

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM

Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer

June 30, 2014 and 2013

(With Independent Auditors' Report Thereon)



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

Mr. Thomas G. Shack III, Comptroller
Commonwealth of Massachusetts:

We have audited the accompanying schedules of employer and nonemployer allocations of the Massachusetts State Employees' Retirement System (MSERS) as of and for the years ended June 30, 2014 and June 30, 2013, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified column totals) included in the accompanying schedules of pension amounts by employer and nonemployer of MSERS as of and for the year ended June 30, 2014, the column titled net pension liability (specified column total) included in the accompanying schedules of pension amounts by employer and nonemployer of MSERS as of June 30, 2013, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the schedules of employer and nonemployer allocations and the specified column totals included in the schedules of pension amounts by employer and nonemployer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules of employer and nonemployer allocations and the specified column totals included in the schedules of pension amounts by employer and nonemployer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer and nonemployer allocations and the specified column totals included in the schedule of pension amounts by employer and nonemployer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer and nonemployer allocations and the specified column totals included in the schedule of pension amounts by employer and nonemployer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer and nonemployer allocations and the specified column totals included in the schedule of pension amounts by employer and nonemployer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such



opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer and nonemployer allocations and the specified column totals included in the schedules of pension amounts by employer and nonemployer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules and related notes referred to above present fairly, in all material respects, the employer and nonemployer allocations, and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for MSERS as of and for the year ended June 30, 2014 and the employer and nonemployer allocations, and net pension liability as of and for the year ended June 30, 2013 in accordance with U.S. generally accepted accounting principles.

Restriction on Use

Our report is intended solely for information and use of MSERS management and its board, MSERS employers and their auditors and the Commonwealth of Massachusetts, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

Boston, Massachusetts
September 28, 2015

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/Nonemployer Allocation Percentage	Actual Contributions	Employer/Nonemployer Allocation Percentage
Non Special Funding Situations:				
9045 - Commonwealth of Massachusetts:				
Employer contributions.....	\$ 538,910,592		\$ 505,382,210	
Total Commonwealth of Massachusetts.....	538,910,592	91.61655%	505,382,210	91.64888%
8060 - Assabet Valley Regional Vocational School District:				
Employer contributions.....	-		2,272	
Nonemployer contributions.....	232,099		208,128	
Total Assabet Valley Regional Vocational School District.....	232,099	0.03946%	210,400	0.03816%
8100 - Blackstone Valley Regional Vocational School District:				
Employer contributions.....	-		-	
Nonemployer contributions.....	344,802		330,096	
Total Blackstone Valley Regional Vocational School District.....	344,802	0.05862%	330,096	0.05986%
8080 - Bristol/Plymouth Regional Vocational Technical School District.....				
Employer contributions.....	-		-	
Nonemployer contributions.....	222,062		192,467	
Total Bristol/Plymouth Regional Vocational Technical School District.....	222,062	0.03775%	192,467	0.03490%
8160 - Central Massachusetts Regional Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	113,973		132,101	
Total Central Massachusetts Regional Planning Commission.....	113,973	0.01938%	132,101	0.02396%
6090 - Massachusetts Convention Center Authority:				
Employer contributions.....	508,045		477,048	
Nonemployer contributions.....	1,458,814		1,265,867	
Total Massachusetts Convention Center Authority.....	1,966,859	0.33437%	1,742,915	0.31607%
9045 - Massachusetts Department of Transportation:				
Employer contributions.....	21,100,371		17,223,468	
Nonemployer contributions.....	8,199,084		9,947,785	
Total Massachusetts Department of Transportation.....	29,299,455	4.98100%	27,171,253	4.92739%
6070 - Massachusetts State College Building Authority:				
Employer contributions.....	97,745		93,243	
Nonemployer contributions.....	51,074		52,340	
Total Massachusetts State College Building Authority.....	148,819	0.02530%	145,583	0.02640%
8020 - Merrimack Valley Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	115,860		108,107	
Total Merrimack Valley Planning Commission.....	115,860	0.01970%	108,107	0.01960%
8010 - Montachusett Regional Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	97,227		92,943	
Total Montachusett Regional Planning Commission.....	97,227	0.01653%	92,943	0.01685%
8090 - Montachusett Regional Vocational Technical School District:				
Employer contributions.....	11,253		11,253	
Nonemployer contributions.....	387,738		360,936	
Total Montachusett Regional Vocational Technical School District.....	398,991	0.06783%	372,189	0.06749%

