Annuity Reserve Fund	37,397,698.68	1,115,089.71	7,349,603.67	-7,092,776.90	38,769,615.16
Pension Fund	2,851,874.32	31,666,688.23	7,058,686.00	-36,510,548.25	5,066,700.30
Military Service Fund	36,796.96	36.80	0.00	0.00	36,833.76
Expense Fund	0.00	3,192,972.15	0.00	-3,192,972.15	0.00
Pension Reserve Fund	212,342,941.12	24,181,322.06	-7,073,606.87	0.00	229,450,656.31
Total All Funds	374,936,876.69	75,544,219.06	- 0 -	-50,334,035.24	400,147,060.51

List below all transfers:

Xfer from	<u>Annuity Savings Fund</u>	to	<u>Annuity Reserve Fund</u>	in the amt of	<u>7,596,030.19</u>	on acct of	<u>2016 Retirements</u>
Xfer from	<u>Annuity Savings Fund</u>	to	<u>Pension Reserve Fund</u>	in the amt of	<u>17.96</u>	on acct of	<u>2016 Retirements</u>
Xfer from	<u>Pension Reserve Fund</u>	to	<u>Annuity Savings Fund</u>	in the amt of	<u>14,938.83</u>	on acct of	<u>10yr Inactive Transfer Reversal</u>
Xfer from	<u>Annuity Reserve Fund</u>	to	<u>Annuity Savings Fund</u>	in the amt of	<u>246,426.52</u>	on acct of	<u>Retirement Reversals</u>
Xfer from	<u>Pension Reserve Fund</u>	to	<u>Pension Fund</u>	in the amt of	<u>1,021,631.00</u>	on acct of	<u>FY '18 PERAC Appropriation Transfer</u>
Xfer from	<u>Pension Reserve Fund</u>	to	<u>Pension Fund</u>	in the amt of	<u>6,037,055.00</u>	on acct of	<u>FY '14 PERAC Appropriation Transfer</u>

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

RECEIPTS

	2016	2015	2014
1. Annuity Savings Fund:			
(a) 4891 Members' Deductions	12,549,071.03	12,104,738.80	11,866,402.70
(b) 4892 Transfers from Other Systems	2,340,644.56	1,731,912.82	2,355,896.32
(c) 4893 Member Make Up Payments and Redeposits	140,251.05	157,961.69	155,798.71
(d) 4900 Member Payments from Rollovers	175,113.58	229,007.16	141,417.58
(e) Investment Income Credited to Members' Accounts	183,029.89	180,986.93	172,464.37
Subtotal	15,388,110.11	14,404,607.40	14,691,979.68
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	1,115,089.71	1,041,574.20	997,435.09
Subtotal	1,115,089.71	1,041,574.20	997,435.09
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	1,468,058.48	1,452,584.32	1,070,239.93
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	345,615.91	361,856.84	408,750.59
(c) 4894 Pension Fund Appropriation	29,842,091.00	27,893,676.00	26,066,222.00
(d) 4840 Workers Compensation Settlement	0.00	28,896.00	20,500.00
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	10,922.84	0.00	10,257.64
Subtotal	31,666,688.23	29,737,013.16	27,575,970.16
4. Military Service Fund:			
(a) 4890 Contributions Received from Municipality	0.00	0.00	5,207.69
(b) Investment Income Credited	36.80	36.75	31.50
Subtotal	36.80	36.75	5,239.19
5. Expense Fund:			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	3,192,972.15	3,091,838.78	3,146,905.85
Subtotal	3,192,972.15	3,091,838.78	3,146,905.85
6. Pension Reserve Fund:			
(a) 4897 Federal Grant Reimbursement	43,170.26	73,124.32	74,394.27
(b) 4895 Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 Interest Not Refunded	18,520.15	20,030.80	6,398.84
(d) 4825 Miscellaneous Income	44,500.59	744.99	0.00
(e) Excess Investment Income	24,075,131.06	1,931,443.19	27,216,205.67
Subtotal	24,181,322.06	2,025,343.30	27,296,998.78
TOTAL RECEIPTS	75,544,219.06	50,300,413.59	73,714,528.75

