

BERKSHIRE COUNTY CONTRIBUTORY RETIREMENT SYSTEM

RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2017 - DEC. 31, 2021



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

Letter from the Executive Director	1
Supplementary Information:	
Schedule of Allocation of Investments Owned.....	3
Administration of the System	4
Board Regulations	4
Actuarial Valuation and Assumptions.....	5
Membership Exhibit	6
Leased Premises.....	8
Independent Audit Reports:	
Melanson, Year Ended December 31, 2021.....	8
Melanson, Year Ended December 31, 2020.....	36
Melanson, Year Ended December 31, 2019.....	64
Melanson Heath, Year Ended December 31, 2018.....	93
Melanson Heath, Year Ended December 31, 2017.....	119

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

Auditor DIANA DIZOGLIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

October 2, 2024

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Berkshire County Retirement System conducted by the firm of Melanson, Certified Public Accountants. Melanson conducted these audits in accordance with auditing standards generally accepted in the United States of America. The audits covered the period from January 1, 2017, to December 31, 2021. Melanson was subsequently acquired by the firm of Marcum, LLP.

We conducted an inspection of the work papers prepared by Melanson. We determined that the audits were conducted in a competent professional manner and the work papers demonstrated that audit tests and procedures were performed in sufficient detail to allow us to accept the final audit reports as issued.

We identified specific differences between these financial audits designed to provide an opinion on financial statements and our compliance audits performed in accordance with the accounting and management standards established by PERAC in regulation 840 CMR 25.00 and in compliance with the provisions specified in PERAC Memo #18/2019.

Accordingly, we supplemented the field work conducted in the audits by Melanson with certain limited procedures designed to provide additional assurance that the accounting and management standards established by PERAC were adhered to and complied with. The specific objectives of our review were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that travel expenses were properly documented and accounted for, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, and 6) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Berkshire County Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, and tested a sample of travel expenses for Board approvals, supporting documentation and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over \$30,000. We tested a sample of members who



retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We also reviewed a sample of member files for accuracy and completeness.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC.

We commend the Berkshire County Retirement Board for the exemplary operation of the system.

It should be noted that the financial statements included in this audit report were based on the work performed by Melanson and the tests conducted for the periods referenced in their opinion. These audits were not performed by employees or representatives of PERAC. It should also be noted that the opinions expressed in these audit reports were based on the laws and regulations in effect at the time.

The financial statements and footnotes presented in this report were limited to the express results as of and for the years ended December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017.

In closing, I wish to acknowledge the work of Melanson who conducted these examinations, and the PERAC examiners who conducted limited procedures to supplement the field work and express my appreciation to the Berkshire County Retirement Board and staff for their courtesy and cooperation.

Sincerely,



William T. Keefe
Executive Director



SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2021		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$4,177,606	1.2%
PRIT Cash Fund	3,000,016	0.8%
PRIT Core Fund	<u>351,326,306</u>	98.0%
Grand Total	<u>\$358,503,928</u>	<u>100.0%</u>

For the year ending December 31, 2021, the rate of return for the investments of the Berkshire County Retirement System was 20.18%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Berkshire County Retirement System averaged 10.91%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Berkshire County Retirement System was 9.43%.

The composite rate of return for all retirement systems for the year ending December 31, 2021 was 19.51%. For the ten-year period ending December 31, 2021, the composite rate of return for the investments of all retirement systems averaged 10.86%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.58%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Chairperson who shall be appointed by the other four board members, a second member appointed by the Advisory Council, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Chairman:	Michael Ovitt, Chairperson	Term Expires:	12/31/26
Appointed Member:	Sue Funk	Term Expires:	12/31/24
Elected Member:	Mark Bashara	Term Expires:	12/31/25
Elected Member:	Timothy Sorrell	Term Expires:	12/31/26
Appointed Member:	Beth Matson	Term Expires:	06/30/25

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

The Berkshire County Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <https://www.mass.gov/berkshire-county-retirement-board-regulations>.

SUPPLEMENTARY INFORMATION (Continued)

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Public Employee Retirement Administration Commission as of January 1, 2023.

The actuarial liability for active members was	\$139,092,293
The actuarial liability for vested terminated members was	5,893,471
The actuarial liability for non-vested terminated members was	2,712,687
The actuarial liability for retired members was	<u>200,968,153</u>
The total actuarial liability was	\$348,666,604
System assets as of that date were (actuarial value)	<u>332,726,708</u>
The unfunded actuarial liability was	<u>\$15,939,896</u>
The ratio of system's assets to total actuarial liability was	95.4%
As of that date the total covered employee payroll was	\$56,391,267

The normal cost for employees on that date was 8.9% of payroll
 The normal cost for the employer (including administrative expenses) was 11.1% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return: 6.75% per annum
 Rate of Salary Increase: Varies by group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2023

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2023	\$332,726,708	\$348,666,604	\$15,939,896	95.4%	\$56,391,267	28.3%
1/1/2021	\$282,589,130	\$323,222,853	\$40,633,723	87.4%	\$51,363,313	79.1%
1/1/2019	\$243,644,680	\$290,899,061	\$47,254,381	83.8%	\$47,202,931	100.1%
1/1/2017	\$214,133,210	\$258,608,965	\$44,475,755	82.8%	\$43,687,436	101.8%
1/1/2015	\$186,822,143	\$227,361,343	\$40,539,200	82.2%	\$42,306,759	95.8%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	38	43	29	34	55	46	45	39	55	48
Ordinary Disability	0	0	0	0	0	0	0	0	0	1
Accidental Disability	0	1	0	0	0	0	0	0	0	1
Total Retirements	38	44	29	34	55	46	45	39	55	50
Total Retirees, Beneficiaries and Survivors	701	732	726	743	777	795	814	835	857	889
Total Active Members	1,179	1,183	1,136	1,169	1,145	1,154	1,151	1,188	1,167	1,225
Pension Payments										
Superannuation	\$7,057,523	\$7,607,407	\$7,966,916	\$8,348,966	\$9,199,138	\$9,832,596	\$10,380,783	\$10,985,056	\$11,513,727	\$12,097,370
Survivor/Beneficiary Payments	357,727	421,056	463,620	467,403	489,353	523,333	553,558	565,054	625,838	693,860
Ordinary Disability	58,552	62,395	63,856	65,767	95,347	83,063	85,130	87,234	89,375	107,597
Accidental Disability	508,779	561,964	591,329	581,299	541,040	630,196	569,513	599,233	593,999	653,880
Other	<u>236,354</u>	<u>568,718</u>	<u>842,993</u>	<u>698,398</u>	<u>647,398</u>	<u>851,480</u>	<u>956,438</u>	<u>908,597</u>	<u>661,406</u>	<u>1,016,285</u>
Total Payments for Year	<u>\$8,218,935</u>	<u>\$9,221,540</u>	<u>\$9,928,715</u>	<u>\$10,161,833</u>	<u>\$10,972,276</u>	<u>\$11,920,668</u>	<u>\$12,545,422</u>	<u>\$13,145,173</u>	<u>\$13,484,346</u>	<u>\$14,568,992</u>

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The Berkshire County Retirement Board leases approximately 1,800 square feet of space for its offices located at 29 Dunham Mall, Pittsfield, MA. The most recently signed lease will expire December 31, 2026. The landlord is Scarafoni Associates Nominee Trust.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2021:

<u>For the year ending</u>	<u>Annual Rent</u>
2022	\$31,740
2023	31,740
2024	31,740
2025	31,740
2026	31,740
Total future minimum lease payments required	<u>\$158,700</u>



BERKSHIRE COUNTY RETIREMENT SYSTEM

Financial Statements, Required Supplementary Information,
and Other Information
For the Year Ended December 31, 2021

(With Independent Auditor's Report Thereon)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Financial Statements	10
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in the Net Pension Liability	21
Schedules of the Net Pension Liability, Contributions, and Investment Returns	22
OTHER INFORMATION	
Independent Auditor's Report	23
Schedule of Employer Allocations	25
Schedule of Collective Pension Amounts	26



INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
Berkshire County Retirement System

Opinions

We have audited the financial statements of the Berkshire County Retirement System (the System), as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective fiduciary net position of the Berkshire County Retirement System, as of December 31, 2021, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Berkshire County Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

The System's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

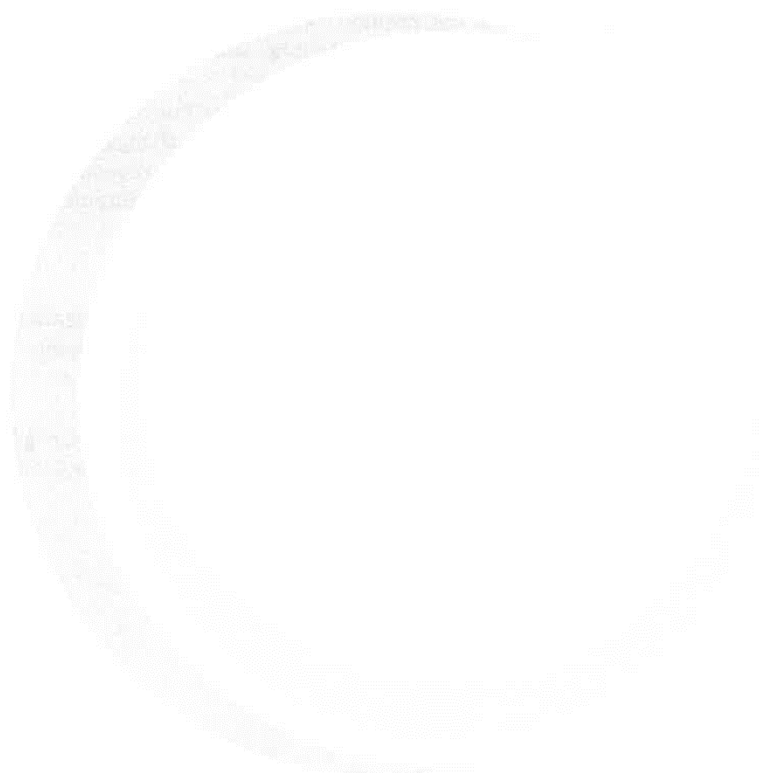


Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of the Net Pension Liability, Contributions, and Investment Returns, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melanson

Greenfield, Massachusetts
July 27, 2022



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Berkshire County Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets, liabilities, and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2021. It reflects contributions by participating employers, active members, and external parties, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to Financial Statements

The notes provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

Required Supplementary Information

The required supplementary information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of the Net Pension Liability, Contributions, and Investment Returns.

Financial Highlights

- The System’s total net position restricted for pensions was \$358,899,910 at December 31, 2021, a change of \$56,552,869, or 18.70%, over the prior year. This change is primarily due to investment gains during the year.
- Employer and employee contributions to the plan were \$17,511,167, which represents a \$1,131,973 change over the prior year. The employer share of contributions represents 64.91% of the total contributions made to the System.
- Benefits paid to plan participants changed by \$1,314,414 or 7.83%, totaling \$18,111,367. At December 31, 2021, there were 854 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 10.
- The System’s funded ratio (based on the System’s GASB 68 valuation) as of the January 1, 2021 actuarial valuation was 107.00%.

Financial Statement Analysis

The following is a summary of financial statement data for the current and prior fiscal year:

FIDUCIARY NET POSITION

	<u>2021</u>	<u>2020</u>
Assets		
Cash and receivables	\$ 4,845,827	\$ 11,560,695
Investments	<u>354,326,322</u>	<u>290,918,307</u>
Total Assets	359,172,149	302,479,002
Liabilities		
Accounts payable	<u>272,239</u>	<u>131,961</u>
Net Position		
Restricted for pensions	<u>\$ 358,899,910</u>	<u>\$ 302,347,041</u>

The System’s total assets as of December 31, 2021 were \$359,172,149 and were mostly comprised of cash and investments. Total assets increased by \$56,693,147, or 18.74%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	<u>2021</u>	<u>2020</u>
Additions		
Contributions	\$ 17,994,645	\$ 16,879,981
Investment income, net	<u>58,435,211</u>	<u>31,531,596</u>
Total Additions	76,429,856	48,411,577
Deductions		
Benefit payments	18,111,367	16,796,953
Other	<u>1,765,620</u>	<u>1,281,059</u>
Total Deductions	<u>19,876,987</u>	<u>18,078,012</u>
Changes in Net Position	56,552,869	30,333,565
Net Position Restricted for Pensions		
Beginning of Year	<u>302,347,041</u>	<u>272,013,476</u>
End of Year	\$ <u>358,899,910</u>	\$ <u>302,347,041</u>

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2021 resulted in a net gain of \$76,429,856. Employers' contributions increased by \$765,000, or 7.01% in calendar year 2021. The System had net investment income of \$58,435,211 versus \$31,531,596 in 2020, primarily due to investments performing more favorably in 2021.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2021 were \$19,876,987, which represents a change of \$1,798,975, or 9.95%, over deductions of \$18,078,012 in calendar year 2020. The payment of pension benefits changed by \$1,314,414 or 7.83% over the previous year.