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/Nonemployer Allocation Percentage	Actual Contributions	Employer/Nonemployer Allocation Percentage
8070 - Nashoba Associated Boards of Health:				
Employer contributions.....	-		-	
Nonemployer contributions.....	466,446		498,222	
Total Nashoba Associated Boards of Health.....	466,446	0.07930%	498,222	0.09035%
8040 - North Middlesex Council of Governments:				
Employer contributions.....	-		-	
Nonemployer contributions.....	96,649		86,559	
Total North Middlesex Council of Governments.....	96,649	0.01643%	86,559	0.01570%
8030 - Northeast Metro Regional Vocational Technical School District:				
Employer contributions.....	33,367		33,367	
Nonemployer contributions.....	341,149		300,377	
Total Northeast Metro Regional Vocational Technical School District.....	374,516	0.06367%	333,744	0.06052%
8170 - Old Colony Planning Council:				
Employer contributions.....	-		-	
Nonemployer contributions.....	117,477		103,310	
Total Old Colony Planning Council.....	117,477	0.01997%	103,310	0.01873%
8180 - Old Colony Regional Vocational Technical School District:				
Employer contributions.....	-		-	
Nonemployer contributions.....	134,141		123,309	
Total Old Colony Regional Vocational Technical School District.....	134,141	0.02280%	123,309	0.02236%
8110 - Pioneer Valley Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	281,462		279,627	
Total Pioneer Valley Planning Commission.....	281,462	0.04785%	279,627	0.05071%
8140 - Southeastern Regional Planning & Economic Development District:				
Employer contributions.....	-		-	
Nonemployer contributions.....	172,049		159,611	
Total Southeastern Regional Planning & Economic Development District.....	172,049	0.02925%	159,611	0.02894%
8120 - Southeastern Regional School District:				
Employer contributions.....	5,621		5,621	
Nonemployer contributions.....	657,356		597,853	
Total Southeastern Regional School District.....	662,977	0.11271%	603,474	0.10944%
8200 - Tri-County Regional Vocational Technical School District:				
Employer contributions.....	-		-	
Nonemployer contributions.....	116,235		128,351	
Total Tri-County Regional Vocational Technical School District.....	116,235	0.01976%	128,351	0.02328%
8190 - Upper Blackstone Water Pollution Abatement District:				
Employer contributions.....	370,024		333,636	
Nonemployer contributions.....	-		-	
Total Upper Blackstone Water Pollution Abatement District.....	370,024	0.06291%	333,636	0.06050%
8130 - Upper Cape Cod Regional Vocational Technical School District:				
Employer contributions.....	2,598		2,598	
Nonemployer contributions.....	200,009		190,335	
Total Upper Cape Cod Regional Vocational Technical School District.....	202,607	0.03444%	192,933	0.03499%

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/ Nonemployer/ Allocation Percentage	Actual Contributions	Employer/ Nonemployer/ Allocation Percentage
<u>Special Funding Situations (Educational Collaboratives):</u>				
6013 - ACCEPT Education Collaborative:				
Employer contributions.....	100,778		93,943	
Nonemployer contributions.....	99,041		85,930	
Total ACCEPT Education Collaborative.....	199,819	0.03397%	179,873	0.03262%
6022 - Assabet Valley Collaborative:				
Employer contributions.....	74,786		72,742	
Nonemployer contributions.....	73,498		66,538	
Total Assabet Valley Collaborative.....	148,284	0.02521%	139,280	0.02526%
6004 - Bi-County Education Collaborative:				
Employer contributions.....	144,096		154,873	
Nonemployer contributions.....	141,614		141,663	
Total Bi-County Education Collaborative.....	285,710	0.04857%	296,536	0.05378%
6018 - C.A.S.E. Collaborative:				
Employer contributions.....	309,468		283,080	
Nonemployer contributions.....	304,135		253,574	
Total C.A.S.E. Collaborative.....	613,603	0.10431%	536,654	0.09732%
6016 - Cape Cod Collaborative:				
Employer contributions.....	177,531		177,775	
Nonemployer contributions.....	174,472		162,612	
Total Cape Cod Collaborative.....	352,003	0.05984%	340,387	0.06173%
6010 - CAPS Education Collaborative:				
Employer contributions.....	103,397		92,314	
Nonemployer contributions.....	101,666		84,440	
Total CAPS Education Collaborative.....	205,063	0.03486%	176,754	0.03205%
6035 - Central Massachusetts Special Education Collaborative:				
Employer contributions.....	102,986		98,036	
Nonemployer contributions.....	101,212		89,674	
Total Central Massachusetts Special Education Collaborative.....	204,198	0.03471%	187,710	0.03404%
6012 - CHARMS Collaborative:				
Employer contributions.....	40,188		40,452	
Nonemployer contributions.....	39,496		37,002	
Total CHARMS Collaborative.....	79,684	0.01355%	77,454	0.01405%
6017 - Collaborative for Educational Services:				
Employer contributions.....	303,565		287,003	
Nonemployer contributions.....	298,335		262,523	
Total Collaborative for Educational Services.....	601,900	0.10232%	549,526	0.09965%
6021 - CREST Collaborative:				
Employer contributions.....	151,382		182,742	
Nonemployer contributions.....	148,773		167,155	
Total CREST Collaborative.....	300,155	0.05103%	349,897	0.06345%
6030 - EDCO Collaborative:				
Employer contributions.....	207,177		193,858	
Nonemployer contributions.....	203,607		177,323	
Total EDCO Collaborative.....	410,784	0.06983%	371,181	0.06731%

