

# **FRANKLIN REGIONAL CONTRIBUTORY RETIREMENT SYSTEM AUDIT REPORT**

**JAN. 1, 2017 - DEC. 31, 2021**



**PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION**  
**COMMONWEALTH OF MASSACHUSETTS**



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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

WILLIAM T. KEEFE, *Executive Director*

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

December 30, 2024

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Franklin Regional Retirement System conducted by the firms Powers & Sullivan and Melanson Heath. They conducted these audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits covered the period from January 1, 2017 to December 31, 2021.

We conducted an inspection of the work papers prepared by Powers & Sullivan and Melanson Heath. 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 Powers & Sullivan and Melanson Heath 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, and 5) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Franklin Regional 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 Franklin Regional 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 Powers & Sullivan and Melanson Heath and the tests conducted for the periods referenced in their opinion. These audits were not performed by employees or representatives of PERAC. It should also be noted that the opinions expressed in these audit reports were based on the laws and regulations in effect at the time.

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

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

Sincerely,



William T. Keefe  
Executive Director



## SUPPLEMENTARY INFORMATION

### SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2021		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,428,506	0.7%
Equities	46,115,107	22.3%
Pooled Domestic Equity Funds	20,270,614	9.8%
Pooled International Equity Funds	10,067,161	4.9%
Pooled Domestic Fixed Income Funds	16,579,640	8.0%
Pooled Global Fixed Income Funds	7,130,456	3.4%
Pooled Real Estate Funds	21,328,297	10.3%
PRIT Core Fund	<u>84,287,399</u>	<u>40.7%</u>
<b>Grand Total</b>	<b><u>\$207,207,180</u></b>	<b><u>100.0%</u></b>

For the year ending December 31, 2021, the rate of return for the investments of the Franklin Regional Retirement System was 20.40%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Franklin Regional Retirement System averaged 11.26%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Franklin Regional Retirement System was 8.89%.

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

## SUPPLEMENTARY INFORMATION (Continued)

### ADMINISTRATION OF THE SYSTEM

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

Chairperson:	Sandra A. Hanks	Term Expires:	12/31/2026
Appointed Member:	Angelina J. Bragdon	Term Expires:	12/31/2027
Elected Member:	Vacant	Term Expires:	N/A
Elected Member:	Gabriele H. Voelker	Term Expires:	12/31/2025
Appointed Member:	Paul Mokrzecki	Term Expires:	06/30/2025

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

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

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

### BOARD REGULATIONS

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

## SUPPLEMENTARY INFORMATION (Continued)

### MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
<b>Retirement in Past Years</b>										
Superannuation	37	41	21	27	35	35	43	38	27	30
Ordinary Disability	0	1	1	0	2	0	0	0	0	1
Accidental Disability	2	2	2	0	0	0	0	0	0	0
<b>Total Retirements</b>	39	44	24	27	37	35	43	38	27	31
 Total Retirees, Beneficiaries and Survivors	500	529	541	554	581	601	633	661	666	677
 Total Active Members	1,050	946	921	951	987	972	1,023	1,064	1,066	1,086
<b>Pension Payments</b>										
Superannuation	\$4,823,937	\$5,235,902	\$5,591,471	\$5,853,111	\$6,377,212	\$6,879,209	\$7,342,787	\$7,919,712	\$8,460,716	\$8,937,113
Survivor/Beneficiary Payments	273,174	265,238	302,623	343,668	355,431	371,723	402,269	434,356	438,476	451,692
Ordinary Disability	14,348	14,841	61,487	53,366	70,341	116,662	118,640	120,787	135,705	137,473
Accidental Disability	351,531	434,890	430,492	473,491	491,409	490,401	492,435	497,093	500,394	497,548
Other	410,695	534,863	568,103	2,489,345	838,014	1,382,856	1,358,326	1,647,889	1,412,562	1,399,210
<b>Total Payments for Year</b>	<u>\$5,873,685</u>	<u>\$6,485,734</u>	<u>\$6,954,176</u>	<u>\$9,212,981</u>	<u>\$8,132,407</u>	<u>\$9,240,851</u>	<u>\$9,714,457</u>	<u>\$10,619,837</u>	<u>\$10,947,853</u>	<u>\$11,423,037</u>

## SUPPLEMENTARY INFORMATION (Continued)

### LEASED PREMISES

The Franklin Regional Retirement Board leases approximately 1,511 square feet of space for its offices located at 101 Munson St, Greenfield, MA. They signed a five-year lease which will expire on July 31, 2026. The landlord is Greenfield Corporate Center, LLC.

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

<u>For the year ending:</u>	<u>Annual Rent</u>
2021	\$11,730
2022	28,384
2023	28,948
2024	29,529
2025	30,124
2026 through July 31	<u>17,778</u>

Total future minimum lease payments required	<u>\$146,493</u>
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**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2021**

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## ***Financial Section***

## **Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

### **Opinion**

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Regional Retirement System as of December 31, 2021, and the changes in its financial 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, Issued by the Comptroller General of the United States. 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 FRRS 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's for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 FRRS'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.

### **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 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 generally accepted 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgement 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 auditing 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 FRRS'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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the FRRS'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 Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 July 27, 2022, on our consideration of the Franklin Regional Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements 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 FRRS' 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 Franklin Regional Retirement System's internal control over financial reporting and compliance.

**Restriction on Use**

This report is intended solely for the information and use of Franklin Regional Retirement System, the Public Employee Retirement Administration Commission and all member units and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan LLC*

July 27, 2022

## ***Management's Discussion and Analysis***

As management of the Franklin Regional Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2021. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$204.7 million (net position).
- The System's net position increased by \$31.2 million for the year ended December 31, 2021.
- Total investment income was \$35.1 million; investment expenses were \$1.1 million; and net investment income was \$34.1 million.
- Total contributions were \$12.7 million including \$7.7 million from employers, \$3.7 million from members, and \$1.3 million from other contributions.
- Retirement benefits, refunds and transfers amounted to \$15.0 million.
- Administrative expenses were \$606,000.
- The total pension liability was \$235.2 million as of December 31, 2021, while the net pension liability was \$30.5 million.
- The Plan fiduciary net position as a percentage of the total pension liability was 87.05%.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the System fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

### **Fiduciary Financial Statements**

The *statement of fiduciary net position* presents information on all assets and deferred outflows less deferred inflows and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

### **Notes to the financial statements**

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$204.7 million at the close of 2021.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year-end, the System's net position includes investments of \$205.8 million, cash of \$1.4 million, accounts receivable of \$90,000, and prepaid expenses of \$7,000.

In 2021, the System's contributions of \$12.7 million did not fully support deductions of \$15.6 million, which resulted in a deficiency of \$2.9 million. A similar \$3.2 million deficiency occurred in 2020. For 2021 and 2020, investment income supported current operations.

The increase in net position for both years was related to net investment income. Net investment income was \$34.1 million and \$19.6 million in 2021 and 2020, respectively. The annual money weighted rate of return was 19.76% and 13.19% in 2021 and 2020, respectively. Fluctuations in the System's annual investment returns are expected.

The following tables present summarized financial information for the past two years.

	2021	2020
<b>Assets:</b>		
Cash and cash equivalents.....	\$ 1,438,475	\$ 1,498,656
Investments.....	205,768,704	174,172,764
Receivables.....	90,412	93,197
Prepaid expenses.....	7,487	8,308
<b>Total assets.....</b>	<b>207,305,078</b>	<b>175,772,925</b>
<b>Liabilities:</b>		
Accounts payable.....	2,581,944	2,209,591
<b>Net Position Restricted for Pension Benefits.....</b>	<b>\$ 204,723,134</b>	<b>\$ 173,563,334</b>

	2021	2020
<b>Additions:</b>		
Contributions:		
Member contributions.....	\$ 3,701,036	\$ 3,598,678
Employer contributions.....	7,684,673	7,268,256
Other contributions.....	1,269,242	922,551
Total contributions.....	12,654,951	11,789,485
Net investment income:		
Total investment income.....	35,143,235	20,448,356
Less, investment expenses.....	(1,056,568)	(820,937)
Net investment income.....	34,086,667	19,627,419
Total additions.....	46,741,618	31,416,904
<b>Deductions:</b>		
Administration.....	605,897	590,757
Retirement benefits, refunds and transfers.....	14,975,921	14,376,294
Total deductions.....	15,581,818	14,967,051
Net increase (decrease) in fiduciary net position.....	31,159,800	16,449,853
<b>Fiduciary net position at beginning of year.....</b>	<b>173,563,334</b>	<b>157,113,481</b>
<b>Fiduciary net position at end of year.....</b>	<b>\$ 204,723,134</b>	<b>\$ 173,563,334</b>

### ***Requests for Information***

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 101 Munson Street #108, Greenfield, MA 01301.

# STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2021

## Assets

Cash and cash equivalents.....	\$	1,438,475
Investments:		
Investments in Pension Reserve Investment Trust.....		122,813,312
Equity securities.....		42,508,670
International equity securities.....		1,676,725
Equity mutual funds.....		20,260,644
Fixed income mutual funds.....		16,579,640
Real estate investment trusts.....		1,929,713
Total investments.....		<u>205,768,704</u>
Receivables, net of allowance for uncollectibles:		
Member contributions.....		82,411
Employer pension appropriation.....		7,972
Interest and dividends.....		29
Prepaid expenses.....		<u>7,487</u>
Total Assets.....		<u>207,305,078</u>

## Liabilities

Accounts payable.....		<u>2,581,944</u>
Net Position Restricted for Pensions.....	\$	<u>204,723,134</u>

See notes to financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2021

## Additions:

### Contributions:

Employer pension appropriation.....	\$ 7,684,673
Member contributions.....	3,701,036
Transfers from other systems.....	624,038
3(8)(c) contributions from other systems.....	525,129
State COLA reimbursements.....	21,362
Members' makeup payments and redeposits.....	98,713

Total contributions..... 12,654,951

### Net investment income:

Investment income.....	35,143,235
Less: investment expense.....	(1,056,568)

Net investment income..... 34,086,667

Total additions..... 46,741,618

## Deductions:

Administration.....	605,897
Retirement benefits and refunds.....	13,167,819
Transfers to other systems.....	491,990
3(8)(c) transfer to other systems.....	1,316,112

Total deductions..... 15,581,818

Net increase (decrease) in fiduciary net position..... 31,159,800

Fiduciary net position at beginning of year..... 173,563,334

Fiduciary net position at end of year..... \$ 204,723,134

See notes to financial statements.

**NOTE 1 – PLAN DESCRIPTION**

Franklin Regional Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of governmental member units deemed eligible by the Franklin Regional Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees. The Plan is administered by the Franklin Regional Retirement System (the System). As of December 31, 2021, the System had 38 participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. Board members are appointed or elected as specified by MGL Ch. 34B, Section 19(b) for terms ranging from 3 to 6 years.

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of treasurers or other qualified officials of the member units. The Advisory Council meets no less than twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2021, the System had 677 retirees and beneficiaries, 1,086 active participants and 681 inactive participants with a vested right to retirement benefits or to receive a refund of their contributions.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) in consultation with the Commissioner of Banks, and shall be obtained from the average rates paid on individual savings accounts by a representative sample of no less than 10 financial institutions. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment.

Administrative expenses are paid from investment income.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Franklin Regional Retirement System (FRRS) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

FRRS is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

### Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Real estate assets are reported at fair value utilizing an income approach to valuation along with independent appraisals and estimates by management.

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consists of member deductions, employer pension appropriations and interest and dividends receivable. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then. The FRRS did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an

inflow of resources (addition) until that time. The FRRS did not have any items that qualify for reporting in this category.

### NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-member Board of Retirement. The first member, who shall serve as chairman, shall be elected by the other four members for a term of 6 years. The second member shall be a member of the regional retirement board advisory council and shall be elected by a majority of those present and voting at a public meeting of the council and shall serve for a term of 3 years. The third and fourth members shall be elected by and from the members in or retired from service of the Franklin Regional Retirement System and shall serve for a term of 3 years. The fifth member, who shall not be an employee, retiree or official of the retirement system, or of any of its constituent governmental units, shall be chosen by the other 4 members and shall serve for a term of 5 years.

First Member.....	Sandra A. Hanks	Term Expires:	12/31/2026
Second Member....	Angelina J. Bragdon	Term Expires:	12/31/2024
Third Member.....	Mary A. Stokarski	Term Expires:	12/31/2023
Fourth Member....	Gabriele H. Voelker	Term Expires:	12/31/2022
Fifth Member.....	Paul J. Mokrzecki	Term Expires:	6/30/2025

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 PERAC.

The FRRS Advisory Council consists of the official treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement. The FRRS Advisory Council is required by statute to meet at least twice per year. All FRRS Advisory Council meetings are open, public meetings and are subject to the Commonwealth's Open Meeting Law.

The investment of the System's funds is the responsibility of the Board. Disability retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. Superannuation retirement allowances are required to obtain PERAC's verification. All expenses incurred by the System must be approved by a majority vote of the Board.

FRRS board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for FRRS provides \$50 million fiduciary protection for Trustees and employees, as well as a \$1 million fidelity policy for crime coverage.

**NOTE 4 – CASH AND INVESTMENTS**Custodial Credit Risk - Deposits

At December 31, 2021, the carrying amount of the System's deposits totaled \$1,438,475 and the bank balance totaled \$1,452,790, which was fully covered by Federal Depository Insurance Fund or the Depositors Insurance Fund.

Investments

The System's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
PRIT General Allocation Fund.....	\$ 84,287,399
PRIT International Equity Fund.....	5,909,359
PRIT Value Added Fixed Income Fund..	7,130,456
PRIT Core Real Estate Fund.....	21,328,297
PRIT Emerging Markets Fund.....	4,157,801
Equity Securities.....	42,508,670
Fixed Income Mutual Funds.....	16,579,640
International Equity Securities.....	1,676,725
Equity Mutual Funds.....	20,260,644
Real Estate Investment Trusts.....	1,929,713
Total Investments.....	<u>\$ 205,768,704</u>

Approximately 60% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT) Pooled Funds. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management (PRIM) Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

PRIM Board's adopted asset allocation is reflected in the PRIT General Allocation Fund. The PRIM Board believes that this is the most appropriate asset allocation for long-term public pension fund investors in Massachusetts. The System has invested \$84.3 million in the PRIT General Allocation Fund. To the extent that local systems wish to pursue their own asset allocation, PRIM offers the option to invest in one or more specific separate account segments of the PRIT fund. The System has opted to invest \$5.9 million, \$7.1 million, \$21.3 million, and \$4.2 million in the PRIT international equity fund, value added fixed income fund, core real estate fund, and emerging markets fund, respectively.

The System's annual money-weighted rate of return on pension plan investments was 19.76%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Value of Investments

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System had the following recurring fair value measurements as of December 31, 2021:

Investment Type	12/31/21	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Securities.....	\$ 42,508,670	\$ 42,508,670	\$ -	\$ -
International Equity Securities.....	1,676,725	1,676,725	-	-
Equity Mutual Funds.....	20,260,644	20,260,644	-	-
Fixed Income Mutual Funds.....	16,579,640	16,579,640	-	-
Real Estate Investment Trusts.....	1,929,713	-	-	1,929,713
Total Investments by Fair Value Level....	<u>82,955,392</u>	<u>\$ 81,025,679</u>	<u>\$ -</u>	<u>\$ 1,929,713</u>
<b>Investments Measured at the Net</b>				
<b>Asset Value (NAV):</b>				
PRIT Investments.....	<u>122,813,312</u>			
Total Investments.....	<u>\$ 205,768,704</u>			

PRIT Investments are valued using the net asset value (NAV) method.

**NOTE 5 – RECEIVABLES**

At December 31, 2021, receivables for the System were as follows:

<u>Receivables:</u>	
Member contributions.....	\$ 82,411
Employer pension appropriation.....	7,972
Interest and dividends.....	<u>29</u>
Total.....	<u>\$ 90,412</u>

**NOTE 6 – PAYABLES**

Accounts payable represent calendar year 2021, expenditures paid after year-end of \$146,000. The remaining \$2.4 million represents 3(8)(c) reimbursements owed to the Massachusetts State Retirement Board, which will be paid once a final determination of the amount owed is verified.