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

DISBURSEMENTS

	2016	2015	2014
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	945,760.16	1,244,807.15	1,309,501.58
(b) 5756 Transfers to Other Systems	2,591,977.78	1,948,913.95	3,000,309.96
Subtotal	3,537,737.94	3,193,721.10	4,309,811.54
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	7,063,122.28	6,449,133.07	5,963,410.85
(b) 5759 Option B Refunds	29,654.62	27,676.49	217,702.87
Subtotal	7,092,776.90	6,476,809.56	6,181,113.72
3. Pension Fund:			
(a) 5751 Pensions Paid	31,950,209.39	30,587,789.06	29,613,916.00
Regular Pension Payments	25,551,836.98	24,385,981.21	23,536,014.02
Survivorship Payments	1,955,068.88	1,860,433.44	1,779,671.03
Ordinary Disability Payments	274,119.96	248,942.64	270,461.81
Accidental Disability Payments	3,316,963.10	3,248,115.37	3,196,797.75
Accidental Death Payments	682,212.17	689,125.80	676,680.79
Section 101 Benefits	170,008.30	155,190.60	154,290.60
(b) 5755 3(8)(c) Reimbursements To Other Systems	2,400,000.00	2,308,138.95	2,200,000.00
(c) 5752 COLAs Paid	2,135,792.68	1,679,724.72	1,226,246.04
(d) 5753 Chapter 389 Beneficiary Increase Paid	24,546.18	24,911.37	28,889.32
Subtotal	36,510,548.25	34,600,564.10	33,069,051.36
4. Military Service Fund:			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
Subtotal	0.00	0.00	0.00
5. Expense Fund:			
(a) 5118 Board Member Stipend	22,500.00	21,750.00	20,000.00
(b) 5119 Salaries	467,632.17	451,135.71	455,340.90
(c) 5304 Management Fees	2,108,100.23	2,047,843.80	2,147,464.61
(d) 5305 Custodial Fees	66,213.69	64,951.59	62,716.21
(e) 5307 Investment Consultant Fees	29,450.92	30,000.00	30,000.00
(f) 5308 Legal Expenses	108,975.25	103,685.17	67,664.69
(g) 5309 Medical Expenses	170.00	340.00	0.00
(h) 5310 Fiduciary Insurance	27,913.00	27,086.00	26,356.00
(i) 5311 Service Contracts	39,727.58	45,987.94	45,368.19
(j) 5312 Rent Expense	20,959.44	23,324.92	22,471.51
(k) 5315 Professional Services	74,012.50	67,693.00	62,572.00
(l) 5316 Actuarial Services	0.00	0.00	0.00
(k) 5317 Accounting Services	0.00	0.00	0.00
(n) 5320 Education And Training	2,170.00	2,220.00	1,390.00
(o) 5589 Administrative Expenses	191,726.91	187,251.56	186,838.19
(p) 5599 Furniture and Equipment	13,690.32	0.00	0.00
(q) 5719 Travel	5,356.14	4,195.09	4,349.55
(r) 5829 Depreciation Expense: Building	14,374.00	14,374.00	14,374.00
Subtotal	3,192,972.15	3,091,838.78	3,146,905.85
TOTAL DISBURSEMENTS	50,334,035.24	47,362,933.54	46,706,882.47