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/Nonemployer Allocation Percentage	Actual Contributions	Employer/Nonemployer Allocation Percentage
6019 - FLLAC Collaborative:				
Employer contributions.....	76,716		77,887	
Nonemployer contributions.....	75,394		71,244	
Total FLLAC Collaborative.....	152,110	0.02586%	149,131	0.02704%
6034 - LABBB Collaborative:				
Employer contributions.....	278,329		262,754	
Nonemployer contributions.....	273,534		240,343	
Total LABBB Collaborative.....	551,863	0.09382%	503,097	0.09123%
6011 - Lower Pioneer Valley Education Collaborative:				
Employer contributions.....	426,191		410,772	
Nonemployer contributions.....	418,848		375,735	
Total Lower Pioneer Valley Education Collaborative.....	845,039	0.14366%	786,507	0.14263%
6014 - North River Collaborative:				
Employer contributions.....	207,812		209,025	
Nonemployer contributions.....	204,231		191,196	
Total North River Collaborative.....	412,043	0.07005%	400,221	0.07258%
6006 - North Shore Education Consortium:				
Employer contributions.....	229,190		241,583	
Nonemployer contributions.....	225,241		220,977	
Total North Shore Education Consortium.....	454,431	0.07725%	462,560	0.08388%
6007 - Pilgrim Area Collaborative:				
Employer contributions.....	81,894		82,612	
Nonemployer contributions.....	80,483		75,566	
Total Pilgrim Area Collaborative.....	162,377	0.02760%	158,178	0.02868%
6031 - READS Collaborative:				
Employer contributions.....	126,254		148,888	
Nonemployer contributions.....	124,079		105,192	
Total READS Collaborative.....	250,333	0.04256%	254,080	0.04608%
6033 - SEEMS Collaborative:				
Employer contributions.....	281,263		278,807	
Nonemployer contributions.....	276,417		212,948	
Total SEEMS Collaborative.....	557,680	0.09481%	491,755	0.08918%
6009 - Shore Education Consortium:				
Employer contributions.....	373,271		357,020	
Nonemployer contributions.....	366,839		326,568	
Total Shore Education Consortium.....	740,110	0.12582%	683,588	0.12397%
6015 - South Coast Education Collaborative:				
Employer contributions.....	251,276		257,962	
Nonemployer contributions.....	246,946		235,959	
Total South Coast Education Collaborative.....	498,222	0.08470%	493,921	0.08957%
6001 - South Shore Education Collaborative:				
Employer contributions.....	272,331		251,942	
Nonemployer contributions.....	267,639		230,453	
Total South Shore Education Collaborative.....	539,970	0.09180%	482,395	0.08748%

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/Nonemployer Allocation Percentage	Actual Contributions	Employer/Nonemployer Allocation Percentage
6003 - Southeastern Massachusetts Education Collaborative:				
Employer contributions.....	177,401		159,309	
Nonemployer contributions.....	174,344		145,720	
Total Southeastern Massachusetts Education Collaborative.....	351,745	0.05980%	305,029	0.05532%
6002 - Southern Worcester County Education Collaborative:				
Employer contributions.....	194,361		183,960	
Nonemployer contributions.....	191,012		168,269	
Total Southern Worcester County Education Collaborative.....	385,373	0.06551%	352,229	0.06388%
6027 - The Educational Co-Op:				
Employer contributions.....	69,493		70,200	
Nonemployer contributions.....	68,296		64,212	
Total The Educational Co-Op.....	137,789	0.02342%	134,412	0.02438%
6020 - Valley Collaborative:				
Employer contributions.....	255,665		323,592	
Nonemployer contributions.....	251,260		295,991	
Total Valley Collaborative.....	506,925	0.08618%	619,583	0.11236%
<u>Special Funding Situations (Other than Educational Collaboratives):</u>				
8150 - Berkshire Regional Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	135,453		114,141	
Total Berkshire Regional Planning Commission.....	135,453	0.02303%	114,141	0.02070%
8250 - Devens Enterprise Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	26,664		24,761	
Total Devens Enterprise Commission.....	26,664	0.00453%	24,761	0.00449%
8210 - Massachusetts Development Finance Agency:				
Employer contributions.....	-		-	
Nonemployer contributions.....	171,682		183,289	
Total Massachusetts Development Finance Agency.....	171,682	0.02919%	183,289	0.03324%
6200 - Massachusetts Healthcare Connector Authority:				
Employer contributions.....	-		-	
Nonemployer contributions.....	589,919		503,772	
Total Massachusetts Healthcare Connector Authority.....	589,919	0.10029%	503,772	0.09136%
8211 - Massachusetts Life Sciences Center:				
Employer contributions.....	-		-	
Nonemployer contributions.....	27,759		36,295	
Total Massachusetts Life Sciences Center.....	27,759	0.00472%	36,295	0.00658%
6100 - Massachusetts PRIM Board:				
Employer contributions.....	-		-	
Nonemployer contributions.....	414,026		330,476	
Total Massachusetts PRIM Board.....	414,026	0.07039%	330,476	0.05993%
6060 - Massachusetts School Building Authority:				
Employer contributions.....	-		-	
Nonemployer contributions.....	438,213		448,488	
Total Massachusetts School Building Authority.....	438,213	0.07450%	448,488	0.08133%