**NOTE 7 – MEMBERSHIP**

The following table represents the System's membership at December 31, 2021:

Active members.....	1,086
Inactive members entitled to a return of contributions.....	681
Retired, Beneficiary, and Survivor.....	677
Total.....	<u>2,444</u>

**NOTE 8 – ACTUARIAL VALUATION**

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2021:

Valuation date.....	January 1, 2022
Actuarial cost method.....	Individual Entry Age Normal
Amortization method.....	Increasing dollar amount at 4% to reduce the unfunded actuarial accrued liability to zero, on or before June 30, 2034.
Remaining amortization period.....	12 years, as of December 31, 2021
Salary increases:	
Group 1 and 2.....	4.00% – 6.00%, based on service.
Group 4.....	4.50% – 7.00%, based on service
Net investment return/Discount rate.....	7.25%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.40%
Cost of living adjustments.....	3% of the first \$17,000.
Mortality rates.....	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2020. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2020.

Components of the net pension liability as of December 31, 2021, were as follows:

Total pension liability.....	\$ 235,181,218
The pension plan's fiduciary net position.....	<u>204,723,134</u>
The net pension liability.....	\$ <u>30,458,084</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....	87.05%

*Investment Policy.* The Systems' policy in regard to the allocation of invested assets is established by the retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
PRIT Core.....	6.50%	40.00%
Domestic Equity.....	9.38%	32.00%
International Equity.....	7.10%	5.00%
Real Estate.....	6.60%	10.00%
Fixed Income.....	2.00%	<u>13.00%</u>
Total.....		<u>100.00%</u>

*Discount Rate.* The discount rates used to measure the total pension liability was 7.25% as of December 31, 2021, and 7.75% as of December 31, 2020. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the plan fiduciary net position was projected to be available to make all projected future benefit payments for 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 as of both December 31, 2021, and December 31, 2020.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* The following page presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate.

	1.0% Decrease (6.25%)	Current Discount Rate (7.25%)	1.0% Increase (8.25%)
Franklin Regional Retirement System's net pension liability as of December 31, 2021.....	\$ 56,758,167	\$ 30,458,084	\$ 8,201,049

*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 pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2021.

#### NOTE 10 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

There were no GASB pronouncements required to be implemented in 2021, that impacted the System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

#### NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 27, 2022, which is the date the financial statements were available to be issued.

##### Fair Value Decline on Investments

The System carries its investments at fair value in accordance with Generally Accepted Accounting Principles (GAAP). Subsequent to year end the System's investments of approximately \$205.8 million have declined in value by approximately \$34.4 million. The fair value declines are consistent with recent trends in the financial securities markets.

In accordance with GAAP, the System has not recorded the losses in its financial statements as the impairments were not known as of December 31, 2021.

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# ***Required Supplementary Information***

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
<b>Total pension liability:</b>				
Service cost.....	\$ 4,703,273	\$ 4,703,273	\$ 5,089,632	\$ 5,207,589
Interest.....	11,306,271	12,116,265	12,791,108	13,899,079
Changes in benefit terms.....	-	962,410	1,003,761	(293,031)
Differences between expected and actual experience.....	-	-	(146,259)	1,964,150
Changes in assumptions.....	-	-	5,736,511	180,697
Benefit payments.....	(11,287,291)	(9,235,255)	(9,686,040)	(10,906,590)
Net change in total pension liability.....	4,722,253	8,546,693	14,788,713	10,051,894
Total pension liability - beginning.....	151,531,013	156,253,266	164,799,959	179,588,672
Total pension liability - ending (a).....	\$ 156,253,266	\$ 164,799,959	\$ 179,588,672	\$ 189,640,566
<b>Plan fiduciary net position:</b>				
Employer pension appropriation.....	\$ 5,418,158	\$ 5,645,345	\$ 5,875,820	\$ 6,166,761
Member contributions.....	3,270,956	2,971,069	3,098,432	3,310,425
Net investment income (loss).....	8,362,434	579,359	10,050,389	18,794,508
Administrative expenses.....	(403,802)	(469,365)	(498,301)	(495,399)
Retirement benefits and refunds.....	(11,287,291)	(9,235,255)	(9,686,040)	(10,906,590)
Net increase (decrease) in fiduciary net position.....	5,360,455	(508,847)	8,840,300	16,869,705
Fiduciary net position - beginning of year.....	113,358,538	118,718,993	118,210,146	127,050,446
Fiduciary net position - end of year (b).....	\$ 118,718,993	\$ 118,210,146	\$ 127,050,446	\$ 143,920,151
Net pension liability - ending (a)-(b).....	\$ 37,534,273	\$ 46,589,813	\$ 52,538,226	\$ 45,720,415
Plan fiduciary net position as a percentage of the total pension liability.....	75.98%	71.73%	70.75%	75.89%
Covered payroll.....	\$ 30,854,652	\$ 32,088,838	\$ 33,556,164	\$ 29,460,407
Net pension liability as a percentage of covered payroll.....	121.65%	145.19%	156.57%	155.19%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
\$ 5,083,236	\$ 5,265,765	\$ 5,440,850	\$ 5,831,076
14,639,832	15,234,331	15,875,568	16,491,787
-	(989,262)	-	3,955,362
-	1,485,132	-	8,905,535
(11,605,484)	(12,732,025)	(13,173,421)	(13,937,440)
8,097,584	8,253,951	8,142,797	21,046,320
189,640,566	197,738,150	205,992,101	214,134,898
\$ 197,738,150	\$ 205,992,101	\$ 214,134,898	\$ 235,181,218
\$ 6,506,893	\$ 6,872,253	\$ 7,268,256	\$ 7,684,673
3,281,560	3,639,392	3,316,358	3,931,797
(5,160,455)	23,500,789	19,627,419	34,088,667
(542,287)	(567,346)	(590,757)	(605,897)
(11,605,484)	(12,732,025)	(13,173,421)	(13,937,440)
(7,519,733)	20,713,083	16,449,853	31,150,800
143,920,151	136,400,418	157,113,481	173,563,334
\$ 136,400,418	\$ 157,113,481	\$ 173,563,334	\$ 204,723,134
\$ 61,337,732	\$ 48,878,620	\$ 40,571,564	\$ 30,458,084
68.98%	76.27%	81.05%	87.05%
\$ 30,220,970	\$ 31,398,150	\$ 32,646,666	\$ 33,981,821
202.86%	156.67%	124.27%	89.63%

**SCHEDULE OF CONTRIBUTIONS**

<u>Year</u>	<u>Statutory required contribution</u>	<u>Contributions in relation to the statutory required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2021.....	\$ 7,684,976	\$ (7,684,976)	\$ -	\$ 33,981,821	22.61%
December 31, 2020.....	7,268,256	(7,268,256)	-	32,646,668	22.26%
December 31, 2019.....	6,872,253	(6,872,253)	-	31,398,150	21.89%
December 31, 2018.....	6,506,893	(6,506,893)	-	30,220,970	21.53%
December 31, 2017.....	6,166,761	(6,166,761)	-	29,460,407	20.93%
December 31, 2016.....	5,875,820	(5,875,820)	-	33,556,164	17.51%
December 31, 2015.....	5,645,345	(5,645,345)	-	32,088,838	17.59%
December 31, 2014.....	5,888,495	(5,888,495)	-	30,854,652	19.08%

Note: this schedule is intended to present information for 10 years.

Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

### SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2021 .....	19.76%
December 31, 2020 .....	13.19%
December 31, 2019 .....	17.04%
December 31, 2018 .....	-4.05%
December 31, 2017 .....	14.48%
December 31, 2016 .....	8.24%
December 31, 2015 .....	0.57%
December 31, 2014 .....	7.37%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**NOTE A – CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

The Schedule of Changes in the Net Pension Liability 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. It also demonstrates the FRRS's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

**NOTE B – 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. The pension fund appropriations are allocated amongst employers based on a 5-year average of covered payroll.

**NOTE C – MONEY WEIGHTED RATE OF RETURN**

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 D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS***Actuarial Assumptions:*

The following changes were reflected in the January 1, 2022, valuation:

- Investment return assumption decreased from 7.75% to 7.25%.
- Administrative expense assumption has increased from \$600,000 to \$650,000.
- The salary scale and mortality improvement rates have been updated.

*Plan Provisions:*

None

# ***Audit of Specific Elements, Accounts and Items of Financial Statements***

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## **Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

### **Report on the Audit of the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer**

#### **Opinions**

We have audited the accompanying schedule of employer allocations of the Franklin Regional Retirement System (FRRS) as of and for the year ended December 31, 2021, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule pension amounts by employer of the FRRS Pension Plan as of and for the year ended December 31, 2021, and the related notes.

In our opinion, the accompanying schedule of employer allocations and schedule of pension amounts by employer present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the FRRS 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 Schedules section of our report. We are required to be independent of the FRRS 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 the 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.

#### **Auditor's Responsibilities for the Audit of the Schedules**

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer 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 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 judgement made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 purposes of expressing an opinion on the effectiveness of the FRRS'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 GAAS, the financial statements of the Franklin Regional Retirement System as of and for the year ended December 31, 2021, and our report thereon, dated July 27, 2022, expressed an unmodified opinion on those financial statements.

#### **Restriction on Use**

This report is intended solely for the information and use of the Franklin Regional Retirement System management, the Franklin Regional Retirement System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan LLC*

July 27, 2022

**SCHEDULE OF EMPLOYER ALLOCATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

Employer	2021 Actual Employer Contribution	Allocated Net Pension Liability	Proportionate Share of Total Employer Contribution
Town of Ashfield.....	\$ 115,925	\$ 459,449	1.508463%
Town of Bernardston.....	124,370	492,919	1.618352%
Bernardston Fire & Water District.....	4,606	18,255	0.059935%
Town of Buckland.....	144,331	572,031	1.878093%
Town of Charlemont.....	83,682	331,659	1.088904%
Town of Colrain.....	105,945	419,895	1.378599%
Town of Conway.....	220,335	873,260	2.867088%
Town of Deerfield.....	740,079	2,933,176	9.630206%
Town of Erving.....	376,949	1,493,973	4.905012%
Franklin County Regional Housing Authority.....	287,009	1,137,511	3.734677%
Franklin County Solid Waste Management District.....	31,585	125,182	0.410997%
Franklin Regional Transit Authority.....	91,499	362,641	1.190622%
Frontier Regional School District.....	468,307	1,856,054	6.093799%
Town of Gill.....	102,106	404,680	1.328644%
Hawlemont Regional School District.....	76,004	301,229	0.988995%
Town of Hawley.....	35,315	139,965	0.459533%
Town of Heath.....	74,469	295,145	0.969021%
Town of Leverett.....	199,607	791,108	2.597367%
Town of Leyden.....	34,547	136,921	0.449539%
Mahar Regional School District.....	370,807	1,469,630	4.825090%
Mohawk Regional School District.....	727,028	2,881,451	9.460381%
Town of Monroe.....	28,406	112,582	0.369630%
Town of New Salem.....	59,882	237,332	0.779209%
New Salem/Wendell Union School District.....	172,736	684,610	2.247710%
Town of Northfield.....	201,910	800,236	2.627334%
Town of Orange.....	1,008,777	3,998,113	13.126612%
Orange Housing Authority.....	8,444	33,466	0.109877%
Pioneer Valley Regional School District.....	499,016	1,977,764	6.493397%
Town of Rowe.....	151,240	599,414	1.967996%
Town of Shelburne.....	145,099	575,075	1.888087%
Shelburne Falls Fire District.....	48,367	191,694	0.629371%
Town of Shutesbury.....	227,244	900,643	2.956990%
South Deerfield Fire District.....	21,496	85,196	0.279715%
South Deerfield Water Supply District.....	43,760	173,435	0.569423%
Town of Sunderland.....	327,815	1,299,239	4.265661%
Town of Warwick.....	61,417	243,416	0.799183%
Town of Wendell.....	57,579	228,204	0.749241%
Town of Whately.....	207,283	821,531	2.697250%
<b>Total.....</b>	<b>\$ 7,684,976</b>	<b>\$ 30,458,084</b>	<b>100.000000%</b>

See notes to schedule of employer allocations and schedule of pension amounts by employer.

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Town of Ashfield	Town of Bernardston	Bernardston Fire & Water District	Town of Buckland
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 591,650	\$ 652,438	\$ 24,315	\$ 786,166
Ending net pension liability.....	\$ 459,449	\$ 492,919	\$ 18,255	\$ 572,031
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 45,560	\$ 48,879	\$ 1,910	\$ 56,724
Changes of assumptions.....	110,528	118,580	4,392	137,611
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	45,179	25,559	3,237	8,542
Total Deferred Outflows of Resources.....	\$ 201,267	\$ 193,018	\$ 9,439	\$ 202,877
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 5,349	\$ 5,738	\$ 213	\$ 6,659
Net difference between projected and actual investment earnings on pension plan investments.....	349,525	374,987	13,888	435,172
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	367	-	-	49,524
Total Deferred Inflows of Resources.....	\$ 355,241	\$ 380,725	\$ 14,101	\$ 491,355
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 30,444	\$ 32,662	\$ 1,210	\$ 37,904
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	19,708	16,413	1,290	(6,463)
Total Employer Pension Expense.....	\$ 50,152	\$ 49,075	\$ 2,500	\$ 31,441
<b>Contributions</b>				
Statutory required contribution.....	\$ 115,925	\$ 124,370	\$ 4,606	\$ 144,331
Contribution in relation to statutory required contribution.....	(115,925)	(124,370)	(4,606)	(144,331)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.65%	22.60%	22.40%	22.65%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ (11,185)	\$ (17,811)	\$ 131	\$ (47,027)
June 30, 2024.....	(62,247)	(74,847)	(1,883)	(111,787)
June 30, 2025.....	(29,721)	(39,359)	(837)	(63,120)
June 30, 2026.....	(50,821)	(55,690)	(2,073)	(66,544)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (153,974)	\$ (187,707)	\$ (4,662)	\$ (288,478)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 856,176	\$ 918,547	\$ 34,018	\$ 1,065,971
Current discount rate (7.25%).....	\$ 459,449	\$ 492,919	\$ 18,255	\$ 572,031
1% increase (8.25%).....	\$ 123,710	\$ 132,722	\$ 4,915	\$ 154,023
Covered Payroll.....	\$ 511,801	\$ 550,271	\$ 20,564	\$ 637,234
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Town of Charlémant	Town of Colrain	Town of Conway	Town of Deerfield
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 444,323	\$ 534,914	\$ 1,163,037	\$ 3,861,939
Ending net pension liability.....	\$ 331,659	\$ 419,895	\$ 873,260	\$ 2,933,176
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 32,888	\$ 41,638	\$ 86,594	\$ 290,860
Changes of assumptions.....	79,786	101,013	210,077	705,624
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	6,343	41,570	40,608	197,727
Total Deferred Outflows of Resources.....	\$ 119,017	\$ 184,221	\$ 337,279	\$ 1,194,211
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 3,861	\$ 4,888	\$ 10,166	\$ 34,146
Net difference between projected and actual investment earnings on pension plan investments.....	252,309	319,434	664,331	2,231,409
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	2,355	15,201	-	-
Total Deferred Inflows of Resources.....	\$ 258,525	\$ 339,523	\$ 674,497	\$ 2,265,555
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 21,976	\$ 27,823	\$ 57,863	\$ 194,357
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	5,638	9,342	21,185	112,040
Total Employer Pension Expense.....	\$ 27,614	\$ 37,165	\$ 79,048	\$ 306,397
<b>Contributions</b>				
Statutory required contribution.....	\$ 83,682	\$ 105,945	\$ 220,335	\$ 740,079
Contribution in relation to statutory required contribution.....	(83,682)	(105,945)	(220,335)	(740,079)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.68%	22.61%	22.62%	22.59%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ (17,393)	\$ (20,018)	\$ (35,694)	\$ (89,568)
June 30, 2024.....	(65,062)	(64,030)	(133,083)	(428,467)
June 30, 2025.....	(29,229)	(25,194)	(69,305)	(223,264)
June 30, 2026.....	(37,824)	(46,060)	(99,136)	(330,045)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (139,508)	\$ (155,302)	\$ (337,218)	\$ (1,071,344)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 618,042	\$ 782,468	\$ 1,627,306	\$ 5,465,928
Current discount rate (7.25%).....	\$ 331,659	\$ 419,895	\$ 873,260	\$ 2,933,176
1% increase (8.25%).....	\$ 89,302	\$ 113,060	\$ 235,131	\$ 789,778
Covered Payroll.....	\$ 368,905	\$ 468,602	\$ 974,227	\$ 3,276,017
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Town of Erving	Franklin County Regional Housing Authority	Franklin County Solid Waste Management District	Franklin Regional Transit Authority
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 1,945,150	\$ 1,560,387	\$ 173,378	\$ 487,104
Ending net pension liability.....	\$ 1,493,973	\$ 1,137,511	\$ 125,182	\$ 362,641
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 148,145	\$ 112,798	\$ 12,413	\$ 35,960
Changes of assumptions.....	359,400	273,647	30,115	87,239
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	133,288	2,173	1,065	15,670
Total Deferred Outflows of Resources.....	\$ 640,833	\$ 388,618	\$ 43,593	\$ 138,869
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 17,392	\$ 13,242	\$ 1,467	\$ 4,222
Net difference between projected and actual investment earnings on pension plan investments.....	1,136,537	865,360	95,232	275,676
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	--	72,471	6,162	4,626
Total Deferred Inflows of Resources.....	\$ 1,153,929	\$ 951,073	\$ 102,841	\$ 284,726
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 98,993	\$ 75,373	\$ 8,295	\$ 24,029
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	37,908	(52,892)	(834)	18,664
Total Employer Pension Expense.....	\$ 136,901	\$ 22,481	\$ 7,461	\$ 42,693
<b>Contributions</b>				
Statutory required contribution.....	\$ 376,949	\$ 281,752	\$ 30,709	\$ 89,823
Contribution in relation to statutory required contribution.....	(376,949)	(287,009)	(31,585)	(91,499)
Contribution deficiency/(excess).....	\$ --	\$ (5,257)	\$ (876)	\$ (1,676)
Contributions as a percentage of covered payroll.....	22.59%	23.04%	23.07%	22.97%
<b>Deferred (inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ (35,363)	\$ (100,728)	\$ (9,121)	\$ (13,117)
June 30, 2024.....	(207,434)	(213,211)	(22,916)	(58,524)
June 30, 2025.....	(103,640)	(116,360)	(12,569)	(32,775)
June 30, 2026.....	(166,659)	(132,136)	(14,653)	(41,441)
Total Deferred (inflows)/Outflows Recognized in Future Pension Expense.....	\$ (513,096)	\$ (562,435)	\$ (59,248)	\$ (145,857)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 2,783,995	\$ 2,119,734	\$ 233,274	\$ 675,775
Current discount rate (7.25%).....	\$ 1,493,973	\$ 1,137,511	\$ 125,182	\$ 362,641
1% increase (8.25%).....	\$ 402,262	\$ 306,283	\$ 33,706	\$ 97,643
Covered Payroll.....	\$ 1,668,523	\$ 1,245,586	\$ 136,887	\$ 399,267

