

DANVERS

RETIREMENT SYSTEM

AUDIT REPORT

JAN. 1, 2019 - DEC. 31, 2023



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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Public Employee Retirement Administration Commission

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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
Membership Exhibit	5
Independent Audit Reports:	
Marcum LLP, Year Ended December 31, 2023.....	6
Marcum LLP, Year Ended December 31, 2022.....	45
Melanson, Year Ended December 31, 2021.....	77
Melanson, Year Ended December 31, 2020.....	107
Melanson, Year Ended December 31, 2019.....	135

October 5, 2026

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Danvers Retirement System conducted by the firms of Marcum LLP (2022-2023) and Melanson (2019-2021) Certified Public Accountants. Marcum and Melanson conducted these audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits covered the period from January 1, 2019, to December 31, 2023. Melanson was acquired by the firm Marcum, which was then acquired by the firm of CBIZ, Inc.

We conducted an inspection of the work papers prepared by both Marcum and 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 Marcum and 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 retirement contributions are accurately deducted, 4) that retirement allowances were correctly calculated, 5) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Danvers Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight and verified cash balances. 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 Danvers 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 Marcum and 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, 2023, December 31, 2022, December 31, 2021, December 31, 2020, and December 31, 2019.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Keefe", written in a cursive style.

William T. Keefe
Executive Director

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2023		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,980,544	1.3%
Equities	21,495,047	14.1%
Pooled Domestic Equity Funds	39,232,915	25.7%
Pooled International Equity Funds	12,788,303	8.4%
Pooled Domestic Fixed Income Funds	28,322,516	18.5%
Pooled Alternative Investment Funds	28,846,229	18.9%
Pooled Real Estate Funds	9,743,507	6.4%
Hedge Funds	<u>10,315,546</u>	<u>6.8%</u>
Grand Total	<u>\$152,724,607</u>	<u>100.0%</u>

For the year ending December 31, 2023, the rate of return for the investments of the Danvers Retirement System was 17.53%. For the ten-year period ending December 31, 2023, the rate of return for the investments of the Danvers Retirement System averaged 6.50%. For the 39-year period ending December 31, 2023, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Danvers Retirement System was 7.92%.

The composite rate of return for all retirement systems for the year ending December 31, 2023 was 11.64%. For the ten-year period ending December 31, 2023, the composite rate of return for the investments of all retirement systems averaged 7.81%. For the 39-year period ending December 31, 2023, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.05%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, 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.

Ex-officio Member: Conor MacCorkle

Appointed Member: Rodney Conley Term Expires: 12/06/2028

Elected Member: Joseph L. Collins, Chairperson Term Expires: 06/30/2028

Elected Member: Dana M. Hagan Term Expires: 06/30/2029

Appointed Member: Vincent Malgeri **Term Expires:** 10/29/2028

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 \$100,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

The Danvers Retirement Board has adopted Regulations which are available on the PERAC website at <https://www.mass.gov/danvers-retirement-board-regulations>.

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Retirement in Past Years										
Superannuation	12	19	18	12	16	12	15	13	19	19
Ordinary Disability	0	0	0	0	0	0	1	0	1	0
Accidental Disability	2	0	1	0	0	2	1	1	0	1
Total Retirements	14	19	19	12	16	14	17	14	20	20
Total Retirees, Beneficiaries and Survivors	405	407	408	407	415	425	423	427	435	432
Total Active Members	476	470	485	497	500	497	491	477	498	502
Pension Payments										
Superannuation	\$6,968,968	\$7,417,393	\$7,869,725	\$8,116,299	\$8,430,224	\$8,710,696	\$8,903,164	\$9,164,785	\$9,388,139	\$9,374,298
Survivor/Beneficiary Payments	341,045	344,665	355,541	377,119	401,442	417,678	441,524	508,023	618,551	749,643
Ordinary Disability	57,736	59,072	60,460	61,901	63,350	52,371	47,362	64,472	91,546	98,887
Accidental Disability	799,297	850,089	848,016	901,939	880,047	965,081	1,015,457	1,047,896	1,174,376	1,307,605
Other	<u>886,956</u>	<u>945,551</u>	<u>942,528</u>	<u>999,991</u>	<u>1,073,300</u>	<u>1,306,968</u>	<u>1,053,902</u>	<u>1,218,756</u>	<u>1,062,349</u>	<u>1,153,106</u>
Total Payments for Year	<u>\$9,054,002</u>	<u>\$9,616,770</u>	<u>\$10,076,270</u>	<u>\$10,457,249</u>	<u>\$10,848,363</u>	<u>\$11,452,795</u>	<u>\$11,461,408</u>	<u>\$12,003,932</u>	<u>\$12,334,961</u>	<u>\$12,683,539</u>

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

**FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTARY INFORMATION
AND AUDIT OF SPECIFIC ELEMENTS**

FOR THE YEAR ENDED DECEMBER 31, 2023



DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

TABLE OF CONTENTS

FINANCIAL SECTION

Independent Auditors' Report	1-3
---	-----

Management's Discussion and Analysis	4-7
---	-----

Financial Statements

Statement of Fiduciary Net Position.....	8
--	---

Statement of Changes in Fiduciary Net Position	9
--	---

Notes to Financial Statements	10-23
--	-------

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability.....	24
---	----

Schedule of Net Pension Liability, Contributions, and Investment Returns	25
---	----

Notes to Required Supplementary Information	26
---	----

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	27-28
--	-------

AUDIT OF SPECIFIC ELEMENTS

Independent Auditors' Report	29-31
---	-------

Schedule of Employer Allocations	32
--	----

Schedule of Pension Amounts by Employer	33
---	----

Notes to Schedule of Employer Allocations and Schedule of Pension Amounts by Employer	34-37
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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Danvers Contributory Retirement System
A Component Unit of the Town of Danvers, Massachusetts

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Danvers Contributory Retirement System (the System), a component unit of the Town of Danvers, Massachusetts, as of and for the year ended December 31, 2023, 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 fiduciary net position of the Danvers Contributory Retirement System, as of December 31, 2023, 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 Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

1

Marcum LLP / 53 State Street / 17th Floor / Boston, MA 02108 / Phone 617.807.5000 / marcumllp.com

Auditors' 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 auditors' 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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, listed in the forgoing table of contents, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 20, 2024 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, in considering the System's internal control over financial reporting and compliance.

Marcum LLP

Boston, MA
November 20, 2024

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

As management of the Danvers Contributory 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, 2023.

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) fiduciary fund financial statements and (2) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Fiduciary 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, 2023. 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 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 Net Pension Liability, Contributions, and Investment Returns.

Financial Highlights

- The System's total net position restricted for pension benefits was \$152,848,304 at December 31, 2023, a change of \$20,088,588, or 15.13%, compared to the prior year. This change is primarily due to investment gains during the year.
- Employer and employee contributions to the plan were \$14,028,898, which represents a change of \$659,666 to the prior year. The employer share of contributions represents 66.38% of the total contributions made to the System.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

- Benefits paid to plan participants increased by \$431,187, or 2.91%, totaling \$15,258,121. As of December 31, 2023, there were 423 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, 2024, actuarial valuation was 61.97%.

Financial Statement Analysis

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

SUMMARY OF FIDUCIARY NET POSITION

(in thousands)

	2023	2022
Assets		
Cash and receivables	\$ 2,368	\$ 2,220
Investments	<u>150,744</u>	<u>130,778</u>
Total Assets	<u>\$ 153,112</u>	<u>\$ 132,998</u>
Liabilities		
Accounts payable	<u>\$ 264</u>	<u>\$ 238</u>
Net Position		
Restricted for pension benefits	<u>\$ 152,848</u>	<u>\$ 132,760</u>

The System's total assets as of December 31, 2023 were \$153,112,206 and were comprised mostly of cash and investments. Total assets increased by \$20,114,095 or 15.12% from the prior year primarily due to an increase in investment value.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

SUMMARY OF CHANGES IN FIDUCIARY NET POSITION

(in thousands)

	2023	2022
Additions		
Contributions	\$ 14,825	\$ 14,139
Net investment income (loss)	<u>21,918</u>	<u>(25,692)</u>
Total Additions	<u>36,743</u>	<u>(11,553)</u>
Deductions		
Benefit payments	15,258	14,827
Other	<u>1,397</u>	<u>1,695</u>
Total Deductions	<u>16,655</u>	<u>16,522</u>
Changes in Net Position	20,088	(28,075)
Net Position Restricted for Pension Benefits		
Beginning of year	<u>132,760</u>	<u>160,835</u>
End of year	<u>\$ 152,848</u>	<u>\$ 132,760</u>

The System was 64.5% funded based on its actuarial valuation (for funding purposes) of January 1, 2024, with no years remaining in its amortization period for the Danvers Electric Division and 11 years for all other member units.

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 2023 resulted in a net gain of \$20,088,588. Employer's contributions increased by \$539,938, or 5.80% in calendar year 2023. The System had net investment gains of \$21,917,894 versus net investment losses of \$(25,692,092) in calendar year 2022, primarily due to investments performing more favorably in calendar year 2023.

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 Laws, 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 2023 were \$16,654,196, which represent a change of \$131,991, or 0.80%, over deductions of \$16,522,205 in calendar year 2022. The payment of pension benefits increased by \$431,187 or 2.91% in comparison to the prior year.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2023

Return on Investment and Funding

The Danvers Contributory Retirement System Board continuously monitors investment performance at its monthly meetings. The money-weighted rate of return for the System's investments, as of December 31, 2023, was 16.71%.

Requests for Information

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

Cory Grace, Retirement Administrator
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, Massachusetts 01923

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION**DECEMBER 31, 2023**

Assets	
Cash and short-term investments	\$ 1,980,544
Investments:	
Equities	21,495,047
Pooled funds	129,249,016
Contributions receivable	<u>387,599</u>
Total Assets	153,112,206
Liabilities	
Accounts payable	<u>263,902</u>
Net Position	
Restricted for pension benefits	<u>152,848,304</u>
Total Net Position	<u>\$ 153,112,206</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

Additions

Contributions:	
Employers	\$ 9,841,375
Plan members	4,187,523
3(8)c reimbursements from other retirement systems and the Commonwealth of Massachusetts	305,045
Grant reimbursement and other	<u>490,947</u>
Total contributions	14,824,890
Investment income:	
Increase in fair value of investments	22,918,652
Less: management fees	<u>(1,000,758)</u>
Net investment income	<u>21,917,894</u>
Total Additions	36,742,784

Deductions

Benefit payments to plan members, beneficiaries, and other systems	15,258,121
Refunds to plan members	110,062
Transfers to other systems	1,004,207
Administrative expenses	<u>281,806</u>
Total Deductions	<u>16,654,196</u>
Change in Net Position	20,088,588
Net Position Restricted for Pension Benefits	
Beginning of Year	<u>132,759,716</u>
End of Year	<u>\$ 152,848,304</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The Danvers Contributory Retirement System (the System) is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws (MGL). Because of the significance of its operational and financial relationship with the Town of Danvers, Massachusetts (the Town), the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of the Public Employee Retirement Administration Council (PERAC).

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2023 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 and generally accepted accounting policies. The accounting records are maintained on the accrual basis of accounting. Contributions from the Town of Danvers and Danvers Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

INVESTMENTS

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 16.71%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts invested throughout the year.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. GAAP) requires the System to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2 - DESCRIPTION OF PLAN

All eligible employees of the Town of Danvers (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the System, a cost-sharing, multiple-employer PERS. Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of MGL establishes the authority of the System, contribution percentages, and benefits paid. The Danvers Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2024:

Retirees and beneficiaries receiving benefits	423
Inactive members entitled to a return of employee contributions	207
Active plan members	498
Total	<u>1,128</u>
Number of participating employers	<u>2</u>

There are three classes of membership in the retirement system 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.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

PARTICIPANT CONTRIBUTIONS

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of MGL. 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 the 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 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 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.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 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 terminated at the member's 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.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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%.

NOTE 3 - CASH AND SHORT-TERM INVESTMENTS

DEPOSITS

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the System’s deposits may not be returned. MGL 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, 2023, \$232,607 of the System’s bank balance of \$2,382,430 was exposed to custodial credit risk as uninsured or uncollateralized.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - INVESTMENTS

As of December 31, 2023, the System had \$21,495,047 in equity securities and \$129,249,016 in pooled investment funds. Of the investments in pooled funds, \$57,055,729 are in an external investment pool, the Pension Reserves Investment Trust (PRIT). PRIT was created under MGL Chapter 32, Section 22, in December 1983. The PRIT pooled fund is an external investment pool that is not registered with the Securities Exchange Commission but is subject to oversight provided by the Pension Reserves Investment Management Board (PRIM). PRIM was created by legislation to provide general supervision of the investments and management of PRIT. PRIM shall choose an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under MGL Chapter 30B.

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. MGL 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.

As of December 31, 2023, all of the System's investments were unrated by nationally recognized statistical rating organizations.

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. All of the System's investments are held in the System's name. The System does not have policies for custodial credit risk.

As of December 31, 2023, the System did not have any investments exposed to custodial credit risk disclosure as investments in external investment pools are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investments in a single issuer. MGL 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.

As of December 31, 2023, the System did not have any investments subject to concentration of credit risk as external investment pools exceeding 5% are exempt from disclosure.

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.

As of December 31, 2023, the System did not have any investments subject to interest rate risk.

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's policy for foreign currency risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

As of December 31, 2023, none of the System's investments were exposed to foreign currency risk.

RISKS AND UNCERTAINTIES

The System invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amount reported in the Statement of Fiduciary Net Position. The System, through its investment advisor, monitors the System's investments and the risks associated therewith on a regular basis, which the System believes minimizes these risks.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

System contributions are made and the net pension liability of the members are reported based on certain assumptions pertaining to investment returns, interest rates, inflation rates, and employee demographics, all of which are subject to change. Due to uncertainties inherent in the estimations and assumptions process, it is at least reasonably possible that changes in these estimates and assumptions in the near term could be material to the financial statements.

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*.

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 in 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 System has the following fair value measurements as of December 31, 2023:

Description	Value	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity securities	\$ 21,495,047	\$ 21,495,047	\$ --	\$ --

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

Investments measured at the NAV for fair value are not subject to level classification. The fair value of these investments has been determined using the NAV as a practical expedient and has not been categorized within the fair value hierarchy (Level 1, Level 2, or Level 3). Practical expedient is not used when the investment would be expected to sell at a value different from the NAV.

The System has the following investments measured at net asset value (NAV) as of December 31, 2023:

Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Investments measured at the net asset value (NAV):				
External Investment Pools				
Pooled Funds				
PRIT Core Real Estate Fund ¹	\$ 7,774,118	\$ --	Monthly	30 days
Pooled Alternative Investments/Private Equity Funds				
Dover Street XI Partnership ²	1,768,999	6,640,000	*	*
Palladian Partners VII, LP ³	899,468	200,000	*	*
PRIT Private Equity Fund ⁴	12,700,293	8,155,199	Monthly	30 days
PRIT Emerging Markets Fund ⁵	13,477,469	--	Monthly	30 days
Pooled Domestic Equity Funds				
Rhonline Russell 1000 Growth ⁶	17,152,678	--	Daily	1 day
Rhonline S&P 500 Index Fund ⁷	22,080,236	--	Daily	1 day
Pooled Domestic Fixed Income Funds				
Mesirow High Yield ⁸	9,250,102			
Western Asset ⁹	19,072,415	--	Daily	1 day
Pooled Hedge Funds				
PRIT Hedge Funds ¹⁰	10,315,546	--	Monthly	30 days
Pooled International Equity Funds				
PRIT International Equity Fund ¹¹	12,788,303	--	Monthly	30 days
Pooled Real Estate Funds				
Boyd Watterson ¹²	955,271	--	Monthly	30 days
BPG Investments Partnership IX, LP ¹³	--	27,862	*	*
Intercontinental US Real Estate ¹⁴	1,014,118	--	Monthly	30 days
Total	<u>\$ 129,249,016</u>			

* As standard to limited partnership investments, not fully redeemed until the end of partnership term; distributions based on cash flow of the partnerships.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

¹ The fund invests with the objective of providing stable income returns, low risk, and added diversification. These investments are domestic, high quality, and substantially leases properties typically in the following property types: apartment, office, retail, industrial, and R&D office.