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF EMPLOYER AND NONEMPLOYER ALLOCATIONS
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	FY2014		FY2013	
	Actual Contributions	Employer/ Nonemployer Allocation Percentage	Actual Contributions	Employer/ Nonemployer Allocation Percentage
1080 - Massachusetts Water Resources Authority:				
Employer contributions.....	-		-	
Nonemployer contributions.....	<u>717,963</u>		<u>765,580</u>	
Total Massachusetts Water Resources Authority.....	<u>717,963</u>	0.12206%	<u>765,580</u>	0.13883%
8050 - Metropolitan Area Planning Commission:				
Employer contributions.....	-		-	
Nonemployer contributions.....	<u>909,822</u>		<u>821,241</u>	
Total Metropolitan Area Planning Commission.....	<u>909,822</u>	0.15467%	<u>821,241</u>	0.14893%
Total for all entities.....	<u>\$ 588,224,036</u>	100.00000%	<u>\$ 551,433,021</u>	100.00000%

See accompanying notes to schedules of employer and nonemployer allocations and schedules of pension amounts by employer and nonemployer.

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
SCHEDULES OF PENSION AMOUNTS BY EMPLOYER AND NONEMPLOYER
As of and for the fiscal year ended June 30, 2014 and 2013

Employer/Nonemployer	2014 Deferred Outflows of Resources					2014 Deferred Inflows of Resources			2014 Pension Expense		
	June 30, 2013	June 30, 2014	Changes of Assumptions	Changes in Proportion	Total Deferred Outflows of Resources	Net Differences Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes in Proportion	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Change in Proportion	Total Employer Pension Expense
	Net Pension Liability	Net Pension Liability									
Non Special Funding Situations:											
Employer:											
9045 - Commonwealth of Massachusetts.....	\$ 8,159,538,639	\$ 6,801,709,172	\$ 76,458,595	\$ -	\$ 76,458,595	\$ 1,396,042,973	\$ 2,355,012	\$ 1,398,397,985	\$ 503,543,821	\$ (523,340)	\$ 503,020,481
8060 - Assabet Valley Regional Vocational School District.....	3,396,967	2,929,373	32,929	94,875	127,804	601,250	-	601,250	216,867	21,083	237,950
8100 - Blackstone Valley Regional Vocational School District.....	5,329,493	4,351,822	48,919	-	48,919	893,206	90,619	983,825	322,174	(20,137)	302,037
8080 - Bristol/Plymouth Regional Vocational Technical School District.....	3,107,434	2,802,693	31,505	207,472	238,977	575,250	-	575,250	207,489	46,105	253,594
8160 - Central Massachusetts Regional Planning Commission.....	2,132,808	1,438,478	16,170	-	16,170	295,246	333,633	628,879	106,493	(74,141)	32,352
6090 - Massachusetts Convention Center Authority.....	28,139,855	24,824,160	279,051	1,333,197	1,612,248	5,095,130	-	5,095,130	1,837,781	296,266	2,134,047
9045 - Massachusetts Department of Transportation.....	438,687,560	369,794,869	4,156,896	3,905,346	8,062,242	75,899,971	-	75,899,971	27,376,637	867,855	28,244,492
6070 - Massachusetts State College Building Authority.....	2,350,479	1,878,277	21,114	-	21,114	385,514	80,210	465,724	139,053	(17,824)	121,229
8020 - Merrimack Valley Planning Commission.....	1,745,418	1,462,295	16,438	6,690	23,128	300,134	-	300,134	108,257	1,487	109,744
8010 - Montachusett Regional Planning Commission.....	1,500,591	1,227,123	13,794	-	13,794	251,866	23,740	275,606	90,846	(5,276)	85,570
8090 - Montachusett Regional Vocational Technical School District.....	6,009,097	5,035,753	56,607	24,395	81,002	1,033,583	-	1,033,583	372,807	5,421	378,228
8070 - Nashoba Associated Boards of Health.....	8,043,935	5,887,118	66,178	-	66,178	1,208,324	805,140	2,013,464	435,835	(178,920)	256,915
8040 - North Middlesex Council of Governments.....	1,397,520	1,219,828	13,712	53,434	67,146	250,368	-	250,368	90,306	11,874	102,180
8030 - Northeast Metro Regional Vocational Technical School District.....	5,388,391	4,726,849	53,135	229,157	282,292	970,180	-	970,180	349,938	50,924	400,862
8170 - Old Colony Planning Council.....	1,667,969	1,482,703	90,081	106,748	196,829	304,323	-	304,323	109,767	20,018	129,785
8180 - Old Colony Regional Vocational Technical School District.....	1,990,859	1,693,023	19,031	32,259	51,290	347,491	-	347,491	125,338	7,169	132,507
8110 - Pioneer Valley Planning Commission.....	4,514,657	3,552,394	39,933	-	39,933	729,125	208,309	937,434	262,991	(46,291)	216,700
8140 - Southeastern Regional Planning & Economic Development District.....	2,576,965	2,171,468	24,410	22,153	46,563	445,691	-	445,691	160,758	4,923	165,681