See notes to schedule of employer allocations and schedule of pension amounts by employer.

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Frontier Regional School District	Town of Gill	Hawlemont Regional School District	Town of Hawley
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 2,496,280	\$ 551,130	\$ 389,033	\$ 182,353
Ending net pension liability.....	\$ 1,856,054	\$ 404,680	\$ 301,229	\$ 139,965
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 184,050	\$ 40,129	\$ 29,870	\$ 13,879
Changes of assumptions.....	446,504	97,352	72,466	33,671
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	995	36,461	13,115
Total Deferred Outflows of Resources.....	\$ 630,554	\$ 138,476	\$ 138,817	\$ 60,665
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 21,607	\$ 4,711	\$ 3,507	\$ 1,629
Net difference between projected and actual investment earnings on pension plan investments.....	1,411,990	307,859	229,159	106,478
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	34,393	45,649	-	-
Total Deferred Inflows of Resources.....	\$ 1,467,990	\$ 358,219	\$ 232,666	\$ 108,107
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 122,985	\$ 26,815	\$ 19,960	\$ 9,274
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	(4,380)	(18,583)	14,053	7,760
Total Employer Pension Expense.....	\$ 118,605	\$ 8,232	\$ 34,013	\$ 17,034
<b>Contributions</b>				
Statutory required contribution.....	\$ 468,307	\$ 102,106	\$ 76,004	\$ 35,315
Contribution in relation to statutory required contribution....	(468,307)	(102,106)	(76,004)	(35,315)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.61%	22.62%	22.52%	22.54%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ (128,170)	\$ (47,145)	\$ (3,754)	\$ (3,062)
June 30, 2024.....	(327,005)	(85,781)	(38,127)	(19,451)
June 30, 2025.....	(169,944)	(40,072)	(18,574)	(9,318)
June 30, 2026.....	(212,317)	(46,745)	(33,394)	(15,621)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (837,436)	\$ (219,743)	\$ (93,849)	\$ (47,442)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 3,458,729	\$ 754,114	\$ 561,335	\$ 260,823
Current discount rate (7.25%).....	\$ 1,856,054	\$ 404,680	\$ 301,229	\$ 139,965
1% increase (8.25%).....	\$ 499,756	\$ 108,963	\$ 81,108	\$ 37,687
Covered Payroll.....	\$ 2,071,449	\$ 451,472	\$ 337,535	\$ 156,678
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

		Town of Heath	Town of Leverett	Town of Leyden	Mahar Regional School District
<b>Net Pension Liability</b>					
Beginning net pension liability.....	\$	385,226	\$ 1,114,412	\$ 182,353	\$ 2,066,727
Ending net pension liability.....	\$	295,145	\$ 791,108	\$ 136,921	\$ 1,469,630
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience.....	\$	29,267	\$ 78,448	\$ 13,577	\$ 145,732
Changes of assumptions.....		71,002	190,314	32,939	353,544
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		25,614	-	4,369	24,165
Total Deferred Outflows of Resources.....	\$	125,883	\$ 268,762	\$ 50,885	\$ 523,441
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience.....	\$	3,436	\$ 9,210	\$ 1,594	\$ 17,108
Net difference between projected and actual investment earnings on pension plan investments.....		224,531	601,834	104,163	1,110,019
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		-	120,460	-	106,918
Total Deferred Inflows of Resources.....	\$	227,967	\$ 731,504	\$ 105,757	\$ 1,242,045
<b>Pension Expense</b>					
Proportionate share of plan pension expense.....	\$	19,557	\$ 52,420	\$ 9,073	\$ 97,380
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....		12,864	(59,355)	3,962	(4,473)
Total Employer Pension Expense.....	\$	32,421	\$ (6,935)	\$ 13,035	\$ 92,907
<b>Contributions</b>					
Statutory required contribution.....	\$	74,469	\$ 199,607	\$ 34,547	\$ 370,807
Contribution in relation to statutory required contribution.....		(74,469)	(199,607)	(34,547)	(370,807)
Contribution deficiency/(excess).....	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....		22.53%	22.63%	22.80%	22.59%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>					
June 30, 2023.....	\$	(7,295)	\$ (103,222)	\$ (6,074)	\$ (108,607)
June 30, 2024.....		(41,124)	(175,230)	(21,600)	(275,948)
June 30, 2025.....		(20,676)	(90,462)	(11,653)	(159,982)
June 30, 2026.....		(32,988)	(93,828)	(15,545)	(174,067)
Total Deferred (Inflows)/Outflows Recognized in.....	\$	(102,084)	\$ (462,742)	\$ (54,872)	\$ (718,604)
<b>Discount Rate Sensitivity</b>					
1% decrease (6.25%).....	\$	549,998	\$ 1,474,218	\$ 255,150	\$ 2,738,633
Current discount rate (7.25%).....	\$	295,145	\$ 791,108	\$ 136,921	\$ 1,469,630
1% increase (8.25%).....	\$	79,470	\$ 213,011	\$ 36,867	\$ 395,708
Covered Payroll.....	\$	330,562	\$ 881,919	\$ 151,509	\$ 1,641,213
See notes to schedule of employer allocations and schedule of pension amounts by employer.					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	Mohawk Regional School District	Town of Monroe	Town of New Salem	New Salem/ Wendell Union School District
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 3,793,045	\$ 145,886	\$ 324,193	\$ 863,165
Ending net pension liability.....	\$ 2,881,451	\$ 112,582	\$ 237,332	\$ 684,610
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 285,731	\$ 11,164	\$ 23,534	\$ 67,887
Changes of assumptions.....	693,180	27,084	57,094	164,694
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	93,869	17,916	7,784	76,436
Total Deferred Outflows of Resources.....	\$ 1,072,780	\$ 56,164	\$ 88,412	\$ 309,017
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 33,544	\$ 1,311	\$ 2,763	\$ 7,970
Net difference between projected and actual investment earnings on pension plan investments.....	2,192,059	85,647	180,550	520,816
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	722	7,475	5,666
Total Deferred Inflows of Resources.....	\$ 2,225,603	\$ 87,680	\$ 190,788	\$ 534,452
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 190,329	\$ 7,460	\$ 15,726	\$ 45,363
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	37,372	5,981	5,820	25,508
Total Employer Pension Expense.....	\$ 226,301	\$ 13,441	\$ 21,546	\$ 70,871
<b>Contributions</b>				
Statutory required contribution.....	\$ 727,028	\$ 28,406	\$ 59,882	\$ 172,736
Contribution in relation to statutory required contribution....	(727,028)	(28,406)	(59,882)	(172,736)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.58%	22.79%	22.51%	22.61%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ (140,147)	\$ (161)	\$ (12,164)	\$ (19,663)
June 30, 2024.....	(458,176)	(12,571)	(40,214)	(93,364)
June 30, 2025.....	(230,327)	(6,272)	(22,519)	(37,898)
June 30, 2026.....	(324,173)	(12,512)	(27,479)	(74,510)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (1,152,823)	\$ (31,516)	\$ (102,376)	\$ (225,435)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 5,369,539	\$ 209,795	\$ 442,265	\$ 1,275,759
Current discount rate (7.25%).....	\$ 2,881,451	\$ 112,582	\$ 237,332	\$ 684,610
1% increase (8.25%).....	\$ 775,851	\$ 30,314	\$ 63,903	\$ 184,336
Covered Payroll.....	\$ 3,219,470	\$ 124,626	\$ 266,062	\$ 763,862
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

		Town of Northfield	Town of Orange	Orange Housing Authority	Pioneer Valley Regional School District
<b>Net Pension Liability</b>					
Beginning net pension liability.....	\$	1,053,623	\$ 5,272,143	\$ 44,576	\$ 2,723,212
Ending net pension liability.....	\$	800,236	\$ 3,998,113	\$ 33,466	\$ 1,977,764
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience.....	\$	79,353	\$ 395,463	\$ 3,319	\$ 196,119
Changes of assumptions.....		192,510	961,808	8,051	475,784
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		12,698	49,673	1	897
Total Deferred Outflows of Resources.....	\$	284,561	\$ 1,407,944	\$ 11,371	\$ 672,800
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience.....	\$	9,316	\$ 46,539	\$ 390	\$ 23,024
Net difference between projected and actual investment earnings on pension plan investments.....		608,778	3,041,561	25,459	1,504,581
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		50,444	285,022	7,270	199,639
Total Deferred Inflows of Resources.....	\$	668,538	\$ 3,373,122	\$ 33,119	\$ 1,727,244
<b>Pension Expense</b>					
Proportionate share of plan pension expense.....	\$	53,025	\$ 264,518	\$ 2,218	\$ 131,050
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....		(19,966)	(186,719)	(4,200)	(76,544)
Total Employer Pension Expense.....	\$	33,059	\$ 78,199	\$ (1,982)	\$ 54,406
<b>Contributions</b>					
Statutory required contribution.....	\$	201,910	\$ 1,008,777	\$ 8,444	\$ 499,016
Contribution in relation to statutory required contribution.....		(201,910)	(1,008,777)	(8,444)	(499,016)
Contribution deficiency/(excess).....	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....		22.59%	22.53%	23.55%	22.60%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>					
June 30, 2023.....	\$	(74,082)	\$ (383,517)	\$ (5,380)	\$ (207,770)
June 30, 2024.....		(152,360)	(766,121)	(8,286)	(407,361)
June 30, 2025.....		(67,493)	(365,029)	(4,284)	(208,094)
June 30, 2026.....		(90,042)	(450,411)	(3,798)	(230,419)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$	(383,977)	\$ (1,965,178)	\$ (21,748)	\$ (1,054,444)
<b>Discount Rate Sensitivity</b>					
1% decrease (6.25%).....	\$	1,491,227	\$ 7,450,425	\$ 62,364	\$ 3,685,533
Current discount rate (7.25%).....	\$	800,236	\$ 3,998,113	\$ 33,466	\$ 1,977,764
1% increase (8.25%).....	\$	215,469	\$ 1,076,510	\$ 9,011	\$ 532,527
Covered Payroll.....	\$	893,884	\$ 4,476,682	\$ 35,857	\$ 2,207,806
See notes to schedule of employer allocations and schedule of pension amounts by employer.					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Town of Rowe	Town of Shelburne	Shelburne Falls Fire District	Town of Shutesbury
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 766,166	\$ 774,009	\$ 255,305	\$ 1,207,615
Ending net pension liability.....	\$ 599,414	\$ 575,075	\$ 191,694	\$ 900,643
Differences between expected and actual experience.....	\$ 59,439	\$ 57,026	\$ 19,009	\$ 89,310
Changes of assumptions.....	144,199	138,344	46,115	216,664
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	11,395	6,223	982	24,908
Total Deferred Outflows of Resources.....	\$ 215,033	\$ 203,593	\$ 66,106	\$ 330,882
Differences between expected and actual experience.....	\$ 6,978	\$ 6,695	\$ 2,232	\$ 10,485
Net difference between projected and actual investment earnings on pension plan investments.....	456,003	437,487	145,831	665,162
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	51,676	7,741	5,157	10,886
Total Deferred Inflows of Resources.....	\$ 514,657	\$ 451,823	\$ 153,220	\$ 706,533
Proportionate share of plan pension expense.....	\$ 39,718	\$ 38,105	\$ 12,702	\$ 59,678
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	(19,145)	2,032	(1,444)	15,731
Total Employer Pension Expense.....	\$ 20,573	\$ 40,137	\$ 11,258	\$ 75,409
Statutory required contribution.....	\$ 151,240	\$ 145,099	\$ 46,367	\$ 227,244
Contribution in relation to statutory required contribution.....	(151,240)	(145,099)	(46,367)	(227,244)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.61%	22.65%	22.62%	22.62%
<b>Future Pension Expense</b>				
June 30, 2023.....	\$ (54,893)	\$ (33,629)	\$ (13,685)	\$ (43,736)
June 30, 2024.....	(117,354)	(96,899)	(34,019)	(148,010)
June 30, 2025.....	(60,133)	(51,879)	(17,748)	(81,123)
June 30, 2026.....	(67,244)	(65,823)	(21,762)	(102,782)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (299,624)	\$ (248,330)	\$ (87,114)	\$ (375,651)
1% decrease (6.25%).....	\$ 1,116,998	\$ 1,071,643	\$ 357,219	\$ 1,678,334
Current discount rate (7.25%).....	\$ 599,414	\$ 575,075	\$ 191,694	\$ 900,643
1% increase (8.25%).....	\$ 161,396	\$ 154,843	\$ 51,615	\$ 242,504
Covered Payroll.....	\$ 669,991	\$ 640,579	\$ 213,827	\$ 1,004,472
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2021**