² The fund invests in private investment funds around the world, through purchases in the secondary market – either at the initiative of the investment manager (GP-Led Transactions) or at the initiative of an investor (LP-Led Transaction). The investment mix will be carried out with the following features: sectoral and geographic dispersion, diversity in vintage years, fund managers and strategies.

³ The fund targets to invest in the consumer product and service sectors. The fund will make investments in middle-market companies that have EBITDA of USD 5 to USD 25 million and enterprise values of approximately USD 100 million.

⁴ The fund is diversified at the partnership level by strategy as well as the underlying portfolio company level by industry and geography. Investments are subject to a relatively high degree of risk as compared to other potential investments, with the assumption that the investor will be rewarded with higher returns for the assumption of risk.

⁵ The fund invests in companies in developing countries, including, but not limited to, China, Brazil, South Korea, Taiwan, and India. These countries typically have less efficient securities markets, and thus there is opportunity for returns above benchmarks.

⁶ The fund invests primarily in stocks that closely match the composition of the Russell 1000® Index. The stocks in the index are highly diversified across industries and sectors. The Fund practices a passive investment approach and seeks to replicate the performance of the Russell 1000® Index.

⁷ The fund invests at least 80% of their assets in the S&P 500 index. They buy most, but not necessarily all, of the stocks in the index.

⁸ The fund invests in below investment grade corporate equities with an emphasis of small-to-mid sized capitalization companies and benchmarks against the Bloomberg US Corporate High Yield Index.

⁹ The fund invests in below investment grade corporate equities with an emphasis of small-to-mid sized capitalization companies and benchmarks against the Bloomberg US Aggregate USD Unhedged Index.

¹⁰ The fund invests with the objective of retaining a portfolio of managers that employ a wider range of investment techniques such as leverage, short selling, and derivatives to achieve their objectives.

¹¹ The fund invests in companies in developing markets, industrialized nations outside of the United States, including, but not limited to Japan, Germany, the United Kingdom, France, Italy, Switzerland, Hong Kong, Canada, and Australia.

¹² The fund invests in commercial properties (office, warehouse and flex space) leased predominantly to high credit-quality tenants. The strategy is to build a moderate risk portfolio with an emphasis on income generation.

¹³ The fund will invest 40 percent toward buying multifamily properties and the remainder will be spread across office, industrial and retail.

¹⁴ The fund seeks to be diversified by property mix and geography. Fund strategies actively seek opportunities to invest in both core and core-plus properties, as well as in value-add operating properties and development projects.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable are primarily plan member contributions not received until after December 31, 2023.

NOTE 6 - ACCOUNTS PAYABLE

The accounts payable balances are primarily comprised of management and custodial fees not paid until after December 31, 2023.

NOTE 7 - NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

The net pension liability was based on an actuarial valuation dated January 1, 2024.

NET PENSION LIABILITY OF EMPLOYERS

The components of the net pension liability of the participating employers at December 31, 2023 were as follows:

Total pension liability	\$ 246,644,528
Plan fiduciary net position	<u>(152,848,304)</u>
Employers' net pension liability	<u>\$ 93,796,224</u>
Plan fiduciary net position as a percentage of total pension liability	61.97%

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

ACTUARIAL ASSUMPTIONS

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

Valuation date	January 1, 2024
Actuarial cost method	Entry age normal
Remaining amortization period	0 years for the Danvers Electric Division and 11 Years for all others
Actuarial assumptions:	
Discount rate	7.00%
Projected salary increases:	
Group 1	6.00% - 4.25%, based on service
Group 2	7.00% - 4.75%, based on service
Inflation rate	2.50% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$13,000
Mortality rates:	
Pre- and post-retirement and beneficiary mortality:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Mortality for disabled members:	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2023, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US equity	35.00%	5.00%
International equity	9.00%	5.00%
Emerging market equity	9.00%	5.50%
Core fixed income	8.00%	1.70%
High yield	5.00%	3.10%
Private equity	13.00%	7.30%
Hedge funds	5.00%	2.80%
Real estate - core	7.00%	2.60%
Real estate - value added	3.00%	5.40%
Infrastructure	4.00%	5.20%
Cash	2.00%	0.00%
Total	<u>100.00%</u>	

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

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 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:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
\$ 121,811,065	\$ 93,796,224	\$ 70,144,265

NOTE 8 - CONTINGENCIES

LITIGATION

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 5,333,986	\$ 5,166,088	\$ 4,926,286	\$ 4,748,227	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest	16,670,701	16,193,786	15,925,994	15,434,430	14,843,264	14,385,211	14,147,151	13,435,902	13,431,210	13,007,186
Changes of benefit terms	--	--	--	--	--	--	--	930,654	--	--
Differences between expected and actual experience	354,150	--	(407,370)	--	1,281,177	--	370,773	2,720,022	--	--
Changes of assumptions	3,176,494	--	8,616,532	--	486,289	--	2,575,825	405,282	--	--
Benefit payments, including refunds of member contributions	(15,063,138)	(14,605,310)	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Net Change in Total Pension Liability	10,472,193	6,754,564	14,933,497	6,697,552	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total Pension Liability - Beginning	236,172,335	229,417,771	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175	164,836,276
Total Pension Liability - Ending (a)	246,644,528	236,172,335	229,417,771	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position										
Contributions - employer	9,841,375	9,301,437	8,665,976	7,902,628	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,686,405
Contributions - member	3,183,315	2,734,001	3,010,992	3,127,327	2,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,972
Net investment income (loss)	21,917,893	(25,692,093)	22,955,725	14,378,706	18,670,829	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(15,063,138)	(14,605,310)	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	111,681	121,039	140,236	155,979	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	97,462	66,008	67,047	50,862	52,355	54,963	50,329	--	--	--
Net Change in Plan Fiduciary Net Position	20,088,588	(28,074,918)	20,712,031	12,130,397	20,235,758	(10,134,205)	15,169,341	6,740,384	(3,708,325)	4,145,447
Plan Fiduciary Net Position - Beginning	132,759,716	160,834,634	140,122,603	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253	95,543,806
Plan Fiduciary Net Position - Ending (b)	152,848,304	132,759,716	160,834,634	140,122,603	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253
Net Pension Liability - Ending (a-b)	\$ 93,796,224	\$ 103,412,619	\$ 68,583,137	\$ 74,361,671	\$ 79,794,516	\$ 92,078,102	\$ 75,640,796	\$ 82,208,045	\$ 79,745,508	\$ 70,496,922

See Independent Auditors' Report.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Net Pension Liability										
Total pension liability	\$ 246,644,528	\$ 236,172,335	\$ 229,417,771	\$ 214,484,274	\$ 207,786,722	\$ 199,834,550	\$ 193,531,449	\$ 184,929,357	\$ 175,726,436	\$ 170,186,175
Plan fiduciary net position	<u>152,848,304</u>	<u>132,759,716</u>	<u>160,834,634</u>	<u>140,122,603</u>	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>
Net pension liability	<u>\$ 93,796,224</u>	<u>\$ 103,412,619</u>	<u>\$ 68,583,137</u>	<u>\$ 74,361,671</u>	<u>\$ 79,794,516</u>	<u>\$ 92,078,102</u>	<u>\$ 75,640,796</u>	<u>\$ 82,208,045</u>	<u>\$ 79,745,508</u>	<u>\$ 70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	61.97%	56.21%	70.11%	65.33%	61.60%	53.92%	60.92%	55.55%	54.62%	58.58%
Covered payroll	\$ 31,896,751	\$ 30,580,106	\$ 28,543,510	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Participating employer net pension liability as a percentage of covered payroll	294.06%	338.17%	240.28%	249.57%	278.40%	315.58%	275.82%	307.11%	297.17%	287.91%
Schedule of Contributions										
Actuarially determined contribution	\$ 9,841,375	\$ 9,301,437	\$ 8,665,976	\$ 7,902,628	\$ 7,885,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>9,841,375</u>	<u>9,301,437</u>	<u>8,665,976</u>	<u>7,902,628</u>	<u>12,017,086</u>	<u>7,301,589</u>	<u>6,760,731</u>	<u>6,317,667</u>	<u>5,853,934</u>	<u>10,686,405</u>
Contribution deficiency (excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (4,131,369)</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ (57,731)</u>	<u>\$ (57,696)</u>	<u>\$ (5,319,519)</u>
Covered payroll	\$ 31,896,751	\$ 30,580,106	\$ 28,543,510	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Contributions as a percentage of covered payroll	30.85%	30.42%	30.36%	26.52%	41.93%	25.03%	24.65%	23.60%	21.81%	43.64%
Schedule of Investment Returns										
Annual money weighted rate of return, net of investment expense	16.71%	-16.31%	16.61%	11.40%	17.53%	-6.94%	17.57%	10.05%	5.17%	7.11%

See Independent Auditors' Report.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - CHANGES IN THE NET PENSION LIABILITY (ASSET)

The Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability.

NOTE 2 - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. The actuarially determined contributions reflect the adjusted rates for communities that chose to pay the entire appropriation on July 1.

NOTE 3 - INVESTMENT RETURNS

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

NOTE 4 - CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

ASSUMPTION CHANGES

The investment rate of return decreased from 7.15% to 7%. All other actuarial assumptions and methods used were the same as the last measurement date.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Retirement Board
Danvers Contributory Retirement System
A Component Unit of the Town of Danvers, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the Danvers Contributory Retirement System as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 20, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Marcum LLP

Boston, MA
November 20, 2024



INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Danvers Contributory Retirement System
A Component Unit of the Town of Danvers, Massachusetts

Report on the Audit of the Schedules

Opinion

We have audited the schedule of employer allocations of the Danvers Contributory Retirement System (the System) as of and for the year ended December 31, 2023 and the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer (the Schedules) of the Danvers Contributory Retirement System as of and for the year ended December 31, 2023, and the related notes.

In our opinion, the accompanying Schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Danvers Contributory Retirement System as of and for the year ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the Danvers Contributory 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 and for 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' Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the Schedules are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America (GAAS) the financial statements of the Danvers Contributory Retirement System as of and for the year ended December 31, 2023, and our report thereon dated November 20, 2024, expressed an unmodified opinion of those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Danvers Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2023 and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Boston, MA
November 20, 2024

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS

DECEMBER 31, 2023

Employer	FY 2024 Actual Employer Contributions	Proportional Share of Total Employer Contributions	Proportional Share of Net Pension Liability
Town of Danvers	\$ 7,341,694	74.60%	86.07%
School Department	1,291,034	13.12%	15.14%
Electric Division	576,351	5.86%	-8.62%
Water Division	385,131	3.91%	4.52%
Sewer Division	56,687	0.58%	0.66%
Danvers Housing Authority	190,478	1.94%	2.23%
Total	\$ 9,841,375	100.00%	100.00%

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

	Town of Danvers	School Department	Electric Division	Water Division	Sewer Division	Danvers Housing Authority	Total
Net Pension Liability							
Beginning net pension liability	\$ 85,631,125	\$ 13,947,131	\$ (3,324,733)	\$ 4,455,466	\$ 612,350	\$ 2,091,280	\$ 103,412,619
Ending net pension liability	\$ 80,729,413	\$ 14,196,235	\$ (8,082,163)	\$ 4,234,908	\$ 623,331	\$ 2,094,500	\$ 93,796,224
Deferred Outflows of Resources							
Difference between expected and actual experience	\$ 277,053	\$ 48,719	\$ (27,737)	\$ 14,534	\$ 2,139	\$ 7,188	\$ 321,896
Net difference between projected and actual investment earnings on pension plan investments	5,296,403	931,371	(530,243)	277,839	40,895	137,414	6,153,677
Changes of assumptions	4,893,767	860,567	(489,936)	256,717	37,786	126,967	5,685,868
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,276,636	1,220,328	4,520,424	285,054	58,459	162,400	9,523,501
Total Deferred Outflows of Resources	<u>\$ 13,743,859</u>	<u>\$ 3,061,185</u>	<u>\$ 3,472,506</u>	<u>\$ 834,144</u>	<u>\$ 139,279</u>	<u>\$ -433,969</u>	<u>\$ 21,684,942</u>
Deferred Inflows of Resources							
Difference between expected and actual experience	\$ 127,768	\$ 22,468	\$ (12,791)	\$ 6,702	\$ 987	\$ 3,315	\$ 148,449
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,162,925	642,351	4,402,868	168,791	59,369	87,297	9,523,501
Total Deferred Inflows of Resources	<u>\$ 4,290,693</u>	<u>\$ 664,719</u>	<u>\$ 4,390,077</u>	<u>\$ 175,493</u>	<u>\$ 60,356</u>	<u>\$ 90,612</u>	<u>\$ 9,671,950</u>
Pension Expense							
Proportionate share of pension expense	\$ 9,748,335	\$ 1,714,241	\$ (975,947)	\$ 511,379	\$ 75,269	\$ 252,918	\$ 11,326,195
Proportion changes and differences between employer contributions and proportionate share recognized as expense	8,585	316,567	(486,870)	84,222	25,905	51,591	--
Total Pension Expense	<u>\$ 9,756,920</u>	<u>\$ 2,030,808</u>	<u>\$ (1,462,817)</u>	<u>\$ 595,601</u>	<u>\$ 101,174</u>	<u>\$ 304,509</u>	<u>\$ 11,326,195</u>
Contributions							
Actuarially determined contribution	\$ 7,341,694	\$ 1,291,034	\$ 576,351	\$ 385,131	\$ 56,687	\$ 190,478	\$ 9,841,375
Contributions made	(7,341,694)	(1,291,034)	(576,351)	(385,131)	(56,687)	(190,478)	(9,841,375)
Contribution deficiency / (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	36.53%	24.72%	13.41%	27.37%	34.44%	27.01%	30.85%
Deferred Outflows/(Inflows) Recognized in Future Pension Expense							
June 30, 2025	\$ 3,507,452	\$ 815,627	\$ (826,544)	\$ 266,769	\$ 22,868	\$ 121,353	\$ 3,907,525
June 30, 2026	2,997,318	717,928	288,503	220,913	17,971	104,336	4,346,969
June 30, 2027	4,265,481	933,197	5,414	234,749	41,165	132,908	5,612,914
June 30, 2028	(1,317,085)	(70,286)	(384,944)	(63,780)	(3,081)	(15,240)	(1,854,416)
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	<u>\$ 9,453,166</u>	<u>\$ 2,396,466</u>	<u>\$ (917,571)</u>	<u>\$ 658,651</u>	<u>\$ 78,923</u>	<u>\$ 343,337</u>	<u>\$ 12,012,992</u>
Discount Rate Sensitivity							
1% decrease (6.00%)	\$ 101,628,565	\$ 17,871,343	\$ (6,441,500)	\$ 5,331,237	\$ 784,698	\$ 2,636,722	\$ 121,811,065
Current discount rate (7.00%)	\$ 80,729,413	\$ 14,196,235	\$ (8,082,163)	\$ 4,234,908	\$ 623,331	\$ 2,094,500	\$ 93,796,224
1% increase (8.00%)	\$ 63,084,982	\$ 11,093,470	\$ (9,467,318)	\$ 3,309,316	\$ 487,094	\$ 1,636,721	\$ 70,144,263
Covered Payroll	<u>\$ 20,099,403</u>	<u>\$ 5,222,603</u>	<u>\$ 4,297,612</u>	<u>\$ 1,407,353</u>	<u>\$ 164,616</u>	<u>\$ 705,164</u>	<u>\$ 31,896,751</u>

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 1 - SCHEDULE OF EMPLOYER ALLOCATIONS

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* (GASB 68), requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

GASB 68 requires the allocation of the collective pension amounts be consistent with the manner in which contributions to the plan are determined. As permissible under GASB 68, The Schedule of Employer Allocations is used to demonstrate the allocation of the System's collective pension amounts.