8120 - Southeastern Regional School District.....	9,743,258	8,367,579	94,061	238,258	332,319	1,717,436	-	1,717,436	619,468	52,946	672,414
8200 - Tri-County Regional Vocational Technical School District.....	2,072,263	1,467,028	16,491	-	16,491	301,106	256,085	557,191	108,607	(56,908)	51,699
8190 - Upper Blackstone Water Pollution Abatement District.....	5,386,648	4,670,154	52,498	174,957	227,455	958,544	-	958,544	345,741	38,879	384,620
8130 - Upper Cape Cod Regional Vocational Technical School District.....	3,114,958	2,557,148	28,745	-	28,745	524,852	39,606	564,458	189,311	(8,801)	180,510
Special Funding Situations:											
Nonemployer (Commonwealth) attributable to:											
6013 - ACCEPT Education Collaborative.....	2,904,100	2,521,960							186,706	(7,368)	179,338
6022 - Assabet Valley Collaborative.....	2,248,715	1,871,525							138,553	(5,468)	133,085
6004 - Bi-County Education Collaborative.....	4,787,658	3,606,009							266,960	(10,535)	256,425
6018 - C.A.S.E. Collaborative.....	8,664,431	7,744,418							573,334	(22,625)	550,709
6016 - Cape Cod Collaborative.....	5,495,644	4,442,707							328,902	(12,979)	315,923
6010 - CAPS Education Collaborative.....	2,853,743	2,588,145							191,605	(7,561)	184,044
6035 - Central Massachusetts Special Education Collaborative.....	3,030,631	2,577,228							190,797	(7,529)	183,268
6012 - CHARMS Collaborative.....	1,250,517	1,005,709							74,455	(2,938)	71,517
6017 - Collaborative for Educational Services.....	8,872,253	7,596,712							562,399	(22,194)	540,205
6021 - CREST Collaborative.....	5,649,186	3,788,322							280,457	(11,068)	269,389
6030 - EDCO Collaborative.....	5,992,822	5,184,595							383,826	(15,147)	368,679
6019 - FLLAC Collaborative.....	2,407,762	1,919,814							142,128	(5,609)	136,519
6034 - LABB Collaborative.....	8,122,643	6,965,184							515,646	(20,349)	495,297
6011 - Lower Pioneer Valley Education Collaborative.....	12,698,378	10,665,423							789,582	(31,159)	758,423
6014 - North River Collaborative.....	6,461,681	5,200,485							385,002	(15,193)	369,809
6006 - North Shore Education Consortium.....	7,468,162	5,735,474							424,608	(16,756)	407,852
6007 - Pilgrim Area Collaborative.....	2,553,829	2,049,396							151,721	(5,987)	145,734
6031 - READS Collaborative.....	4,102,193	3,159,508							233,905	(9,231)	224,674
6033 - SEEMS Collaborative.....	7,939,523	7,038,602							521,081	(20,563)	500,518
6009 - Shore Education Consortium.....	11,036,721	9,341,091							691,539	(27,290)	664,249
6015 - South Coast Education Collaborative.....	7,974,494	6,288,169							465,525	(18,371)	447,154
6001 - South Shore Education Collaborative.....	7,788,404	6,815,080							504,534	(19,910)	484,624
6003 - Southeastern Massachusetts Education Collaborative.....	4,924,779	4,439,451							328,661	(12,970)	315,691
6002 - Southern Worcester County Education Collaborative.....	5,686,837	4,863,877							360,082	(14,210)	345,872
6027 - The Educational Co-Op.....	2,170,120	1,739,065							128,746	(5,081)	123,665
6020 - Valley Collaborative.....	10,003,343	6,398,012							473,657	(18,692)	454,965
8150 - Berkshire Regional Planning Commission.....	1,842,839	1,709,582							126,564	(4,995)	121,569
8250 - Devens Enterprise Commission.....	399,773	336,532							24,914	(983)	23,931
8210 - Massachusetts Development Finance Agency.....	2,959,253	2,166,836							160,415	(6,330)	154,085
6200 - Massachusetts Healthcare Connector Authority.....	8,133,541	7,445,498							551,205	(21,752)	529,453
8211 - Massachusetts Life Sciences Center.....	585,993	350,352							25,937	(1,024)	24,913
6100 - Massachusetts PRIM Board.....	5,335,628	5,225,513							386,855	(15,266)	371,589
6060 - Massachusetts School Building Authority.....	7,240,966	5,530,783							409,455	(16,158)	393,297
1080 - Massachusetts Water Resources Authority.....	12,360,506	9,061,569							670,846	(26,473)	644,373
8050 - Metropolitan Area Planning Commission.....	13,259,168	11,483,064							850,114	(33,548)	816,566
Total nonemployer (Commonwealth of Massachusetts).....	205,206,236	168,855,693	1,898,121	-	1,898,121	34,657,437	2,219,920	36,877,357	12,500,717	(493,312)	12,007,405
Totals.....	\$ 8,903,042,000	\$ 7,424,105,000	\$ 83,455,000	\$ 6,412,274	\$ 89,867,274	\$ 1,523,789,000	\$ 6,412,274	\$ 1,530,201,274	\$ 549,621,000	\$ -	\$ 549,621,000