Return on Investment and Funding

The Berkshire County Retirement System Board continuously monitors investment performance at its monthly meetings. The money-weighted rate of return of the System investments, as of December 31, 2021, was 19.90%.

Requests for Information

This financial report is designed to provide a general overview of the Berkshire County Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Ms. Sheila LaBarbera
Executive Director
Berkshire County Retirement System
29 Dunham Mall
Pittsfield, MA 01201-6207

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Fiduciary Net Position
December 31, 2021

Assets	
Cash and short-term investments	\$ 4,177,606
Investments in external investment pools	354,326,322
Accounts receivable	<u>668,221</u>
Total Assets	359,172,149
Liabilities	
Accounts payable	<u>272,239</u>
Net Position	
Restricted for pensions	<u>358,899,910</u>
Total Net Position	<u>\$ 358,899,910</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2021

Additions	
Contributions:	
Employers	\$ 11,680,000
Plan members	5,831,167
Other systems and Commonwealth of Massachusetts	<u>483,478</u>
Total Contributions	17,994,645
Investment income:	
Increase in fair value of investments	60,041,722
Less: management fees	<u>(1,606,511)</u>
Net Investment Income	<u>58,435,211</u>
Total Additions	76,429,856
Deductions	
Benefit payments to plan members, beneficiaries, and other systems	18,111,367
Refunds to plan members	727,503
Transfers to other systems	606,137
Administrative expenses	<u>431,980</u>
Total Deductions	<u>19,876,987</u>
Net Increase	56,552,869
Net Position Restricted for Pensions	
Beginning of Year	<u>302,347,041</u>
End of Year	<u>\$ 358,899,910</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the 46 member units in Berkshire County (except teachers and administrators under contract employed by the School Department) are members of the Berkshire County Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The Berkshire County Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2021:

Retirees and beneficiaries receiving benefits	854
Inactive members entitled to a return of employee contributions	213
Inactive members with a vested right to a deferred or immediate benefit	46
Active plan members	<u>1,172</u>
Total	<u>2,285</u>
Number of participating employers	46

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left System employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting

requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the Massachusetts General Laws. The System is governed by a five-member board. The Board members are appointed or elected as specified by MGL Chapter 34B section 19(b) for terms ranging from 3 to 6 years. The System is also guided by an Advisory Council comprised of the official "Treasurers" of each member unit.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2021 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the members' employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 19.90%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Laws Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2021, none of the System's bank balance of \$4,350,086 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

All of the System's investments totaling \$354,326,322 are in an external investment pool (the PRIT Fund).*

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Laws, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Laws, Chapter 30B.*

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Laws, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. Therefore, all of the System's investments of \$354,326,322 are exempt from custodial credit risk disclosure.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issuer. Massachusetts General Laws Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by external investment pools are excluded from concentration of credit disclosure.

All of the System’s investments are exempt from concentration of credit risk disclosure.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System’s investments to market interest rate fluctuations is not applicable as all of the System’s investments are immediately liquid.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application*.

Due to the nature of the System’s investments, they are measured at net asset value.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool: PRIT	\$ 354,326,322	\$ -	Monthly	30 Days

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2021.

6. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on the System's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the System, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the System's financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the System is involved. The System's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Unfunded Capital Commitments – Investments

As of December 31, 2021, the System had no outstanding capital commitments.

7. Net Pension Asset of Participating Employers

The net pension asset was based on an actuarial valuation dated January 1, 2021, and rolled forward to December 30, 2021.

Net Pension Asset of Employers

The components of the net pension asset of the participating employers at December 31, 2021 were as follows (in thousands):

Total pension liability	\$ 335,409
Plan fiduciary net position	<u>(358,900)</u>
Employers' net pension asset	\$ <u>(23,491)</u>
Plan fiduciary net position as a percentage of total pension asset	107.00%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2021
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	6 years remaining
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases:	
Group 1 and 2	4.25%
Fire	4.75%
Police	4.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% of first \$14,000
Mortality rates:	
Pre-Retirement	Reflects the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct)
Post-Retirement	Reflects the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender-distinct)
Disabled Retirees	Reflects the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender distinct)

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability (asset) are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Change of Assumptions

The investment rate of return was decreased from 7.00% in 2020 to 6.75% in 2021. This change increased the actuarial accrued liability by approximately \$7.9 million. The mortality table was modified to represent the RP-2014 Blue Color table projected generationally with Scale MP-2020. This change decreased the actuarial accrued liability by approximately \$1.9 million.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2021, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic equity	24.00%	1.51%
International equity	12.70%	0.81%
Emerging markets equity	5.00%	0.44%
Core fixed income	15.10%	0.82%
Value-added fixed income	6.50%	0.42%
Private equity	16.60%	1.68%
Real estate	8.70%	0.52%
Timberland	2.90%	0.19%
Hedge funds/PCS	7.80%	0.42%
Overlay	0.60%	0.00%
Total	<u>99.90% *</u>	

** Total may not add due to rounding*

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 of Discount Rate

The following presents the net pension liability (asset) of the participating employers calculated using the discount rate of 6.75%, as well as what the participating employers' net pension liability (asset) would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
\$ 13,885	\$ (23,491)	\$ (55,185)

Deferred Outflows and Inflows of Resources

The following schedule reflects the deferred outflows and inflows of resources for the System for the year ended December 31, 2021 (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 1,987	\$ (79)
Changes of assumptions	9,237	-
Net difference between projected and actual investment earnings on pension plan investments	<u>-</u>	<u>(41,585)</u>
Total	<u>\$ 11,224</u>	<u>\$ (41,664)</u>

The following summarizes changes in deferred outflows and inflows, excluding employer-specific amounts (in thousands):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources						
Differences between expected and actual experience	2021	4.9	\$ -	\$ 2,496	\$ (509)	\$ 1,987
	2017	4.8	105	-	(105)	-
Changes of assumptions	2021	4.9	-	6,100	(1,245)	4,855
	2019	4.9	6,689	-	(2,307)	4,382
	2017	4.8	<u>1,530</u>	<u>-</u>	<u>(1,530)</u>	<u>-</u>
Total Deferred Outflows of Resources			8,324	8,596	(5,696)	11,224
Deferred Inflows of Resources						
Differences between expected and actual experience	2019	4.9	(120)	-	41	(79)
Net difference between projected and actual investment earnings on pension plan investments	2021	5.0	-	(38,077)	7,615	(30,462)
	2020	5.0	(10,016)	-	2,504	(7,512)
	2019	5.0	(12,328)	-	4,109	(8,219)
	2018	5.0	9,214	-	(4,606)	4,608
	2017	5.0	<u>(4,001)</u>	<u>-</u>	<u>4,001</u>	<u>-</u>
Total Deferred Inflows of Resources			<u>(17,251)</u>	<u>(38,077)</u>	<u>13,664</u>	<u>(41,664)</u>
Total Collective Deferred Outflows and Inflows of Resources			\$ <u>(8,927)</u>	\$ <u>(29,481)</u>	\$ <u>7,968</u>	\$ <u>(30,440)</u>

The following schedule reflects the amortization of the balance of deferred outflows and inflows of resources:

Fiscal Year *	Total
2022	\$ (5,603)
2023	(10,436)
2024	(8,365)
2025	<u>(6,036)</u>
	\$ <u>(30,440)</u>

* Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflow and inflows in the fiscal year affecting the member unit.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in the Net Pension Liability

(Unaudited)
(Amounts expressed in thousands)

	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability							
Service cost	\$ 8,766	\$ 8,080	\$ 7,732	\$ 7,101	\$ 6,795	\$ 6,366	\$ 6,092
Interest	21,246	21,165	19,607	19,491	18,049	18,094	16,812
Changes of benefit terms	-	-	(204)	-	632	-	(3,031)
Differences between expected and actual experience	2,496	-	-	-	-	-	-
Changes of assumptions	6,100	-	11,300	-	9,190	-	9,600
Benefit payments, including refunds of member contributions	(18,369)	(16,718)	(16,321)	(15,599)	(14,580)	(13,459)	(12,280)
Net change in total pension liability	20,239	12,527	22,114	10,993	20,086	11,001	17,193
Total pension liability - beginning	315,170	302,643	280,529	269,536	249,450	238,449	221,256
Total pension liability - ending (a)	335,409	315,170	302,643	280,529	269,536	249,450	238,449
Plan Fiduciary Net Position							
Contributions - employer	11,680	10,915	10,203	9,741	9,297	8,880	8,431
Contributions - member	5,225	5,062	4,690	4,783	4,546	4,061	4,129
Net investment income	58,422	31,519	37,056	(5,419)	35,165	14,456	1,249
Benefit payments, including refunds of member contributions	(18,369)	(16,718)	(16,321)	(15,599)	(14,581)	(13,460)	(12,280)
Administrative expense	(432)	(457)	(432)	(431)	(437)	(403)	(400)
Other	27	13	32	27	15	12	6
Net change in plan fiduciary net position	56,553	30,334	35,228	(6,898)	34,005	13,546	1,135
Plan fiduciary net position - beginning	302,347	272,013	236,785	243,683	209,678	196,132	194,997
Plan fiduciary net position - ending (b)	358,900	302,347	272,013	236,785	243,683	209,678	196,132
Net Pension Liability (Asset) - Ending (a-b)	\$ (23,491)	\$ 12,823	\$ 30,630	\$ 43,744	\$ 25,853	\$ 39,772	\$ 42,317

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the System's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Required Supplementary Information
Schedules of the Net Pension Liability, Contributions, and Investment Returns

(Unaudited)
(Amounts expressed in thousands)

	2022	2021	2020	2019	2018	2017	2016
Schedule of Net Pension Liability							
Total pension liability	\$ 335,409	\$ 315,170	\$ 302,643	\$ 280,529	\$ 269,536	\$ 249,450	\$ 238,449
Plan fiduciary net position	<u>(358,900)</u>	<u>(302,347)</u>	<u>(272,013)</u>	<u>(236,785)</u>	<u>(243,683)</u>	<u>(209,678)</u>	<u>(196,312)</u>
Net pension liability (asset)	\$ <u>(23,491)</u>	\$ <u>12,823</u>	\$ <u>30,630</u>	\$ <u>43,744</u>	\$ <u>25,853</u>	\$ <u>39,772</u>	\$ <u>42,137</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	107.00%	95.93%	89.88%	84.41%	90.41%	84.06%	82.33%
Covered payroll	\$ 51,363	\$ 47,203	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Participating employer net pension liability (asset) as a percentage of covered payroll	-45.74%	27.17%	64.89%	100.13%	59.18%	94.01%	99.60%
Schedule of Contributions							
Actuarially determined contribution	\$ 11,680	\$ 10,915	\$ 10,203	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,482
Contributions in relation to the actuarially determined contribution	<u>(11,680)</u>	<u>(10,915)</u>	<u>(10,203)</u>	<u>(9,741)</u>	<u>(9,297)</u>	<u>(8,880)</u>	<u>(8,482)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 51,363	\$ 47,203	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Contributions as a percentage of covered payroll	22.74%	23.12%	21.62%	22.30%	21.28%	20.99%	20.05%
Schedule of Investment Returns							
Annual money weighted rate of return, net of investment expense	19.90%	12.05%	16.23%	-2.31%	17.28%	7.59%	0.66%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the System's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.



INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
Berkshire County Retirement System

Opinions

We have audited the accompanying schedule of employer allocations of the Berkshire County Retirement System (the System) as of and for the year December 31, 2021. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of the Berkshire County Retirement System as of and for the year ended December 31, 2021.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense for the Berkshire County Retirement System as of and for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Berkshire County Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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Auditor’s Responsibilities for the Audit of The Schedules

Our objectives are to obtain reasonable assurance about whether the schedules as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit 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 System’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Restriction on Use

Our report is intended solely for the information and use of Berkshire County Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2021 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson

Greenfield, Massachusetts
July 27, 2022

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BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Employer Allocations

Employer	FY 2022	Allocation Percentage
	Actual Employer Contributions	
Berkshire County Mosquito Control	13,896	0.12%
Berkshire County Regional Housing Authority	165,596	1.43%
Berkshire Hills Regional School District	904,406	7.81%
Central Berkshire Regional School District	694,806	6.00%
Dalton Fire District	89,167	0.77%
Dalton Housing Authority	22,002	0.19%
District Department of Veteran Services	12,738	0.11%
Farmington River School District	148,225	1.28%
Great Barrington Fire District	63,691	0.55%
Lanesboro Village Fire & Water	25,476	0.22%
Lee Housing Authority	23,160	0.20%
Lenox Housing Authority	32,424	0.28%
Mount Greylock School District	658,908	5.69%
Mount Washington	26,634	0.23%
South Berkshire Regional School District	514,156	4.44%
Stockbridge Housing Authority	26,634	0.23%
Town of Alford	44,004	0.38%
Town of Becket	253,604	2.19%
Town of Cheshire	134,329	1.16%
Town of Clarksburg	162,121	1.40%
Town of Dalton	528,053	4.56%
Town of Egremont	206,126	1.78%
Town of Florida	147,067	1.27%
Town of Great Barrington	993,573	8.58%
Town of Hancock	16,212	0.14%
Town of Hinsdale	158,647	1.37%
Town of Lanesborough	250,130	2.16%
Town of Lee (including schools)	1,158,010	10.00%
Town of Lenox (including schools)	1,205,488	10.41%
Town of Monterey	128,539	1.11%
Town of New Marlborough	163,279	1.41%
Town of Otis	201,494	1.74%
Town of Peru	45,162	0.39%
Town of Richmond	222,338	1.92%
Town of Sandisfield	98,431	0.85%
Town of Savoy	60,217	0.52%
Town of Sheffield	261,710	2.26%
Town of Stockbridge	416,884	3.60%
Town of Tyringham	75,271	0.65%
Town of Washington	31,266	0.27%
Town of West Stockbridge	154,015	1.33%
Town of Williamstown	971,570	8.39%
Town of Windsor	48,637	0.42%
Williamstown Fire District	22,002	0.19%
Subtotal excluding ERI	11,580,098	100.00%
Town of Lanesborough	26,761	
Town of Lee (including schools)	8,757	
Town of New Marlborough	13,535	
Town of Williamstown	37,307	
Williamstown Fire District	13,542	
Total	\$ 11,680,000	

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Collective Pension Amounts
As of and for the Year Ended December 31, 2021

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources Excluding Employer Specific Amounts	Differences Between Expected and Actual Experience	Changes of Assumptions	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Inflows of Resources Excluding Employer Specific Amounts
Net Pension (Asset)	\$ 1,987	\$ 9,237	\$ -	\$ 11,224	\$ (79)	\$ -	\$ (41,585)	\$ (41,664)
	<u>\$ (23,491)</u>							<u>\$ (3,124)</u>

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.



BERKSHIRE COUNTY RETIREMENT SYSTEM

Financial Statements, Required Supplementary Information,
and Other Information
For the Year Ended December 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Changes in Net Pension Liability	21
Schedules of the Net Pension Liability, Contributions, and Investment Returns	22
OTHER INFORMATION	
Independent Auditors' Report	23
Schedule of Employer Allocations	25
Schedule of Collective Pension Amounts	26



INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Berkshire County Retirement System

We have audited the accompanying financial statements of the Berkshire County Retirement System (the System), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Berkshire County Retirement System as of December 31, 2020, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of the Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Melanson".

Greenfield, Massachusetts
October 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Berkshire County Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2020. It reflects contributions by participating employers, active members, and external parties, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to Financial Statements and Required Supplementary Information

The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

Financial Highlights

- The System's total net position restricted for pensions was \$302,347,041 at December 31, 2020, a change of \$30,333,565, or 11.15%, over the prior year. This change is primarily due to investment gains during the year.

- Employer and employee contributions to the plan were \$16,379,194, which represents a \$1,125,133 change over the prior year. The employer share of contributions represents 64.66% of the total contributions made to the System.
- Benefits paid to plan participants changed by \$616,300 or 3.81%, totaling \$16,796,953. At December 31, 2020, there were 816 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2019 actuarial valuation was 95.93%, with 7 years remaining in its amortization period from July 1, 2021.

Financial Statement Analysis

The following is a summary of financial statement data for the current and prior fiscal years:

FIDUCIARY NET POSITION

	<u>2020</u>	<u>2019</u>
Assets		
Cash and receivables	\$ 11,560,695	\$ 9,121,860
Investments	<u>290,918,307</u>	<u>263,055,443</u>
Total Assets	302,479,002	272,177,303
Liabilities		
Accounts payable	<u>131,961</u>	<u>163,827</u>
Net Position		
Restricted for pensions	<u>\$ 302,347,041</u>	<u>\$ 272,013,476</u>

The System's total assets as of December 31, 2020 were \$302,479,002 and were mostly comprised of cash and investments. Total assets increased by \$30,301,699, or 11.13%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	<u>2020</u>	<u>2019</u>
Additions		
Contributions	\$ 16,879,981	\$ 15,745,661
Investment income, net	<u>31,531,596</u>	<u>37,063,402</u>
Total Additions	48,411,577	52,809,063
Deductions		
Benefit payments	16,796,953	16,180,653
Other	<u>1,281,059</u>	<u>1,400,101</u>
Total Deductions	<u>18,078,012</u>	<u>17,580,754</u>
Changes in Net Position	30,333,565	35,228,309
Net Position Restricted for Pensions		
Beginning of Year	<u>272,013,476</u>	<u>236,785,167</u>
End of Year	<u>\$ 302,347,041</u>	<u>\$ 272,013,476</u>

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2020 resulted in a net gain of \$48,411,577. Employers' contributions increased by \$715,000, or 7.01% in calendar year 2020. The System had net investment income of \$31,531,596 versus \$37,063,402 in 2019, primarily due to investments performing slightly less favorably in 2020.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2020 were \$18,078,012, which represents a change of \$497,258, or 2.83%, over deductions of \$17,580,754 in calendar year 2019. The payment of pension benefits changed by \$616,300 or 3.81% over the previous year.

Requests for Information

This financial report is designed to provide a general overview of the Berkshire County Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Ms. Sheila LaBarbera
Executive Director
Berkshire County Retirement System
29 Dunham Mall
Pittsfield, MA 01201-6207

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Fiduciary Net Position
December 31, 2020

Assets	
Cash and short-term investments	\$ 10,538,437
Investments in external investment pools	290,918,307
Accounts receivable	<u>1,022,258</u>
Total Assets	302,479,002
Liabilities	
Accounts payable	<u>131,961</u>
Net Position	
Restricted for pensions	<u>302,347,041</u>
Total Net Position	\$ <u><u>302,347,041</u></u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020

Additions	
Contributions:	
Employers	\$ 10,915,000
Plan members	5,464,194
Other systems and Commonwealth of Massachusetts	<u>500,787</u>
Total Contributions	16,879,981
Investment income:	
Increase in fair value of investments	32,810,175
Less: management fees	<u>(1,278,579)</u>
Net Investment Income	<u>31,531,596</u>
Total Additions	48,411,577
Deductions	
Benefit payments to plan members, beneficiaries, and other systems	16,796,953
Refunds to plan members	422,030
Transfers to other systems	402,356
Administrative expenses	<u>456,673</u>
Total Deductions	<u>18,078,012</u>
Net Increase	30,333,565
Net Position Restricted for Pensions	
Beginning of Year	<u>272,013,476</u>
End of Year	\$ <u><u>302,347,041</u></u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the 46 member units in Berkshire County (except teachers and administrators under contract employed by the School Department) are members of the Berkshire County Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The Berkshire County Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2019 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	816
Inactive members entitled to a return of employee contributions	171
Inactive members with a vested right to a deferred or immediate benefit	45
Active plan members	<u>1,151</u>
Total	<u>2,183</u>
Number of participating employers	46

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee’s individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left System employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting

requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the Massachusetts General Laws. The System is governed by a five-member board. The Board members are appointed or elected as specified by MGL Chapter 34B section 19(b) for terms ranging from 3 to 6 years. The System is also guided by an Advisory Council comprised of the official "Treasurers" of each member unit.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2020 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the members' employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 12.05%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2020, none of the System's bank balance of \$10,636,562 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

All of the System's investments totaling \$290,918,307 are in an external investment pool (the PRIT Fund).*

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

All of the System's investments are exempt from custodial credit risk disclosure.

Investments in external investment pools and in open-end mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issuer. Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by external investment pools are excluded from concentration of credit disclosure.

All of the System's investments are exempt from concentration or credit risk disclosure.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2020:

Investments measured at the net asset value (NAV):

External investment pool:

PRIT Core Fund \$ 290,918,307

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool:				
PRIT Core Fund	\$ <u>290,918,307</u>	\$ <u>-</u>	Monthly	30 Days

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2020.

6. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the System, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the System is involved. The System's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Unfunded Capital Commitments – Investments

As of December 31, 2020, the System had no outstanding capital commitments.

7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2019, and rolled forward to December 30, 2020.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2020 were as follows (in thousands):

Total pension liability	\$ 315,170
Plan fiduciary net position	<u>(302,347)</u>
Employers' net pension liability	<u>\$ 12,823</u>
Plan fiduciary net position as a percentage of total pension liability	95.93%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	7 years remaining
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Group 1 and 2	4.25%
Fire	4.75%
Police	4.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% of first \$14,000
Mortality rates:	
Pre-Retirement	Reflects the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct)
Post-Retirement	Reflects the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender-distinct)
Disabled Retirees	Reflects the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct)

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System’s targeted asset allocation as of December 31, 2020, are summarized in the following table:

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	23.10%	1.48%
International equities	14.40%	0.95%
Emerging equities	5.80%	0.49%
Hedge equity	8.80%	0.50%
Core fixed income	15.80%	1.49%
Value-added fixed income	7.40%	0.46%
Private equity	12.60%	1.29%
Real estate	8.30%	0.50%
Timberland	3.30%	0.22%
Portfolio completion PCS	0.50%	0.03%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board’s funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System’s fiduciary net position was projected to be available to make all the 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 of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the participating employers’ net pension liability (asset) would be if it were calculated using a discount rate that is one

percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.00%)</u>	<u>(7.00%)</u>	<u>(8.00%)</u>
\$ 49,404	\$ 12,823	\$ (19,465)

Deferred Outflows/Inflows of Resources

The following schedule reflects the deferred outflows/inflows of resources for the System for the year ended December 31, 2020 (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 105	\$ (120)
Changes of assumptions	8,219	-
Net difference between projected and actual investment earnings on pension plan investments	<u>-</u>	<u>(17,131)</u>
Total	<u>\$ 8,324</u>	<u>\$ (17,251)</u>

The following summarizes changes in deferred outflows/inflows, excluding employer-specific amounts (in thousands):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources						
Differences between expected and actual experience	2017	4.8	\$ 237	\$ -	\$ (132)	\$ 105
Changes of assumptions	2019	4.9	8,995	-	(2,306)	6,689
	2017	4.8	<u>3,445</u>	<u>-</u>	<u>(1,915)</u>	<u>1,530</u>
Total Deferred Outflows of Resources			12,677	-	(4,353)	8,324
Deferred Inflows of Resources						
Differences between expected and actual experience	2019	4.9	(162)	-	42	(120)
Net difference between projected and actual investment earnings on pension plan investments	2020	5.0	-	(12,520)	2,504	(10,016)
	2019	5.0	(16,437)	-	4,109	(12,328)
	2018	5.0	13,820	-	(4,606)	9,214
	2017	5.0	(8,002)	-	4,001	(4,001)
	2016	5.0	<u>83</u>	<u>-</u>	<u>(83)</u>	<u>-</u>
Total Deferred Inflows of Resources			<u>(10,698)</u>	<u>(12,520)</u>	<u>5,967</u>	<u>(17,251)</u>
Total Collective Deferred Outflows/Inflows of Resources			\$ 1,979	\$ (12,520)	\$ 1,614	\$ (8,927)

The following schedule reflects the amortization of the balance of deferred outflows/(inflows) of resources:

<u>Fiscal</u> <u>Year</u> *	<u>Total</u>
2021	\$ (2,106)
2022	258
2023	(4,575)
2024	<u>(2,504)</u>
	\$ <u>(8,927)</u>

** Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflows/inflows in the fiscal year affecting the member unit.*

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability
Required Supplementary Information