Massachusetts General Laws (MGL) Chapter 32, Section 22, Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2022, were applied to allocate the System's fiscal year 2024, pension fund appropriation by member unit.

NOTE 2 - SCHEDULE OF COLLECTIVE PENSION AMOUNTS

The Schedule of Collective Pension Amounts presents the total net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, contributions and pension expense including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2023

The net position for the Danvers Retirement System as of December 31, 2023 was \$152,848,304. This includes an excess contribution of \$5,000,000 made by the Electric Division in calendar year 2014 and an excess contribution of \$4,131,369 made by the Electric Division in calendar year 2019. The value of this additional contributions as of December 31, 2023 is \$14,419,730. Since this amount is contributed by the Electric Department solely for their own use and not for any cost-sharing purpose, it is applied only towards the Electric Department's liability in the allocation of results to individual employers. This is consistent with a memorandums of understanding issued by the Municipal Light Board and the Danvers Retirement Board, dated November 13, 2015 and October 24, 2019.

The System's net pension liability (prior to the allocation of the \$14,419,370 discussed above) is allocated to member units (including departments and divisions) based on fiscal year 2023 actuarially determined contributions. However, because of the treatment of the additional Electric Division contributions, the System has allocated the net pension liability, deferred outflows of resources, and deferred inflows of resources (other than proportion and contribution changes) based on the member unit's proportional share of the net pension liability after the allocation of the \$14,419,370.

NOTE 3 - CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Assumption Changes

The investment rate of return decreased from 7.15% to 7%. All other actuarial assumptions and methods used were the same as the last measurement date.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 4 - COLLECTIVE DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

The following schedule reflects the deferred outflows and deferred inflows of resources for the System for the year ended December 31, 2023:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 321,896	\$ (148,449)
Changes of assumptions	5,685,868	--
Net difference between projected and actual investment earnings on pension plan investments	6,153,677	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,523,501	(9,523,501)
	<u>\$ 21,684,942</u>	<u>\$ (9,671,950)</u>

The following schedule reflects the amortization of the balance of deferred outflows and inflows of resources as increases (decreases) in pension expense:

Fiscal Year*	Total
2025	\$ 3,907,525
2026	4,346,969
2027	5,612,914
2028	(1,854,416)
	<u>\$ 12,012,992</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.*

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of Danvers, Massachusetts)

NOTES TO SCHEDULE OF EMPLOYER ALLOCATIONS AND SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2023

NOTE 5 - COLLECTIVE PENSION EXPENSE

The calculation of collective pension expense for the year ended December 31, 2023 are as follows:

Service cost	\$ 5,333,986
Interest on total pension liability	16,670,701
Differences between expected and actual experience	233,965
Changes in assumptions	2,565,407
Employee contributions	(3,183,315)
Total projected earnings	(9,344,804)
Differences between projected and actual earnings	(740,601)
Pension plan administrative expenses	(111,681)
Other changes in fiduciary net position	(97,463)
Total Pension Expense	<u>\$ 11,326,195</u>

**DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A COMPONENT UNIT OF THE TOWN OF
DANVERS, MASSACHUSETTS)**

**FINANCIAL STATEMENTS,
REQUIRED SUPPLEMENTARY INFORMATION,
AND OTHER INFORMATION**

FOR THE YEAR ENDED DECEMBER 31, 2022

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

CONTENTS

FINANCIAL SECTION

Independent Auditors' Report.....	1-3
-----------------------------------	-----

Management's Discussion and Analysis	4-7
--	-----

Basic Financial Statements

Government-Wide Financial Statements

Statement of Fiduciary Net Position	8
---	---

Statement of Changes in Fiduciary Net Position	9
--	---

Notes to Financial Statements	10-24
-------------------------------------	-------

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net Pension Liability	25
--	----

Schedule of Net Pension Liability, Contributions, and Investment Returns	26
--	----

OTHER INFORMATION

Independent Auditors' Report.....	27-28
-----------------------------------	-------

Schedule of Employer Allocations	29
--	----

Schedule of Pension Amounts by Employer	30
---	----



INDEPENDENT AUDITORS' REPORT

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Opinion

We have audited the financial statements of the Danvers Contributory Retirement System (the System), a component unit of the Town of Danvers, Massachusetts, as of and for the year ended December 31, 2022, 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 fiduciary net position of the Danvers Contributory Retirement System, as of December 31, 2022, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' 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 auditors' 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 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.

Marcum LLP

Andover, MA
November 29, 2023

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

As management of the Danvers Contributory 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, 2022.

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 and 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, 2022. 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.

Financial Highlights

- The System's total net position restricted for pensions was \$132,759,716 at December 31, 2022.
- The System's net position decreased by \$28,074,918, which is primarily due to investment losses of \$24,866,810 during the year.
- Employer and employee contributions to the plan were \$13,369,232, which represents a \$670,944 increase over the prior year. This increase is due to an increase in the annual approved appropriation by PERAC. The employer share of contributions represents 66% of the total contributions made to the System.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

- Benefits paid to plan participants increased by \$480,438, or 3%, totaling \$14,826,934. At December 31, 2022, there were 435 retirees and beneficiaries in receipt of pension benefits.
- The System's funded ratio (based on the System's GASB 68 report) as of December 31, 2022 actuarial valuation was 56.21%.

Financial Statement Analysis

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

	2022	2021
Assets		
Cash and receivables	\$ 2,220	\$ 4,479
Investments	130,778	156,509
Total assets	<u>\$ 132,998</u>	<u>\$ 160,988</u>
Liabilities		
Accounts payable	\$ 238	\$ 153
Net Position		
Restricted for pensions	132,760	160,835
Total liabilities and net position	<u>\$ 132,998</u>	<u>\$ 160,988</u>

The System's total assets as of December 31, 2022 were \$132,998,111 and were comprised mostly of cash and investments. Total assets decreased \$27,989,928 or 17% from the prior year primarily due to investment losses of approximately \$25 million. Total liabilities increased by \$84,990 over the prior year.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

	2022	2021
Additions		
Contributions	\$ 14,139	\$ 13,471
Investment income (loss), net	<u>(25,692)</u>	<u>22,956</u>
Total additions	<u>(11,553)</u>	<u>36,427</u>
Deductions		
Benefit payments	14,827	14,347
Other	<u>1,695</u>	<u>1,368</u>
Total deductions	<u>16,522</u>	<u>15,715</u>
Changes in net position	(28,075)	20,712
Net Position Restricted for Pensions		
Beginning of year	<u>160,835</u>	<u>140,123</u>
End of year	<u>\$ 132,760</u>	<u>\$ 160,835</u>

The System was 64.1% funded based on its actuarial valuation (for funding purposes) of January 1, 2022, with no years remaining in its amortization period for the Danvers Electric Division and 13 years for all other member units.

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 loss for calendar year 2022 resulted in a net loss of \$11,552,712. Employer's contributions increased by \$635,461, or 7% in calendar year 2022. The System had net investment loss of \$25,692,092 in 2022, versus gain of \$22,955,725 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 2022 were \$16,522,206, which represent an increase of \$807,725, or 5%, over deductions of \$15,714,481 in calendar year 2021. The payment of pension benefits increased by \$480,438 or 3% over the previous year.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

MANAGEMENT DISCUSSION AND ANALYSIS

DECEMBER 31, 2022

Requests for Information

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

Susan Little, Retirement Manager
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, Massachusetts 01923

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2022

Assets	
Cash and short-term investments	\$ 2,008,015
Investments:	
Equities	22,964,300
Pooled investments	<u>107,813,645</u>
Total Investments	130,777,945
Accounts receivable	<u>212,151</u>
Total Current Assets	<u>\$ 132,998,111</u>
Liabilities	
Accounts payable	<u>\$ 238,395</u>
Total Liabilities	238,395
Net Position	
Restricted for pensions	<u>132,759,716</u>
Total Liabilities and Net Position	<u>\$ 132,998,111</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

DECEMBER 31, 2022

Additions

Contributions:

Employers	\$ 9,301,437
Plan members	4,067,795
Other systems and Commonwealth of Massachusetts	341,739
Other	<u>428,409</u>

Total Contributions 14,139,380

Investment income (loss):

Decrease in fair value of investments	(24,866,810)
Less: management fees	<u>(825,282)</u>
Net investment loss	<u>(25,692,092)</u>

Total Additions (11,552,712)

Deductions

Benefit payments to plan members and beneficiaries	14,826,934
Refunds to plan members	134,116
Transfers to other systems	1,333,794
Administrative expenses	<u>227,362</u>

Total Deductions 16,522,206

Net Decrease (28,074,918)

Net Position Restricted for Pensions

Beginning of year	<u>160,834,634</u>
End of year	<u>\$ 132,759,716</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – DESCRIPTION OF PLAN

Substantially all employees of the Town of Danvers (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the Danvers Contributory 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 Danvers Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2022 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	435
Inactive members entitled to a return of employee contributions/Terminated plan members entitled to but not yet receiving benefits	212
Active plan members	490
Total	1,137
Number of participating employers	2

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%

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT CONTRIBUTIONS (CONTINUED)

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6.00% 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 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 3 classes of membership in the retirement system 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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT RETIREMENT BENEFITS (CONTINUED)

Town 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 terminated at the member's 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.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 1 – DESCRIPTION OF PLAN (CONTINUED)

PARTICIPANT REFUNDS

Employees who terminate from service 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 3.00%.

NOTE 2 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

NATURE OF OPERATIONS

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2022 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 Town of Danvers and Danvers Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 2 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INVESTMENTS

Investment Policy

Investments are reported at fair value. 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, 2022, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (16.31)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

NOTE 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 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, 2022, the System's bank balance of \$2,283,372 was fully collateralized.

NOTE 4 – INVESTMENTS

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. The system's investments at December 31, 2022 were either not subject to credit risk or were unrated.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 4 – INVESTMENTS (CONTINUED)

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's investments are not subject to custodial credit risk.

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.

As of December 31, 2022, the System did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

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. As of December 31, 2022, the System did not have any investments subject to interest rate risk.

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's policy for foreign current risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 4 – INVESTMENTS (CONTINUED)

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.

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 in 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, 2022:

Description	Value	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Equity securities	\$ 22,964,300	\$ 22,964,300	\$ —	\$ —

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 4 – INVESTMENTS (CONTINUED)

FAIR VALUE (CONTINUED)

Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
Investments measured at the net asset value (NAV)				
External Investment Pools				
Boyd Watterson	\$ 1,000,753	\$ --	Monthly	30 days
Intercontinental US Real Estate	1,209,022	1,000,000	Monthly	30 days
PRIT Alternative Investments	9,793,685	8,735,550	Monthly	30 days
PRIT Core Real Estate Fund	9,303,680	--	Monthly	30 days
PRIT Emerging Markets Fund	13,556,094	--	Monthly	30 days
PRIT Hedge Funds	9,340,184	--	Monthly	30 days
PRIT International Equity Fund	14,013,100	--	Monthly	30 days
Limited Partnerships				
BPG Investments Partnership IX, LP	740	27,862	*	*
Palladian Partners VII, LP	1,218,610	200,000	*	*
Realty Associates Fund X UTP LP	1,668	--	*	*
Index Funds				
Barings US High Yield Bond Fund	8,193,359	--	Daily	1 day
Rhumlina Russell 1000 Growth	10,275,760	--	Daily	1 day
Rhumlina S&P 500 Index Fund	11,848,615	--	Daily	1 day
Western Asset	18,058,375	--	Daily	1 day
Total	\$ 107,813,645			

* As standard to limited partnership investments, not fully redeemed until the end of partnership term; distributions based on cash flow of the partnerships.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 5 – ACCOUNTS RECEIVABLE

The accounts receivable balances are primarily comprised of investments sold and plan member contributions not received until after December 31, 2022.

NOTE 6 – ACCOUNTS PAYABLE

The accounts payable balances are primarily comprised of reimbursements to other systems and investments purchased but not paid until after December 31, 2022.

NOTE 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.

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

The net pension liability was based on an actuarial valuation dated January 1, 2022.

NET PENSION LIABILITY OF EMPLOYERS

The components of the net pension liability of the participating employers at December 31, 2022 were as follows:

Total pension liability	\$ 236,172,335
Plan fiduciary net position	<u>(132,759,716)</u>
Employers' Net Pension Liability	<u>\$ 103,412,619</u>

Plan fiduciary net position as a percentage of total pension liability	56.21%
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DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (CONTINUED)

ACTUARIAL ASSUMPTIONS

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

Valuation date	1/1/2022
Actuarial cost method	Entry Age Normal
Remaining amortization period	0 years for the Danvers Electric Division and 13 Years for all others
Actuarial assumptions:	
Investment rate of return	7.125%
Projected salary increases:	
Group 1	6.00% - 4.25%, based on service
Group 2	7.00% - 4.75%, based on service
Inflation rate	2.40% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$13,000

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.

Mortality rates were based on the following:

Pre- and post-retirement and beneficiary mortality:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Mortality for disabled members:	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (CONTINUED)

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 geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2022, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
US equity	35.00%	5.10%
International equity	9.00%	5.30%
Emerging market equity	9.00%	6.00%
Core fixed income	8.00%	1.50%
High yield	5.00%	3.20%
Private equity	13.00%	7.40%
Hedge funds	5.00%	3.00%
Real estate - core	7.00%	2.80%
Real estate - value added	3.00%	5.20%
Infrastructure	4.00%	4.90%
Cash	2.00%	0.00%
Total	100.00%	

DISCOUNT RATE

The discount rate used to measure the total pension liability was 7.125%. 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.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (CONTINUED)

SENSITIVITY OF DISCOUNT RATE

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.125%, 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 (6.125%) or one percentage-point higher (8.125%) than the current rate:

Year Ended	1% Decrease (6.125%)	Current Discount Rate (7.125%)	1% Increase (8.125%)
December 31, 2022	\$ 132,407,160	\$ 103,412,619	\$ 78,987,917

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

The following schedule reflects the deferred outflows/inflows of resources for the System for the year ended December 31, 2022:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 288,017	\$ 234,756
Changes of assumptions	5,074,781	--
Net difference between projected and actual investment earnings on pension plan investments	17,986,165	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>12,441,594</u>	<u>12,441,594</u>
Total	<u>\$ 35,790,557</u>	<u>\$ 12,676,350</u>

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

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

	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	2019	5.16	\$ 536,307	\$ --	\$ 248,290	\$ 288,017
	2017	5.17	12,193	--	12,193	--
Net differences between projected and actual investment earnings on pension plan investments	2022	5.00	--	37,049,608	7,409,922	29,639,686
	2021	5.00	(10,072,761)	--	(2,518,190)	(7,554,571)
	2020	5.00	(2,943,707)	--	(981,236)	(1,962,471)
	2019	5.00	(4,272,958)	--	(2,136,479)	(2,136,479)
	2018	5.00	3,364,975	--	3,364,975	--
Changes in assumptions	2021	4.72	6,790,996	--	1,825,536	4,965,460
	2019	5.16	203,563	--	94,242	109,321
	2017	5.17	84,700	--	84,700	--
Changes in proportion and differences between employer contributions and proportionate share of contributions	2022	4.72	--	7,087,622	1,501,615	5,586,007
	2021	4.72	593,740	--	159,607	434,133
	2020	5.16	5,786,485	--	1,831,168	3,955,317
	2019	5.16	4,502,286	--	2,084,392	2,417,894
	2018	5.17	332,025	--	283,782	48,243
	2017	5.17	37,662	--	37,662	--
Total Deferred Outflows of Resources:			4,955,506	44,137,230	13,302,179	35,790,557
Deferred (Inflows) of Resources:						
Difference between expected and actual experience	2021	4.72	321,063	--	86,307	234,756
Changes in proportion and differences between employer contributions and proportionate share of contributions	2022	4.72	--	7,087,622	1,501,615	5,586,007
	2021	4.72	593,740	--	159,607	434,133
	2020	5.16	5,786,485	--	1,831,168	3,955,317
	2019	5.16	4,502,286	--	2,084,392	2,417,894
	2018	5.17	332,025	--	283,782	48,243
	2017	5.17	37,662	--	37,662	--
Total Deferred (Inflows) of Resources			11,573,261	7,087,622	5,984,533	12,676,350
Total Collective Deferred Outflows (Inflows) of Resources			\$ 16,528,767	\$ 51,224,852	\$ 19,286,712	\$ 48,466,907

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 8 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS (CONTINUED)

DEFERRED OUTFLOWS/INFLOWS OF RESOURCES (CONTINUED)

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

Fiscal Year*	Total
2024	\$ 3,855,778
2025	5,704,532
2026	6,143,976
2027	7,409,921
	<u>\$ 23,114,207</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.