See accompanying notes to schedules of employer and nonemployer allocations and schedules of pension amounts by employer and nonemployer.

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

NOTE 1 - PLAN DESCRIPTION

The Massachusetts State Employees' Retirement System (MSERS) is a public employee retirement system (PERS), that administers a cost-sharing multi-employer defined benefit plan as defined by Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, covering substantially all employees of the Commonwealth and certain employees of the independent authorities and agencies. The former Massachusetts Turnpike Authority (MTA) employees and retirees became members of MSERS upon the creation of MassDOT. Other employees who transferred to MassDOT had been, and remain, members of MSERS. The assets and liabilities of the former MTA have been transferred to MSERS. MSERS is part of the Commonwealth's reporting entity and does not issue a stand-alone audited financial report.

Management of MSERS is vested in the Massachusetts State Retirement Board (the MSRB) which consists of five members—two elected by current and active MSERS members, one by the remaining members of the MSRB, one who is appointed by the State Treasurer and the State Treasurer, who serves as ex-officio and is the Chair of the MSRB.

Benefits provided. MSERS provides retirement, disability, survivor and death benefits to members and their beneficiaries. Massachusetts General Laws (MGL) establishes uniform benefit and contribution requirements for all contributory PERS. These requirements provide for superannuation retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For employees hired after April 1, 2012, retirement allowances are calculated on the basis of the last five years or any five consecutive years, whichever is greater in terms of compensation. Benefit payments are based upon a member's age, length of creditable service, and group creditable service, and group classification. The authority for amending these provisions rests with the Legislature.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of twenty years of creditable service or upon reaching the age of 55 with ten years of service. Normal retirement for most employees occurs at age 65; for certain hazardous duty and public safety positions, normal retirement is at age 55. Most employees who joined the system after April 1, 2012 cannot retire prior to age 60.

The MSERS' funding policies have been established by Chapter 32 of the MGL. The Legislature has the authority to amend these policies. The annuity portion of the MSERS retirement allowance is funded by employees, who contribute a percentage of their regular compensation. Costs of administering the plan are funded out of plan assets.

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

Member contributions for MSERS vary depending on the most recent date of membership:

Hire Date	% of Compensation
Prior to 1975.....	5% of regular compensation
1975 - 1983.....	7% of regular compensation
1984 to 6/30/1996.....	8% of regular compensation
7/1/1996 to present.....	9% of regular compensation except for State Police which is 12% of regular compensation
1979 to present.....	An additional 2% of regular compensation in excess of \$30,000

NOTE 2 - BASIS OF PRESENTATION

The schedules of employer and nonemployer allocations and schedules of pension amounts by employer and nonemployer (the Schedules) present amounts that are elements of the financial statements of the MSERS or of its participating employers and nonemployers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the MSERS or its participating employers and nonemployers. The amounts presented in the Schedules were prepared in accordance with U.S. generally accounting principles. Such preparation requires management of the MSERS to make a number of estimates and assumptions related to the reported amounts. Actual results could differ from those estimates.