	South Deerfield Fire District	South Deerfield Water Supply District	Town of Sunderland	Town of Warwick
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 97,256	\$ 218,832	\$ 1,669,588	\$ 328,245
Ending net pension liability.....	\$ 85,196	\$ 173,435	\$ 1,299,239	\$ 243,416
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 5,448	\$ 17,198	\$ 128,835	\$ 24,139
Changes of assumptions.....	20,495	41,723	312,553	58,558
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	29,676	31,077	134,267	3,884
Total Deferred Outflows of Resources.....	\$ 55,619	\$ 89,998	\$ 575,655	\$ 86,580
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 992	\$ 2,019	\$ 15,125	\$ 2,834
Net difference between projected and actual investment earnings on pension plan investments.....	64,812	131,941	986,394	185,178
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	448	429	-	8,135
Total Deferred Inflows of Resources.....	\$ 66,252	\$ 134,389	\$ 1,003,519	\$ 196,147
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 5,645	\$ 11,492	\$ 86,089	\$ 16,129
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	10,303	10,499	59,265	571
Total Employer Pension Expense.....	\$ 15,948	\$ 21,991	\$ 145,374	\$ 16,700
<b>Contributions</b>				
Statutory required contribution.....	\$ 21,496	\$ 43,760	\$ 327,815	\$ 61,417
Contribution in relation to statutory required contribution.....	(21,496)	(43,760)	(327,815)	(61,417)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.43%	22.47%	22.50%	22.59%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2023.....	\$ 4,987	\$ 1,336	\$ (26,347)	\$ (15,452)
June 30, 2024.....	(4,276)	(18,429)	(174,458)	(42,904)
June 30, 2025.....	255	(8,413)	(84,579)	(23,309)
June 30, 2026.....	(8,593)	(18,885)	(143,481)	(27,902)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (7,533)	\$ (44,391)	\$ (427,864)	\$ (109,567)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.25%).....	\$ 158,761	\$ 323,194	\$ 2,421,111	\$ 453,601
Current discount rate (7.25%).....	\$ 85,196	\$ 173,435	\$ 1,299,239	\$ 243,416
1% increase (8.25%).....	\$ 22,940	\$ 46,699	\$ 349,929	\$ 65,541
Covered Payroll.....	\$ 95,851	\$ 194,774	\$ 1,450,655	\$ 271,883
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2021

	Town of Wendell	Town of Whately	Totals
<b>Net Pension Liability</b>			
Beginning net pension liability.....	\$ 312,035	\$ 1,110,353	\$ 4,571,564
Ending net pension liability.....	\$ 228,204	\$ 821,531	\$ 30,458,084
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience.....	\$ 22,629	\$ 81,465	\$ 3,020,288
Changes of assumptions.....	54,898	197,633	7,327,191
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	1,961	7,888	1,139,235
Total Deferred Outflows of Resources.....	\$ 79,488	\$ 286,986	\$ 11,486,714
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience.....	\$ 2,657	\$ 9,564	\$ 354,573
Net difference between projected and actual investment earnings on pension plan investments.....	173,606	624,978	23,170,938
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	9,873	30,536	1,139,235
Total Deferred Inflows of Resources.....	\$ 186,136	\$ 665,078	\$ 24,664,746
<b>Pension Expense</b>			
Proportionate share of plan pension expense.....	\$ 15,121	\$ 54,436	\$ 2,018,197
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	126	1,043	-
Total Employer Pension Expense.....	\$ 15,247	\$ 55,479	\$ 2,018,197
<b>Contributions</b>			
Statutory required contribution.....	\$ 57,579	\$ 207,283	\$ 7,684,976
Contribution in relation to statutory required contribution.....	(57,579)	(207,283)	(7,684,976)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.58%	22.57%	22.61%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>			
June 30, 2023.....	\$ (16,889)	\$ (56,384)	\$ (1,900,790)
June 30, 2024.....	(41,575)	(147,795)	(5,181,829)
June 30, 2025.....	(21,741)	(79,577)	(2,637,125)
June 30, 2026.....	(26,443)	(94,336)	(3,458,188)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (106,648)	\$ (378,092)	\$ (13,178,032)
<b>Discount Rate Sensitivity</b>			
1% decrease (6.25%).....	\$ 425,256	\$ 1,530,910	\$ 56,758,168
Current discount rate (7.25%).....	\$ 228,204	\$ 821,531	\$ 30,458,084
1% increase (8.25%).....	\$ 61,446	\$ 221,203	\$ 8,201,050
Covered Payroll.....	\$ 255,038	\$ 918,292	\$ 33,981,821
See notes to schedule of employer allocations and schedule of pension amounts by employer.			
			(concluded)

**NOTE I – SCHEDULE OF EMPLOYER ALLOCATIONS**

Governmental Accounting Standards Board (GASB) Statement #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 Statement #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 Statement #68, The Schedule of Employer Allocations is used to demonstrate the allocation of Franklin Regional Retirement System's collective pension amounts.

A 5-year average of the rates of regular compensation were applied to allocate the System's fiscal year 2021 pension fund appropriation by member unit. The annual pension fund appropriations are calculated based on semi-annual payments. Discounts are applied to member units making one annual payment on July 1. The System's net pension liability is allocated to each member unit based on their actual contributions to the System, regardless of which payment option they select.

**NOTE II – SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

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

**NOTE III – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS**

*Actuarial Assumptions:*

The following changes were reflected in the January 1, 2022, valuation:

- Investment return assumption decreased from 7.75% to 7.25%.
- Administrative expense assumption has increased from \$600,000 to \$650,000.
- The salary scale and mortality improvement rates have been updated.

*Plan Provisions:*

None

**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 Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Franklin Regional Retirement System, as of and for the year ended December 31, 2021 and the related notes to the financial statements, which collectively comprise the Franklin Regional Retirement System's financial statements, and have issued our report thereon dated July 27, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Franklin Regional Retirement 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Franklin Regional Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Franklin Regional Retirement 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 entity'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 may exist that have not been identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Franklin Regional Retirement 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 determination of 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Powers & Sullivan LLC*

July 27, 2022

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2020**

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## ***Financial Section***



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## **Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

## **Report on the Financial Statements**

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

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Regional Retirement System as of December 31, 2020, and the results of its operations and changes in its financial 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 Management's Discussion and Analysis; the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 July 22, 2021, on our consideration of the Franklin Regional Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Franklin Regional Retirement System's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended solely for the information and use of Franklin Regional Retirement System, the Public Employee Retirement Administration Commission and all member units and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan LLC*

July 22, 2021

## ***Management's Discussion and Analysis***

As management of the Franklin Regional Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$173.6 million (net position).
- The System's net position increased by \$16.4 million for the year ended December 31, 2020.
- Total investment income was \$20.4 million; investment expenses were \$821,000; and net investment income was \$19.6 million.
- Total contributions were \$11.8 million including \$7.3 million from employers, \$3.6 million from members, and \$923,000 from other contributions.
- Retirement benefits, refunds and transfers amounted to \$14.4 million.
- Administrative expenses were \$591,000.
- The total pension liability was \$214.1 million as of December 31, 2020, while the net pension liability was \$40.6 million.
- The Plan fiduciary net position as a percentage of the total pension liability was 81.05%.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the System fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

### **Fiduciary Financial Statements**

The *statement of fiduciary net position* presents information on all assets and deferred outflows less deferred inflows and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

### **Notes to the financial statements**

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$173.6 million at the close of 2020.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year-end, the System's net position includes investments of \$174.2 million, cash of \$1.5 million, accounts receivable of \$93,000, and prepaid expenses of \$8,000.

In 2020, the System's contributions of \$11.8 million did not fully support deductions of \$15.0 million, which resulted in a deficiency of \$3.2 million. A similar \$2.8 million deficiency occurred in 2019. For 2020 and 2019, investment income supported current operations.

The increase in net position for both years was related to net investment income. Net investment income was \$19.6 million and \$23.5 million in 2020 and 2019, respectively. The annual money weighted rate of return was 13.19% and 17.04% in 2020 and 2019, respectively. Fluctuations in the System's annual investment returns are expected.

The following tables present summarized financial information for the past two years.

	2020	2019
<b>Assets:</b>		
Cash and cash equivalents.....	\$ 1,498,656	\$ 1,579,892
Investments.....	174,172,764	158,448,042
Receivables.....	93,197	67,027
Prepaid expenses.....	8,308	6,610
<b>Total assets.....</b>	<b>175,772,925</b>	<b>160,101,571</b>
<b>Liabilities:</b>		
Accounts payable.....	2,209,591	2,988,090
<b>Net Position Restricted for Pension Benefits.....</b>	<b>\$ 173,563,334</b>	<b>\$ 157,113,481</b>

	2020	2019
<b>Additions:</b>		
Contributions:		
Member contributions.....	\$ 3,598,678	\$ 3,581,873
Employer contributions.....	7,268,256	6,871,971
Other contributions.....	922,551	1,307,977
Total contributions.....	11,789,485	11,761,821
Net investment income:		
Total investment income.....	20,448,356	24,338,460
Less, investment expenses.....	(820,937)	(837,389)
Net investment income.....	19,627,419	23,501,071
Total additions.....	31,416,904	35,262,892
<b>Deductions:</b>		
Administration.....	590,757	567,346
Retirement benefits, refunds and transfers.....	14,376,294	13,982,483
Total deductions.....	14,967,051	14,549,829
Net increase (decrease) in fiduciary net position.....	16,449,853	20,713,063
<b>Fiduciary net position at beginning of year.....</b>	<b>157,113,481</b>	<b>136,400,418</b>
<b>Fiduciary net position at end of year.....</b>	<b>\$ 173,563,334</b>	<b>\$ 157,113,481</b>

### ***Requests for Information***

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 278 Main Street #311, Greenfield, MA 01301.

# STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2020

## Assets

Cash and cash equivalents.....	\$	1,498,656
Investments:		
Investments in Pension Reserve Investment Trust.....		102,320,483
Equity securities.....		36,232,386
International equity securities.....		2,555,872
Equity mutual funds.....		17,987,495
Fixed income mutual funds.....		13,716,973
Real estate investment trusts.....		1,359,555
Total investments.....		174,172,764
Receivables, net of allowance for uncollectibles:		
Member contributions.....		85,268
Employer pension appropriation.....		7,915
Interest and dividends.....		14
Prepaid expenses.....		8,308
Total Assets.....		175,772,925
Liabilities		
Accounts payable.....		2,209,591
Net Position Restricted for Pensions.....	\$	173,563,334

See notes to financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2020

## Additions:

### Contributions:

Employer pension appropriation.....	\$ 7,268,256
Member contributions.....	3,598,678
Transfers from other systems.....	339,290
3(8)(c) contributions from other systems.....	531,908
State COLA reimbursements.....	33,528
Members' makeup payments and redeposits.....	17,825

Total contributions..... 11,789,485

### Net investment income:

Investment income.....	20,448,356
Less: investment expense.....	(820,937)

Net investment income..... 19,627,419

Total additions..... 31,416,904

## Deductions:

Administration.....	590,757
Retirement benefits and refunds.....	12,419,844
Transfers to other systems.....	637,437
3(8)(c) transfer to other systems.....	1,319,013

Total deductions..... 14,967,051

Net increase (decrease) in fiduciary net position..... 16,449,853

Fiduciary net position at beginning of year..... 157,113,481

Fiduciary net position at end of year..... \$ 173,563,334

See notes to financial statements.

**NOTE 1 – PLAN DESCRIPTION**

Franklin Regional Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of governmental member units deemed eligible by the Franklin Regional Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees. The Plan is administered by the Franklin Regional Retirement System (the System). As of December 31, 2020, the System had 38 participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. Board members are appointed or elected as specified by MGL Ch. 34B, Section 19(b) for terms ranging from 3 to 6 years.

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of treasurers or other qualified officials of the member units. The Advisory Council meets no less than twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2020, the System had 666 retirees and beneficiaries, 1,066 active participants and 625 inactive participants with a vested right to retirement benefits or to receive a refund of their contributions.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) in consultation with the Commissioner of Banks, and shall be obtained from the average rates paid on individual savings accounts by a representative sample of no less than 10 financial institutions. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment.

Administrative expenses are paid from investment income.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Franklin Regional Retirement System (FRRS) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

FRRS is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

### Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Real estate assets are reported at fair value utilizing an income approach to valuation along with independent appraisals and estimates by management.

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consists of member deductions, employer pension appropriations and interest and dividends receivable. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then. The FRRS did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an

inflow of resources (addition) until that time. The FRRS did not have any items that qualify for reporting in this category.

### NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-member Board of Retirement. The first member, who shall serve as chairman, shall be elected by the other four members for a term of 6 years. The second member shall be a member of the regional retirement board advisory council and shall be elected by a majority of those present and voting at a public meeting of the council and shall serve for a term of 3 years. The third and fourth members shall be elected by and from the members in or retired from service of the Franklin Regional Retirement System and shall serve for a term of 3 years. The fifth member, who shall not be an employee, retiree or official of the retirement system, or of any of its constituent governmental units, shall be chosen by the other 4 members and shall serve for a term of 5 years.

First Member.....	Sandra A. Hanks	Term Expires:	12/31/2026
Second Member....	Angelina J. Bragdon	Term Expires:	12/31/2021
Third Member.....	Mary A. Stokarski	Term Expires:	12/31/2023
Fourth Member.....	Gabriele H. Voelker	Term Expires:	12/31/2022
Fifth Member.....	Paul J. Mokrzejcki	Term Expires:	6/30/2025

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 PERAC.

The FRRS Advisory Council consists of the official treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement. The FRRS Advisory Council is required by statute to meet at least twice per year. All FRRS Advisory Council meetings are open, public meetings and are subject to the Commonwealth's Open Meeting Law.

The investment of the System's funds is the responsibility of the Board. Disability retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. Superannuation retirement allowances are required to obtain PERAC's verification. All expenses incurred by the System must be approved by a majority vote of the Board.

FRRS board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for FRRS provides \$50 million fiduciary protection for Trustees and employees, as well as a \$1 million fidelity policy for crime coverage.

**NOTE 4 – CASH AND INVESTMENTS**Custodial Credit Risk - Deposits

At December 31, 2020, the carrying amount of the System's deposits totaled \$1,498,656 and the bank balance totaled \$1,501,424, which was fully covered by Federal Depository Insurance Fund or the Depositors Insurance Fund.

Investments

The System's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>
PRIT General Allocation Fund.....	\$ 69,246,008
PRIT International Equity Fund.....	5,324,439
PRIT Value Added Fixed Income Fund.....	6,890,847
PRIT Core Real Estate Fund.....	16,762,607
PRIT Emerging Markets Fund.....	4,096,582
Equity Securities.....	36,232,386
Fixed Income Mutual Funds.....	13,716,973
International Equity Securities.....	2,555,872
Equity Mutual Funds.....	17,987,495
Real Estate Investment Trusts.....	1,359,555
Total Investments.....	<u>\$ 174,172,764</u>

Approximately 59% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT) Pooled Funds. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management (PRIM) Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

PRIM Board's adopted asset allocation is reflected in the PRIT General Allocation Fund. The PRIM Board believes that this is the most appropriate asset allocation for long-term public pension fund investors in Massachusetts. The System has invested \$69.2 million in the PRIT General Allocation Fund. To the extent that local systems wish to pursue their own asset allocation, PRIM offers the option to invest in one or more specific separate account segments of the PRIT fund. The System has opted to invest \$5.3 million, \$6.9 million, \$16.8 million, and \$4.1 million in the PRIT international equity fund, value added fixed income fund, core real estate fund, and emerging markets fund, respectively.