NOTE 9 – COLLECTIVE PENSION EXPENSE

The calculation of collective pension expense for the year ended December 31, 2022, is presented in the following table:

Service cost	\$ 5,166,088
Interest on total pension liability	16,193,786
Differences between expected and actual experience	174,176
Changes in assumptions	2,004,478
Employee contributions	(2,734,001)
Total projected earnings	(11,357,515)
Differences between projected and actual earnings	5,138,992
Pension plan administrative expenses	(121,039)
Other changes in fiduciary net position	(66,008)
Total Pension Expense	<u>\$ 14,398,957</u>

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2022

NOTE 9 – COLLECTIVE PENSION EXPENSE (CONTINUED)

Each department's proportionate share of the collective pension expense is equal to the collective pension expense multiplied by the department's proportionate share percentage for the year ended December 31, 2022, as shown in the schedule of employer allocations.

NOTE 10 – NET PENSION LIABILITY OF PARTICIPATING EMPLOYERS

The net position for the Danvers Retirement System as of December 31, 2022 was \$132,759,716. This includes an excess contribution of \$5,000,000 made by the Electric Division in calendar year 2014 and an excess contribution of \$4,131,369 made by the Electric Division in calendar year 2019. The value of this additional contributions as of December 31, 2022 is \$12,316,774. Since this amount is contributed by the Electric Department solely for their own use and not for any cost-sharing purpose, it is applied only towards the Electric Department's liability in the allocation of results to individual employers. This is consistent with a memorandums of understanding issued by the Municipal Light Board and the Danvers Retirement Board, dated November 13, 2015 and October 24, 2019.

The System's net pension liability (prior to the allocation of the \$12,316,774 discussed above) is allocated to member units (including departments and divisions) based on fiscal year 2023 actuarially determined contributions. However, because of the treatment of the additional Electric Division contributions, the System has allocated the net pension liability, deferred outflows of resources, and deferred inflows of resources (other than proportion and contribution changes) based on the member unit's proportional share of the net pension liability after the allocation of the \$12,316,774.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY

DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 5,166,088	\$ 4,926,286	\$ 4,748,227	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest on unfunded liability - time value of money	(6,193,786)	(5,925,994)	(5,434,430)	(4,843,264)	(4,385,211)	(4,147,151)	(3,435,902)	(3,431,210)	(3,007,186)
Changes of benefit terms	--	--	--	--	--	--	930,654	--	--
Differences between expected and actual experience	--	(407,379)	--	(1,281,177)	--	370,773	2,720,022	--	--
Changes of assumptions	--	8,616,532	--	486,289	--	2,575,825	405,282	--	--
Benefit payments, including refunds of member contributions	(14,605,310)	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Net change in total pension liability	6,754,564	14,933,497	6,697,552	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total pension liability - beginning	229,417,771	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175	164,836,276
Total pension liability - ending (a)	236,172,335	229,417,771	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position									
Contributions - employer	9,301,437	8,665,976	7,902,628	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,686,405
Contributions - member	2,734,001	3,010,992	3,127,337	2,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,972
Net investment income (loss)	(25,692,093)	22,955,725	14,378,706	18,670,829	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(14,605,310)	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	121,039	140,236	155,979	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	66,008	67,047	50,862	52,355	54,963	50,329	--	--	--
Net change in plan fiduciary net position	(28,074,918)	20,712,031	12,130,397	20,235,758	(10,134,205)	15,169,341	6,740,384	(3,708,325)	4,145,447
Plan fiduciary net position - beginning	160,834,634	140,122,603	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253	95,543,806
Plan fiduciary net position - ending (b)	132,759,716	160,834,634	140,122,603	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253
Net pension liability (asset) - ending (a-b)	\$ 103,412,619	\$ 68,583,137	\$ 74,361,671	\$ 79,794,516	\$ 92,078,102	\$ 75,640,796	\$ 82,208,045	\$ 79,745,508	\$ 70,496,922

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

See independent auditors' report.

25

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

DECEMBER 31, 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Schedule of Net Pension Liability									
Total pension liability	\$ 236,372,333	\$ 229,417,771	\$ 214,484,274	\$ 207,736,722	\$ 199,834,250	\$ 193,531,449	\$ 184,929,357	\$ 175,756,436	\$ 170,186,175
Plan fiduciary net position	<u>132,759,716</u>	<u>160,834,634</u>	<u>140,122,603</u>	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,800,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>89,689,253</u>
Net Pension Liability (Asset)	\$ 103,612,619	\$ 68,583,137	\$ 74,361,671	\$ 79,744,516	\$ 92,078,102	\$ 75,640,796	\$ 82,208,045	\$ 79,745,508	\$ 70,496,922
Plan fiduciary net position as a percentage of the total pension liability	56.21%	70.11%	65.33%	61.62%	53.92%	49.97%	55.55%	54.62%	58.56%
Covered payroll	\$ 30,580,106	\$ 28,543,310	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,707,949	\$ 26,834,535	\$ 24,485,563
Participating employer net pension liability (asset) as a percentage of covered payroll	338.17%	240.28%	249.57%	278.60%	315.38%	275.82%	307.11%	297.17%	287.91%
Schedule of Contributions									
Actuarially determined contribution	\$ 9,301,437	\$ 8,665,976	\$ 7,902,628	\$ 7,485,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>9,301,437</u>	<u>8,665,976</u>	<u>7,902,628</u>	<u>12,017,086</u>	<u>7,301,589</u>	<u>6,760,731</u>	<u>6,317,667</u>	<u>5,853,934</u>	<u>10,686,403</u>
Contribution Deficiency (Excess)	\$ --	\$ --	\$ --	\$ (4,131,369)	\$ --	\$ --	\$ (57,731)	\$ (17,696)	\$ (5,319,519)
Covered payroll	\$ 30,580,106	\$ 28,543,310	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,707,949	\$ 26,834,535	\$ 24,485,563
Contributions as a percentage of covered payroll	30.42%	30.36%	26.52%	41.93%	25.03%	24.62%	23.60%	21.81%	23.64%
Schedule of Investment Returns									
Year Ended December 31,	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	-16.31%	16.61%	11.40%	17.53%	-6.94%	17.57%	10.03%	3.17%	7.11%

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 Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Opinions

We have audited the accompanying schedule of employer allocations of the Danvers Contributory Retirement System (the System) as of and for the year ended December 31, 2022. We have also audited the total for all entities of the titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Danvers Contributory Retirement System as of and for the year ended December 31, 2022.

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, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Danvers Contributory Retirement System as of and for the year ended December 31, 2022, 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 Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the Danvers Contributory 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.

Auditors' 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 auditors' 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.

Other Matters

We have audited, in accordance with GAAS, the financial statements of the Danvers Contributory Retirement System as of and for the year ended December 31, 2022, and our report dated November 29, 2023 expressed an unmodified opinion on those finance statements.

Restriction on Use

Our report is intended solely for the information and use of the Danvers Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2022 and is not intended to be and should not be used by anyone other than these specified parties.

Marcum LLP

Andover, MA
November 29, 2023

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER ALLOCATIONS

DECEMBER 31, 2022

Employer	FY 2023 Actual Employer Contributions	Proportional Share of Total Employer Contributions	Proportional Share of Net Pension Liability
Town of Danvers	\$ 6,882,370	73.99%	82.81%
School Department	1,120,963	12.05%	13.49%
Electric Division	722,711	7.77%	-3.22%
Water Division	358,096	3.85%	4.31%
Sewer Division	49,216	0.53%	0.59%
Danvers Housing Authority	168,081	1.81%	2.02%
Total	\$ 9,301,437	100.00%	100.00%

*See Note 9 in the audited financial statements.

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

DECEMBER 31, 2022

	Town of Danvers	School Department	Electric Division	Water Division	Sewer Division	Danvers Housing Authority	Total
Net Pension Liability							
Beginning net pension liability	\$ 61,236,804	\$ 9,994,877	\$ (7,757,025)	\$ 3,157,231	\$ -437,738	\$ 1,493,492	\$ 68,583,137
Ending net pension liability	95,631,125	13,947,131	(3,354,733)	4,455,466	612,350	2,091,280	103,412,619
Deferred Outflows of Resources							
Difference between expected and actual experience	238,493	30,944	(9,260)	12,469	1,705	5,304	238,617
Net difference between projected and actual investment earnings on pension plan investments	14,899,497	2,425,772	(578,239)	774,922	106,504	363,728	17,986,165
Changes of assumptions	4,202,186	684,430	(163,155)	218,644	30,650	102,626	5,074,781
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,791,072	800,465	7,289,610	965,833	71,227	127,387	12,441,594
Total Deferred Outflows of Resources	<u>\$ 23,123,250</u>	<u>\$ 3,549,311</u>	<u>\$ 6,534,957</u>	<u>\$ 1,371,868</u>	<u>\$ 309,486</u>	<u>\$ 399,563</u>	<u>\$ 33,790,357</u>
Deferred Inflows of Resources							
Difference between expected and actual experience	\$ 194,391	\$ 31,661	\$ (7,547)	\$ 10,114	\$ 1,390	\$ 4,747	\$ 234,756
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,160,748	1,038,714	4,341,755	272,016	93,629	140,652	12,441,594
Total Deferred Inflows of Resources	<u>\$ 6,355,139</u>	<u>\$ 1,062,375</u>	<u>\$ 4,734,208</u>	<u>\$ 282,130</u>	<u>\$ 95,019</u>	<u>\$ 145,399</u>	<u>\$ 12,676,890</u>
Pension Expense							
Proportionate share of pension expense	\$ 11,923,100	\$ 1,941,969	\$ (462,959)	\$ 820,370	\$ 85,582	\$ 291,185	\$ 14,398,957
Proportion changes and differences between employer contributions and proportionate share recognized as expense	(472,958)	65,326	327,370	47,989	14,408	(7,743)	—
Total Pension Expense	<u>\$ 11,450,142</u>	<u>\$ 2,007,295</u>	<u>\$ (135,589)</u>	<u>\$ 868,359</u>	<u>\$ 99,990</u>	<u>\$ 283,442</u>	<u>\$ 14,398,957</u>
Contributions							
Actuarially determined contribution	\$ 6,862,370	\$ 1,120,983	\$ 722,711	\$ 358,096	\$ 49,216	\$ 168,081	\$ 9,301,477
Contributions made	(6,862,370)	(1,120,983)	(722,711)	(358,096)	(49,216)	(168,081)	(9,301,477)
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Contributions as a percentage of covered payroll	35.98%	32.62%	17.08%	25.88%	30.62%	23.42%	30.43%
Deferral of Outflows/(Inflows) Recognized in Future Pension Expense							
June 30, 2024	\$ 2,398,125	\$ 607,914	\$ (18,734)	\$ 226,666	\$ 38,689	\$ 101,118	\$ 3,055,778
June 30, 2025	4,564,693	764,902	(81,145)	314,440	20,631	121,011	5,704,533
June 30, 2026	4,040,218	658,939	(1,057,639)	267,676	15,416	103,068	6,143,978
June 30, 2027	3,267,075	854,561	842,929	278,836	37,621	128,969	7,409,921
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	<u>\$ 16,770,111</u>	<u>\$ 2,887,146</u>	<u>\$ 1,800,680</u>	<u>\$ 1,089,678</u>	<u>\$ 112,407</u>	<u>\$ 454,166</u>	<u>\$ 23,114,307</u>
Discount Rate Sensitivity							
1% decrease (6.125%)	\$ 107,084,923	\$ 17,441,409	\$ (1,071,890)	\$ 5,571,727	\$ 765,767	\$ 2,615,224	\$ 132,407,160
Current discount rate (7.125%)	85,631,125	13,947,131	(3,354,733)	4,455,466	612,350	2,091,280	103,412,619
1% increase (8.125%)	67,558,665	11,009,388	(5,222,904)	3,513,139	483,114	1,640,915	78,987,917
Covered Payroll	15,129,136	4,356,013	4,231,259	1,384,603	160,751	717,594	30,580,106

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of
Danvers, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2021

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	22
Schedules of Net Pension Liability, Contributions, and Investment Returns	23
OTHER INFORMATION	
Independent Auditor's Report	24
Schedule of Employer Allocations	27
Schedule of Pension Amounts by Employer	28



INDEPENDENT AUDITOR'S REPORT

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Opinions

We have audited the financial statements of the Danvers Contributory Retirement System (the System), a component unit of the Town of Danvers, Massachusetts, 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 fiduciary net position of the Danvers Contributory 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 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 statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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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.

Andover, Massachusetts
October 21, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Danvers Contributory 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 and 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, 2021. 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.

Financial Highlights

- The System's total net position restricted for pensions was \$160,834,634 at December 31, 2021.
- The System's net position increased by \$20,712,031, which is primarily due to investment returns being \$12,590,951 greater than expected in calendar year 2021.

- Employer and employee contributions to the plan were \$12,698,288, which represents a \$1,515,012 increase over the prior year. This increase is due to an increase in the annual approved appropriation by PERAC and an increase in the number of employees transferring into the Danvers contributory Retirement System. The employer share of contributions represents 64% of the total contributions made to the System.
- Benefits paid to plan participants increased by \$638,183, or 5%, totaling \$14,346,496. At December 31, 2021, there were 418 retirees and beneficiaries in receipt of pension benefits.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2022 actuarial valuation was 70.11%.

Financial Statement Analysis

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

FIDUCIARY NET POSITION

(in thousands)

	<u>2021</u>	<u>2020</u>
Assets		
Cash and receivables	\$ 4,479	\$ 2,025
Investments	<u>156,509</u>	<u>138,205</u>
Total assets	<u>\$ 160,988</u>	<u>\$ 140,230</u>
Liabilities		
Accounts payable	\$ 153	\$ 107
Net Position		
Restricted for pensions	<u>160,835</u>	<u>140,123</u>
Total liabilities and net position	<u>\$ 160,988</u>	<u>\$ 140,230</u>

The System's total assets as of December 31, 2021 were \$160,988,039 and were comprised mostly of cash and investments. Total assets increased \$20,758,138 or 15% from the prior year primarily due to investment results being approximately \$12.6 million greater than anticipated. Total liabilities increased by \$46,107 over the prior year.