(Unaudited)
(Amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	\$ 8,080	\$ 7,732	\$ 7,101	\$ 6,795	\$ 6,366	\$ 6,092
Interest	21,165	19,607	19,491	18,049	18,094	16,812
Changes of benefit terms	-	(204)	-	632	-	(3,031)
Changes of assumptions	-	11,300	-	9,190	-	9,600
Benefit payments, including refunds of member contributions	(16,718)	(16,321)	(15,599)	(14,580)	(13,459)	(12,280)
Net change in total pension liability	12,527	22,114	10,993	20,086	11,001	17,193
Total pension liability - beginning	302,643	280,529	269,536	249,450	238,449	221,256
Total pension liability - ending (a)	315,170	302,643	280,529	269,536	249,450	238,449
Plan Fiduciary Net Position						
Contributions - employer	10,915	10,203	9,741	9,297	8,880	8,431
Contributions - member	5,062	4,690	4,783	4,546	4,061	4,129
Net investment income	31,519	37,056	(5,419)	35,165	14,456	1,249
Benefit payments, including refunds of member contributions	(16,718)	(16,321)	(15,599)	(14,581)	(13,460)	(12,280)
Administrative expense	(457)	(432)	(431)	(437)	(403)	(400)
Other	13	32	27	15	12	6
Net change in plan fiduciary net position	30,334	35,228	(6,898)	34,005	13,546	1,135
Plan fiduciary net position - beginning	272,013	236,785	243,683	209,678	196,132	194,997
Plan fiduciary net position - ending (b)	302,347	272,013	236,785	243,683	209,678	196,132
Net Pension Liability - Ending (a-b)	\$ 12,823	\$ 30,630	\$ 43,744	\$ 25,853	\$ 39,772	\$ 42,317

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Required Supplementary Information
Schedules of the Net Pension Liability, Contributions, and Investment Returns

(Unaudited)
(Amounts expressed in thousands)

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Net Pension Liability						
Total pension liability	\$ 315,170	\$ 302,643	\$ 280,529	\$ 269,536	\$ 249,450	\$ 238,449
Plan fiduciary net position	<u>(302,347)</u>	<u>(272,013)</u>	<u>(236,785)</u>	<u>(243,683)</u>	<u>(209,678)</u>	<u>(196,312)</u>
Net pension liability	\$ <u>12,823</u>	\$ <u>30,630</u>	\$ <u>43,744</u>	\$ <u>25,853</u>	\$ <u>39,772</u>	\$ <u>42,137</u>
Plan fiduciary net position as a percentage of the total pension liability	95.93%	89.88%	84.41%	90.41%	84.06%	82.33%
Covered payroll	\$ 47,203	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Participating employer net pension liability as a percentage of covered payroll	27.17%	64.89%	100.13%	59.18%	94.01%	99.60%
Schedule of Contributions						
Actuarially determined contribution	\$ 10,915	\$ 10,203	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,482
Contributions in relation to the actuarially determined contribution	<u>(10,915)</u>	<u>(10,203)</u>	<u>(9,741)</u>	<u>(9,297)</u>	<u>(8,880)</u>	<u>(8,482)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 47,203	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Contributions as a percentage of covered payroll	23.12%	21.62%	22.30%	21.28%	20.99%	20.05%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	12.05%	16.23%	-2.31%	17.28%	7.59%	0.66%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.



INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Berkshire County Retirement System

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Berkshire County Retirement System as of and for the year December 31, 2020, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of the Berkshire County Contributory Retirement System as of and for the year ended December 31, 2020.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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 schedule of employer allocations and the specified column totals included in the schedule of collective pension amounts 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 schedule of employer allocations and specified column totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of collective pension

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amounts, 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 allocations and specified column totals included in the schedule of pension amounts 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 allocations and specified column totals included in the schedule of collective pension amounts.

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 referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense for the Berkshire County Retirement System as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

Our report is intended solely for the information and use of Berkshire County Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2020 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson

Greenfield, Massachusetts
October 20, 2021

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Employer Allocations

<u>Employer</u>	FY 2021	<u>Allocation</u>
	<u>Actual Employer</u> <u>Contributions</u>	
Berkshire County Mosquito Control	\$ 12,978	0.12%
Berkshire County Regional Housing Authority	140,596	1.30%
Berkshire Hills Regional School District	825,192	7.63%
Central Berkshire Regional School District	645,661	5.97%
County of Berkshire	-	0.00%
Dalton Fire District	75,706	0.70%
Dalton Housing Authority	21,630	0.20%
District Department of Veteran Services	11,897	0.11%
Farmington River School District	128,700	1.19%
Great Barrington Fire District	59,483	0.55%
Lanesboro Village Fire & Water	24,875	0.23%
Lee Housing Authority	21,630	0.20%
Lenox Housing Authority	28,119	0.26%
Mount Greylock School District	429,359	3.97%
Mount Washington	30,282	0.28%
South Berkshire Regional School District	489,924	4.53%
Stockbridge Housing Authority	29,201	0.27%
Town of Alford	45,423	0.42%
Town of Becket	237,932	2.20%
Town of Cheshire	125,455	1.16%
Town of Clarksburg	158,982	1.47%
Town of Dalton	501,821	4.64%
Town of Egremont	187,101	1.73%
Town of Florida	118,966	1.10%
Town of Great Barrington	931,180	8.61%
Town of Hancock	18,386	0.17%
Town of Hinsdale	156,819	1.45%
Town of Lanesborough	296,334	2.74%
Town of Lee (including schools)	1,084,754	10.03%
Town of Lenox (including schools)	1,149,645	10.63%
Town of Monterey	121,129	1.12%
Town of New Ashford	1,082	0.01%
Town of New Marlborough	150,330	1.39%
Town of Otis	187,101	1.73%
Town of Peru	41,097	0.38%
Town of Richmond	221,710	2.05%
Town of Sandisfield	95,173	0.88%
Town of Savoy	47,587	0.44%
Town of Sheffield	250,910	2.32%
Town of Stockbridge	391,507	3.62%
Town of Tyringham	80,032	0.74%
Town of Washington	34,608	0.32%
Town of West Stockbridge	136,270	1.26%
Town of Williamstown	1,003,641	9.28%
Town of Windsor	45,423	0.42%
Williamstown Fire District	19,467	0.18%
Subtotal excluding ERI	10,815,098	<u>100.00%</u>
Town of Lanesborough	26,761	
Town of Lee (including schools)	8,757	
Town of New Marlborough	13,535	
Town of Williamstown	37,307	
Williamstown Fire District	13,542	
Total	\$ <u>10,915,000</u>	

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Collective Pension Amounts
As of and for the Year Ended December 31, 2020

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Outflows of Resources Excluding Employer Specific Amounts	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Resources Excluding Employer Specific Amounts
Net Pension Liability	\$ 105	\$ 8,219	\$ 8,324	\$ 120	\$ -	\$ 17,251
	\$ 12,823	\$ -	\$ -	\$ 17,131	\$ -	\$ 4,014

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.



BERKSHIRE COUNTY RETIREMENT SYSTEM

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2019

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Financial Statements	9
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the Net Pension Liability	22
Schedules of Net Pension Liability, Contributions, and Investment Returns	23
OTHER INFORMATION:	
Independent Auditors' Report	24
Schedule of Employer Allocations	26
Schedule of Collective Pension Amounts	27



INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Berkshire County Retirement System

We have audited the accompanying financial statements of the Berkshire County Retirement System (the System), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Berkshire County Retirement System as of December 31, 2019, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the System's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 21, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

A handwritten signature in cursive script that reads "Melanson".

Greenfield, Massachusetts
September 9, 2020

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Berkshire County Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2019. It reflects contributions by members and participating employers, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to financial statements. The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

B. FINANCIAL HIGHLIGHTS

- The System's total net position restricted for pensions was \$272,013,476 at December 31, 2019.
- The System's net position increased by \$35,228,309, which is primarily due to net investment gains during the year.

- Employer and employee contributions to the plan were \$15,050,409, which represents an increase of \$685,840 over the prior year. The employer share of contributions represents 64.8% of the total contributions made to the System.
- Benefits paid to plan participants increased by \$781,102 or 5.07%, totaling \$16,180,653. At December 31, 2019, there were 816 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2019 actuarial valuation was 89.9%, with 9 years remaining in its amortization period from July 1, 2020.

C. FINANCIAL STATEMENT ANALYSIS

The following is a summary of financial statement data for the current and prior fiscal years (in thousands):

	<u>FIDUCIARY NET POSITION</u>	
	<u>2019</u>	<u>2018</u>
Assets		
Cash and receivables	\$ 9,122	\$ 7,206
Investments	<u>263,055</u>	<u>229,687</u>
Total Assets	272,177	236,893
Liabilities		
Accounts payable	<u>164</u>	<u>108</u>
Total Liabilities	164	108
Net Position		
Restricted for Pensions	\$ <u>272,013</u>	\$ <u>236,785</u>

The System's total assets as of December 31, 2019 were \$272,177,303 and were mostly comprised of cash and investments. Total assets increased by \$35,283,929 or 14.89% from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	<u>2019</u>	<u>2018</u>
Additions		
Contributions	\$ 15,746	\$ 15,224
Investment income / (loss), net	<u>37,063</u>	<u>(5,418)</u>
Total Additions	52,809	9,806
Deductions		
Benefit payments	16,181	15,400
Other	<u>1,400</u>	<u>1,304</u>
Total Deductions	<u>17,581</u>	<u>16,704</u>
Changes in Net Position	35,228	(6,898)
Net Position Restricted for Pensions		
Beginning of Year	<u>236,785</u>	<u>243,683</u>
End of Year	<u>\$ 272,013</u>	<u>\$ 236,785</u>

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2019 resulted in a net gain of \$52,809,063. Employers' contributions increased by \$451,926, or 4.63% in calendar year 2019. The System had a net investment income of \$37,063,402 in 2019, versus a loss of \$(5,417,698) in 2018, primarily due to the market performing more favorably in calendar year 2019.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2019 were \$17,580,754, which represents an increase of \$876,832, or 5.25%, over deductions of \$16,703,922 in calendar year 2018. The payment of pension benefits increased by \$781,102 or 5.07% over the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Berkshire County Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Ms. Sheila LaBarbera
Executive Director
Berkshire County Retirement System
29 Dunham Mall
Pittsfield, MA 01201-6207

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Fiduciary Net Position

December 31, 2019

Assets	
Cash and short-term investments	\$ 6,138,042
Investments in external investment pool	263,055,443
Accounts receivable	<u>2,983,818</u>
Total Assets	\$ <u>272,177,303</u>
Liabilities	
Accounts payable	\$ 163,827
Net Position	
Restricted for pensions	<u>272,013,476</u>
Total Liabilities and Net Position	\$ <u>272,177,303</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

Additions	
Contributions:	
Employers	\$ 10,202,891
Plan members	4,847,518
Other systems and Commonwealth of Massachusetts	671,024
Other	<u>24,228</u>
Total Contributions	15,745,661
Investment income:	
Appreciation in fair value of investments	38,345,660
Less: management fees	<u>(1,282,258)</u>
Net Investment Gain	<u>37,063,402</u>
Total Additions	52,809,063
Deductions	
Benefit payments to plan members and beneficiaries	16,180,653
Refunds to plan members	605,077
Transfers to other systems	363,383
Administrative expenses	<u>431,641</u>
Total Deductions	<u>17,580,754</u>
Net Increase	35,228,309
Net Position Restricted for Pensions	
Beginning of Year	<u>236,785,167</u>
End of Year	\$ <u><u>272,013,476</u></u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the 46 member unit employers in Berkshire County (except teachers and administrators under contract employed by the School Departments) are members of the Berkshire County Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The Berkshire County Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	816
Inactive members entitled to a return of employee contributions	171
Inactive members with a vested right to a deferred or immediate benefit	45
Active plan members	<u>1,151</u>
Total	<u>2,183</u>
Number of participating employers	46

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement

allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left System employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the Massachusetts General Laws. The System is governed by a five-member board. The Board members are appointed or elected as specified by MGL Chapter 34B section 19(b) for terms ranging from 3 to 6 years. The System is also guided by an Advisory Council comprised of the official "Treasurers" of each member unit.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2019 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the members' employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 16.23%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2018.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2019, none of the System's bank balance of \$6,354,858 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

All of the System's investments totaling \$263,055,443 are in an external (State) investment pool. *

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Due to their nature, none of the System's investments are subject to credit risk disclosure.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk but manages custodial risk through diversification and the "prudent person" principles outlined in PERAC guidelines. The System manages this risk with SIPC and excess SIPC.