The schedules of employer and nonemployer allocations are based on actual contributions adjusted for any nonemployer contributions.

The MGLs governing employer contribution requirements to MSERS are varied and vary among employers to such an extent that there is no uniform contribution method. Consequently, MSERS developed an effective contribution methodology which allocates total actual contributions amongst the employers in a consistent manner (based on an employer's share of total covered payroll). Any differences between the effective contribution and an employer's actual contributions are considered a nonemployer contribution from the Commonwealth. According to MGL, certain nonemployer contributions are the legal responsibility of the Commonwealth and have accordingly been reflected on the schedules of employer and nonemployer allocations as special funding situations.

The schedules of pension amounts presents each employer in sufficient detail to permit each contributing employer as well as each employer considered to be in special funding situation to derive the necessary information for the preparation of their individual financial statements.

For entities considered to be in a 100% special funding situation there is no net pension liability recognized. However, the notes to the financial statements for these entities must disclose the portion of the nonemployer contributing entity's total proportionate share of the net pension liability as well its portion of pension expense as both a revenue and pension expense.

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

The special funding situations created by MGL are described below.

Educational collaboratives

Collaboratives contribute amounts equal to the normal cost of employees' benefits at a rate established by the Public Employees' Retirement Administration Commission (PERAC), currently 5.6% of covered payroll. Legally, the collaboratives are only responsible for contributing the annual normal cost of their employees' benefits (i.e., the present value of the benefits earned by those employees in any given year) and are not legally responsible for the past service cost attributable to those employees or previously retired employees of the collaboratives. The Commonwealth as a nonemployer is legally responsible for the entire past service cost related to the collaboratives and therefore has a 100% special funding situation.

Other Special Funding Situations

MGLs established certain entities whose employees are members of MSERS. However, MGL does not provide an employer funding mechanism for these entities. Consequently, the Commonwealth is considered the nonemployer contributor and is considered legally responsible to make all actuarially determined employer contributions on behalf of these entities. Therefore these entities are also considered to be in a 100% special funding situation as defined by GASB.

NOTE 3 - RECONCILIATION TO FINANCIAL STATEMENTS

Changes in Total Pension Liability

Based upon updated actuarial information, the Commonwealth has adjusted certain information as previously reported in the Schedule of Changes in the State Employees' Retirement System Net Pension Liability and Related Ratios (changes in total pension liability) as contained in the required supplemental section of the Commonwealth's 2014 CAFR. The change resulted in a reduction of previously reported differences between expected and actual experience by \$161,731,000 which affected the following elements in the accompanying schedules of pension amounts by employer and nonemployer as of and for the year ending June 30, 2014 (amounts in thousands):

Beginning total pension liability.....	\$ 70,000
Service cost.....	(46,211)
Interest on pension liability and benefit payments.....	84,765
Other expenses that do not reduce the total pension liability:	
COLA reimbursements to the general fund.....	33,248
3 (8) c reimbursements to the general fund.....	<u>19,929</u>
Total adjustments.....	<u><u>\$ 161,731</u></u>

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

Nonemployer contributions

The current year employer and nonemployer contributions used in the schedules of employer and nonemployer allocations is a component of the MSERS' Pension Trust Fund financial statements contained in the Commonwealth's CAFR. The reconciliation of employer and nonemployer contributions is as follows for the fiscal years ended June 30, 2014 and 2013 (amounts in thousands):

	2014	2013
Employer and nonemployer contributions reported in the Statement of Changes in Fiduciary Net Position per the audited CAFR.....	\$ 593,932	\$ 565,574
Plus:		
Reclassification of capital gains transferred from the Commonwealth directly to MSERS (additional contribution) accounted for in the "other additions" line.....	9,348	-
Reclassification of employer and nonemployer contributions from non-Commonwealth educational collaboratives accounted for in the "other additions" line.....	5,509	5,357
Reclassification of employer and nonemployer contributions from non-Commonwealth entities accounted for in the "other additions" line.....	659	623
Less:		
Reclassification of pass-through cost of living adjustments to local city and town contributory retirement systems.....	(21,104)	(20,121)
Other.....	(120)	-
Total employer and nonemployer contributions per Schedules of Employer and Nonemployer Allocations.....	\$ 588,224	\$ 551,433

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

NOTE 4 - COLLECTIVE NET PENSION LIABILITY

Components of the collective net pension liability at June 30, 2014 and 2013 are as follows (amounts in thousands):