The System's annual money-weighted rate of return on pension plan investments was 13.19%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Value of Investments

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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

Investment Type	12/31/20	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level:</b>				
Equity Securities.....	\$ 36,232,386	\$ 36,232,386	\$ -	-
International Equity Securities.....	2,555,872	2,555,872	-	-
Equity Mutual Funds.....	17,987,495	17,987,495	-	-
Fixed Income Mutual Funds.....	13,716,973	13,716,973	-	-
Real Estate Investment Trusts.....	1,359,555	1,359,555	-	-
Total Investments by Fair Value Level.....	71,852,281	\$ 71,852,281	\$ -	-

**Investments Measured at the Net****Asset Value (NAV):**

PRIT Investments.....	<u>102,320,483</u>
Total Investments.....	<u>\$ 174,172,764</u>

PRIT Investments are valued using the net asset value (NAV) method.

**NOTE 5 – RECEIVABLES**

At December 31, 2020, receivables for the System were as follows:

<u>Receivables:</u>	
Member contributions.....	\$ 85,268
Employer pension appropriation.....	7,915
Interest and dividends.....	<u>14</u>
Total.....	<u>\$ 93,197</u>

**NOTE 6 – PAYABLES**

Accounts payable represent calendar year 2020, expenditures paid after year-end of \$129,000. The remaining \$2.1 million represents 3(8)(c) reimbursements owed to the Massachusetts State Retirement Board, which will be paid once a final determination of the amount owed is verified.

**NOTE 7 – MEMBERSHIP**

The following table represents the System's membership at December 31, 2020:

Active members.....	1,066
Inactive members entitled to a return of contributions.....	625
Retired, Beneficiary, and Survivor.....	666
<b>Total.....</b>	<b>2,357</b>

**NOTE 8 – ACTUARIAL VALUATION**

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was rolled forward to December 31, 2020:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal
Amortization method.....	Increasing dollar amount at 4% to reduce the unfunded actuarial accrued liability to zero, on or before June 30, 2034.
Remaining amortization period.....	13 years, as of December 31, 2020.
Salary increases:	
Group 1 and 2.....	4.25% - 6.00%, based on service.
Group 4.....	4.75% - 7.00%, based on service.
Net investment return/Discount rate..	7.75%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.50%
Cost of living adjustments.....	3% of the first \$17,000.
Mortality rates.....	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Components of the net pension liability as of December 31, 2020, were as follows:

Total pension liability.....	\$	214,134,898
The pension plan's fiduciary net position.....		<u>173,563,334</u>
The net pension liability.....	\$	<u>40,571,564</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		81.05%

*Investment Policy.* The Systems' policy in regard to the allocation of invested assets is established by the retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
PRIT Core.....	5.60%	40.00%
Domestic Equity.....	8.20%	32.00%
International Equity.....	5.90%	5.00%
Real Estate.....	6.00%	10.00%
Fixed Income.....	2.70%	<u>13.00%</u>
Total.....		<u>100.00%</u>

*Discount Rate.* The discount rates used to measure the total pension liability was 7.75% as of December 31, 2020, and 7.75% as of December 31, 2019. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the plan fiduciary net position was projected to be available to make all projected future benefit payments for 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 as of both December 31, 2020, and December 31, 2019.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following page presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Franklin Regional Retirement System's net pension liability as of December 31, 2020	\$ 64,126,392	\$ 40,571,564	\$ 20,630,311

*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 pension fund appropriations are allocated amongst employers based on covered payroll.

#### **NOTE 9 – COMMITMENTS AND CONTINGENCIES**

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2020.

#### **NOTE 10 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS**

There were no GASB pronouncements required to be implemented in 2020, that impacted the System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

#### **NOTE 11 – SUBSEQUENT EVENTS**

Management has evaluated subsequent events through July 22, 2021 which is the date the financial statements were available to be issued.

# ***Required Supplementary Information***

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
<b>Total pension liability:</b>				
Service cost.....	\$ 4,703,273	\$ 4,703,273	\$ 5,089,632	\$ 5,207,589
Interest.....	11,306,271	12,116,265	12,791,108	13,899,079
Changes in benefit terms.....	-	962,410	1,003,761	(293,031)
Differences between expected and actual experience.....	-	-	(146,259)	1,964,150
Changes in assumptions.....	-	-	5,736,511	180,697
Benefit payments.....	(11,287,291)	(9,235,255)	(9,686,040)	(10,906,590)
Net change in total pension liability.....	4,722,253	8,546,693	14,788,713	10,051,894
Total pension liability - beginning.....	151,531,013	156,253,266	164,799,959	179,588,672
Total pension liability - ending (a).....	\$ 156,253,266	\$ 164,799,959	\$ 179,588,672	\$ 189,640,566
<b>Plan fiduciary net position:</b>				
Employer pension appropriation.....	\$ 5,418,158	\$ 5,645,345	\$ 5,875,820	\$ 6,166,761
Member contributions.....	3,270,956	2,971,069	3,098,432	3,310,425
Net investment income (loss).....	8,362,434	579,359	10,050,389	18,794,508
Administrative expenses.....	(403,802)	(469,365)	(498,301)	(495,399)
Retirement benefits and refunds.....	(11,287,291)	(9,235,255)	(9,686,040)	(10,906,590)
Net increase (decrease) in fiduciary net position.....	5,360,455	(508,847)	8,840,300	16,869,705
Fiduciary net position - beginning of year.....	113,358,538	118,718,993	118,210,146	127,050,446
Fiduciary net position - end of year (b).....	\$ 118,718,993	\$ 118,210,146	\$ 127,050,446	\$ 143,920,151
Net pension liability - ending (a)-(b).....	\$ 37,534,273	\$ 46,589,813	\$ 52,538,226	\$ 45,720,415
Plan fiduciary net position as a percentage of the total pension liability.....	75.98%	71.73%	70.75%	75.89%
Covered payroll.....	\$ 30,854,652	\$ 32,088,838	\$ 33,556,164	\$ 29,460,407
Net pension liability as a percentage of covered payroll.....	121.65%	145.19%	156.57%	155.19%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

December 31, 2018	December 31, 2019	December 31, 2020
\$ 5,083,236	\$ 5,265,765	\$ 5,440,850
14,639,832	15,234,331	15,875,568
-	(989,262)	-
-	1,485,132	-
<u>(11,605,484)</u>	<u>(12,732,025)</u>	<u>(13,173,421)</u>
8,097,584	8,253,951	8,142,797
<u>189,640,566</u>	<u>197,738,150</u>	<u>205,992,101</u>
<u>\$ 197,738,150</u>	<u>\$ 205,992,101</u>	<u>\$ 214,134,898</u>
\$ 6,506,893	\$ 6,872,253	\$ 7,268,256
3,281,560	3,639,392	3,316,358
(5,160,455)	23,500,789	19,627,419
(542,287)	(567,346)	(590,757)
<u>(11,605,484)</u>	<u>(12,732,025)</u>	<u>(13,173,421)</u>
(7,519,733)	20,713,083	16,449,853
<u>143,920,151</u>	<u>136,400,418</u>	<u>157,113,481</u>
<u>\$ 136,400,418</u>	<u>\$ 157,113,481</u>	<u>\$ 173,563,334</u>
<u>\$ 61,337,732</u>	<u>\$ 48,878,620</u>	<u>\$ 40,571,564</u>
68.98%	76.27%	81.05%
\$ 30,220,970	\$ 31,398,150	\$ 32,646,666
202.86%	156.67%	124.27%

**SCHEDULE OF CONTRIBUTIONS**

<u>Year</u>	<u>Statutory required contribution</u>	<u>Contributions in relation to the statutory required contribution</u>	<u>Contribution deficiency (excess)</u>	<u>Covered payroll</u>	<u>Contributions as a percentage of covered payroll</u>
December 31, 2020.....	\$ 7,268,256	\$ (7,268,256)	\$ -	\$ 32,646,666	22.26%
December 31, 2019.....	6,872,253	(6,872,253)	-	31,398,150	21.89%
December 31, 2018.....	6,506,893	(6,506,893)	-	30,220,970	21.53%
December 31, 2017.....	6,166,761	(6,166,761)	-	29,460,407	20.93%
December 31, 2016.....	5,875,820	(5,875,820)	-	33,556,164	17.51%
December 31, 2015.....	5,645,345	(5,645,345)	-	32,088,838	17.59%
December 31, 2014.....	5,888,495	(5,888,495)	-	30,854,652	19.08%

Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

### SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2020.....	13.19%
December 31, 2019.....	17.04%
December 31, 2018.....	-4.05%
December 31, 2017.....	14.48%
December 31, 2016.....	8.24%
December 31, 2015.....	0.57%
December 31, 2014.....	7.37%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**NOTE A – CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

The Schedule of Changes in the Net Pension Liability 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. It also demonstrates the FRRS's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

**NOTE B – 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. The pension fund appropriations are allocated amongst employers based on a 5-year average of covered payroll.

**NOTE C – MONEY WEIGHTED RATE OF RETURN**

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 D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS***Actuarial Assumptions:*

The following changes were reflected in the January 1, 2020, valuation:

- Administrative expense assumption has increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfers assumption has increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvements rates have been updated.

*Plan Provisions:*

None

# ***Audit of Specific Elements, Accounts and Items of Financial Statements***

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**Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

We have audited the accompanying schedule of employer allocations of the Franklin Regional Retirement System (FRRS) as of and for the year ended December 31, 2020, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule of pension amounts by employer of the FRRS Pension Plan as of and for the year ended December 31, 2020, and the related notes.

**Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these schedules in accordance with 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.

**Auditor's Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified row 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 row 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 the specified row 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 the specified row 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 the specified row 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 the specified row 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**

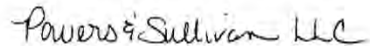
In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the FRRS as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the FRRS as of and for the year ended December 31, 2020, and our report thereon, dated July 22, 2021, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

This report is intended solely for the information and use of the FRRS management, the FRRS employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



July 22, 2021

**SCHEDULE OF EMPLOYER ALLOCATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2020**

Employer	2020 Actual Employer Contribution	Allocated Net Pension Liability	Proportionate Share of Total Employer Contribution
Town of Ashfield.....	\$ 105,992	\$ 591,650	1.458287%
Town of Bernardston.....	116,882	652,438	1.608116%
Bernardston Fire & Water District.....	4,356	24,315	0.059932%
Town of Buckland.....	140,839	786,166	1.937728%
Town of Charlemont.....	79,599	444,323	1.095160%
Town of Colrain.....	95,828	534,914	1.318446%
Town of Conway.....	208,354	1,163,037	2.866630%
Town of Deerfield.....	691,853	3,861,939	9.518831%
Town of Erving.....	348,467	1,945,150	4.794369%
Franklin County Regional Housing Authority.....	279,538	1,560,387	3.846012%
Franklin County Solid Waste Management District.....	31,060	173,378	0.427338%
Franklin Regional Transit Authority.....	87,263	487,104	1.200604%
Frontier Regional School District.....	447,200	2,496,280	6.152783%
Town of Gill.....	98,733	551,130	1.358414%
Hawlemont Regional School District.....	69,694	389,033	0.958882%
Town of Hawley.....	32,668	182,353	0.449461%
Town of Heath.....	69,012	385,226	0.949499%
Town of Leverett.....	199,643	1,114,412	2.746780%
Town of Leyden.....	32,668	182,353	0.449461%
Mahar Regional School District.....	370,247	2,066,727	5.094028%
Mohawk Regional School District.....	679,511	3,793,045	9.349024%
Town of Monroe.....	26,135	145,886	0.359577%
Town of New Salem.....	58,078	324,193	0.799064%
New Salem/Wendell Union School District.....	154,633	863,165	2.127512%
Town of Northfield.....	188,753	1,053,623	2.596950%
Town of Orange.....	944,486	5,272,143	12.994672%
Orange Housing Authority.....	7,986	44,578	0.109875%
Pioneer Valley Regional School District.....	487,854	2,723,212	6.712119%
Town of Rowe.....	140,839	786,166	1.937728%
Town of Shelburne.....	138,661	774,009	1.907762%
Shelburne Falls Fire District.....	45,737	255,305	0.629271%
Town of Shutesbury.....	216,340	1,207,615	2.976505%
South Deerfield Fire District.....	17,423	87,256	0.239714%
South Deerfield Water Supply District.....	39,203	218,832	0.539373%
Town of Sunderland.....	299,101	1,669,588	4.115169%
Town of Warwick.....	58,804	328,245	0.809052%
Town of Wendell.....	55,900	312,035	0.769098%
Town of Whately.....	198,916	1,110,353	2.736778%
<b>Total.....</b>	<b>\$ 7,268,256</b>	<b>\$ 40,571,564</b>	<b>100.000000%</b>

See notes to schedule of employer allocations and schedule of pension amounts by employer.