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

INVESTMENT INCOME

Investment Income received from:	2016	2015	2014
(a) Cash (from Schedule 1)	6,306.00	281.24	451.67
(b) Short Term Investments (from Schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from Schedules 3A and 3C)	989.56	1,254.45	1,613.45
(d) Equities (from Schedules 4A and 4C)	8,462.61	7,054.33	9,545.08
(e) Pooled Funds (from Schedule 5)	10,566,857.63	9,154,402.43	11,013,072.80
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	10,582,615.80	9,162,992.45	11,024,683.00
Plus:			
4884 Realized Gains (Profits)	13,589,187.80	17,102,577.65	17,773,210.54
4886 Unrealized Gains (Increase in Market Value)	31,957,571.08	21,364,036.28	25,670,504.87
1550 Interest Due & Accrued on Fixed Income Securities at End Of Current Year	141.21	130.17	117.14
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	285,511.01	2,128,739.17	851,935.69
4887 Unrealized Losses (Decrease in Market Value)	27,277,615.10	39,255,000.39	22,083,385.64
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	130.17	117.14	151.74
NET INVESTMENT INCOME	28,566,259.61	6,245,879.85	31,533,042.48
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	183,029.89	180,986.93	172,464.37
Annuity Reserve Fund	1,115,089.71	1,041,574.20	997,435.09
Expense Fund	3,192,972.15	3,091,838.78	3,146,905.85
Military Service Fund	36.80	36.75	31.50
TOTAL INCOME REQUIRED	4,491,128.55	4,314,436.66	4,316,836.81
Net Investment Income	28,566,259.61	6,245,879.85	31,533,042.48
Less Income Required	4,491,128.55	4,314,436.66	4,316,836.81
EXCESS INCOME TO PENSION RESERVE FUND	24,075,131.06	1,931,443.19	27,216,205.67

Annual Statement of the Essex Regional Retirement System for the Year Ended December 31, 2016.

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS

	Group 1	Group 2 & 4	TOTAL
Active Membership, Dec. 31st, Previous Year	2,240	465	2,705
Inactive Membership, Dec. 31st, Previous Year	1,034	47	1,081
Enrolled During Current Year	374	34	408
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	374	34	408
Deduct:			
Death	2	0	2
Withdrawals	207	10	217
Retirements	86	18	104
SUBTOTAL	295	28	323
Active Membership, Dec. 31st, Current Year	2,249	473	2,722
Inactive Membership, Dec. 31st, Current Year	1,104	45	1,149

RETIRED MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	1,334	423	1,757
Retirements During the Year			
Superannuation	83	18	101
Ordinary Disability	0	0	0
Accidental Disability	0	1	1
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	6	2	8
Survivor Benefits from Active Membership	2	0	2
SUBTOTAL	91	21	112
Deduct:			
Deaths of Retired Members	51	10	61
Termination of Survivor Benefits	6	4	10
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	57	14	71
Retired Membership, Dec. 31st, Current Year			
Superannuation	1,172	275	1,447
Ordinary Disability	10	5	15
Accidental Disability	47	66	113
Termination	0	0	0
Beneficiaries from Accidental Deaths	6	17	23
Beneficiaries from Section 100	0	1	1
Beneficiaries from Section 101	2	12	14
Beneficiaries under Option C	68	30	98
Option (D) Survivor Allowance	56	18	74
Section 12B Survivor Allowance	7	6	13
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	1,368	430	1,798
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	4,721	948	5,669

Annual Statement of the Essex Regional Retirement System 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	569,801.64	12/31/2016
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	649.41	12/31/2016
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)	14,134.00	12/31/2016
4894 Pension Fund Appropriation (Previous Fiscal Year)	374,629.30	
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)		
Repayments	32,604.08	12/31/2016
Eastern Bank - Interest	16.74	12/31/2016
	0.00	
	0.00	
TOTAL RECEIVABLES	991,835.17	
Accounts Payable		
5316 Actuarial Services	2,700.00	12/31/2016
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	210,374.09	12/31/2016
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	16,887.93	12/31/2016
5307 Investment Consultant Fees	0.00	
5308 Legal Expenses	3,709.00	12/31/2016
5309 Medical Expenses	0.00	
5310 Fiduciary Insurance	0.00	
5311 Service Contracts	723.30	12/31/2016
5312 Rent Expense	0.00	
5315 Professional Services Expense	0.00	
5589 Administrative Expenses	2,803.06	12/31/2016
5599 Furniture and Equipment	0.00	
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)		
Salisbury HA - Appropriation overpayment	194.00	12/31/2016
Neopost - Mail/Folder Machine	13,690.32	12/31/2016
Tailings	190.05	12/31/2016
	0.00	
TOTAL PAYABLES	251,271.75	