	2014	2013
Total pension liability.....	\$ 31,355,000	\$ 29,988,000
Less:		
Plan fiduciary net position.....	23,930,895	21,084,958
Employers/nonemployers' net pension liability.....	\$ 7,424,105	\$ 8,903,042
Plan fiduciary net position as a percentage of total pension liability.....	76.32%	70.31%

Actuarial Assumptions

The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of January 1, 2014 rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of January 1, 2014, rolled back to June 30, 2013. This valuation used the following assumptions:

1. (a) 8.0% investment rate of return, (b) 3.5% interest rate credited to the annuity savings fund and (c) 3.0% cost of living increase per year.
2. Salary increases are based on analyses of past experience but range from 3.5% to 9.0% depending on group and length of service.
3. Mortality rates were as follows:
 - Pre-retirement - reflects RP-2000 Employees table projected 20 years with Scale AA (gender distinct)
 - Post-retirement - reflects Healthy Annuitant table projected 15 years with Scale AA (gender distinct)
 - Disability - the morality rate is assumed to be in accordance with the RP-2000 Table projected 5 years with Scale AA (gender distinct) set forward 3 years for males.

Investment assets of MSERS are with the Pension Reserves Investment Trust (PRIT) Fund. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. Best estimates of geometric rates of return for each major asset class included in the PRIT Fund's target asset allocation as of June 30, 2014 and 2013 are summarized in the following table:

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

Asset Class	Target Allocation	Long-term Expected Real Rate of Return	
		2014	2013
Global Equity.....	43.00%	7.20%	7.70%
Core Fixed Income.....	13.00%	2.50%	2.00%
Hedge Funds.....	10.00%	5.50%	4.75%
Private Equity.....	10.00%	8.80%	9.00%
Real Estate.....	10.00%	6.30%	6.00%
Value Added Fixed Income.....	10.00%	6.30%	6.30%
Timber/Natural Resources.....	4.00%	5.00%	5.00%
Total.....	<u>100.00%</u>		

Discount Rate

The discount rate used to measure the total pension liability was 8.0%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rates and the Commonwealth's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rates. Based on those assumptions, the net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis

The following illustrates the sensitivity of the collective net pension liability to changes in the discount rate. In particular, the table presents the MSERS collective net pension liability assuming it was calculated using a single discount rate that is one-percentage-point lower or one-percentage-point higher than the current discount rate (amounts in thousands):

Fiscal Year Ended	1% Decrease to 7%	Current Discount Rate 8%	1% Increase to 9%
June 30, 2013.....	\$ 12,082,000	\$ 8,903,042	\$ 6,174,000
June 30, 2014.....	10,748,000	7,424,105	4,571,000

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

NOTE 5 - DEFERRED OUTFLOW AND INFLOW OF RESOURCES

The following table summarizes the changes in both deferred outflows and deferred inflows of resources excluding employer specific amounts (change in proportion) (amounts in thousands):

	Year of Deferral	Amortization Period	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Deferred Outflows of Resources:						
Change of assumptions.....	2014	5.5 years	\$ -	\$ 102,000	\$ (18,545)	\$ 83,455
Deferred Inflows of Resources:						
Net difference between projected and actual earnings on investments.....	2014	5 years	\$ -	\$ (1,904,736)	\$ 380,947	\$ (1,523,789)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the collective pension expense as follows (amounts in thousands):

Fiscal Year Ending June 30	
2015.....	\$ (362,402)
2016.....	(362,402)
2017.....	(362,402)
2018.....	(362,402)
2019.....	9,274
Total.....	\$ (1,440,334)

MASSACHUSETTS STATE EMPLOYEES' RETIREMENT SYSTEM
Notes to Schedules of Employer and Nonemployer Allocations and
Schedules of Pension Amounts by Employer and Nonemployer
June 30, 2014 and 2013

NOTE 6 - COLLECTIVE PENSION EXPENSE

The following table shows the components of pension expense as of June 30, 2014 (amounts in thousands):

Service cost at end of year.....	\$ 631,634
Interest of the total pension liability and cash flow.....	2,405,204
Employee contributions.....	(501,106)
Projected earnings on plan investments.....	(1,658,120)
Recognized portion of difference in projected and actual earnings on investments.....	(380,947)
Recognized portion of assumption change.....	18,545
Transfers and reimbursements from other systems.....	(25,464)
Member make up, redeposits and payments from rollovers.....	(7,536)
Cost of living adjustment reimbursements.....	(21,104)
Other reimbursements.....	(719)
Administrative expense.....	36,057
Other expenses that do not reduce the total pension liability.....	<u>53,177</u>
Pension expense.....	<u>\$ 549,621</u>

The employer/nonemployer proportionate share of the collective pension expense is equal to the collective pension expense multiplied by the employer/nonemployer proportionate share percentage for the fiscal year ending June 30, 2014 as shown in the schedules of employer and nonemployer allocations.