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Ashfield	Town of Bernardston	Bernardston Fire & Water District	Town of Buckland
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 684,275	\$ 771,627	\$ 24,262	\$ 992,101
Ending net pension liability.....	\$ 591,650	\$ 652,438	\$ 24,315	\$ 786,166
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 3,012	\$ 3,321	\$ 124	\$ 4,002
Changes of assumptions.....	12,620	13,916	519	16,768
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	40,930	36,927	4,524	19,246
Total Deferred Outflows of Resources.....	\$ 56,562	\$ 54,164	\$ 5,167	\$ 40,018
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 8,304	\$ 9,156	\$ 341	\$ 11,035
Net difference between projected and actual investment earnings on pension plan investments.....	134,655	146,469	5,534	178,925
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	1,149	-	-	37,291
Total Deferred Inflows of Resources.....	\$ 144,108	\$ 157,647	\$ 5,875	\$ 227,251
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 71,904	\$ 79,292	\$ 2,955	\$ 95,544
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	15,794	17,549	845	5,238
Total Employer Pension Expense.....	\$ 87,698	\$ 96,841	\$ 3,800	\$ 100,782
<b>Contributions</b>				
Statutory required contribution.....	\$ 105,992	\$ 116,882	\$ 4,356	\$ 140,839
Contribution in relation to statutory required contribution.....	(105,992)	(116,882)	(4,356)	(140,839)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.30%	22.23%	22.48%	22.26%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (20,595)	\$ (22,774)	\$ (128)	\$ (45,295)
June 30, 2023.....	211	(846)	799	(19,663)
June 30, 2024.....	(49,205)	(57,546)	(1,214)	(86,281)
June 30, 2025.....	(17,957)	(22,317)	(165)	(36,093)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (87,546)	\$ (103,483)	\$ (708)	\$ (187,233)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 935,147	\$ 1,031,227	\$ 38,432	\$ 1,242,595
Current discount rate (7.75%).....	\$ 591,650	\$ 652,438	\$ 24,315	\$ 786,166
1% increase (8.75%).....	\$ 300,849	\$ 331,759	\$ 12,364	\$ 399,759
Covered Payroll.....	\$ 475,203	\$ 525,698	\$ 19,380	\$ 632,183
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Charlemont	Town of Colrain	Town of Conway	Town of Deerfield
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 533,833	\$ 616,334	\$ 1,358,841	\$ 4,532,715
Ending net pension liability.....	\$ 444,323	\$ 534,914	\$ 1,163,037	\$ 3,861,939
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 2,262	\$ 2,723	\$ 5,920	\$ 19,558
Changes of assumptions.....	9,477	11,409	24,807	82,373
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	12,710	30,469	61,567	254,858
Total Deferred Outflows of Resources.....	\$ 24,449	\$ 44,601	\$ 92,294	\$ 356,889
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 6,237	\$ 7,508	\$ 16,324	\$ 54,207
Net difference between projected and actual investment earnings on pension plan investments.....	101,124	121,742	264,698	878,945
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	24,414	-	-
Total Deferred Inflows of Resources.....	\$ 107,361	\$ 163,664	\$ 281,022	\$ 933,152
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 53,999	\$ 65,009	\$ 141,346	\$ 469,348
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	7,636	3,375	27,397	123,467
Total Employer Pension Expense.....	\$ 61,635	\$ 68,384	\$ 168,743	\$ 592,815
<b>Contributions</b>				
Statutory required contribution.....	\$ 79,132	\$ 95,828	\$ 208,354	\$ 691,853
Contribution in relation to statutory required contribution....	(79,599)	(95,828)	(208,354)	(691,853)
Contribution deficiency/(excess).....	\$ (467)	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.34%	22.32%	22.23%	22.23%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (19,509)	\$ (28,820)	\$ (46,500)	\$ (125,844)
June 30, 2023.....	(4,549)	(11,158)	(3,716)	5,901
June 30, 2024.....	(42,424)	(53,196)	(101,090)	(329,344)
June 30, 2025.....	(16,430)	(15,889)	(37,322)	(125,976)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (82,912)	\$ (109,063)	\$ (188,728)	\$ (576,263)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 702,286	\$ 845,472	\$ 1,838,266	\$ 6,104,083
Current discount rate (7.75%).....	\$ 444,323	\$ 534,914	\$ 1,163,037	\$ 3,861,939
1% increase (8.75%).....	\$ 225,935	\$ 271,999	\$ 591,395	\$ 1,963,764
Covered Payroll.....	\$ 356,386	\$ 429,394	\$ 937,296	\$ 3,111,733
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Town of Erving	Franklin County Regional Housing Authority	Franklin County Solid Waste Management District	Franklin Regional Transit Authority
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 2,256,648	\$ 1,913,159	\$ 207,628	\$ 588,281
Ending net pension liability.....	\$ 1,945,150	\$ 1,560,387	\$ 173,378	\$ 487,104
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 9,901	\$ 7,943	\$ 883	\$ 2,480
Changes of assumptions.....	41,489	33,282	3,698	10,390
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	140,583	3,490	2,136	35,823
Total Deferred Outflows of Resources.....	\$ 191,973	\$ 44,715	\$ 6,717	\$ 48,693
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 27,302	\$ 21,802	\$ 2,434	\$ 6,837
Net difference between projected and actual investment earnings on pension plan investments.....	442,700	355,131	39,459	110,861
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	23,938	71,789	—	1,195
Total Deferred Inflows of Resources.....	\$ 493,940	\$ 448,622	\$ 41,893	\$ 118,893
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 236,388	\$ 189,637	\$ 21,071	\$ 59,189
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	33,939	(66,011)	1,175	29,789
Total Employer Pension Expense.....	\$ 270,327	\$ 123,626	\$ 22,246	\$ 88,988
<b>Contributions</b>				
Statutory required contribution.....	\$ 348,467	\$ 274,418	\$ 30,491	\$ 85,665
Contribution in relation to statutory required contribution.....	(348,467)	(279,538)	(31,060)	(87,263)
Contribution deficiency/(excess).....	\$ —	\$ (5,120)	\$ (669)	\$ (1,598)
Contributions as a percentage of covered payroll.....	22.22%	22.66%	22.83%	22.57%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (88,288)	\$ (130,786)	\$ (9,026)	\$ (8,542)
June 30, 2023.....	7,401	(46,905)	(2,754)	1,269
June 30, 2024.....	(161,040)	(163,041)	(17,085)	(44,466)
June 30, 2025.....	(60,060)	(63,375)	(6,311)	(18,461)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (301,967)	\$ (404,107)	\$ (35,176)	\$ (70,200)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 3,074,456	\$ 2,466,309	\$ 274,036	\$ 769,904
Current discount rate (7.75%).....	\$ 1,945,150	\$ 1,560,387	\$ 173,378	\$ 487,104
1% increase (8.75%).....	\$ 989,093	\$ 793,444	\$ 88,161	\$ 247,688
Covered Payroll.....	\$ 1,568,409	\$ 1,233,526	\$ 136,039	\$ 386,714
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	Frontier Regional School District	Town of Gill	Hawlemont Regional School District	Town of Hawley
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 3,023,431	\$ 874,566	\$ 441,624	\$ 208,681
Ending net pension liability.....	\$ 2,496,280	\$ 551,130	\$ 389,033	\$ 182,353
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 12,707	\$ 2,805	\$ 1,980	\$ 928
Changes of assumptions.....	53,244	11,755	8,298	3,889
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	8,784	5,300	36,743	15,910
Total Deferred Outflows of Resources.....	\$ 74,735	\$ 19,860	\$ 47,021	\$ 20,727
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 35,036	\$ 7,736	\$ 5,461	\$ 2,560
Net difference between projected and actual investment earnings on pension plan investments.....	568,133	125,433	88,541	41,502
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	18,476	53,658	1,055	-
Total Deferred Inflows of Resources.....	\$ 621,647	\$ 187,027	\$ 95,057	\$ 44,062
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 303,377	\$ 66,860	\$ 47,280	\$ 22,162
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions...	16,155	(10,441)	7,452	8,693
Total Employer Pension Expense.....	\$ 319,532	\$ 56,419	\$ 54,732	\$ 30,855
<b>Contributions</b>				
Statutory required contribution.....	\$ 447,200	\$ 98,733	\$ 69,694	\$ 32,668
Contribution in relation to statutory required contribution...	(447,200)	(98,733)	(69,694)	(32,668)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.26%	22.21%	22.15%	22.30%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (142,877)	\$ (47,207)	\$ (12,112)	\$ (4,033)
June 30, 2023.....	(53,685)	(29,066)	4,020	987
June 30, 2024.....	(254,456)	(68,679)	(29,365)	(15,082)
June 30, 2025.....	(95,895)	(22,215)	(10,575)	(5,207)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (546,912)	\$ (167,167)	\$ (48,036)	\$ (23,335)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 3,945,558	\$ 871,102	\$ 614,896	\$ 288,223
Current discount rate (7.75%).....	\$ 2,496,280	\$ 551,130	\$ 389,033	\$ 182,353
1% increase (8.75%).....	\$ 1,269,338	\$ 280,245	\$ 197,820	\$ 92,726
Covered Payroll.....	\$ 2,009,424	\$ 444,554	\$ 314,637	\$ 146,512
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Heath	Town of Leverett	Town of Leyden	Mahar Regional School District
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 446,482	\$ 1,373,401	\$ 218,383	\$ 2,499,307
Ending net pension liability.....	\$ 385,226	\$ 1,114,412	\$ 182,353	\$ 2,066,727
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 1,961	\$ 5,673	\$ 928	\$ 10,520
Changes of assumptions.....	8,217	23,770	3,889	44,082
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	28,852	-	8,293	53,179
Total Deferred Outflows of Resources.....	\$ 39,030	\$ 29,443	\$ 13,110	\$ 107,781
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 5,407	\$ 15,642	\$ 2,560	\$ 29,009
Net difference between projected and actual investment earnings on pension plan investments.....	87,674	253,631	41,502	470,370
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	-	106,150	-	7,909
Total Deferred Inflows of Resources.....	\$ 93,081	\$ 375,423	\$ 44,062	\$ 507,188
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 46,817	\$ 135,436	\$ 22,162	\$ 281,173
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	14,069	(45,440)	6,469	40,005
Total Employer Pension Expense.....	\$ 60,886	\$ 89,996	\$ 28,631	\$ 291,178
<b>Contributions</b>				
Statutory required contribution.....	\$ 68,242	\$ 199,643	\$ 32,668	\$ 370,247
Contribution in relation to statutory required contribution....	(69,012)	(199,643)	(32,668)	(370,247)
Contribution deficiency/(excess).....	\$ (770)	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.50%	22.26%	22.31%	22.26%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (11,847)	\$ (106,841)	\$ (6,667)	\$ (93,484)
June 30, 2023.....	1,406	(57,964)	(1,050)	(25,467)
June 30, 2024.....	(31,782)	(134,873)	(16,594)	(201,633)
June 30, 2025.....	(11,828)	(46,302)	(6,641)	(78,823)
Total Deferred (Inflows)/Outflows Recognized in.....	\$ (54,051)	\$ (345,980)	\$ (30,952)	\$ (399,407)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 608,879	\$ 1,761,411	\$ 288,223	\$ 3,266,616
Current discount rate (7.75%).....	\$ 385,226	\$ 1,114,412	\$ 182,353	\$ 2,066,727
1% increase (8.75%).....	\$ 195,885	\$ 566,669	\$ 92,725	\$ 1,050,914
Covered Payroll.....	\$ 306,780	\$ 896,811	\$ 146,428	\$ 1,663,590
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

		Mohawk Regional School District	Town of Monroe	Town of New Salem	New Salem/ Wendell Union School District
<b>Net Pension Liability</b>					
Beginning net pension liability.....	\$	4,527,856	\$ 160,151	\$ 386,242	\$ 990,017
Ending net pension liability.....	\$	3,793,045	\$ 145,886	\$ 324,193	\$ 863,165
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience.....	\$	19,308	\$ 743	\$ 1,650	\$ 4,394
Changes of assumptions.....		80,903	3,112	6,915	18,411
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		81,424	20,547	15,918	46,115
Total Deferred Outflows of Resources.....	\$	181,635	\$ 24,402	\$ 24,483	\$ 68,920
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience.....	\$	53,240	\$ 2,048	\$ 4,550	\$ 12,115
Net difference between projected and actual investment earnings on pension plan investments.....		863,266	33,202	73,764	196,449
Changes in proportion and differences between employer contributions and proportionate share of contributions.....		5,085	2,329	-	9,101
Total Deferred Inflows of Resources.....	\$	921,591	\$ 37,579	\$ 78,334	\$ 217,665
<b>Pension Expense</b>					
Proportionate share of plan pension expense.....	\$	460,375	\$ 17,730	\$ 39,400	\$ 104,802
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....		3,688	4,696	10,727	11,856
Total Employer Pension Expense.....	\$	464,063	\$ 22,426	\$ 50,127	\$ 116,658
<b>Contributions</b>					
Statutory required contribution.....	\$	679,511	\$ 26,135	\$ 58,078	\$ 154,633
Contribution in relation to statutory required contribution....		(679,511)	(26,135)	(58,078)	(154,633)
Contribution deficiency/(excess).....	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....		22.25%	22.54%	22.11%	22.27%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>					
June 30, 2022.....	\$	(196,500)	\$ (3,686)	\$ (10,746)	\$ (38,771)
June 30, 2023.....		(46,573)	2,875	(1,301)	(7,623)
June 30, 2024.....		(360,949)	(9,205)	(30,003)	(77,379)
June 30, 2025.....		(135,934)	(3,159)	(11,801)	(24,972)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$	(739,956)	\$ (13,177)	\$ (53,851)	\$ (148,745)
<b>Discount Rate Sensitivity</b>					
1% decrease (6.75%).....	\$	5,995,192	\$ 230,584	\$ 512,411	\$ 1,364,297
Current discount rate (7.75%).....	\$	3,793,045	\$ 145,886	\$ 324,193	\$ 863,165
1% increase (8.75%).....	\$	1,928,733	\$ 74,182	\$ 164,849	\$ 438,912
Covered Payroll.....	\$	3,054,267	\$ 115,943	\$ 262,597	\$ 694,306
See notes to schedule of employer allocations and schedule of pension amounts by employer.					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Northfield	Town of Orange	Orange Housing Authority	Pioneer Valley Regional School District
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 1,281,191	\$ 6,583,507	\$ 63,090	\$ 3,363,143
Ending net pension liability.....	\$ 1,053,623	\$ 5,272,143	\$ 44,578	\$ 2,723,212
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 5,363	\$ 26,836	\$ 227	\$ 13,862
Changes of assumptions.....	22,473	112,452	951	59,084
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	6,693	-	-	9,494
Total Deferred Outflows of Resources.....	\$ 34,529	\$ 139,288	\$ 1,178	\$ 81,440
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 14,789	\$ 73,998	\$ 626	\$ 38,223
Net difference between projected and actual investment earnings on pension plan investments.....	239,796	1,199,896	10,146	619,781
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	79,365	487,120	11,468	177,042
Total Deferred Inflows of Resources.....	\$ 333,970	\$ 1,761,014	\$ 22,240	\$ 835,046
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 128,049	\$ 640,731	\$ 5,418	\$ 330,957
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	(20,354)	(271,085)	(4,203)	(42,083)
Total Employer Pension Expense.....	\$ 107,695	\$ 369,646	\$ 1,215	\$ 288,874
<b>Contributions</b>				
Statutory required contribution.....	\$ 188,753	\$ 944,486	\$ 7,986	\$ 487,854
Contribution in relation to statutory required contribution.....	(188,753)	(944,486)	(7,986)	(487,854)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.26%	22.16%	22.02%	22.25%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (84,867)	\$ (509,113)	\$ (6,792)	\$ (209,740)
June 30, 2023.....	(48,036)	(251,328)	(4,152)	(111,455)
June 30, 2024.....	(125,316)	(629,500)	(7,058)	(319,223)
June 30, 2025.....	(41,222)	(231,785)	(3,060)	(114,188)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (299,441)	\$ (1,621,726)	\$ (21,062)	\$ (753,606)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 1,665,331	\$ 8,333,012	\$ 70,459	\$ 4,304,240
Current discount rate (7.75%).....	\$ 1,053,623	\$ 5,272,143	\$ 44,578	\$ 2,723,212
1% increase (8.75%).....	\$ 535,759	\$ 2,680,845	\$ 22,668	\$ 1,384,731
Covered Payroll.....	\$ 847,896	\$ 4,262,644	\$ 36,273	\$ 2,192,803
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Rowe	Town of Shelburne	Shelburne Falls Fire District	Town of Shutesbury
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 1,026,775	\$ 931,778	\$ 315,451	\$ 1,460,753
Ending net pension liability.....	\$ 786,166	\$ 774,009	\$ 255,305	\$ 1,207,615
Differences between expected and actual experience.....	\$ 4,002	\$ 3,940	\$ 1,300	\$ 6,147
Changes of assumptions.....	16,768	16,509	5,446	25,758
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	231	13,266	2,162	44,249
Total Deferred Outflows of Resources.....	\$ 21,001	\$ 33,705	\$ 8,908	\$ 76,154
Differences between expected and actual experience.....	\$ 11,035	\$ 10,864	\$ 3,583	\$ 16,950
Net difference between projected and actual investment earnings on pension plan investments.....	176,925	176,158	58,105	274,843
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	74,580	1,041	7,832	4,875
Total Deferred Inflows of Resources.....	\$ 264,640	\$ 188,063	\$ 69,620	\$ 296,668
Proportionate share of plan pension expense.....	\$ 95,544	\$ 94,067	\$ 31,028	\$ 146,764
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	(22,499)	4,757	(793)	17,317
Total Employer Pension Expense.....	\$ 73,045	\$ 98,824	\$ 30,235	\$ 164,081
Statutory required contribution.....	\$ 140,839	\$ 138,661	\$ 45,737	\$ 216,340
Contribution in relation to statutory required contribution.....	(140,839)	(138,661)	(45,737)	(216,340)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.29%	22.24%	22.12%	22.27%
<b>Future Pension Expense</b>				
June 30, 2022.....	\$ (68,456)	\$ (40,749)	\$ (16,326)	\$ (52,322)
June 30, 2023.....	(36,200)	(10,398)	(6,666)	(8,582)
June 30, 2024.....	(97,668)	(74,315)	(26,996)	(113,496)
June 30, 2025.....	(41,215)	(28,896)	(10,724)	(46,114)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (243,539)	\$ (154,358)	\$ (60,612)	\$ (220,514)
1% decrease (6.75%).....	\$ 1,242,595	\$ 1,223,379	\$ 403,529	\$ 1,908,725
Current discount rate (7.75%).....	\$ 786,166	\$ 774,009	\$ 255,305	\$ 1,207,615
1% increase (8.75%).....	\$ 399,759	\$ 393,577	\$ 129,820	\$ 614,062
Covered Payroll.....	\$ 631,972	\$ 623,361	\$ 206,750	\$ 971,368
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