CHANGES IN FIDUCIARY NET POSITION

(in thousands)

	<u>2021</u>	<u>2020</u>
Additions		
Contributions	\$ 13,471	\$ 11,891
Investment income, net	<u>22,956</u>	<u>14,379</u>
Total additions	36,427	26,270
Deductions		
Benefit payments	14,347	13,708
Other	<u>1,368</u>	<u>431</u>
Total deductions	<u>15,715</u>	<u>14,139</u>
Changes in net position	20,712	12,131
Net Position Restricted for Pensions		
Beginning of year	<u>140,123</u>	<u>127,992</u>
End of year	<u>\$ 160,835</u>	<u>\$ 140,123</u>

The System was 64.1% funded based on its actuarial funding valuation of January 1, 2022 with no years remaining in its amortization period for the Danvers Electric Division and 13 years for all other member units.

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 gain for calendar year 2021 resulted in a net gain of \$36,426,512. Employer's contributions increased by \$763,348, or 10% in calendar year 2021. The System had net investment gain of \$22,955,725 in 2021, versus gain of \$14,378,706 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 2021 were \$15,714,481, which represent an increase of \$1,575,308, or 11%, over deductions of \$14,139,173 in calendar year 2020. The payment of pension benefits increased by \$638,183 or 5% over the previous year.

Requests for Information

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

Susan Little, Retirement Manager
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, Massachusetts 01923

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Statement of Fiduciary Net Position
December 31, 2021

Assets	
Cash and short-term investments	\$ 4,023,437
Investments:	
Equities	30,060,337
Pooled investments	<u>126,449,157</u>
Total investments	156,509,494
Accounts receivable	<u>455,108</u>
Total assets	<u>\$ 160,988,039</u>
Liabilities	
Accounts payable	<u>\$ 153,405</u>
Total liabilities	153,405
Net Position	
Restricted for pensions	<u>160,834,634</u>
Total liabilities and net position	<u>\$ 160,988,039</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

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

Additions

Contributions:

Employers	\$ 8,665,976
Plan members	4,032,312
Other systems and Commonwealth of Massachusetts	367,738
Other	<u>404,761</u>
Total contributions	13,470,787

Investment income:

Appreciation in fair value of investments	23,882,655
Less: management fees	<u>(926,930)</u>
Net investment gain	<u>22,955,725</u>
Total additions	36,426,512

Deductions

Benefit payments to plan members and beneficiaries	14,346,496
Refunds to plan members	149,187
Transfers to other systems	1,021,320
Administrative expenses	<u>197,478</u>
Total deductions	<u>15,714,481</u>
Net increase	20,712,031

Net Position Restricted for Pensions

Beginning of year	<u>140,122,603</u>
End of year	<u>\$ 160,834,634</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the Town of Danvers (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the Danvers Contributory 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 Danvers Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2022 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	418
Inactive members entitled to a return of employee contributions/Terminated plan members entitled to but not yet receiving benefits	190
Active plan members	<u>466</u>
Total	<u>1,074</u>
Number of participating employers	2

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 6.00% 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 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 3 classes of membership in the retirement system 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 Town 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 terminated at the member's 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 terminate from service 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 3.00%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

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 Town of Danvers and Danvers Housing Authority 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 16.61%. 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 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, 2021, the System's bank balance of \$4,255,251 was fully collateralized.

4. Investments

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. The system's investments at December 31, 2021 were either not subject to credit risk or were unrated.

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's investments are not subject to custodial credit risk.

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.

As of December 31, 2021, the System did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

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. As of December 31, 2021, the System did not have any investments subject to interest rate risk.

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's policy for foreign current risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

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*.

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 in 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, 2021:

<u>Description</u>	<u>Value</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Equity securities	\$ <u>30,060,337</u>	\$ 30,060,337	\$	\$

(continued)

(continued)

<u>Description</u>	<u>Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently eligible)</u>	<u>Redemption Notice Period</u>
Investments measured at the net asset value (NAV):				
External Investment Pools:				
Boyd Watterson	\$ -	\$ 1,000,000	Monthly	30 days
Intercontinental US Real Estate	1,128,036	-	Monthly	30 days
PRIT Alternative Investments	7,744,767	6,527,524	Monthly	30 days
PRIT Core Real Estate Fund	7,781,581	-	Monthly	30 days
PRIT Emerging Markets Fund	12,080,923	-	Monthly	30 days
PRIT Hedge Funds	9,533,330	-	Monthly	30 days
PRIT International Equity Fund	25,806,359	-	Monthly	30 days
Limited Partnerships				
BPG Investments Partnership IX, LP	97,859	-	*	*
Palladian Partners VII, LP	1,566,854	-	*	*
Realty Associates Fund X UTP LP	13,313	-	*	*
Index Funds				
Barings US High Yield Bond Fund	9,176,889	-	Daily	1 day
Rhumline Russell 1000 Growth	14,494,853	-	Daily	1 day
Rhumline S&P 500 Index Fund	14,238,231	-	Daily	1 day
Western Asset	22,786,162	-	Daily	1 day
Total	\$ 126,449,157			

* As standard to limited partnership investments, not fully redeemed until the end of partnership term; distributions based on cash flow of the partnerships.

5. Accounts Receivable

The accounts receivable balances are primarily comprised of investments sold and plan member contributions not received until after December 31, 2021.

6. Accounts Payable

The accounts payable balances are primarily comprised of reimbursements to other systems and investments purchased but not paid until after December 31, 2021.

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, 2022.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2021 were as follows:

Total pension liability	\$ 229,417,771
Plan fiduciary net position	<u>(160,834,634)</u>
Employers' net pension liability	<u>\$ 68,583,137</u>
Plan fiduciary net position as a percentage of total pension liability	70.11%

Actuarial Assumptions

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

Valuation date	1/1/2022
Actuarial cost method	Entry Age Normal
Remaining amortization period	0 years for the Danvers Electric Division and 13 Years for all others
Actuarial assumptions:	
Investment rate of return	7.125%
Projected salary increases:	
Group 1	6.00% - 4.25%, based on service
Group 2	7.00% - 4.75%, based on service
Inflation rate	2.40% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$13,000

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.

Mortality rates were based on the following:

Pre- and post-retirement and beneficiary mortality:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Mortality for disabled members:	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

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	30.00%	6.14%
International Equity	25.00%	5.50%
Fixed Income	20.00%	1.44%
Alternatives	22.00%	8.91%
Cash & Cash Equivalents	3.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.125%. 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 7.125%, 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 (6.125%) or one percentage-point higher (8.125%) than the current rate:

	1% Decrease <u>(6.125%)</u>	Current Discount Rate <u>(7.125%)</u>	1% Increase <u>(8.125%)</u>
<u>Year Ended</u>			
December 31, 2021	\$ 94,411,328	\$ 68,583,137	\$ 46,733,972

Deferred Outflows/Inflows of Resources

The following schedule reflects the deferred outflows/inflows of resources for the System for the year ended December 31, 2021:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 548,500	\$ 321,063
Changes of assumptions	7,079,259	-
Net difference between projected and actual investment earnings on pension plan investments	-	13,924,451
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>11,252,198</u>	<u>11,252,198</u>
Total	<u>\$ 18,879,957</u>	<u>\$ 25,497,712</u>

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

	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	2019	5.16	\$ 784,597	\$ -	\$ 248,290	\$ 536,307
	2017	5.17	83,909	-	71,716	12,193
	2016	5.30	153,962	-	153,962	-
Changes in assumptions	2021	4.72	-	8,616,532	1,825,536	6,790,996
	2019	5.16	297,805	-	94,242	203,563
	2017	5.17	582,925	-	498,225	84,700
	2016	5.30	22,942	-	22,942	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2021	4.72	-	753,348	159,608	593,740
	2020	5.16	7,617,651	-	1,831,166	5,786,485
	2019	5.16	6,586,673	-	2,084,387	4,502,286
	2018	5.17	615,809	-	283,784	332,025
	2017	5.17	259,199	-	221,537	37,662
	2016	5.30	37,897	-	37,897	-
Total Deferred Outflows of Resources			17,043,369	9,369,880	7,533,292	18,879,957
Deferred (Inflows) of Resources:						
Difference between expected and actual experience	2021	4.72	-	407,370	86,307	321,063
Net differences between projected and actual investment earnings on pension plan investments	2021	5.00	-	12,590,951	2,518,190	10,072,761
	2020	5.00	3,924,943	-	981,236	2,943,707
	2019	5.00	6,409,437	-	2,136,479	4,272,958
	2018	5.00	(6,729,950)	-	(3,364,975)	(3,364,975)
	2017	5.00	1,955,596	-	1,955,596	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2021	4.72	-	753,348	159,608	593,740
	2020	5.16	7,617,651	-	1,831,166	5,786,485
	2019	5.16	6,586,673	-	2,084,387	4,502,286
	2018	5.17	615,809	-	283,784	332,025
	2017	5.17	259,199	-	221,537	37,662
	2016	5.30	37,897	-	37,897	-
Total Deferred (Inflows) of Resources			20,677,255	13,751,669	8,931,212	25,497,712
Total Collective Deferred Outflows (Inflows) of Resources			\$ 37,720,624	\$ 23,121,549	\$ 16,464,504	\$ 44,377,669

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

<u>Fiscal Year*</u>	<u>Total</u>
2023	\$ (92,276)
2024	(3,554,144)
2025	(1,705,390)
2026	<u>(1,265,945)</u>
	\$ <u>(6,617,755)</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.

9. Net Pension Liability of Participating Employers

The net position for the Danvers Retirement System as of December 31, 2021 was \$160,834,634. This includes an excess contribution of \$5,000,000 made by the Electric Division in calendar year 2014 and an excess contribution of \$4,131,369 made by the Electric Division in calendar year 2019. The value of this additional contributions as of December 31, 2021 is \$14,680,938. Since this amount is contributed by the Electric Department solely for their own use and not for any cost-sharing purpose, it is applied only towards the Electric Department's liability in the allocation of results to individual employers. This is consistent with a memorandums of understanding issued by the Municipal Light Board and the Danvers Retirement Board, dated November 13, 2015 and October 24, 2019.

The System's net pension liability (prior to the allocation of the \$14,680,938 discussed above) is allocated to member units (including departments and divisions) based on fiscal year 2022 actuarially determined contributions. However, because of the treatment of the additional Electric Division contributions, the System has allocated the net pension liability, deferred outflows of resources, and deferred inflows of resources (other than proportion and contribution changes) based on the member unit's proportional share of the net pension liability after the allocation of the \$14,680,938.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Schedule of Changes in the Net Pension Liability
Required Supplementary Information

	(Unaudited)							
	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	\$ 4,926,286	\$ 4,748,227	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest on unfunded liability - time value of money	15,925,994	15,434,410	14,843,264	14,385,211	14,147,151	13,435,902	13,431,210	13,007,186
Changes of benefit terms	-	-	-	-	-	980,654	-	-
Differences between expected and actual experience	(407,370)	-	1,281,177	-	370,773	2,720,032	-	-
Changes of assumptions	8,616,532	-	486,289	-	2,575,825	405,282	-	-
Benefit payments, including refunds of member contributions	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Net change in total pension liability	14,933,497	6,697,532	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total pension liability - beginning	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175	164,836,276
Total pension liability - ending (a)	229,417,771	214,484,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position								
Contributions - employer	8,665,976	7,902,628	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,686,405
Contributions - member	3,010,992	3,127,327	3,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,973
Net investment income	22,955,725	14,378,706	18,670,829	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(14,127,945)	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	140,236	155,979	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	67,047	50,862	52,355	54,963	50,329	-	-	-
Net change in plan fiduciary net position	20,712,031	12,130,397	20,235,750	(10,134,205)	15,169,341	6,746,384	(3,708,325)	4,145,447
Plan fiduciary net position - beginning	140,122,603	127,992,206	107,756,446	117,890,653	102,721,312	95,980,928	99,689,253	95,543,806
Plan fiduciary net position - ending (b)	160,834,634	140,122,603	127,992,206	107,756,448	117,890,653	102,727,312	95,980,928	99,689,253
Net pension liability (asset) - ending (a-b)	\$ 68,583,137	\$ 74,361,671	\$ 79,794,516	\$ 92,078,102	\$ 75,640,796	\$ 82,202,045	\$ 79,745,508	\$ 70,496,922

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

See Independent Auditor's Report.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

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

(Unaudited)

Schedule of Net Pension Liability	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 229,417,771	\$ 214,484,274	\$ 207,786,722	\$ 199,834,550	\$ 191,531,449	\$ 184,929,357	\$ 175,726,436	\$ 170,186,175
Plan fiduciary net position	<u>160,834,634</u>	<u>140,122,603</u>	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,633</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,629,253</u>
Net pension liability (asset)	\$ <u>68,583,137</u>	\$ <u>74,361,671</u>	\$ <u>79,794,516</u>	\$ <u>92,078,102</u>	\$ <u>73,640,796</u>	\$ <u>82,208,045</u>	\$ <u>79,745,508</u>	\$ <u>70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	70.11%	65.35%	61.60%	53.92%	60.92%	55.55%	54.62%	58.38%
Covered payroll	\$ 28,543,510	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Participating employer net pension liability (asset) as a percentage of covered payroll	240.28%	249.57%	278.40%	315.58%	275.82%	307.11%	297.17%	287.91%
Schedule of Contributions	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 8,665,976	\$ 7,902,628	\$ 7,885,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>8,665,976</u>	<u>7,902,628</u>	<u>12,017,086</u>	<u>7,301,589</u>	<u>6,760,731</u>	<u>6,317,667</u>	<u>5,853,934</u>	<u>10,686,405</u>
Contribution deficiency (excess)	\$ -	\$ -	\$ (4,131,369)	\$ -	\$ -	\$ (17,731)	\$ (17,696)	\$ (5,319,519)
Covered payroll	\$ 28,543,510	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Contributions as a percentage of covered payroll	30.36%	26.52%	41.93%	25.03%	24.65%	23.60%	21.81%	43.64%
Schedule of Investment Returns								
Year Ended December 31	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	16.61%	11.40%	17.53%	-6.94%	17.57%	10.05%	5.17%	7.11%

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

See Independent Auditor's Report.



Independent Auditor's Report

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Opinions

We have audited the accompanying schedule of employer allocations of the Danvers Contributory Retirement System (the System) as of and for the year ended December 31, 2021. We have also audited the total for all entities of the titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Danvers Contributory 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, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Danvers Contributory 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 Danvers Contributory 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



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 the Danvers Contributory 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.

A handwritten signature in black ink that reads "Melanson".

Andover, Massachusetts
October 21, 2022

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Schedule of Employer Allocations

<u>Employer</u>	<u>FY 2022 Actual Employer Contributions</u>	<u>Proportional Share of Total Employer Contributions</u>	<u>Proportional Share of Net Pension Liability</u>
Town of Danvers	\$ 6,373,417	73.55%	89.29%
School Department	1,040,251	12.00%	14.57%
Electric Division	722,710	8.34%	-11.28% *
Water Division	328,599	3.79%	4.60%
Sewer Division	45,559	0.53%	0.64%
Danvers Housing Authority	155,440	1.79%	2.18%
Total	<u>\$ 8,665,976</u>	<u>100.00%</u>	<u>100.00%</u>

*See Note 9 in the audited financial statements.