All of the System's investments are comprised of shares in the Pension Reserve Investment Trust (PRIT) Fund, which is exempt from custodial credit risk disclosure.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by the U.S government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

All of the System's investments are in the PRIT fund, which are exempt from concentration of credit risk disclosure.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market

interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the System's investments consist of pooled funds which are not subject to interest rate risk.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all the System's investments are immediately liquid.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

F. Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2019 (in thousands):

Investments measured at the net asset value (NAV):				
	<u>Value</u>			
External Investment Pools	\$ <u>263,055</u>			
<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (If currently eligible)</u>	<u>Redemption Notice Period</u>
External Investment Pools	\$ <u>263,055</u>	\$ -	Monthly	30 Days

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2019.

6. Accounts Payable

This balance represents calendar year 2019 expenditures paid by the System after year end. The expenditures consist of salaries, 3(8)c reimbursements, and refunds.

7. Contingencies

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System’s financial position.

8. Subsequent Events

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our

students served by the System, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

9. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2019 and rolled forward to December 31, 2019.

A. Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2019 were as follows (in thousands):

Total pension liability	\$ 302,643
Plan fiduciary net position	<u>(272,013)</u>
Employers' net pension liability	<u>\$ 30,630</u>
Plan fiduciary net position as a percentage of total pension liability	89.9%

B. Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	8 years
Actuarial assumptions:	
Investment rate of return	7.00%
Projected salary increases:	
Group 1 and 2	4.25%
Fire	4.75%
Police	4.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% of first \$14,000

Actuarial valuations of the ongoing System involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the following:

Pre-retirement and beneficiary mortality: Based on RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).

Mortality for retired members: Based on RP-2014 Blue Collar Health Annuitant table projected generationally with Scale MP-2018 (gender distinct).

Mortality for disabled members: Based on RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

Changes of Assumptions

The discount rate in 2019 changed to 7.0% compared to the discount rate of 7.25% in 2018. The mortality tables were also updated from the previous valuation. The System's total pension liability increased by approximately \$8.9 million as a result of these changes.

C. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2019, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	13.00%	7.62%	0.99%
International equities	13.00%	7.80%	1.01%
Emerging equities	5.00%	9.31%	0.47%
Hedged equity	8.00%	6.89%	0.55%
Core bonds	6.00%	4.37%	0.26%
Short-term fixed income	2.00%	4.01%	0.08%
20+ yr. Treasury STRIPS	3.00%	3.50%	0.11%
TIPS	4.00%	4.00%	0.16%
Value-added fixed income	8.00%	7.58%	0.61%
Private equity	13.00%	11.15%	1.45%
Real estate	10.00%	6.43%	0.64%
Timberland	4.00%	7.00%	0.28%
Portfolio completion (PBC)	<u>11.00%</u>	6.76%	0.74%
Total	<u>100.00%</u>		

D. Discount Rate

The discount rate used to measure the total pension liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

E. Sensitivity of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.0%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease	Current Discount Rate	1% Increase
<u>(6.0%)</u>	<u>(7.0%)</u>	<u>(8.0%)</u>
\$64,664	\$30,630	\$1,777

F. Deferred Outflows/(Inflows) of Resources

The following schedule reflects the deferred outflows/(inflows) of resources for the System for the year ended December 31, 2019 (in thousands):

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 237	\$ (162)
Changes of assumptions	12,440	-
Net difference between projected and actual investment earnings on pension plan investments	<u>-</u>	<u>(10,536)</u>
Total	<u>\$ 12,677</u>	<u>\$ (10,698)</u>

The following summarizes changes in deferred outflows/(inflows), excluding employer-specific amounts (in thousands):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources:						
Difference between expected and actual experience	2017	4.8	\$ 368	\$ -	\$ (131)	\$ 237
Change in assumptions:	2015	5.0	1,920	-	(1,920)	-
	2017	4.8	5,360	-	(1,915)	3,445
	2019	4.9	-	<u>11,300</u>	<u>(2,305)</u>	<u>8,995</u>
Total Deferred Outflows of Resources			7,648	11,300	(6,271)	12,677
Deferred (Inflows) of Resources:						
Difference between expected and actual experience:	2015	5.0	(607)	-	607	-
	2019	4.9	-	(204)	42	(162)
Net differences between projected and actual earnings on pension plan investments:	2015	5.0	2,714	-	(2,714)	-
	2016	5.0	166	-	(83)	83
	2017	5.0	(12,003)	-	4,001	(8,002)
	2018	5.0	18,426	-	(4,606)	13,820
	2019	5.0	-	<u>(20,545)</u>	<u>4,108</u>	<u>(16,437)</u>
Total Deferred (Inflows) of Resources			<u>8,696</u>	<u>(20,749)</u>	<u>1,355</u>	<u>(10,698)</u>
Total Collective Deferred Outflows (Inflows) of Resources			\$ <u>16,344</u>	\$ <u>(9,449)</u>	\$ <u>(4,916)</u>	\$ <u>1,979</u>

The following schedule reflects the amortization of the balance of deferred outflows/(inflows) of resources (in thousands):

Fiscal Year*	Total
2021	\$ 890
2022	398
2023	2,762
2024	<u>(2,071)</u>
	\$ <u>1,979</u>

* Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflows/(inflows) in the fiscal year affecting the member unit.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Required Supplementary Information
Schedule of Changes in the Net Pension Liability
(Amounts expressed in thousands)

	(Unaudited)				
	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	\$ 7,732	\$ 7,101	\$ 6,795	\$ 6,366	\$ 6,092
Interest on unfunded liability - time value of money	19,607	19,491	18,049	18,094	16,812
Differences between expected and actual experience	(204)	-	632	-	(3,031)
Changes of assumptions	11,300	-	9,190	-	9,600
Benefit payments, including refunds of member contributions	<u>(16,321)</u>	<u>(15,599)</u>	<u>(14,580)</u>	<u>(13,459)</u>	<u>(12,280)</u>
Net Change in Total Pension Liability	22,114	10,993	20,086	11,001	17,193
Total Pension Liability - Beginning	<u>280,529</u>	<u>269,536</u>	<u>249,450</u>	<u>238,449</u>	<u>221,256</u>
Total Pension Liability - Ending (a)	\$ <u>302,643</u>	\$ <u>280,529</u>	\$ <u>269,536</u>	\$ <u>249,450</u>	\$ <u>238,449</u>
Plan Fiduciary Net Position					
Contributions - employer	\$ 10,203	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,431
Contributions - member	4,690	4,783	4,546	4,061	4,129
Net investment income (loss)	37,056	(5,419)	35,165	14,456	1,249
Benefit payments, including refunds of member contributions	<u>(16,321)</u>	<u>(15,599)</u>	<u>(14,581)</u>	<u>(13,460)</u>	<u>(12,280)</u>
Administrative expense	<u>(432)</u>	<u>(431)</u>	<u>(437)</u>	<u>(403)</u>	<u>(400)</u>
Other	<u>32</u>	<u>27</u>	<u>15</u>	<u>12</u>	<u>6</u>
Net Change in Plan Fiduciary Net Position	35,228	(6,898)	34,005	13,546	1,135
Plan Fiduciary Net Position - Beginning	<u>236,785</u>	<u>243,683</u>	<u>209,678</u>	<u>196,132</u>	<u>194,997</u>
Plan Fiduciary Net Position - Ending (b)	\$ <u>272,013</u>	\$ <u>236,785</u>	\$ <u>243,683</u>	\$ <u>209,678</u>	\$ <u>196,132</u>
Net Pension Liability (Asset) - Ending (a-b)	\$ <u>30,630</u>	\$ <u>43,744</u>	\$ <u>25,853</u>	\$ <u>39,772</u>	\$ <u>42,317</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Required Supplementary Information
Schedules of Net Pension Liability, Contributions, and Investment Returns
(Amounts expressed in thousands)

(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Schedule of Net Pension Liability					
Total pension liability	\$ 302,643	\$ 280,529	\$ 269,536	\$ 249,450	\$ 238,449
Plan fiduciary net position	<u>(272,013)</u>	<u>(236,785)</u>	<u>(243,683)</u>	<u>(209,678)</u>	<u>(196,132)</u>
Net pension liability (asset)	\$ <u>30,630</u>	\$ <u>43,744</u>	\$ <u>25,853</u>	\$ <u>39,772</u>	\$ <u>42,317</u>
Plan fiduciary net position as a percentage of the total pension liability	89.88%	84.41%	90.41%	84.06%	82.25%
Covered payroll	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Participating employer net pension liability (asset) as a percentage of covered payroll	64.89%	100.13%	59.18%	94.01%	100.02%
Schedule of Contributions					
Actuarially determined contribution	\$ 10,203	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,482
Contributions in relation to the actuarially determined contribution	<u>(10,203)</u>	<u>(9,741)</u>	<u>(9,297)</u>	<u>(8,880)</u>	<u>(8,482)</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 47,203	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Contributions as a percentage of covered payroll	21.62%	22.30%	21.28%	20.99%	20.05%
Schedule of Investment Returns					
Year Ended December 31	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	16.23%	(2.31%)	17.28%	7.59%	0.66%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.



INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Berkshire County Retirement System

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Berkshire County Retirement System as of and for the year December 31, 2019, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of the Berkshire County Retirement System as of and for the year ended December 31, 2019.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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 schedule of employer allocations and the specified column totals included in the schedule of collective pension amounts 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 schedule of employer allocations and specified column totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified totals included in the schedule of collective pension amounts. The procedures selected depend on the auditor's judgment,

Nashua, New Hampshire
Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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including the assessment of the risks of material misstatement of the schedule of employer allocations and specified totals included in the schedule of collective pension amounts, 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 allocations and specified column totals included in the schedule of collective pension amounts 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 allocations and specified column totals included in the schedule of collective pension amounts.

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 referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense for the Berkshire County Retirement System as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

Our report is intended solely for the information and use of Berkshire County Retirement System management, the Retirement Board, and System employers and their auditors as of and for the year ended December 31, 2019 and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Melanson".

Greenfield, Massachusetts
September 9, 2020

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Employer Allocations

December 31, 2019

<u>Employer</u>	CY 2019 Actual Employer <u>Contributions</u>	Allocation <u>Percentage</u>
Town of Alford	\$ 43,429	0.43%
Town of Becket	219,163	2.17%
Berkshire County Mosquito Control	13,130	0.13%
Berkshire Hills Regional School District	753,437	7.46%
Berkshire County Regional Housing Authority	136,346	1.35%
Central Berkshire Regional School District	613,051	6.07%
Town of Cheshire	116,147	1.15%
Town of Clarksburg	156,545	1.55%
Town of Dalton	452,466	4.48%
Dalton Fire District	69,688	0.69%
Dalton Housing Authority	19,189	0.19%
District Department of Veteran Services	11,110	0.11%
Town of Egremont	171,695	1.70%
Farmington River School District	120,186	1.19%
Town of Florida	113,117	1.12%
Town of Great Barrington	867,564	8.59%
Great Barrington Fire District	56,558	0.56%
Town of Hancock	17,169	0.17%
Town of Hinsdale	143,416	1.42%
Lanesboro Village Fire & Water	23,229	0.23%
Town of Lanesborough	329,250	3.26%
Town of Lee (including Schools)	1,040,269	10.30%
Lee Housing Authority	19,189	0.19%
Town of Lenox (including Schools)	1,011,990	10.02%
Lenox Housing Authority	24,239	0.24%
Town of Monterey	112,107	1.11%
Mount Greylock School District	304,001	3.01%
Mount Washington	32,319	0.32%
Town of New Marlborough	144,426	1.43%
Town of Otis	170,685	1.69%
Town of Peru	39,389	0.39%
Town of Richmond	206,034	2.04%
Town of Sandisfield	74,738	0.74%
Town of Savoy	44,439	0.44%
Town of Sheffield	245,423	2.43%
South Berkshire Regional School District	473,676	4.69%
Town of Stockbridge	361,569	3.58%
Stockbridge Housing Authority	26,259	0.26%
Town of Tyringham	74,738	0.74%
Town of Washington	30,299	0.30%
Town of West Stockbridge	125,236	1.24%
Town of Williamstown	1,031,179	10.21%
Williamstown Fire District	18,179	0.18%
Town of Windsor	<u>43,429</u>	<u>0.43%</u>
Subtotal excluding ERI	10,099,697	<u>100.00%</u>
Lanesborough	26,869	
Lee	8,792	
New Marlborough	13,589	
Williamstown	37,457	
Williamstown Fire District	<u>13,596</u>	
Total	\$ <u>10,200,000</u>	

See actuarial assumptions in the Berkshire County Retirement System audited financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Collective Pension Amounts

As of and for the Year Ended December 31, 2019

(Amounts expressed in thousands)

	Deferred Outflows of Resources				Deferred Inflows of Resources			
	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Outflows of Resources Excluding Employer Specific Amounts	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Inflows of Resources Excluding Employer Specific Amounts	Plan Pension Expense	
Net Pension Liability	\$ 30,630	\$ 237	\$ 12,440	\$ 12,677	\$ 162	\$ 10,536	\$ 10,698	\$ 11,455

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.