**FOR THE YEAR ENDED DECEMBER 31, 2020**

	South Deerfield Fire District	South Deerfield Water Supply District	Town of Sunderland	Town of Warwick
<b>Net Pension Liability</b>				
Beginning net pension liability.....	\$ 97,061	\$ 242,644	\$ 1,941,205	\$ 402,795
Ending net pension liability.....	\$ 97,266	\$ 218,832	\$ 1,669,586	\$ 328,245
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience.....	\$ 495	\$ 1,114	\$ 8,499	\$ 1,571
Changes of assumptions.....	2,074	4,668	35,611	7,001
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	21,210	28,850	119,353	7,273
Total Deferred Outflows of Resources.....	\$ 23,779	\$ 34,632	\$ 163,463	\$ 15,945
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience.....	\$ 1,365	\$ 3,072	\$ 23,434	\$ 4,607
Net difference between projected and actual investment earnings on pension plan investments.....	22,135	49,804	379,985	74,706
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	1,400	2,519	-	6,087
Total Deferred Inflows of Resources.....	\$ 24,900	\$ 55,395	\$ 403,419	\$ 85,400
<b>Pension Expense</b>				
Proportionate share of plan pension expense.....	\$ 11,820	\$ 26,595	\$ 202,908	\$ 39,892
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions....	6,189	6,072	37,258	1,019
Total Employer Pension Expense.....	\$ 18,009	\$ 32,667	\$ 240,166	\$ 40,911
<b>Contributions</b>				
Statutory required contribution.....	\$ 17,423	\$ 39,203	\$ 299,101	\$ 58,804
Contribution in relation to statutory required contribution....	(17,423)	(39,203)	(299,101)	(58,804)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll.....	22.37%	22.35%	22.26%	22.33%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2022.....	\$ (25)	\$ (5,747)	\$ (55,489)	\$ (17,395)
June 30, 2023.....	3,763	4,431	5,942	(5,452)
June 30, 2024.....	(4,187)	(14,349)	(138,230)	(33,228)
June 30, 2025.....	(672)	(5,098)	(52,179)	(13,380)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (1,121)	\$ (20,763)	\$ (239,956)	\$ (69,455)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%).....	\$ 153,720	\$ 345,880	\$ 2,638,909	\$ 518,816
Current discount rate (7.75%).....	\$ 97,256	\$ 218,832	\$ 1,669,586	\$ 328,245
1% increase (8.75%).....	\$ 49,454	\$ 111,274	\$ 848,972	\$ 166,910
Covered Payroll.....	\$ 77,900	\$ 179,290	\$ 1,343,931	\$ 263,398
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2020

	Town of Wendell	Town of Whately	Totals
<b>Net Pension Liability</b>			
Beginning net pension liability.....	\$ 373,683	\$ 1,363,699	\$ 48,878,620
Ending net pension liability.....	\$ 312,035	\$ 1,110,353	\$ 40,571,564
<b>Deferred Outflows of Resources</b>			
Differences between expected and actual experience.....	\$ 1,588	\$ 5,652	\$ 206,522
Changes of assumptions.....	6,656	23,683	865,367
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	5,855	19,444	1,242,400
Total Deferred Outflows of Resources.....	\$ 14,099	\$ 48,779	\$ 2,314,289
<b>Deferred Inflows of Resources</b>			
Differences between expected and actual experience.....	\$ 4,380	\$ 15,565	\$ 569,466
Net difference between projected and actual investment earnings on pension plan investments.....	71,017	262,707	9,233,754
Changes in proportion and differences between employer contributions and proportionate share of contributions.....	3,851	21,551	1,242,400
Total Deferred Inflows of Resources.....	\$ 79,248	\$ 289,853	\$ 11,045,620
<b>Pension Expense</b>			
Proportionate share of plan pension expense.....	\$ 37,922	\$ 134,943	\$ 4,930,734
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions.....	5,429	13,962	-
Total Employer Pension Expense.....	\$ 44,351	\$ 148,905	\$ 4,930,734
<b>Contributions</b>			
Statutory required contribution.....	\$ 55,900	\$ 198,916	\$ 7,259,732
Contribution in relation to statutory required contribution.....	(55,900)	(198,916)	(7,259,732)
Contribution deficiency/(excess).....	\$ -	\$ -	\$ (8,524)
Contributions as a percentage of covered payroll.....	22.26%	22.25%	22.26%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>			
June 30, 2022.....	\$ (15,731)	\$ (59,012)	\$ (2,362,725)
June 30, 2023.....	(6,361)	(21,956)	(783,711)
June 30, 2024.....	(31,699)	(114,664)	(4,064,650)
June 30, 2025.....	(11,358)	(45,442)	(1,520,045)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense.....	\$ (65,149)	\$ (241,074)	\$ (8,731,331)
<b>Discount Rate Sensitivity</b>			
1% decrease (6.75%).....	\$ 493,195	\$ 1,754,997	\$ 64,126,392
Current discount rate (7.75%).....	\$ 312,035	\$ 1,110,353	\$ 40,571,564
1% increase (8.75%).....	\$ 158,667	\$ 564,606	\$ 20,630,311
Covered Payroll.....	\$ 251,169	\$ 894,009	\$ 32,646,666
See notes to schedule of employer allocations and schedule of pension amounts by employer.			(concluded)

**NOTE I – Schedule of Employer Allocations**

Governmental Accounting Standards Board (GASB) Statement #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 Statement #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 Statement #68, The Schedule of Employer Allocations is used to demonstrate the allocation of Franklin Regional Retirement System's collective pension amounts.

A 5-year average of the rates of regular compensation were applied to allocate the System's fiscal year 2021 pension fund appropriation by member unit. The annual pension fund appropriations are calculated based on semi-annual payments. Discounts are applied to member units making one annual payment on July 1. The System's net pension liability is allocated to each member unit based on their actual contributions to the System, regardless of which payment option they select.

**NOTE II – Schedule of Pension Amounts by Employer**

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

**NOTE III – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS**

*Actuarial Assumptions:*

The following changes were reflected in the January 1, 2020, valuation:

- Administrative expense assumption increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfers assumption increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvements rates were updated.

*Plan Provisions:*

None



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**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 Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Franklin Regional Retirement System, as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the Franklin Regional Retirement System's financial statements, and have issued our report thereon dated July 22, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Franklin Regional Retirement System's internal control over financial reporting (internal control) to determine the 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 Franklin Regional Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Regional Retirement 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 entity'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.

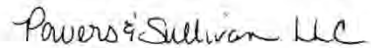
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Franklin Regional Retirement System's financial statements are free of 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 determination of financial statement amounts. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Powers & Sullivan LLC". The signature is written in a cursive, flowing style.

July 22, 2021

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2019**

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## ***Financial Section***



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## **Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

## **Report on the Financial Statements**

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

## **Management's Responsibility for the Financial Statements**

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

## **Auditor's 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Franklin Regional Retirement System as of December 31, 2019, and the results of its operations and changes in its financial 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 Management's Discussion and Analysis; the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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 August 12, 2020, on our consideration of the Franklin Regional Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 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 Franklin Regional Retirement System's internal control over financial reporting and compliance.

### **Restriction on Use**

This report is intended solely for the information and use of Franklin Regional Retirement System, the Public Employee Retirement Administration Commission and all member units and is not intended to be and should not be used by anyone other than these specified parties.

*Powers & Sullivan LLC*

August 12, 2020

## ***Management's Discussion and Analysis***

As management of the Franklin Regional Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$157.1 million (net position).
- The System's net position increased by \$20.7 million for the year ended December 31, 2019.
- Total investment income was \$24.3 million; investment expenses were \$837,000; and net investment income was \$23.5 million.
- Total contributions were \$11.8 million including \$6.9 million from employers, \$3.6 million from members, and \$1.3 million from other contributions.
- Retirement benefits, refunds and transfers amounted to \$14 million.
- Administrative expenses were \$567,000.
- The total pension liability was \$206 million as of December 31, 2019 while the net pension liability was \$48.9 million.
- The Plan fiduciary net position as a percentage of the total pension liability is 76.3%.

### ***Overview of the Financial Statements***

This discussion and analysis is intended to serve as an introduction to the System fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

### **Fiduciary Financial Statements**

The *statement of net position* presents information on all assets and deferred outflows less deferred inflows and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the system's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

### **Notes to the financial statements**

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

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$157.1 million at the close of 2019.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year-end, the System's net position includes investments of \$158.4 million, cash of \$1.6 million, accounts receivable of \$67,000, and prepaid expenses of \$7,000.

In 2019, the System's contributions of \$11.8 million did not fully support deductions of \$14.5 million, which resulted in a deficiency of \$2.8 million. A similar \$2.4 million deficiency occurred in 2018. For 2019, investment income supported current operations. For 2018, a net investment loss was reported, resulting in a decrease in the System's net position.

The main difference of the increase in net position between years was the change in net investment income between years. Net investment income was \$23.5 million in 2019, however in 2018 the System experienced a net investment loss of \$5.1 million. The annual money weighted rate of return was 17.04% and -4.05% in 2019 and 2018 respectively. Fluctuations in the system's annual investment returns are expected.

The following tables present summarized financial information for the past two years.

	2019	2018
<b>Assets:</b>		
Cash and cash equivalents.....	\$ 1,579,892	\$ 1,548,623
Investments.....	158,448,042	137,212,980
Receivables.....	67,027	99,508
Prepaid expenses.....	6,610	-
Total assets.....	160,101,571	138,861,111
<b>Liabilities:</b>		
Accounts payable.....	2,988,090	2,460,693
<b>Net Position Restricted for Pension Benefits.....</b>	<b>\$ 157,113,481</b>	<b>\$ 136,400,418</b>

	2019	2018
<b>Additions:</b>		
Contributions:		
Member contributions.....	\$ 3,581,873	\$ 3,367,589
Employer contributions.....	6,872,253	6,507,162
Other contributions.....	1,307,977	918,547
Total contributions.....	11,762,103	10,793,298
Net investment income (loss):		
Total investment income (loss).....	24,338,178	(4,358,182)
Less, investment expenses.....	(837,389)	(748,420)
Net investment income (loss).....	23,500,789	(5,106,602)
Total additions.....	35,262,892	5,686,696
<b>Deductions:</b>		
Administration.....	567,346	596,386
Retirement benefits, refunds and transfers.....	13,982,483	12,610,041
Total deductions.....	14,549,829	13,206,427
Net increase (decrease) in fiduciary net position.....	20,713,063	(7,519,731)
<b>Fiduciary net position at beginning of year.....</b>	<b>136,400,418</b>	<b>143,920,149</b>
<b>Fiduciary net position at end of year.....</b>	<b>\$ 157,113,481</b>	<b>\$ 136,400,418</b>

### **Requests for Information**

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 278 Main Street #311, Greenfield, MA 01301.

# STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2019

## Assets

Cash and cash equivalents.....	\$	1,579,892
Investments:		
Investments in Pension Reserve Investment Trust.....		100,288,718
Equity Securities.....		32,052,450
International Equity Securities.....		1,683,581
Equity Mutual Funds.....		15,440,205
Fixed Income Mutual Funds.....		7,465,181
Real Estate Investment Trusts.....		1,517,907
Total investments.....		158,448,042
Receivables, net of allowance for uncollectibles:		
Member contributions.....		58,439
Employer pension appropriation.....		7,439
Interest and dividends.....		1,149
Prepaid expenses.....		6,610
Total Assets.....		160,101,571
Liabilities		
Warrants payable.....		2,988,090
Net Position Restricted for Pensions.....	\$	157,113,481

See notes to financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2019

## Additions:

### Contributions:

Employer pension appropriation.....	\$ 6,872,253
Member contributions.....	3,581,873
Transfers from other systems.....	774,315
3(8)(c) contributions from other systems.....	477,208
State COLA reimbursements.....	39,122
Members' makeup payments and redeposits.....	12,417
Reimbursement of 91A overearnings.....	4,915
Total contributions.....	<u>11,762,103</u>

### Net investment income:

Investment income (loss).....	24,338,178
Less: investment expense.....	<u>(837,389)</u>

Net investment income (loss).....	<u>23,500,789</u>
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Total additions.....	<u>35,262,892</u>
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## Deductions:

Administration.....	567,346
Retirement benefits and refunds.....	11,720,221
Transfers to other systems.....	729,213
3(8)(c) transfer to other systems.....	<u>1,533,049</u>

Total deductions.....	<u>14,549,829</u>
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Net increase (decrease) in fiduciary net position.....	20,713,063
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Fiduciary net position at beginning of year.....	<u>136,400,418</u>
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Fiduciary net position at end of year.....	<u>\$ 157,113,481</u>
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See notes to financial statements.

**NOTE 1 – PLAN DESCRIPTION**

Franklin Regional Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of governmental member units deemed eligible by the Franklin Regional Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees. The Plan is administered by the Franklin Regional Retirement System (the System). As of December 31, 2019, the System had 38 participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. Board members are appointed or elected as specified by MGL Ch. 34B, Section 19(b) for terms ranging from 3 to 6 years.

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of treasurers or other qualified officials of the member units. The Advisory Council meets no less than twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2019, the System had 661 retirees and beneficiaries, 1,064 active participants and 615 inactive participants with a vested right to retirement benefits or to receive a refund of their contributions.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service if hired after 1978 and if classified in groups 1 or 2. A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance upon reaching the age of 60 with 10 years of service if in group 1, 50 years of age with 10 years of service if in group 2, and 55 years of age if hired prior to 1978 or if classified in group 4. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) in consultation with the Commissioner of Banks, and shall be obtained from the average rates paid on individual savings accounts by a representative sample of no less than 10 financial institutions. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment.

Administrative expenses are paid from investment income.

Members who become permanently and totally disabled for further duty may be eligible to receive a disability retirement allowance. The amount of benefits to be received in such cases is dependent on several factors, including whether or not the disability is work related, the member's age, years of creditable service, level of compensation, veterans' status and group classification.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

## **NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of the Franklin Regional Retirement System (FRRS) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

FRRS is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

### **Cash and Investments**

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market

values. Real estate assets are reported at fair value utilizing an income approach to valuation along with independent appraisals and estimates by management.

#### Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

#### Accounts Receivable

Accounts receivable consists of member deductions, employer pension appropriations and interest and dividends receivable. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

#### Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then. The FRRS did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (addition) until that time. The FRRS did not have any items that qualify for reporting in this category.

### NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-member Board of Retirement. The first member, who shall serve as chairman, shall be elected by the other four members for a term of 6 years. The second member shall be a member of the regional retirement board advisory council and shall be elected by a majority of those present and voting at a public meeting of the council and shall serve for a term of 3 years. The third and fourth members shall be elected by and from the members in or retired from service of the Franklin Regional Retirement System and shall serve for a term of 3 years. The fifth member, who shall not be an employee, retiree or official of the retirement system, or of any of its constituent governmental units, shall be chosen by the other 4 members and shall serve for a term of 5 years.

First Member	Sandra A. Hanks	Term Expires:	12/31/2020
Second Member	Angelina J. Bragdon	Term Expires:	12/31/2021
Third Member	Mary A. Stokarski	Term Expires:	12/31/2020
Fourth Member	Gabriele H. Voelker	Term Expires:	12/31/2022
Fifth Member	Paul J. Mokrzecki	Term Expires:	6/30/2020

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 PERAC.

The FRRS Advisory Council consists of the official treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement. The FRRS Advisory Council is required by statute to meet at least twice per year. All FRRS Advisory Council meetings are open, public meetings and are subject to the Commonwealth's Open Meeting Law.

The investment of the System's funds is the responsibility of the Board. Disability retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. Superannuation retirement allowances are required to obtain PERAC's verification. All expenses incurred by the System must be approved by a majority vote of the Board.

FRRS board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for FRRS provides \$50 million fiduciary protection for Trustees and employees, as well as a \$1 million fidelity policy for crime coverage.

**NOTE 4 – CASH AND INVESTMENTS**Custodial Credit Risk - Deposits

At December 31, 2019, the carrying amount of the System's deposits totaled \$1,579,892 and the bank balance totaled \$1,595,206, which was fully covered by Federal Depository Insurance Fund or the Depositors Insurance Fund.