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Schedule of Pension Amounts by Employer
As of and for the year ended December 31, 2021

	Town of Danvers	School Department	Electric Division	Water Division	Sewer Division	Danvers Housing Authority	Total
Net Pension Liability							
Beginning net pension liability	\$ 65,186,351	\$ 10,590,879	\$ (6,575,511)	\$ 3,043,345	\$ 551,747	\$ 1,564,860	\$ 74,361,671
Ending net pension liability	\$ 61,246,804	\$ 9,994,897	\$ (7,737,025)	\$ 3,157,231	\$ 437,738	\$ 1,493,492	\$ 68,583,137
Deferred Outflows of Resources							
Difference between expected and actual experience	\$ 489,748	\$ 79,935	\$ (61,378)	\$ 25,250	\$ 3,501	\$ 11,944	\$ 548,500
Changes in assumptions	6,370,959	1,031,639	(798,623)	325,894	45,134	154,161	7,079,259
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,911,360	1,283,258	3,198,714	531,599	123,383	203,384	11,252,198
Total Deferred Outflows of Resources	\$ 12,772,067	\$ 2,394,832	\$ 2,338,208	\$ 882,743	\$ 172,058	\$ 369,989	\$ 18,879,957
Deferred Inflows of Resources							
Difference between expected and actual experience	\$ 286,672	\$ 46,790	\$ (36,220)	\$ 14,780	\$ 2,049	\$ 6,992	\$ 321,063
Net difference between projected and actual investment earnings on pension plan investments	12,432,974	2,079,266	(1,570,850)	641,013	89,974	303,274	13,974,451
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,058,889	497,691	7,414,950	125,245	92,875	62,548	11,252,198
Total Deferred Inflows of Resources	\$ 15,778,495	\$ 2,573,747	\$ 5,807,880	\$ 781,038	\$ 183,798	\$ 472,764	\$ 25,497,712
Pension Expense							
Proportionate share of pension expense	\$ 5,242,401	\$ 855,650	\$ (622,356)	\$ 270,286	\$ 37,474	\$ 127,856	\$ 5,911,311
Proportion changes and differences between employer contributions and proportionate share recognized as expense	771,546	293,580	(1,200,591)	74,708	20,678	40,079	-
Total Pension Expense	\$ 6,013,947	\$ 1,149,230	\$ (1,822,947)	\$ 344,994	\$ 58,152	\$ 167,935	\$ 5,911,311
Contributions							
Actuarially determined contribution	\$ 6,373,417	\$ 1,040,251	\$ 722,710	\$ 328,599	\$ 45,559	\$ 155,440	\$ 8,665,976
Contributions made	(6,373,417)	(1,040,251)	(722,710)	(328,599)	(45,559)	(155,440)	(8,665,976)
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	36.40%	21.82%	17.73%	25.40%	20.86%	22.95%	30.36%
Deferred Outflows/(Inflows) Recognized in Future Pension Expense							
June 30, 2023	\$ 651,259	\$ 253,174	\$ (1,163,635)	\$ 99,789	\$ 22,408	\$ 44,779	\$ (92,776)
June 30, 2024	(2,261,515)	(228,674)	(995,434)	(45,025)	1,761	(25,257)	(3,554,144)
June 30, 2025	(475,089)	(51,600)	(1,206,969)	46,204	(15,444)	(2,492)	(1,705,390)
June 30, 2026	(971,073)	(151,785)	(103,634)	737	(20,455)	(19,755)	(1,265,945)
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	\$ (3,056,418)	\$ (178,885)	\$ (3,469,672)	\$ 101,705	\$ (11,730)	\$ (2,775)	\$ (6,617,755)
Discount Rate Sensitivity							
1% decrease (6.125%)	\$ 80,232,221	\$ 13,095,275	\$ (5,583,050)	\$ 4,136,592	\$ 573,523	\$ 1,956,767	\$ 94,411,328
Current discount rate (7.125%)	\$ 61,246,804	\$ 9,994,897	\$ (7,737,025)	\$ 3,157,231	\$ 437,738	\$ 1,493,492	\$ 68,583,137
1% increase (8.125%)	\$ 45,167,774	\$ 7,372,155	\$ (9,559,164)	\$ 2,328,748	\$ 322,872	\$ 1,101,587	\$ 46,733,977
Covered Payroll	\$ 17,510,921	\$ 4,766,648	\$ 4,076,714	\$ 1,293,611	\$ 218,447	\$ 677,169	\$ 28,543,510

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of
Danvers, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2020

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 SUPPLEMENTAL INFORMATION	
Schedule of Changes in the Net Pension Liability	21
Schedules of Net Pension Liability, Contributions, and Investment Returns	22
OTHER INFORMATION	
Independent Auditors' Report	23
Schedule of Employer Allocations	25
Schedule of Pension Amounts by Employer	26



INDEPENDENT AUDITORS' REPORT

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

We have audited the accompanying financial statements of the Danvers Contributory Retirement System (the System), a component unit of the Town of Danvers, Massachusetts, 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.

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

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

800.282.2440 | melansoncpas.com



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Danvers Contributory 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 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

Andover, Massachusetts
October 22, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Danvers Contributory 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 required and 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, 2020. 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.

Financial Highlights

- The System's total net position restricted for pensions was \$140,122,603 at December 31, 2020.
- The System's net position increased by \$12,130,397, which is primarily due to investment returns being \$4,906,179 greater than expected in calendar year 2020.

- Employer and employee contributions to the plan were \$11,183,276, which represents a \$4,068,104 decrease over the prior year. This decrease is due to an additional contribution made by the Danvers Electric Division in 2019, which is discussed further in note 9 to the financial statements. The employer share of contributions represents 66% of the total contributions made to the System.
- Benefits paid to plan participants increased by \$114,307, or 1%, totaling \$13,708,313. At December 31, 2020, there were 423 retirees and beneficiaries in receipt of pension benefits.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the December 31, 2020 actuarial valuation was 65.33%.

Financial Statement Analysis

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

FIDUCIARY NET POSITION

(in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Cash and receivables	\$ 2,025	\$ 4,278
Investments	<u>138,205</u>	<u>123,908</u>
Total assets	<u>\$ 140,230</u>	<u>\$ 128,186</u>
Liabilities		
Accounts payable	\$ 107	\$ 194
Net Position		
Restricted for pensions	<u>140,123</u>	<u>127,992</u>
Total liabilities and net position	<u>\$ 140,230</u>	<u>\$ 128,186</u>

The System's total assets as of December 31, 2020 were \$140,229,901 and were comprised mostly of cash and investments. Total assets increased \$12,043,117 or 9% from the prior year primarily due to investment results being approximately \$4.9m greater than anticipated. Total liabilities decreased by \$87,280 over the prior year.

CHANGES IN FIDUCIARY NET POSITION

(in thousands)

	<u>2020</u>	<u>2019</u>
Additions		
Contributions	\$ 11,891	\$ 15,955
Investment income, net	<u>14,379</u>	<u>18,671</u>
Total additions	26,270	34,626
Deductions		
Benefit payments	13,708	13,594
Other	<u>431</u>	<u>796</u>
Total deductions	<u>14,139</u>	<u>14,390</u>
Changes in net position	12,131	20,236
Net Position Restricted for Pensions		
Beginning of year	<u>127,992</u>	<u>107,756</u>
End of year	<u>\$ 140,123</u>	<u>\$ 127,992</u>

The System was 60.3% funded based on its actuarial funding valuation of January 1, 2020 with 3 years remaining in its amortization period for the Danvers Electric Division and 15 years for all other member units.

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 gain for calendar year 2020 resulted in a net gain of \$26,269,570. Employer's contributions decreased by \$4,114,458, or 34% in calendar year 2020, which was due to an additional contribution made by the Danvers Electric Division in 2019. Further information on the contribution can be found in note 9 to the financial statements. The System had net investment gain of \$14,378,706 versus gain of \$18,670,829 in 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 2020 were \$14,139,173, which represent a decrease of \$251,068, or 2%, over deductions of \$14,390,241 in calendar year 2019. The payment of pension benefits increased by \$114,307 or 1% over the previous year.

Requests for Information

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

Susan Little, Retirement Manager
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, Massachusetts 01923

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Statement of Fiduciary Net Position
December 31, 2020

Assets	
Cash and short-term investments	\$ 1,770,444
Investments:	
Equities	22,825,400
Pooled investments	<u>115,379,703</u>
Total investments	138,205,103
Accounts receivable	<u>254,354</u>
Total assets	<u>\$ 140,229,901</u>
Liabilities	
Accounts payable	<u>\$ 107,298</u>
Total liabilities	107,298
Net Position	
Restricted for pensions	<u>140,122,603</u>
Total liabilities and net position	<u>\$ 140,229,901</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

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

Additions

Contributions:

Employers	\$ 7,902,628
Plan members	3,280,648
Other systems and Commonwealth of Massachusetts	328,250
Other	<u>379,338</u>
Total contributions	11,890,864

Investment income (loss):

Appreciation in fair value of investments	15,081,260
Less: management fees	<u>(702,554)</u>
Net investment gain	<u>14,378,706</u>
Total additions	26,269,570

Deductions

Benefit payments to plan members and beneficiaries	13,708,313
Refunds to plan members	105,041
Transfers to other systems	153,322
Administrative expenses	<u>172,497</u>
Total deductions	<u>14,139,173</u>
Net increase	12,130,397

Net position restricted for pensions

Beginning of year	<u>127,992,206</u>
End of year	<u>\$ 140,122,603</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the Town of Danvers (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the Danvers Contributory 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 Danvers Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2020 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	423
Inactive members entitled to a return of employee contributions/Terminated plan members entitled to but not yet receiving benefits	162
Active plan members	<u>491</u>
Total	<u>1,076</u>
Number of participating employers	2

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 6.00% 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 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 3 classes of membership in the retirement system 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 Town 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 terminated at the member's 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 terminate from service 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 3.00%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

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 Town of Danvers and Danvers Housing Authority 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 11.40%. 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 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, the System's bank balance of \$1,971,842 was fully collateralized.

4. Investments

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. The system's investments at December 31, 2020 were either not subject to credit risk or were unrated.

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's investments are not subject to custodial credit risk.

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.

As of December 31, 2020, the System did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

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. As of December 31, 2020, the System did not have any investments subject to interest rate risk.

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's policy for foreign current risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

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 in 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:

Description	Fair Value Measurements Using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:			
Equity securities			
Equity securities	\$ 22,825,400	\$ 22,825,400	\$ -
Subtotal	22,825,400	\$ 22,825,400	\$ -

(continued)

(continued)

Investments measured at the net asset value (NAV):

<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				
PRIT Core Real Estate Fund	7,019,325	\$ -	Monthly	30 days
PRIT Emerging Markets Fund	11,138,231	-	Monthly	30 days
PRIT Hedge Funds	7,784,196	-	Monthly	30 days
PRIT International Equity Fund	25,504,947	-	Monthly	30 days
PRIT Alternative Investments	3,715,178	8,850,532	Monthly	30 days
Limited Partnerships				
BPG Investments Partnership VIII, LP	285	-	*	*
BPG Investments Partnership IX, LP	107,210	-	*	*
Palladian Partners VII, LP	1,318,909	-	*	*
Realty Associates Fund X UTP LP	157,598	-	*	*
Index Funds				
Rhumline S&P 500 Index Fund	19,156,328	-	Daily	1 day
Rhumline Russell 1000 Growth	9,190,725	-	Daily	1 day
Barings US High Yield Bond Fund	6,166,676	-	Daily	1 day
Western Asset	24,120,095	-	Daily	1 day
Subtotal	115,379,703			
Total	\$ 138,205,103			

* As standard to limited partnership investments, not fully redeemed until the end of partnership term; distributions based on cash flow of the partnerships.

5. Accounts Receivable

The accounts receivable balances are primarily comprised of investments sold and plan member contributions not received until after December 31, 2020.

6. Accounts Payable

The accounts payable balances are primarily comprised of reimbursements to other systems and investments purchased but not paid until after December 31, 2020.

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, 2020.

Net Pension Liability of Employers

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

Total pension liability	\$ 214,484,274
Plan fiduciary net position	<u>(140,122,603)</u>
Employers' net pension liability	<u>\$ 74,361,671</u>
Plan fiduciary net position as a percentage of total pension liability	65.33%

Actuarial Assumptions

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

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal
Remaining amortization period	0 years for the Danvers Electric Division and 14 Years for all others
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
Group 1	6.00% - 4.25%, based on service
Group 2	7.00% - 4.75%, based on service
Inflation rate	2.60% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$13,000

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.

Mortality rates were based on the following:

Pre- and post-retirement and beneficiary mortality:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Mortality for disabled members:	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

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>
Domestic Equity	30.00%	5.30%
International Equity	25.00%	4.84%
Fixed Income	17.00%	0.80%
Alternatives	25.00%	5.06%
Cash & Cash Equivalents	<u>3.00%</u>	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or one percentage-point higher (8.50%) than the current rate:

<u>Year Ended</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Discount (8.50%)</u>
December 31, 2020	\$ 98,082,999	\$ 74,361,671	\$ 54,243,991

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,022,468	\$ -
Changes of assumptions	903,672	-
Net difference between projected and actual investment earnings on pension plan investments	-	5,560,026
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>15,117,229</u>	<u>15,117,229</u>
Total	<u>\$ 17,043,369</u>	<u>\$ 20,677,255</u>

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

	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	2019	5.16	\$ 1,032,887	\$ -	\$ 248,290	\$ 784,597
	2017	5.17	155,625	-	71,716	83,909
	2016	5.30	667,174	-	513,212	153,962
Changes in Assumptions	2019	5.16	392,047	-	94,242	297,805
	2017	5.17	1,081,150	-	498,225	582,925
	2016	5.30	99,410	-	76,468	22,942
Changes in proportion and differences between employer contributions and proportionate share of contributions	2020	5.16	-	9,448,813	1,831,164	7,617,651
	2019	5.16	8,671,067	-	2,084,394	6,586,673
	2018	5.17	899,591	-	283,782	615,809
	2017	5.17	480,737	-	221,538	259,199
	2016	5.30	164,218	-	126,321	37,897
	2015	5.70	99,322	-	99,322	-
Total Deferred Outflows of Resources			13,743,228	9,448,813	6,148,674	17,043,369
Deferred (Inflows) of Resources:						
Net Differences between projected and actual investment earnings on pension plan investments	2020	5.00	-	4,906,179	981,236	3,924,943
	2019	5.00	8,545,916	-	2,136,479	6,409,437
	2018	5.00	(10,094,926)	-	(3,364,976)	(6,729,950)
	2017	5.00	3,911,191	-	1,955,595	1,955,595
	2016	5.00	435,930	-	435,930	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2020	5.16	-	9,448,813	1,831,164	7,617,651
	2019	5.16	8,671,067	-	2,084,394	6,586,673
	2018	5.17	899,591	-	283,782	615,809
	2017	5.17	480,737	-	221,538	259,199
	2016	5.30	164,218	-	126,321	37,897
	2015	5.70	99,322	-	99,322	-
Total Deferred (inflows) of Resources			13,113,046	14,354,994	6,790,785	20,677,255
Total Collective Deferred Outflows/(inflows) of Resources			\$ 26,856,274	\$ 23,803,809	\$ 12,939,459	\$ 37,720,624

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

Fiscal Year*	Total
2022	\$ (618,959)
2023	686,685
2024	(2,775,183)
2025	(926,429)
	<u>\$ (3,633,886)</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.

9. Net Pension Liability of Participating Employers

The net position for the Danvers Retirement System as of December 31, 2020 was \$140,122,603. This includes an excess contribution of \$5,000,000 made by the Electric Division in calendar year 2014 and an excess contribution of \$4,131,369 made by the Electric Division in calendar year 2019. The value of this additional contributions as of December 31, 2020 is \$12,603,293. Since this amount is contributed by the Electric Department solely for their own use and not for any cost-sharing purpose, it is applied only towards the Electric Department's liability in the allocation of results to individual employers. This is consistent with a memorandums of understanding issued by the Municipal Light Board and the Danvers Retirement Board, dated November 13, 2015 and October 24, 2019.