BERSKHIRE COUNTY RETIREMENT SYSTEM

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2018

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Changes in the Net Pension Liability	19
Schedules of Net Pension Liability, Contributions, and Investment Returns	20
OTHER INFORMATION:	
Independent Auditors' Report	21
Schedule of Employer Allocations	23
Schedule of Collective Pension Amounts	24

INDEPENDENT AUDITORS' REPORT

To the Honorable Retirement Board
Berkshire County Retirement System

We have audited the accompanying financial statements of the Berkshire County Retirement System (the System), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The System's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Berkshire County Retirement System as of December 31, 2018, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the System's fiscal year 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated August 31, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

August 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Berkshire County Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2018. It reflects contributions by members and participating employers, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to financial statements. The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

B. FINANCIAL HIGHLIGHTS

- The System's total net position restricted for pensions was \$236,785,167 at December 31, 2018.
- The System's net position decreased by \$(6,897,450), which is primarily due to net investment losses of (\$5.4 million).
- Employer and employee contributions to the plan were \$14,364,569, which represents a \$603,878 increase over the prior year. The employer share of contributions represents 64% of the total contributions made to the System.

- Benefits paid to plan participants increased by \$902,809 or 6.23%, and totaled \$15,399,551 in 2018. At December 31, 2018, there were 778 retirees and beneficiaries in receipt of pension benefits, as further discussed in footnote 1.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2017 actuarial valuation was 84.4%, with 9 years remaining in its amortization period from July 1, 2019.

C. FINANCIAL STATEMENT ANALYSIS

The following is a summary of financial statement data for the current and prior fiscal years:

	<u>FIDUCIARY NET POSITION</u>	
	<u>2018</u>	<u>2017</u>
Assets		
Cash and receivables	\$ 7,206	\$ 6,782
Investments	<u>229,687</u>	<u>236,944</u>
Total assets	236,893	243,726
Liabilities		
Accounts payable	<u>108</u>	<u>43</u>
Net Position		
Restricted for pensions	<u>\$ 236,785</u>	<u>\$ 243,683</u>

The System's total assets as of December 31, 2018 were \$236,893,374 and were mostly comprised of cash and investments. Total assets decreased \$(6,832,538) or 2.80% from the prior year primarily due to a decrease in investment values. Total liabilities increased by \$64,912 over the prior year.

	<u>CHANGES IN FIDUCIARY NET POSITION</u>	
	<u>2018</u>	<u>2017</u>
Additions		
Contributions	\$ 15,224	\$ 14,621
Investment income / (loss), net	<u>(5,418)</u>	<u>35,172</u>
Total additions	9,806	49,793
Deductions		
Benefit payments	15,400	14,497
Other	<u>1,304</u>	<u>1,291</u>
Total deductions	<u>16,704</u>	<u>15,788</u>
Changes in net position	(6,898)	34,005
Net Position Restricted for Pensions		
Beginning of year	<u>243,683</u>	<u>209,678</u>
End of year	<u>\$ 236,785</u>	<u>\$ 243,683</u>

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment (loss) for calendar year 2018 resulted in total additions of approximately \$9.8 million. Employers' contributions increased by \$453,765, or 4.88% in calendar year 2018. The System had a net investment (loss) of \$(5,417,698) in 2018, versus a gain \$35,172,112 in 2017, primarily due to less favorable market conditions in 2018.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2018 were \$16,703,922, which represents an increase of \$915,714, or 5.80%, over deductions of \$15,788,208 in calendar year 2017. The payment of pension benefits increased by \$902,809 or 6.23% over the previous year, due to an increase in new retirees and 3(8)c reimbursements to other systems.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Berkshire County Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Ms. Sheila LaBarbera
Executive Director
Berkshire County Retirement System
29 Dunham Mall
Pittsfield, MA 01201-6207

BERKSHIRE COUNTY RETIREMENT SYSTEM

Statement of Fiduciary Net Position

December 31, 2018

Assets

Cash and short-term investments	\$ 6,408,581
Investments:	
External investment pool	229,687,559
Accounts receivable	<u>797,234</u>
Total assets	<u>\$ 236,893,374</u>

Liabilities

Accounts payable	\$ <u>108,207</u>
Total liabilities	108,207

Net Position

Restricted for pensions	<u>236,785,167</u>
Total liabilities and net position	<u>\$ 236,893,374</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2018

Additions	
Contributions:	
Employers	\$ 9,750,965
Plan members	4,613,604
Other systems and Commonwealth of Massachusetts	842,497
Other	<u>17,104</u>
Total contributions	15,224,170
Investment income (loss):	
Appreciation (depreciation) in fair value of investments	(4,151,806)
Less: management fees	<u>(1,265,892)</u>
Net investment gain (loss)	<u>(5,417,698)</u>
Total additions	9,806,472
Deductions	
Benefit payments to plan members and beneficiaries	15,399,551
Refunds to plan members	651,640
Transfers to other systems	221,637
Administrative expenses	<u>431,094</u>
Total deductions	<u>16,703,922</u>
Net increase (decrease)	(6,897,450)
Net Position Restricted for Pensions	
Beginning of year	<u>243,682,617</u>
End of year	<u>\$ 236,785,167</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the 46 member unit employers in Berkshire County (except teachers and administrators under contract employed by the School Departments) are members of the Berkshire County Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The Berkshire County Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at December 31, 2018:

Retirees and beneficiaries receiving benefits	778
Inactive members entitled to a return of employee contributions	210
Inactive members with a vested right to a deferred or immediate benefit	42
Active plan members	<u>1,142</u>
Total	<u>2,172</u>
Number of participating employers	46

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left System employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the Massachusetts General Laws. The System is governed by a five-member board. The Board members are appointed or elected as specified by MGL Chapter 34B section 19(b) for terms ranging from 3 to 6 years. The System is also guided by an Advisory Council comprised of the official "Treasurers" of each member unit.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2018 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the members' employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (2.31)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

Comparative Financial Information

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles.

Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2017.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2018, none of the System's bank balance of \$6,321,743 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Due to their nature, none of the System's investments are subject to credit risk disclosure. Fair value of the PRIT fund is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

All of the System's investments are comprised of shares in the Pension Reserve Investment Trust (PRIT) Fund, which is exempt from custodial credit risk disclosure.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

As of December 31, 2018, the System did not have any investments subject to concentration of credit risk disclosure as all investments are in the PRIT fund.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the System's investments consist of pooled funds which are not subject to interest rate risk.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

F. Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

The System has the following fair value measurements as of December 31, 2018:

Investments measured at the net asset value (NAV) (in thousands):

External investment pools	\$ <u>229,688</u>			
			Redemption Frequency	Redemption
		Unfunded	(If currently	Notice
<u>Description</u>	<u>Value</u>	<u>Commitments</u>	<u>eligible)</u>	<u>Period</u>
PRIT Fund*	\$ 229,688	\$ -	Monthly	30 Days

** Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.*

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2018.

6. Accounts Payable

This balance represents calendar year 2018 expenditures paid by the System after year end. The expenditures consist of salaries, 3(8)c reimbursements, and refunds.

7. Contingencies

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System's financial position.

8. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2017 and rolled forward to December 31, 2018.

A. Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2018 were as follows (in thousands):

Total pension liability	\$ 280,529
Less Plan fiduciary net position	(236,785)
Employers' net pension liability	\$ 43,744
Plan fiduciary net position as a percentage of total pension liability	84.4%

B. Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2017
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	9
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases:	
Group 1 and 2	4.25%
Fire	4.75%
Police	4.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% of first \$14,000

Actuarial valuations of the ongoing System involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the following:

Pre-retirement and beneficiary mortality: Based on RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Mortality for retired members: Based on RP-2000 Health Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).

Mortality for disabled members: Based on RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

C. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2018, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. equity	17.50%	7.62%	1.33%
International equities	15.50%	7.80%	1.21%
Emerging equities	6.00%	9.31%	0.56%
Core bonds	5.00%	4.37%	0.22%
20+ yr. Treasury STRIPS	2.00%	3.50%	0.07%
TIPS	5.00%	4.00%	0.20%
Value-added fixed income	10.00%	7.58%	0.76%
Private equity	12.00%	11.15%	1.34%
Real estate	10.00%	6.59%	0.66%
Timberland	4.00%	7.00%	0.28%
Portfolio completion (PBC)	13.00%	6.83%	0.89%
Total	100.00%		

D. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

E. Sensitivity of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate (in thousands):

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$76,578	\$43,744	\$14,786

F. Deferred Outflows/(Inflows) of Resources

The following schedule reflects the deferred outflows/(inflows) of resources for the System for the year ended December 31, 2018 (excluding employer-specific amounts, which must be calculated separately by each member employer) (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 368	\$ (607)
Changes of assumptions	7,280	-
Net difference between projected and actual investment earnings on pension plan investments	<u>9,303</u>	<u>-</u>
Total	<u>\$ 16,951</u>	<u>\$ (607)</u>

The following summarizes changes in deferred outflows/(inflows), excluding employer-specific amounts (in thousands):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
<u>Deferred Outflows of Resources:</u>						
Difference between expected and actual experience:	2017	4.8	\$ 500	\$ -	\$ (132)	\$ 368
Change in assumptions:	2015	5.0	3,840	-	(1,920)	1,920
	2017	4.8	7,275	-	(1,915)	5,360
Net differences between projected and actual earnings on pension plan investments:	2014	5.0	93	-	(93)	-
	2015	5.0	5,427	-	(2,713)	2,714
	2016	5.0	249	-	(83)	166
	2017	5.0	(16,004)	-	4,001	(12,003)
	2018	5.0	-	23,032	(4,606)	18,426
Total Deferred Outflows of Resources			1,380	23,032	(7,461)	16,951
<u>Deferred (Inflows) of Resources:</u>						
Difference between expected and actual experience:	2015	5.0	(1,213)	-	606	(607)
Total Deferred (Inflows) of Resources			(1,213)	-	606	(607)
Total Collective Deferred Outflows (Inflows) of Resources			\$ 167	\$ 23,032	\$ (6,855)	\$ 16,344

The following schedule reflects the amortization of the balance of deferred outflows/(inflows) of resources:

Fiscal Year*	Total
2018	\$ 6,762
2019	2,735
2020	2,242
2021	4,605
	<u>\$ 16,344</u>

* Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflows/(inflows) in the fiscal year affecting the member unit.