The System's net pension liability (prior to the allocation of the \$12,603,293 discussed above) is allocated to member units (including departments and divisions) based on fiscal year 2020 actuarially determined contributions. However, because of the treatment of the additional Electric Division contributions, the System has allocated the net pension liability, deferred outflows of resources, and deferred inflows of resources (other than proportion and contribution changes) based on the member unit's proportional share of the net pension liability after the allocation of the \$12,603,293.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Schedule of Changes in the Net Pension Liability
Required Supplementary Information

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	\$ 4,748,227	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest on unfunded liability - time value of money	15,434,430	14,843,264	14,385,211	14,147,151	13,435,902	13,431,210	13,007,186
Changes of benefit terms	-	-	-	-	930,654	-	-
Differences between expected and actual experience	-	1,261,177	-	370,773	2,720,022	-	-
Changes of assumptions	-	466,269	-	2,575,625	405,282	-	-
Benefit payments, including refunds of member contributions	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Net change in total pension liability	6,897,552	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total pension liability - beginning	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175	164,836,276
Total pension liability - ending (a)	214,684,274	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position							
Contributions - employer	7,902,628	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,666,405
Contributions - member	3,127,327	2,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,972
Net investment income	14,378,706	18,670,629	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(13,485,105)	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	155,979	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	50,862	52,355	54,963	50,329	-	-	-
Net change in plan fiduciary net position	12,130,397	20,235,758	(10,134,205)	15,169,341	6,740,384	(3,708,325)	4,145,447
Plan fiduciary net position - beginning	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253	95,543,806
Plan fiduciary net position - ending (b)	140,122,603	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253
Net pension liability (asset) - ending (a-b)	\$ 74,361,671	\$ 79,794,516	\$ 92,078,102	\$ 75,640,796	\$ 82,208,045	\$ 79,745,508	\$ 70,496,922

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

See Independent Auditors' Report.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

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

(Unaudited)

Schedule of Net Pension Liability

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 214,484,274	\$ 207,786,722	\$ 199,834,550	\$ 193,531,449	\$ 184,929,357	\$ 175,726,436	\$ 170,186,175
Plan fiduciary net position	<u>140,122,603</u>	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>
Net pension liability (asset)	<u>\$ 74,361,671</u>	<u>\$ 79,794,516</u>	<u>\$ 92,078,102</u>	<u>\$ 75,640,796</u>	<u>\$ 82,208,045</u>	<u>\$ 79,745,508</u>	<u>\$ 70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	65.33%	61.60%	53.92%	60.92%	55.55%	54.62%	58.58%
Covered payroll	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Participating employer net pension liability (asset) as a percentage of covered payroll	249.57%	278.40%	315.58%	275.82%	307.11%	297.17%	287.91%

Schedule of Contributions

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,902,628	\$ 7,885,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>7,902,628</u>	<u>17,017,086</u>	<u>7,301,588</u>	<u>6,760,731</u>	<u>6,317,667</u>	<u>5,853,934</u>	<u>10,686,405</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (4,131,369)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (57,731)</u>	<u>\$ (57,686)</u>	<u>\$ (5,319,519)</u>
Covered payroll	\$ 29,795,790	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Contributions as a percentage of covered payroll	26.52%	41.93%	25.03%	24.65%	23.60%	21.81%	43.64%

Schedule of Investment Returns

Year Ended December 31

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	11.40%	17.53%	-6.94%	17.57%	10.05%	5.17%	7.11%

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 Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Danvers Contributory Retirement System as of and for the year ended December 31, 2020. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Danvers 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 totals included in the schedule of pension amounts by employer 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 totals included in the schedule of pension amounts by employer 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 pension amounts by employer. 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 pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the

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



entity's preparation and fair presentation of the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer 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 totals included in the schedule of pension amounts by employer.

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, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Danvers Contributory 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 Danvers Contributory 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.

A handwritten signature in dark ink that reads "Melanson".

Andover, Massachusetts
October 22, 2021

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Employer Allocations

<u>Employer</u>	<u>FY 2021 Actual Employer Contributions</u>	<u>Proportional Share of Total Employer Contributions</u>	<u>Proportional Share of Net Pension Liability</u>
Town of Danvers	\$ 5,923,575	74.96%	87.67%
School Department	962,408	12.18%	14.24%
Electric Division	547,753	6.93%	-8.84%
Water Division	276,553	3.50%	4.09%
Sewer Division	50,138	0.63%	0.74%
Danvers Housing Authority	142,201	1.80%	2.10%
Total	<u>\$ 7,902,628</u>	<u>100.00%</u>	<u>100.00%</u>

*See Note 9 in the audited financial statements.

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Pension Amounts by Employer
As of and for the year ended December 31, 2020

	Town of Danvers	School Department	Electric Division	Water Division	Sewer Division	Danvers Housing Authority	Total
Net Pension Liability							
Beginning net pension liability	\$ 63,287,856	\$ 10,312,484	\$ 1,211,642	\$ 2,927,119	\$ 536,262	\$ 1,519,173	\$ 79,794,516
Ending net pension liability	\$ 65,186,351	\$ 10,590,879	\$ (6,575,511)	\$ 3,043,345	\$ 551,797	\$ 1,564,860	\$ 74,361,671
Deferred Outflows of Resources							
Difference between expected and actual experience	\$ 856,308	\$ 145,624	\$ (90,413)	\$ 41,846	\$ 7,586	\$ 21,517	\$ 1,022,468
Changes of assumptions	792,170	128,704	(79,908)	36,984	6,705	19,017	903,672
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>7,920,696</u>	<u>1,659,510</u>	<u>4,735,721</u>	<u>369,238</u>	<u>175,538</u>	<u>256,526</u>	<u>15,117,229</u>
Total Deferred Outflows of Resources	\$ <u>9,609,174</u>	\$ <u>1,933,838</u>	\$ <u>4,565,400</u>	\$ <u>448,068</u>	\$ <u>189,829</u>	\$ <u>297,060</u>	\$ <u>17,043,369</u>
Deferred Inflows of Resources							
Net difference between projected and actual investment earnings on pension plan investments	\$ 4,873,887	\$ 791,880	\$ (491,651)	\$ 227,551	\$ 41,254	\$ 117,005	\$ 5,560,026
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>4,201,524</u>	<u>615,867</u>	<u>9,950,866</u>	<u>216,302</u>	<u>33,705</u>	<u>98,965</u>	<u>15,117,229</u>
Total Deferred Inflows of Resources	\$ <u>9,075,411</u>	\$ <u>1,407,747</u>	\$ <u>9,459,215</u>	\$ <u>443,853</u>	\$ <u>74,959</u>	\$ <u>215,970</u>	\$ <u>20,677,255</u>
Pension Expense							
Proportionate share of pension expense	\$ 5,902,975	\$ 959,062	\$ (595,448)	\$ 275,591	\$ 49,964	\$ 141,707	\$ 6,733,851
Proportion changes and differences between employer contributions and proportionate share recognized as expense	<u>695,156</u>	<u>313,086</u>	<u>(1,120,838)</u>	<u>32,626</u>	<u>(40,863)</u>	<u>39,127</u>	<u>-</u>
Total Pension Expense	\$ <u>6,598,131</u>	\$ <u>1,272,148</u>	\$ <u>(1,716,286)</u>	\$ <u>308,217</u>	\$ <u>90,827</u>	\$ <u>180,834</u>	\$ <u>6,733,851</u>
Contributions							
Actuarially determined contribution	\$ 5,923,575	\$ 962,408	\$ 547,753	\$ 276,553	\$ 50,138	\$ 142,201	\$ 7,802,628
Contributions made	<u>(5,923,575)</u>	<u>(962,408)</u>	<u>(547,753)</u>	<u>(276,553)</u>	<u>(50,138)</u>	<u>(142,201)</u>	<u>(7,802,628)</u>
Contribution deficiency / (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	31.67%	21.39%	13.02%	19.77%	16.78%	20.72%	26.52%
Deferred Outflows/(Inflows) Recognized in Future Pension Expense							
June 30, 2022	\$ 249,119	\$ 197,904	\$ (1,103,130)	\$ (20,142)	\$ 35,290	\$ 22,000	\$ (618,959)
June 30, 2023	1,355,767	356,901	(1,182,037)	62,622	47,297	56,135	686,685
June 30, 2024	(1,500,677)	(113,487)	(1,108,257)	(64,506)	23,060	(11,316)	(2,775,183)
June 30, 2025	255,673	57,463	(1,274,710)	17,279	7,771	10,095	(926,429)
June 30, 2026	173,781	27,310	(215,681)	8,967	1,452	4,176	-
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	\$ <u>533,663</u>	\$ <u>526,091</u>	\$ <u>(4,893,815)</u>	\$ <u>4,215</u>	\$ <u>114,870</u>	\$ <u>81,090</u>	\$ <u>(3,633,886)</u>
Discount Rate Sensitivity							
1% decrease (6.50%)	\$ 82,967,153	\$ 13,479,740	\$ (4,931,320)	\$ 3,873,475	\$ 702,246	\$ 1,991,705	\$ 98,082,999
Current discount rate (7.50%)	\$ 65,186,351	\$ 10,590,879	\$ (6,575,511)	\$ 3,043,345	\$ 551,747	\$ 1,564,860	\$ 74,361,671
1% increase (8.50)	\$ 50,106,735	\$ 8,140,882	\$ (7,869,823)	\$ 2,339,326	\$ 424,111	\$ 1,202,860	\$ 54,243,991
Covered Payroll	\$ 18,705,869	\$ 4,489,361	\$ 4,206,930	\$ 1,399,651	\$ 298,745	\$ 686,234	\$ 28,795,790

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of
Danvers, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2019

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 SUPPLEMENTAL INFORMATION	
Schedule of Changes in the Net Pension Liability	21
Schedules of Net Pension Liability, Contributions, and Investment Returns	22
OTHER INFORMATION	
Independent Auditors' Report	23
Schedule of Employer Allocations	25
Schedule of Pension Amounts by Employer	26



INDEPENDENT AUDITORS' REPORT

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

We have audited the accompanying financial statements of the Danvers Contributory Retirement System (the System), a component unit of the Town of Danvers, Massachusetts, 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

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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 Danvers Contributory 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.

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.

Andover, Massachusetts
December 3, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Danvers Contributory 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.

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.

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 \$127,992,206 at December 31, 2019.
- The System's net position increased by \$20,235,758, which is primarily due to investment returns being \$10,682,395 greater than expected in calendar year 2019.
- Employer and employee contributions to the plan were \$15,251,380, which represents a \$4,486,596 increase over the prior year. This increase is due to an additional contribution made by the Danvers Electric Division, which is discussed further in note 9 to the financial

statements. The employer share of contributions represents 75% of the total contributions made to the System.

- Benefits paid to plan participants increased by \$693,534, or 5%, totaling \$13,594,006. At December 31, 2019, there were 413 retirees and beneficiaries in receipt of pension benefits.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the December 31, 2019 actuarial valuation was 61.60%.

Financial Statement Analysis

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

FIDUCIARY NET POSITION

(in thousands)

	<u>2019</u>	<u>2018</u>
Assets		
Cash and receivables	\$ 4,278	\$ 4,872
Investments	<u>123,908</u>	<u>103,419</u>
Total assets	128,186	108,291
Liabilities		
Accounts payable	<u>194</u>	<u>535</u>
Net Position		
Restricted for pensions	<u>\$ 127,992</u>	<u>\$ 107,756</u>

The System's total assets as of December 31, 2019 were \$128,186,784 and were comprised mostly of cash and investments. Total assets increased \$19,895,882 or 18% from the prior year primarily due to investment results being approximately \$10.7m greater than anticipated. Total liabilities decreased by \$339,876 over the prior year.

CHANGES IN FIDUCIARY NET POSITION

(in thousands)

	<u>2019</u>	<u>2018</u>
Additions		
Contributions	\$ 15,955	\$ 11,483
Investment income, net	<u>18,808</u>	<u>(7,946)</u>
Total additions	34,763	3,537
Deductions		
Benefit payments	13,594	12,900
Other	<u>933</u>	<u>772</u>
Total deductions	<u>14,527</u>	<u>13,672</u>
Changes in net position	20,236	(10,135)
Net Position Restricted for Pensions		
Beginning of year	<u>107,756</u>	<u>117,891</u>
End of year	\$ <u>127,992</u>	\$ <u>107,756</u>

The System was 60.3% funded based on its actuarial funding valuation of January 1, 2020 with 3 years remaining in its amortization period for the Danvers Electric Division and 15 years for all other member units.

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 gain for calendar year 2019 resulted in a net gain of \$34,762,671. Employer's contributions increased by \$4,706,497, or 64% in calendar year 2019, which was due to an additional contribution made by the Danvers Electric Division. Further information on the contribution can be found in note 9 to the financial statements. The System had net investment gain of \$18,807,501 versus loss of \$(7,946,257) 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 2019 were \$14,526,913, which represent an increase of \$855,400, or 6%, over deductions of \$13,671,513 in calendar year 2018. The payment of pension benefits increased by \$693,534 or 5% over the previous year.

Requests for Information

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

Susan Little, Retirement Manager
Danvers Contributory Retirement System
1 Sylvan Street
Danvers, Massachusetts 01923

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Statement of Fiduciary Net Position
December 31, 2019

Assets	
Cash and short-term investments	\$ 3,901,839
Investments:	
Equities	16,447,558
Pooled investments	107,460,766
Accounts receivable	<u>376,621</u>
Total assets	<u>\$ 128,186,784</u>
Liabilities	
Accounts payable	<u>\$ 194,578</u>
Total liabilities	194,578
Net Position	
Restricted for pensions	<u>127,992,206</u>
Total liabilities and net position	<u>\$ 128,186,784</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Danvers, Massachusetts)

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

Additions

Contributions:	
Employers	\$ 12,017,086
Plan members	3,234,294
Other systems and Commonwealth of Massachusetts	335,928
Other	<u>367,862</u>
Total contributions	15,955,170
Investment income (loss):	
Appreciation in fair value of investments	19,463,842
Less: management fees	<u>(656,341)</u>
Net investment gain	<u>18,807,501</u>
Total additions	34,762,671

Deductions

Benefit payments to plan members and beneficiaries	13,594,006
Refunds to plan members	214,820
Transfers to other systems	420,266
Administrative expenses	<u>297,821</u>
Total deductions	<u>14,526,913</u>
Net increase	20,235,758

Net position restricted for pensions

Beginning of year	<u>107,756,448</u>
End of year	<u>\$ 127,992,206</u>

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the Town of Danvers (except teachers and administrators under contract employed by the School Department) and Danvers Housing Authority are members of the Danvers Contributory 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 Danvers Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2020 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	413
Inactive members entitled to a return of employee contributions/Terminated plan members entitled to but not yet receiving benefits	146
Active plan members	<u>491</u>
Total	<u>1,050</u>
Number of participating employers	2

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 6.00% 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 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 Town 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 terminated 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 terminate from service 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 3.00%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

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 Town of Danvers and Danvers Housing Authority 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 17.53%. 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 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, the System's bank balance of \$4,009,254 was fully collateralized.

4. Investments

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. The system's investments at December 31, 2019 were either not subject to credit risk or were unrated.

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's investments are not subject to custodial credit risk.

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.

As of December 31, 2019, the System did not have any investments subject to concentration of concentration of credit risk as investment classifications exceeding 5% are exempt from disclosure.

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. As of December 31, 2020 the System did not have any investments subject to interest rate risk.

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's policy for foreign current risk is that securities of foreign-based issuers that cannot be transacted in US dollars on US exchanges are prohibited.

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 in 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:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
Equity securities			
Equity securities	\$ 16,447,558	\$ 16,447,558	\$ -
Subtotal	16,447,558	16,447,558	-

(continued)

(continued)

Investments measured at
the net asset value (NAV):

<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				
PRIT Core Real Estate Fund	8,004,962	\$ -	Monthly	30 days
PRIT Emerging Markets Fund	10,596,673	-	Monthly	30 days
PRIT Hedge Funds	7,686,789	-	Monthly	30 days
PRIT International Equity Fund	25,517,570	-	Monthly	30 days
PRIT Alternative Investments	2,637,661	1,601,562	Monthly	30 days
Bairings US High Yield Bond Fund	5,793,729	-	Monthly	31 days
Western Asset	20,208,054	-	Monthly	30 days
Limited Partnerships				
BPG Investments Partnership IX, LP	165,891	-	*	*
Palladian Partners VII, LP	1,392,037	-	*	*
Realty Associates Fund X UTP LP	254,263	-	*	*
Index Funds				
Rhumline S&P 500 Index Fund	18,567,685	-	Daily	1 day
Rhumline Russell 1000 Growth	6,635,452	-	Daily	1 day
Subtotal	107,460,766			
Total	\$ 123,908,324			

* As standard to limited partnership investments, not fully redeemed until the end of partnership term; distributions based on cash flow of the partnerships.

5. Accounts Receivable

The accounts receivable balances are primarily comprised of investments sold and plan member contributions not received until after December 31, 2019.

6. Accounts Payable

The accounts payable balances are primarily comprised of reimbursements to other systems and investments purchased but not paid until after December 31, 2019.

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, 2020.

Net Pension Liability of Employers

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

Total pension liability	\$ 207,786,722
Plan fiduciary net position	<u>(127,992,206)</u>
Employers' net pension liability	<u>\$ 79,794,516</u>
Plan fiduciary net position as a percentage of total pension liability	61.60%

Actuarial Assumptions

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

Valuation Date	1/1/2020
Actuarial cost method	Entry Age Normal
Remaining amortization period	3 years for the Danvers Electric Division and 15 Years for all others
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
Group 1	6.00% - 4.25%, based on service
Group 2	7.00% - 4.75%, based on service
Inflation rate	2.70% per year
Post-retirement cost-of-living adjustment	3.00% of the first \$13,000

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.

Mortality rates were based on the following:

Pre- and post-retirement and beneficiary mortality:	Based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018.
Mortality for disabled members:	Based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

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>Long-term Expected Real Rate of Return</u>
Domestic Equity	30.00%	5.10%
International Equity	25.00%	4.64%
Fixed Income	17.00%	0.80%
Alternatives	25.00%	6.82%
Cash & Cash Equivalents	3.00%	0.00%
Total	<u>100.00%</u>	

Discount Rate

The discount rate used to measure the total pension liability was 7.50%. 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 7.50%, 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 (6.50%) or one percentage-point higher (8.50%) than the current rate:

<u>Year Ended</u>	<u>1% Decrease (6.50%)</u>	<u>Current Discount Rate (7.50%)</u>	<u>1% Discount (8.50%)</u>
December 31, 2019	\$ 102,898,743	\$ 79,794,516	\$ 60,205,883

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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ 1,855,686	\$ -
Changes of assumptions	1,572,607	-
Net difference between projected and actual investment earnings on pension plan investments	-	(2,798,111)
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>10,314,935</u>	<u>(10,314,935)</u>
Total	<u>\$ 13,743,228</u>	<u>\$ (13,113,046)</u>

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

	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	2019	5.16	\$ -	\$ 1,281,177	\$ 248,290	\$ 1,032,887
	2017	5.17	227,841	-	71,716	155,625
	2016	5.30	1,180,386	-	513,212	667,174
Changes in Assumptions	2019	5.16	-	486,289	94,242	392,047
	2017	5.17	1,579,375	-	498,225	1,081,150
	2016	5.30	175,878	-	76,468	99,410
Changes in proportion and differences between employer contributions and proportionate share of contributions	2019	5.16	-	(10,755,461)	2,084,394	(8,671,067)
	2018	5.17	1,183,373	-	283,782	899,591
	2017	5.17	702,275	-	221,538	480,737
	2016	5.30	290,539	-	126,321	164,218
	2015	5.70	241,207	-	141,885	99,322
Total Deferred Outflows of Resources			5,580,374	12,522,927	4,360,073	13,743,228
Deferred (Inflows) of Resources:						
Net Differences between projected and actual investment earnings on pension plan investments	2019	5.00	-	(10,682,395)	(2,136,479)	(8,545,916)
	2018	5.00	13,459,902	-	3,364,976	10,094,926
	2017	5.00	(5,866,786)	-	(1,955,595)	(3,911,191)
	2016	5.00	(871,861)	-	(435,931)	(435,930)
	2015	5.00	1,795,588	-	1,795,588	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2019	5.16	-	(10,755,461)	(2,084,394)	(8,671,067)
	2018	5.17	(1,183,373)	-	(283,782)	(899,591)
	2017	5.17	(702,275)	-	(221,538)	(480,737)
	2016	5.30	(290,539)	-	(126,321)	(164,218)
	2015	5.70	(241,207)	-	(141,885)	(99,322)
Total Deferred (Inflows) of Resources			6,099,449	(21,437,856)	(2,225,361)	(13,113,046)
Total Collective Deferred Outflows (Inflows) of Resources			\$ 11,679,823	\$ (8,914,929)	\$ 2,134,712	\$ 630,182

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

Fiscal Year*	Total
2021	\$ 339,125
2022	362,277
2023	1,667,921
2024	(1,793,947)
2025	54,806
Thereafter	-
	<u>\$ 630,182</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.

9. Net Pension Liability of Participating Employers

The net position for the Danvers Retirement System as of December 31, 2019 was \$127,992,206. This includes an excess contribution of \$5,000,000 made by the Electric Division in calendar year 2014 and an excess contribution of \$4,131,369 made by the Electric Division in calendar year 2019. The value of this additional contributions as of December 31, 2019 is \$11,200,495. Since this amount is contributed by the Electric Department solely for their own use and not for any cost-sharing purpose, it is applied only towards the Electric Department's liability in the allocation of results to individual employers. This is consistent with a memorandums of understanding issued by the Municipal Light Board and the Danvers Retirement Board, dated November 13, 2015 and October 24, 2019.

The System's net pension liability (prior to the allocation of the \$11,200,495 discussed above) is allocated to member units (including departments and divisions) based on fiscal year 2020 actuarially determined contributions. However, because of the treatment of the additional Electric Division contributions, the System has allocated the deferred outflows of resources and deferred inflows of resources (other than proportion and contribution changes) based on the member unit's proportional share of the net pension liability after the allocation of the \$11,200,495.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability
(Unaudited)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	\$ 4,809,840	\$ 4,624,846	\$ 3,720,704	\$ 3,569,021	\$ 3,298,870	\$ 3,164,384
Interest on unfunded liability - time value of money	14,843,264	14,385,211	14,147,151	13,435,902	13,431,210	13,007,186
Changes of benefit terms	-	-	-	930,854	-	-
Differences between expected and actual experience	1,281,177	-	370,775	2,720,022	-	-
Changes of assumptions	486,289	-	2,575,825	405,282	-	-
Benefit payments, including refunds of member contributions	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Net change in total pension liability	7,952,172	6,303,101	8,602,092	9,202,921	5,540,261	5,349,899
Total pension liability - beginning	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175	164,836,276
Total pension liability - ending (a)	207,786,722	199,834,550	193,531,449	184,929,357	175,726,436	170,186,175
Plan Fiduciary Net Position						
Contributions - employer	12,017,086	7,301,589	6,760,731	6,317,667	5,853,934	10,686,405
Contributions - member	2,809,528	3,160,074	2,773,534	2,617,135	2,605,540	2,433,972
Net investment income	18,670,829	(8,086,335)	17,643,023	9,510,814	(1,106,853)	2,035,488
Benefit payments, including refunds of member contributions	(13,468,398)	(12,706,956)	(12,212,361)	(11,857,960)	(11,189,819)	(10,821,671)
Administrative expense	154,358	142,460	154,085	152,728	128,873	(188,747)
Other	52,355	54,963	50,329	-	-	-
Net change in plan fiduciary net position	20,235,758	(10,134,205)	15,169,341	6,740,384	(3,708,325)	4,145,447
Plan fiduciary net position - beginning	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253	95,543,806
Plan fiduciary net position - ending (b)	127,992,206	107,756,448	117,890,653	102,721,312	95,980,928	99,689,253
Net pension liability (asset) - ending (a-b)	\$ 79,794,516	\$ 92,078,102	\$ 75,640,796	\$ 82,208,045	\$ 79,745,508	\$ 70,496,922

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

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Net Pension Liability, Contributions, and Investment Returns
(Unaudited)

Schedule of Net Pension Liability

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 207,786,722	\$ 199,834,550	\$ 193,531,449	\$ 184,929,357	\$ 175,726,436	\$ 170,186,175
Plan fiduciary net position	<u>127,992,206</u>	<u>107,756,448</u>	<u>117,890,653</u>	<u>102,721,312</u>	<u>95,980,928</u>	<u>99,689,253</u>
Net pension liability (asset)	\$ <u>79,794,516</u>	\$ <u>92,078,102</u>	\$ <u>75,640,796</u>	\$ <u>82,208,045</u>	\$ <u>79,745,508</u>	\$ <u>70,496,922</u>
Plan fiduciary net position as a percentage of the total pension liability	61.60%	53.92%	60.92%	55.55%	54.62%	58.58%
Covered payroll	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Participating employer net pension liability (asset) as a percentage of covered payroll	278.40%	315.58%	275.82%	307.11%	297.17%	287.91%

Schedule of Contributions

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contribution	\$ 7,885,717	\$ 7,301,589	\$ 6,760,731	\$ 6,259,936	\$ 5,796,238	\$ 5,366,886
Contributions in relation to the actuarially determined contribution	<u>12,017,086</u>	<u>7,301,589</u>	<u>6,760,731</u>	<u>6,317,667</u>	<u>5,853,934</u>	<u>10,686,405</u>
Contribution deficiency (excess)	\$ <u>(4,131,369)</u>	\$ -	\$ -	\$ <u>(57,731)</u>	\$ <u>(57,696)</u>	\$ <u>(5,319,519)</u>
Covered payroll	\$ 28,661,365	\$ 29,176,993	\$ 27,424,233	\$ 26,767,949	\$ 26,834,535	\$ 24,485,565
Contributions as a percentage of covered payroll	41.93%	25.03%	24.65%	23.60%	21.81%	43.64%

Schedule of Investment Returns

<i>Year Ended December 31</i>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money weighted rate of return, net of investment expense	17.53%	-6.94%	17.57%	10.05%	5.17%	7.11%

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



Independent Auditors' Report

To the Honorable Danvers Contributory Retirement Board
Danvers Contributory Retirement System
Town of Danvers, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Danvers Contributory Retirement System as of and for the year ended December 31, 2019. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Danvers Contributory 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 totals included in the schedule of pension amounts by employer 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 totals included in the schedule of pension amounts by employer 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 pension amounts by employer. 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

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



specified totals included in the schedule of pension amounts by employer, 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 totals included in the schedule of pension amounts by employer 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 totals included in the schedule of pension amounts by employer.

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, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Danvers Contributory 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 Danvers Contributory Retirement System management, the Retirement Board, 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.

Andover, Massachusetts
December 3, 2020

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Employer Allocations

<u>Employer</u>	<u>FY 2020 Actual Employer Contributions</u>	<u>Allocation Percentage*</u>
Town of Danvers	\$ 5,484,586	79.31%
School Department	893,690	12.93%
Electric Division	5,207,017	1.52%
Water Division	253,667	3.67%
Sewer Division	46,473	0.67%
Danvers Housing Authority	131,653	1.90%
Total	<u>\$ 12,017,086</u>	<u>100.00%</u>

*See Note 9 in the audited financial statements

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

DANVERS CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Pension Amounts by Employer
As of and for the year ended December 31, 2019

	Town of Danvers	School Department	Electric Division	Water Division	Sewer Division	Danvers Housing Authority	Total
Net Pension Liability							
Beginning net pension liability	\$ 69,079,541	\$ 10,453,162	\$ 7,471,131	\$ 3,193,630	\$ 373,992	\$ 1,512,646	\$ 92,078,102
Ending net pension liability	\$ 63,287,836	\$ 10,312,484	\$ 1,211,642	\$ 2,927,119	\$ 536,262	\$ 1,519,173	\$ 79,794,516
Deferred Outflows of Resources							
Difference between expected and actual experience	\$ 1,471,808	\$ 239,826	\$ 28,178	\$ 68,073	\$ 12,471	\$ 35,330	\$ 1,855,686
Changes of assumptions	1,247,291	203,240	23,879	57,688	10,569	29,940	1,572,607
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,551,870	1,138,112	5,114,602	160,352	174,082	175,312	10,316,935
Total Deferred Outflows of Resources	\$ 6,270,969	\$ 1,581,178	\$ 5,166,659	\$ 286,113	\$ 197,122	\$ 240,582	\$ 13,743,728
Deferred Inflows of Resources							
Net difference between projected and actual investment earnings on pension plan investments	2,219,280	361,622	42,488	102,644	18,805	53,272	2,798,111
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 4,742,004	\$ 662,119	\$ 4,894,872	\$ 264,417	\$ 38,244	\$ 113,279	\$ 10,314,935
Total Deferred Inflows of Resources	\$ 6,961,284	\$ 1,023,741	\$ 4,937,360	\$ 367,061	\$ 57,049	\$ 166,551	\$ 13,113,046
Pension Expense							
Proportionate share of pension expense	\$ 8,552,487	\$ 1,393,591	\$ 163,737	\$ 395,560	\$ 72,468	\$ 205,296	\$ 10,783,139
Proportion changes and differences between employer contributions and proportionate share recognized as expense	(401,822)	158,456	205,138	(9,945)	32,528	15,645	-
Total Pension Expense	\$ 8,150,665	\$ 1,552,047	\$ 368,875	\$ 385,615	\$ 104,996	\$ 220,941	\$ 10,783,139
Contributions							
Actuarially determined contribution	\$ 5,484,586	\$ 893,690	\$ 1,075,648	\$ 253,667	\$ 46,473	\$ 131,653	\$ 7,885,717
Contributions made	(5,484,586)	(893,690)	(5,207,017)	(253,667)	(46,473)	(131,653)	(12,017,086)
Contribution deficiency / (excess)	\$ -	\$ -	\$ (4,131,369)	\$ -	\$ -	\$ -	\$ (4,131,369)
Contributions as a percentage of covered payroll	30.92%	20.01%	25.58%	16.75%	51.75%	20.38%	41.93%
Deferred Outflows/(Inflows) Recognized in Future Pension Expense							
June 30, 2021	\$ (122,022)	\$ 186,228	\$ 232,317	\$ (10,947)	\$ 34,061	\$ 19,488	\$ 339,125
June 30, 2022	(7,091)	162,193	195,645	(37,534)	33,237	15,827	362,277
June 30, 2023	990,565	303,974	242,017	39,691	44,330	47,344	1,667,921
June 30, 2024	(1,576,891)	(120,767)	(32,890)	(72,749)	22,514	(13,164)	(1,793,947)
June 30, 2025	25,124	25,809	(7,750)	1,191	5,331	4,541	56,806
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	\$ (690,315)	\$ 557,437	\$ 629,299	\$ (80,348)	\$ 140,073	\$ 74,036	\$ 630,182
Discount Rate Sensitivity							
1% decrease (6.50%)	\$ 81,612,611	\$ 13,298,428	\$ 1,562,469	\$ 3,774,656	\$ 691,535	\$ 1,959,044	\$ 102,898,743
Current discount rate (7.50%)	\$ 63,287,836	\$ 10,312,484	\$ 1,211,642	\$ 2,927,119	\$ 536,262	\$ 1,519,173	\$ 79,794,516
1% increase (8.50%)	\$ 47,751,402	\$ 7,780,888	\$ 914,198	\$ 2,208,545	\$ 404,616	\$ 1,146,234	\$ 60,205,883
Covered Payroll	\$ 17,739,825	\$ 4,466,689	\$ 4,204,014	\$ 1,514,520	\$ 89,799	\$ 645,812	\$ 28,661,365

See actuarial assumptions in the Danvers Contributory Retirement System audited financial statements.

COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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