BERKSHIRE COUNTY RETIREMENT SYSTEM
Schedule of Changes in the Net Pension Liability

Required Supplementary Information
For the Year Ended December 31, 2018
(Amounts expressed in thousands)
(Unaudited)

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability				
Service cost	\$ 7,101	\$ 6,795	\$ 6,366	\$ 6,092
Interest on unfunded liability - time value of money	19,491	18,049	18,094	16,812
Differences between expected and actual experience	-	632	-	(3,031)
Changes of assumptions	-	9,190	-	9,600
Benefit payments, including refunds of member contributions	(15,599)	(14,580)	(13,459)	(12,280)
Net change in total pension liability	10,993	20,086	11,001	17,193
Total pension liability - beginning	269,536	249,450	238,449	221,256
Total pension liability - ending (a)	<u>\$ 280,529</u>	<u>\$ 269,536</u>	<u>\$ 249,450</u>	<u>\$ 238,449</u>
Plan Fiduciary Net Position				
Contributions - employer	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,431
Contributions - member	4,783	4,546	4,061	4,129
Net investment income (loss)	(5,419)	35,165	14,456	1,249
Benefit payments, including refunds of member contributions	(15,599)	(14,581)	(13,460)	(12,280)
Administrative expense	(431)	(437)	(403)	(400)
Other	27	15	12	6
Net change in plan fiduciary net position	(6,898)	34,005	13,546	1,135
Plan fiduciary net position - beginning	243,683	209,678	196,132	194,997
Plan fiduciary net position - ending (b)	<u>\$ 236,785</u>	<u>\$ 243,683</u>	<u>\$ 209,678</u>	<u>\$ 196,132</u>
Net pension liability (asset) - ending (a-b)	<u>\$ 43,744</u>	<u>\$ 25,853</u>	<u>\$ 39,772</u>	<u>\$ 42,317</u>

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BERKSHIRE COUNTY RETIREMENT SYSTEM
Schedules of Net Pension Liability, Contributions, and Investment Returns

Required Supplementary Information

For the Year Ended December 31, 2018

(Amounts expressed in thousands)

(Unaudited)

Schedule of Net Pension Liability	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 280,529	\$ 269,536	\$ 249,450	\$ 238,449
Plan fiduciary net position	<u>(236,785)</u>	<u>(243,683)</u>	<u>(209,678)</u>	<u>(196,132)</u>
Net pension liability (asset)	<u>\$ 43,744</u>	<u>\$ 25,853</u>	<u>\$ 39,772</u>	<u>\$ 42,317</u>
Plan fiduciary net position as a percentage of the total pension liability	84.41%	90.41%	84.06%	82.25%
Covered payroll	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Participating employer net pension liability (asset) as a percentage of covered payroll	100.13%	59.18%	94.01%	100.02%
Schedule of Contributions	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 9,741	\$ 9,297	\$ 8,880	\$ 8,482
Contributions in relation to the actuarially determined contribution	<u>9,741</u>	<u>9,297</u>	<u>8,880</u>	<u>8,482</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 43,687	\$ 43,687	\$ 42,307	\$ 42,307
Contributions as a percentage of covered payroll	22.30%	21.28%	20.99%	20.05%

Schedule of Investment Returns

Year Ended December 31

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	(2.31%)	17.28%	7.59%	0.66%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

Additional Offices:

Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Honorable Retirement Board
Berkshire County Retirement System

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Berkshire County Retirement System as of and for the year December 31, 2018, and the related notes. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and total pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of the Berkshire County Retirement System as of and for the year ended December 31, 2018.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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 schedule of employer allocations and the specified column totals included in the schedule of collective pension amounts 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 schedule of employer allocations and specified column totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified totals included in the schedule of collective pension amounts. The procedures selected depend on the

auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified totals included in the schedule of collective pension amounts, 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 allocations and specified column totals included in the schedule of collective pension amounts 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 allocations and specified column totals included in the schedule of collective pension amounts.

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 referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense for the Berkshire County Retirement System as of and for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

Our report is intended solely for the information and use of Berkshire County Retirement System management, the Retirement Board, and System employers and their auditors as of and for the year ended December 31, 2018 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson Heath

August 21, 2019

BERKSHIRE COUNTY RETIREMENT SYSTEM

Schedule of Employer Allocations

December 31, 2018

<u>Employer</u>	<u>CY 2018 Actual Employer Contributions</u>	<u>Allocation Percentage</u>
Town of Alford	\$ 40,487	0.42%
Town of Becket	218,821	2.27%
Berk Cnty Mosq. Cont.	12,532	0.13%
Berk Hills Reg Sch. Dis.	709,482	7.36%
Berk Cnty Reg Hous Auth	121,460	1.26%
Cen Berk Reg School Dis	609,229	6.32%
Town of Cheshire	103,145	1.07%
Town of Clarksburg	149,415	1.55%
Town of Dalton	447,282	4.64%
Dalton Fire District	75,190	0.78%
Dalton Housing Auth	19,279	0.20%
Dist Dept of Veteran Serv	10,604	0.11%
Town of Egremont	163,875	1.70%
Farmington Riv Sch Dis	132,064	1.37%
Town of Florida	109,892	1.14%
Town of Great Barrington	787,563	8.17%
Great Barrington Fire Dist.	53,982	0.56%
Town of Hancock	18,315	0.19%
Town of Hinsdale	129,172	1.34%
Lanesboro Vil. Fire &Wat.	23,135	0.24%
Town of Lanesborough	321,966	3.34%
Town of Lee (incl. Schools)	968,789	10.05%
Lee Housing Authority	19,279	0.20%
Town of Lenox (incl. Schoo.ls)	961,078	9.97%
Lenox Housing Authority	24,099	0.25%
Town of Monterey	124,352	1.29%
Mnt. Greylock School Dist.	282,443	2.93%
Mount Washington	30,847	0.32%
Town of New Marlborough	131,100	1.36%
Town of Otis	158,091	1.64%
Town of Peru	44,343	0.46%
Town of Richmond	172,551	1.79%
Town of Sandisfield	75,190	0.78%
Town of Savoy	44,343	0.46%
Town of Sheffield	228,461	2.37%
So Berk Reg Sch Dist	463,669	4.81%
Town of Stockbridge	346,065	3.59%
Stockbridge Housing Auth	26,027	0.27%
Town of Tyringham	69,406	0.72%
Town of Washington	27,955	0.29%
Town of West Stockbridge	105,073	1.09%
Town of Williamstown	1,020,844	10.59%
Williamstown Fire Dist	17,351	0.18%
Town of Windsor	41,451	0.43%
Subtotal excluding ERI	9,639,697	100.00%
Lanesborough	26,869	
Lee	8,792	
New Marlborough	13,589	
Williamstown	37,457	
Williamstown fire district	13,596	
Total	\$ 9,740,000	

See actuarial assumptions in the Berkshire County Retirement System audited financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM
 Schedule of Collective Pension Amounts
 As of and for the Year Ended December 31, 2018
 (Amounts expressed in thousands)

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources Excluding Employer Specific Amounts	Differences Between Expected and Actual Experience	Changes of Assumptions	Total Deferred Inflows of Resources Excluding Employer Specific Amounts
Net Pension Liability	\$ 43,744	\$ 368	\$ 9,303	\$ 7,280	\$ 16,951	\$ 607
			\$ 7,280	\$ 607	\$ -	\$ 607
			\$ 16,951	\$ 607	\$ -	\$ 607
			\$ 11,455			\$ 11,455

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2017
(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Financial Statements	8
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Changes in the Net Pension Liability	18
Schedules of Net Pension Liability, Contributions, and Investment Returns	19
OTHER INFORMATION	
Independent Auditors' Report	20
Schedule of Employer Allocations	22
Schedule of Collective Pension Amounts	23

INDEPENDENT AUDITORS' REPORT

To the Retirement System Board
Berkshire County Retirement System

We have audited the accompanying financial statements of the Berkshire County Retirement System as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Berkshire County Retirement System as of December 31, 2017, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United State of America require that the Management's Discussion and Analysis and the Pension Schedules appearing on pages 18 to 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

August 31, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Berkshire County Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position available for benefits changed during the year ended December 31, 2017. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds and transfers, and administrative expenses. Investment income during the period is also presented showing income from investing.

The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplemental Information includes this management's discussion and analysis and Schedules of Changes in the Net Pension Liability, of Net Pension Liability, of Contributions, and of Investment Returns.

B. FINANCIAL HIGHLIGHTS

- The System's total net position available for benefits was \$243,682,617 at December 31, 2017, which is a change of \$34,004,601, in comparison to the prior year.

- Employer and employee contributions to the plan were \$13,760,961 which represents a \$578,090 increase over the preceding year. The employer share of contributions represents 63.59% of total contributions.
- Benefits paid to plan participants were \$14,496,742. At December 31, 2017, there were 778 retirees and beneficiaries in receipt of pension benefits.
- The System's funded ratio as of the January 1, 2017 actuarial report (rolled forward to December 31, 2017) was 90.4%.

C. FINANCIAL STATEMENT ANALYSIS

The following is a summary of financial statement data for the current and prior fiscal years (amounts in thousands).

FIDUCIARY NET POSITION

	<u>2017</u>	<u>2016</u>
Assets		
Cash and receivables	\$ 6,782	\$ 5,450
Investments	<u>236,944</u>	<u>204,296</u>
Total assets	243,726	209,746
Liabilities and Net Position		
Accounts payable	<u>43</u>	<u>68</u>
Net Position	<u>\$ 243,683</u>	<u>\$ 209,678</u>

CHANGES IN FIDUCIARY NET POSITION

	<u>2017</u>	<u>2016</u>
Additions		
Contributions	\$ 14,621	\$ 13,914
Investment income, net	<u>35,172</u>	<u>14,457</u>
Total Additions	49,793	28,371
Deductions		
Benefit payments	14,497	13,428
Other	<u>1,291</u>	<u>1,397</u>
Total Deductions	<u>15,788</u>	<u>14,825</u>
Changes in net position	34,005	13,546
Net position - beginning of year	<u>209,678</u>	<u>196,132</u>
Net position - end of year	<u>\$ 243,683</u>	<u>\$ 209,678</u>

The System's total assets as of December 31, 2017 were \$243,725,912 and were mostly comprised of cash and investments. Total assets increased \$33,979,600 or 16.2% from the prior year. Total liabilities as of December 31, 2017 were \$43,295 and were comprised of accounts payable. Total liabilities decreased by \$25,001 over the prior year.

The System was 90.4% funded based on its actuarial valuation of January 1, 2017 rolled forward to December 31, 2017 with 10 years (from July 1, 2018) remaining in its amortization period.

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment gain for calendar year 2017 resulted in total additions of \$49,792,809. Employers' contributions increased by \$416,964 in comparison to the prior year. The System had a net investment gain of \$35,172,112 versus a gain of \$14,456,949 in 2016.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions, and the costs of administering the System. Total deductions for 2017 were \$15,788,208, which represents an increase of 6.49% over deductions of \$14,825,406 in 2016. The payment of pension benefits increased by \$1,068,427 or 7.96% over the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Berkshire County Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Ms. Sheila LaBarbera
Executive Director
Berkshire County Retirement System
29 Dunham Mall
Pittsfield, MA 01201-6207

BERKSHIRE COUNTY RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
December 31, 2017

ASSETS

Cash and short-term investments	\$	5,228,524
Investments - PRIT		236,944,319
Accounts receivable		<u>1,553,069</u>
Total Assets		<u>243,725,912</u>

LIABILITIES AND NET POSITION

Accounts payable		<u>43,295</u>
Total Liabilities		43,295
Net position, designated for:		
Annuity Savings Fund		40,530,107
Annuity Reserve Fund		12,359,545
Military Service Fund		14,742
Pension Fund		35,317,352
Pension Reserve Fund		<u>155,460,871</u>
Total Net Position	\$	<u><u>243,682,617</u></u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2017

Additions:	
Contributions:	
Employers	\$ 9,297,200
Plan members	4,463,761
Other systems and Commonwealth of Massachusetts	852,552
Other	<u>7,184</u>
Total contributions	14,620,697
Investment income:	
Appreciation in fair value of investments	36,341,800
Less: management fees	<u>(1,169,688)</u>
Net investment loss	<u>35,172,112</u>
Total additions	49,792,809
Deductions:	
Benefit payments to plan members and beneficiaries	14,496,742
Refunds to plan members	520,119
Transfers to other systems	334,234
Administrative expenses	<u>437,113</u>
Total deductions	<u>15,788,208</u>
Net increase	34,004,601
Net position restricted for pensions:	
Beginning of year	<u>209,678,016</u>
End of year	<u>\$ 243,682,617</u>

The accompanying notes are an integral part of these financial statements.

BERKSHIRE COUNTY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

The System is a defined benefit multiple employer cost sharing pension plan covering the employees of 46-member units, except school department employees who serve in a teaching capacity. The pensions of such employees are administered by the Massachusetts Teachers' Retirement Board.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Chapter 32 also establishes contribution percentages and benefits paid. The System does not have the authority to amend benefit provisions. As required by Massachusetts General Laws, the System issues a separate report annually to PERAC.

Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits.

Membership of each plan consisted of the following at December 31, 2017:

Retirees and beneficiaries receiving benefits	778
Terminated plan members entitled to but not yet receiving benefits	252
Active plan members	<u>1,142</u>
Total	<u>2,172</u>
Number of participating employers	46

Participants Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 - December 31, 1983	7%
January 1, 1984 - June 30, 1996	8%
Beginning July 1, 1996	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification.

If a participant was a member prior to April 1, 2012, a retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town/City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4, have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they

generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is organized under Chapter 34B of the Massachusetts General Laws (MGL) and is subject to the provisions of Chapter 32 of the Massachusetts General Laws. The System is governed by a five-member Board. The Board members are appointed or elected as a specified by MGL Chapter 34B section 19(b) for terms ranging from 3 to 6 years. The System is also guided by an Advisory Council comprised of the official "Treasurers" of each member unit.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2017 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the member's employees are recognized as revenue in the period in which employees provide services.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-

term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.28%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2017, none of the System's bank balance of \$5,417,565 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

All of the System's investments are reported at fair value* and are comprised of shares in the Pension Reserve Investment Trust (PRIT) fund, which is exempt from credit risk disclosure.

**Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts general law, chapter 32, section 22, in December 1983. PRIT is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management (PRIM) Board. The PRIM Board chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts general law, chapter 30B.*

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

All of the System's investments are comprised of shares in the Pension Reserve Investment Trust (PRIT) Fund, which is exempt from custodial credit risk disclosure.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund

All of the System's investments are in the PRIT fund.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is not applicable as all of the System's investments are immediately liquid.

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have policies for foreign currency risk.

F. Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 Fair Value Measurement and Application (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

The System has the following fair value measurements as of December 31, 2017:

<u>Description</u>				
Investments measured at the net asset value (NAV):				
External investment pool		<u>\$ 236,944,319</u>		
<u>Description</u>	<u>Amount</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
External investment pool	\$236,944,319	\$ -	Monthly	30 days

The System values its investments in good faith at the System's pro-rata interest in PRIT based upon audited financial statements or other information provided to the System by the underlying investment manager (PRIM). The estimated fair value of these investments may differ significantly from values that would have been used had a ready market existed.

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance represents legal amounts due from employers for pension appropriation not received until after December 31, 2017.

6. Accounts Payable

This balance represents calendar year 2017 expenditures paid by the System after year end.

7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2017 and rolled forward to December 31, 2017.

The components of the net pension liability of the participating employers at December 31, 2017 were as follows (in thousands):

A. Net Pension Liability of Employers

Total pension liability	\$ 269,536
Plan fiduciary net position	(243,683)
Employers' net pension liability	<u>\$ 25,853</u>
Plan fiduciary net position as a percentage of total pension liability	90.41%

B. Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation Date	1/1/2017
Actuarial cost method	Entry Age Normal Cost Method
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	4.25% for Group 1, 4.75% for Group 4
Inflation rate	Not explicitly assumed
Post-retirement cost-of-living adjustment	3% of first \$14,000

Actuarial valuation of the ongoing Systems involves estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Explicitly

Pre-retirement rates for mortality were based on RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct) and post-retirement rates for mortality were based on RP-2000 Health Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

C. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) 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 real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2017, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Real Return Arithmetic Basis</u>	<u>Long-term Expected Real Rate of Return</u>
Large Cap Equities	14.50%	7.50%	1.09%
Small/Mid Cap Equities	3.50%	7.75%	0.27%
Int'l Equities	16.00%	7.80%	1.25%
Emerging Int'l Equities	6.00%	9.30%	0.56%
Core Bonds	5.00%	3.75%	0.19%
20+ Yr. Treasury STRIPS	2.00%	3.50%	0.07%
15 Yr. Duration Treasuries	0.00%	0.00%	0.00%
TIPS	5.00%	3.75%	0.19%
High-Yield Bonds	1.50%	5.50%	0.08%
Bank Loans	2.50%	5.50%	0.14%
EMD (External)	1.00%	5.00%	0.05%
EMD (Local Currency)	0.00%	6.50%	0.00%
Distressed Debt	3.00%	8.80%	0.26%
Other Credit Opportunities	2.00%	6.50%	0.13%
Private Equity	11.00%	9.50%	1.05%
Real Estate (Core)	10.00%	6.70%	0.67%
Timber/Natural Resources	4.00%	6.25%	0.25%
Hedge Funds	13.00%	6.40%	0.83%
Portfolio Completion Strategies	0.00%	n/a	n/a
Total	<u>100.00%</u>		

D. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

E. Sensitivity of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Discount <u>(8.25%)</u>
Participating employers' net pension liability	\$57,401	\$25,853	(\$1,970)

F. Deferred Outflows/Inflows of Resources

The following schedule reflects the deferred outflows/inflows of resources for the System for the year ended December 31, 2017 (in thousands):

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 500	\$ 1,213
Changes of assumptions	11,115	-
Net difference between projected and actual earnings on pension plan investments	-	<u>10,235</u>
Total	<u>\$ 11,615</u>	<u>\$ 11,448</u>

The following summarizes changes in deferred outflows/inflows, excluding employer-specific amounts:

	Measurement Year	Amortization Period	Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred (Inflows) of Resources:						
Difference between expected and actual experience	2015	5	\$ (1,819)	\$ -	\$ 606	\$ (1,213)
Net Differences between projected and actual earnings on pension plan investments	2014	5	\$ 187	\$ -	\$ (93)	\$ 94
	2015	5	8,140	-	(2,713)	5,427
	2016	5	332	-	(83)	249
	2017	5	-	(20,005)	4,000	(16,005)
Total Deferred (Inflows) of Resources			\$ 6,840	\$ (20,005)	\$ 1,717	\$ (11,448)
Deferred Outflows of Resources						
Difference between expected and actual experience	2017	4.8	\$ -	\$ 632	\$ (132)	\$ 500
Changes of assumptions	2015	5	5,760	-	(1,920)	3,840
	2017	4.8	-	9,190	(1,915)	7,275
Total Deferred Outflows of Resources			\$ 5,760	\$ 9,822	\$ (3,967)	\$ 11,615

The following schedule reflects the amortization of the balance of deferred outflows/inflows of resources, excluding employer-specific amounts, (in thousands):

Year ended June 30:	
2018	\$ 2,248
2019	2,156
2020	(1,871)
2021	(2,366)
Total	\$ 167

BERKSHIRE COUNTRY RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

(Unaudited)

Amounts in thousands

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension liability			
Service cost	\$ 6,795	\$ 6,366	\$ 6,092
Interest on unfunded liability - time value of \$	18,049	18,094	16,812
Differences between expected and actual experience	632	-	(3,031)
Changes of assumptions	9,190	-	9,600
Benefit payments, including refunds of member contributions	<u>(14,580)</u>	<u>(13,459)</u>	<u>(12,280)</u>
Net change in total pension liability	20,086	11,001	17,193
Total pension liability - beginning	<u>249,450</u>	<u>238,449</u>	<u>221,256</u>
Total pension liability - ending (a)	<u>\$ 269,536</u>	<u>\$ 249,450</u>	<u>\$ 238,449</u>
Plan fiduciary net position*			
Contributions - employer	\$ 9,297	\$ 8,880	\$ 8,431
Contributions - member	4,546	4,061	4,129
Net investment income	35,165	14,456	1,249
Benefit payments, including refunds of member contributions	<u>(14,581)</u>	<u>(13,460)</u>	<u>(12,280)</u>
Administrative expense	(437)	(403)	(400)
Other	<u>15</u>	<u>12</u>	<u>6</u>
Net change in plan fiduciary net position	34,005	13,546	1,135
Plan fiduciary net position - beginning	<u>209,678</u>	<u>196,132</u>	<u>194,997</u>
Plan fiduciary net position - ending (b)	<u>\$ 243,683</u>	<u>\$ 209,678</u>	<u>\$ 196,132</u>
Net pension liability (asset) - ending (a-b)	<u>\$ 25,853</u>	<u>\$ 39,772</u>	<u>\$ 42,317</u>

* Reflects certain rounding and classification differences from page 7.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

BERKSHIRE COUNTRY RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS
(Unaudited)
(Amount expressed in thousands)

Schedule of Net Pension Liability

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 269,536	\$ 249,450	\$ 238,449
Plan fiduciary net position	<u>243,683</u>	<u>209,678</u>	<u>196,132</u>
Net pension liability (asset)	<u>\$ 25,853</u>	<u>\$ 39,772</u>	<u>\$ 42,317</u>
Plan fiduciary net position as a percentage of the total pension liability	90.41%	84.06%	82.25%
Covered employee payroll	\$ 43,687	\$ 42,307	\$ 42,307
Participating employer net pension liability (asset) as a percentage of covered employee payroll	59.18%	94.01%	100.02%

Schedule of Contributions

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 9,297	\$ 8,880	\$ 8,482
Contributions in relation to the actuarially determined contribution	<u>9,297</u>	<u>8,880</u>	<u>8,482</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 43,687	\$ 42,307	\$ 42,307
Contributions as a percentage of covered employee payroll	21.28%	20.99%	20.05%

Schedule of Investment Returns

Year Ended December 31

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money weighted rate of return, net of investment expense	17.28%	7.59%	0.66%

*Schedules are intended to show information for 10 years.
Additional years will be displayed as they become available.*

INDEPENDENT AUDITORS' REPORT

To the Retirement System Board
Berkshire County Retirement System

Additional Offices:
Nashua, NH
Manchester, NH
Andover, MA
Ellsworth, ME

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Berkshire County Retirement System as of and for the year ended December 31, 2017. We have also audited the columns titled net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense (specified column totals) included in the accompanying schedule of collective pension amounts of Berkshire County Retirement System as of and for the year ended December 31, 2017.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with accounting principles generally accepted in the United States of America; 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 schedule of employer allocations and the specified column totals included in the schedule of collective pension amounts 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 schedule of employer allocations and specified column totals included in the schedule of collective pension amounts are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified column totals included in the schedule of collective pension amounts. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material

misstatement of the schedule of employer allocations and specified column totals included in the schedule of collective pension amounts, 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 allocations and specified column totals included in the schedule of collective pension amounts 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 allocations and specified column totals included in the schedule of collective pension amounts.

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 referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources excluding employer specific amounts, total deferred inflows of resources excluding employer specific amounts, and pension expense for Berkshire County Retirement System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

Our report is intended solely for the information and use of Berkshire County Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2017, and is not intended to be and should not be used by anyone other than these specified parties.

Melanson Heath

August 31, 2018

BERKSHIRE COUNTRY RETIREMENT SYSTEM
CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS

December 31, 2017

<u>Employer</u>	2017 Actual Employer Appropriation	Employer Allocation Percentage
Town of Alford	\$ 38,635	0.42%
Town of Becket	201,455	2.19%
Berk Cnty Mosq. Cont.	11,958	0.13%
Berk Hills Reg Sch. Dis.	634,720	6.90%
Berk Cnty Reg Hous Auth	111,306	1.21%
Cen Berk Reg School Dis	657,717	7.15%
Town of Cheshire	92,908	1.01%
Town of Clarksburg	138,902	1.51%
Town of Dalton	431,425	4.69%
Dalton Fire District	86,469	0.94%
Dalton Housing Auth	17,478	0.19%
Dist Dept of Veteran Serv	11,039	0.12%
Town of Egremont	156,380	1.70%
Farmington Riv Sch Dis	122,345	1.33%
Town of Florida	104,867	1.14%
Town of Great Barrington	757,064	8.23%
Great Barrington Fire Dist.	50,594	0.55%
Town of Hancock	16,558	0.18%
Town of Hinsdale	90,149	0.98%
Lanesboro Vil. Fire &Wat.	18,398	0.20%
Town of Lanesborough	321,039	3.49%
Town of Lee (incl. Schools)	952,080	10.35%
Lee Housing Authority	16,558	0.18%
Town of Lenox (incl. Schoo.ls)	890,447	9.68%
~nox Bo.using Authority	21,157	0.23%
Town of Monterey	105,787	1.15%
Mnt. Greylock School Dist.	275,965	3.00%
Mount Washington	27,597	0.30%
Town of New Ashford	920	0.01%
Town of New Marlborough	111,306	1.21%
Town of Otis	160,060	1.74%
Town of Peru	43,235	0.47%
Town of Richmond	146,261	1.59%
Town of Sandisfield	80,030	0.87%
Town of Savoy	44,154	0.48%
Town of Sheffield	229,051	2.49%
So Berk Reg Sch Dist	448,903	4.88%
Town of Stockbridge	329,318	3.58%
Stockbridge Housing Auth	22,077	0.24%
Town of Tyringham	71,751	0.78%
Town of Washington	27,597	0.30%
Town of West Stockbridge	101,187	1.10%
Town of Williamstown	968,637	10.53%
Williamstown Fire Dist	16,558	0.18%
Town of Windsor	36,795	0.40%
Total	<u>\$ 9,198,837</u>	<u>100.00%</u>

See actuarial assumptions in the Berkshire County Retirement Systems's audited financial statements

BERKSHIRE COUNTY RETIREMENT SYSTEM
SCHEDULE OF COLLECTIVE PENSION AMOUNTS

As of and for the year ended December 31, 2017

(Amounts expressed in thousands)

	Deferred Outflows of Resources			Deferred Inflows of Resources		
	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Outflows of Resources Excluding Employer Specific Amounts	Total Deferred Inflows of Resources Excluding Employer Specific Amounts	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Total Deferred Inflows of Resources Excluding Employer Specific Amounts
Net Pension Liability	\$25,853	\$11,115	\$11,115	(\$712)	-	(\$10,948)
						\$7,810

See actuarial assumptions in the Berkshire County Retirement System's audited financial statements

COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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