Investments

The System's investments are as follows:

<u>Investment Type</u>	<u>Fair Value</u>
PRIT General Allocation Fund.....	\$ 68,826,976
PRIT International Equity Fund.....	4,778,462
PRIT Value Added Fixed Income Fund.....	6,604,240
PRIT Core Real Estate Fund.....	16,659,579
PRIT Emerging Markets Fund.....	3,419,461
Equity Securities.....	32,052,450
Fixed Income Mutual Funds.....	7,465,181
International Equity Securities.....	1,683,581
Equity Mutual Funds.....	15,440,205
Real Estate Investment Trusts.....	1,517,907
Total Investments.....	<u>\$ 158,448,042</u>

Approximately 63% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT) Pooled Funds. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management (PRIM) Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

PRIM Board's adopted asset allocation is reflected in the PRIT General Allocation Fund. The PRIM Board believes that this is the most appropriate asset allocation for long-term public pension fund investors in Massachusetts. The System has invested \$68.8 million in the PRIT General Allocation Fund. To the extent that local systems wish to pursue their own asset allocation, PRIM offers the option to invest in one or more specific separate account segments of the PRIT fund. The System has opted to invest \$4.8 million, \$6.6 million, \$16.7 million, and \$3.4 million in the PRIT international equity fund, value added fixed income fund, core real estate fund, and emerging markets fund, respectively.

The Administration's annual money-weighted rate of return on pension plan investments was 17.04%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Value of Investments

The retiree pension defined benefit plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The plan chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2019:

Investment Type	12/31/19	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Investments by Fair Value Level</b>				
Equity Securities	\$ 32,052,450	\$ 32,052,450	-	-
International Equity Securities	1,683,581	1,683,581	-	-
Equity Mutual Funds	15,440,205	15,440,205	-	-
Fixed Income Mutual Funds	7,465,181	7,465,181	-	-
Real Estate Investment Trusts	1,517,907	1,517,907	-	-
Total Investments by Fair Value Level	58,159,324	\$ 58,159,324	\$ -	\$ -
<b>Investments Measured at the Net Asset Value (NAV)</b>				
PRIT Investments	100,288,718			
Total Investments	\$ 158,448,042			

PRIT Investments are valued using the net asset value (NAV) method.

Subsequent to year end, the market value of the System's investments decreased by approximately \$13 million, or 8.125%, through May 31, 2020. Please refer to Note 10 for further information.

**NOTE 5 – RECEIVABLES**

At December 31, 2019, receivables for the System are as follows:

<u>Receivables:</u>	
Member contributions	\$ 58,439
Employer pension appropriation	7,439
Interest and dividends	1,149
Total	\$ 67,027

**NOTE 6 – PAYABLES**

Accounts payable represent calendar year 2019 expenditures paid after yearend of \$110,000. The remaining \$2.9 million represents 3(8)(c) reimbursements owed to the Massachusetts State Retirement Board, which will be paid once a final determination of the amount owed is verified.

**NOTE 7 – MEMBERSHIP**

The following table represents the System's membership at December 31, 2019:

Active members.....	1,064
Inactive members entitled to a return of contributions.....	615
Retired, Beneficiary, and Survivor.....	661
Total.....	<u>2,340</u>

**NOTE 8 – ACTUARIAL VALUATION**

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was rolled back to December 31, 2019:

Valuation date.....	January 1, 2020
Actuarial cost method.....	Individual Entry Age Normal
Amortization method.....	Increasing dollar amount at 4% to reduce the unfunded actuarial accrued liability to zero, on or before June 30, 2034.
Remaining amortization period.....	14 years
Salary increases:	
Group 1 and 2.....	4.25% - 6.00%, based on service
Group 4.....	4.75% - 7.00%, based on service
Net investment return/Discount rate..	7.75%, net of pension plan investment expense, including inflation.
Inflation rate.....	2.50%
Cost of living adjustments.....	3% of the first \$17,000
Mortality rates.....	RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled members, RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018.

Components of the net pension liability as of December 31, 2019 were as follows:

Total pension liability.....	\$	205,992,101
The pension plan's fiduciary net position.....		<u>157,113,481</u>
The net pension liability.....	\$	<u>48,878,620</u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		76.27%

*Investment policy.* The Systems' policy in regard to the allocation of invested assets is established by the retirement Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns 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, adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Long-Term Expected Asset Allocation
PRIT Core.....	4.80%	45.00%
Domestic Equity.....	6.82%	32.00%
International Equity.....	3.80%	5.00%
Real Estate.....	6.60%	10.00%
Fixed Income.....	2.90%	<u>8.00%</u>
Total.....		<u>100.00%</u>

*Discount Rate.* The discount rates used to measure the Total Pension Liability was 7.75% as of December 31, 2019 and December 31, 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits for the current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service cost for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan Fiduciary Net Position was projected to be available to make all projected future benefit payments for 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 as of both December 31, 2019 and December 31, 2018.

*Sensitivity of the net position liability to changes in the discount rate.* The following page presents the net pension liability, calculated using the discount rate of 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate.

	1.0% Decrease (6.75%)	Current Discount Rate (7.75%)	1.0% Increase (8.75%)
Franklin Regional Retirement System's net pension liability as of December 31, 2019...	\$ 71,701,537	\$ 48,878,620	\$ 29,553,861

*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 pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE 9 – COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2019 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2019.

#### NOTE 10 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

In May of 2020, the GASB issued Statement #95, Postponement of the Effective Dates of Certain Authoritative Guidance. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postponed the required implementation of many of the upcoming Statements for one year or longer.

There were no GASB pronouncements required to be implemented in 2019 that impacted the System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

#### NOTE 11 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 12, 2020 which is the date the financial statements were available to be issued.

The Retirement System carries its investments at market value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to fiscal year end the System's investments have declined in value by approximately \$13 million through May 31, 2020. The market value decline is consistent with recent trends in the overall financial securities markets.

In accordance with GAAP, the System has not recorded the losses in its financial statements as the impairments were not known as of December 31, 2019. The System has recorded the losses associated with the investments during fiscal year 2020.

# ***Required Supplementary Information***

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
AND RELATED RATIOS**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
<b>Total pension liability:</b>						
Service cost	\$ 4,703,273	\$ 4,703,273	\$ 5,089,632	\$ 5,207,589	\$ 5,063,236	\$ 5,265,765
Interest	11,306,271	12,116,265	12,791,108	13,899,079	14,839,832	15,234,331
Changes in benefit terms	-	982,410	1,003,761	(293,031)	-	(999,252)
Differences between expected and actual experience	-	-	(148,259)	1,964,150	-	1,485,132
Changes in assumptions	-	-	5,738,511	180,897	-	1,485,132
Benefit payments	(11,287,391)	(9,235,255)	(9,886,040)	(10,906,590)	(11,605,484)	(12,732,025)
Net change in total pension liability	4,722,253	8,546,693	14,788,713	10,051,894	8,097,584	8,253,951
Total pension liability - beginning	151,531,013	156,253,266	184,799,959	179,568,672	189,640,566	197,738,150
Total pension liability - ending (a)	\$ 156,253,266	\$ 164,799,959	\$ 179,588,672	\$ 189,640,566	\$ 197,738,150	\$ 205,992,101
<b>Plan fiduciary net position:</b>						
Employer pension appropriation	\$ 5,418,158	\$ 5,645,345	\$ 5,875,820	\$ 6,166,761	\$ 6,506,893	\$ 6,872,253
Member contributions	3,270,856	2,971,069	3,098,432	3,310,425	3,281,580	3,639,392
Net investment income (loss)	8,367,434	579,359	10,050,399	18,794,506	(5,160,455)	23,500,789
Administrative expenses	(403,302)	(488,355)	(498,301)	(485,399)	(543,267)	(567,346)
Retirement benefits and refunds	(11,287,291)	(9,235,255)	(9,886,040)	(10,906,590)	(11,605,484)	(12,732,025)
Net increase (decrease) in fiduciary net position	5,360,455	(508,847)	8,840,300	16,869,705	(7,519,733)	20,713,063
Fiduciary net position - beginning of year	113,358,538	118,718,993	118,210,146	127,050,446	143,920,151	136,400,418
Fiduciary net position - end of year (b)	\$ 118,718,993	\$ 118,210,146	\$ 127,050,446	\$ 143,920,151	\$ 136,400,418	\$ 157,113,481
<b>Net pension liability - ending (a)-(b)</b>	<b>\$ 37,534,273</b>	<b>\$ 46,589,813</b>	<b>\$ 52,538,226</b>	<b>\$ 45,720,415</b>	<b>\$ 61,337,732</b>	<b>\$ 48,878,620</b>
Plan fiduciary net position as a percentage of the total pension liability	75.98%	71.73%	70.75%	75.89%	68.98%	76.27%
Covered payroll	\$ 30,854,652	\$ 32,088,836	\$ 33,556,164	\$ 29,460,407	\$ 30,220,970	\$ 31,398,180
Net pension liability as a percentage of covered payroll	121.65%	145.19%	156.57%	155.19%	202.96%	155.67%

Note: this schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

**SCHEDULE OF CONTRIBUTIONS**

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017	December 31, 2018	December 31, 2019
Actuarially determined contribution.....	\$ 5,888,495	\$ 5,645,345	\$ 5,875,820	\$ 6,166,761	\$ 6,506,893	\$ 6,872,253
Contributions in relation to the actuarially determined contribution .....	(5,888,495)	(5,645,345)	(5,875,820)	(6,166,761)	(6,506,893)	(6,872,253)
Contribution deficiency (excess).....	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll.....	\$ 30,854,652	\$ 32,088,838	\$ 33,556,164	\$ 29,460,407	\$ 30,220,970	\$ 31,398,150
Contributions as a percentage of covered payroll.....	19.08%	17.59%	17.51%	20.93%	21.53%	21.89%

Note: This schedule is intended to present information for 10 years.  
Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information.

### SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2019.....	17.04%
December 31, 2018.....	-4.05%
December 31, 2017.....	14.48%
December 31, 2016.....	8.24%
December 31, 2015.....	0.57%
December 31, 2014.....	7.37%

Note: this schedule is intended to present information for 10 years. Until a 10-year trend is compiled, information is presented for those years for which information is available.

See notes to required supplementary information

**NOTE A – CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS**

The Schedule of Changes in the Net Pension Liability 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. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

**NOTE B – 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. The pension fund appropriations are allocated amongst employers based on a 5-year average of covered payroll.

**NOTE C – MONEY WEIGHTED RATE OF RETURN**

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 D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS***Actuarial Assumptions:*

- Administrative expense assumption has increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfers assumption has increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvements rates have been updated.

*Plan Provisions – None*

# ***Audit of Specific Elements, Accounts and Items of Financial Statements***



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### **Independent Auditor's Report**

To the Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

We have audited the accompanying schedule of employer allocations of the Franklin Regional Retirement System (FRRS) as of and for the year ended December 31, 2019, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule of pension amounts by employer of the FRRS Pension Plan as of and for the year ended December 31, 2019, and the related notes.

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of these schedules in accordance with 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.

### **Auditor's Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified row 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 row 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 the specified row 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 the specified row 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 the specified row 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 the specified row 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, total contributions and total pension expense for the total of all participating entities for the Franklin Regional 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.

**Other Matter**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Franklin Regional Retirement System as of and for the year ended December 31, 2019, and our report thereon, dated August 12, 2020, expressed an unmodified opinion on those financial statements.

**Restriction on Use**

This report is intended solely for the information and use of the Franklin Regional Retirement System management, the Franklin Regional Retirement System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.



August 12, 2020

**SCHEDULE OF EMPLOYER ALLOCATIONS**  
**FOR THE YEAR ENDED DECEMBER 31, 2019**

Employer	2019 Actual Employer Contribution	Allocated Net Pension Liability	Proportionate Share of Total Employer Contribution
Town of Ashfield.....	\$ 96,204	\$ 684,275	1.399948%
Town of Bernardston.....	108,485	771,627	1.578659%
Bernardston Fire & Water District.....	3,411	24,262	0.049636%
Town of Buckland.....	139,482	992,101	2.029723%
Town of Charlemont.....	75,053	533,833	1.092161%
Town of Colrain.....	86,652	616,334	1.260948%
Town of Conway.....	191,043	1,358,841	2.780032%
Town of Deerfield.....	637,266	4,532,715	9.273409%
Town of Erving.....	317,268	2,256,648	4.616841%
Franklin County Regional Housing Authority.....	268,976	1,913,159	3.914103%
Franklin County Solid Waste Management District.....	29,191	207,628	0.424784%
Franklin Regional Council of Governments.....	-	-	0.000000%
Franklin Regional Transit Authority.....	82,708	588,281	1.203556%
Frontier Regional School District.....	425,072	3,023,431	6.185591%
Town of Gill.....	94,839	674,566	1.380084%
Hawlemont Regional School District.....	62,089	441,624	0.903511%
Town of Hawley.....	29,339	208,681	0.426937%
Town of Heath.....	62,772	446,482	0.913450%
Town of Leverett.....	193,090	1,373,401	2.809820%
Town of Leyden.....	30,703	218,383	0.446786%
Mahar Regional School District.....	351,384	2,499,307	5.113293%
Mohawk Regional School District.....	636,583	4,527,856	9.263470%
Town of Monroe.....	22,516	160,151	0.327650%
Town of New Salem.....	54,584	388,242	0.794299%
New Salem/Wendell Union School District.....	139,189	990,017	2.025460%
Town of Northfield.....	180,126	1,281,191	2.621169%
Town of Orange.....	925,592	6,583,507	13.469091%
Orange Housing Authority.....	8,870	63,090	0.129075%
Pioneer Valley Regional School District.....	472,833	3,363,143	6.880602%
Town of Rowe.....	144,357	1,026,775	2.100664%
Town of Shelburne.....	131,001	931,778	1.906309%
Shelburne Falls Fire District.....	44,350	315,451	0.645375%
Town of Shutesbury.....	205,371	1,460,753	2.988531%
South Deerfield Fire District.....	13,646	97,061	0.198575%
South Deerfield Water Supply District.....	34,114	242,644	0.496422%
Town of Sunderland.....	272,919	1,941,205	3.971481%
Town of Warwick.....	56,630	402,795	0.824072%
Town of Wendell.....	52,537	373,683	0.764511%
Town of Whately.....	191,726	1,363,699	2.789971%
<b>Total.....</b>	<b>\$ 6,871,971</b>	<b>\$ 48,878,620</b>	<b>100.000000%</b>

See notes to schedule of employer allocations and schedule of pension amounts by employer.

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Town of Ashfield	Town of Bernardston	Bernardston Fire & Water District	Town of Buckland
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 826,749	\$ 927,849	\$ 29,741	\$ 1,220,959
Ending net pension liability	\$ 664,275	\$ 771,627	\$ 24,262	\$ 992,101
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 9,043	\$ 10,197	\$ 321	\$ 13,111
Changes of assumptions	26,704	30,113	947	38,717
Changes in proportion and differences between employer contributions and proportionate share of contributions	29,414	39,264	-511	34,701
Total Deferred Outflows of Resources	\$ 64,161	\$ 79,574	\$ 1,779	\$ 86,529
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 11,224	\$ 12,657	\$ 398	\$ 16,273
Net difference between projected and actual investment earnings on pension plan investments	63,180	71,252	2,240	91,611
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,966	-	455	-
Total Deferred Inflows of Resources	\$ 77,378	\$ 83,909	\$ 3,096	\$ 107,884
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 128,266	\$ 144,640	\$ 4,548	\$ 189,967
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	8,978	15,393	(269)	23,105
Total Employer Pension Expense	\$ 137,244	\$ 160,033	\$ 4,279	\$ 209,072
<b>Contributions</b>				
Statutory required contribution	\$ 96,204	\$ 108,485	\$ 3,411	\$ 139,482
Contribution in relation to statutory required contribution	(96,204)	(108,485)	(3,411)	(139,482)
Contribution deficiency/excess	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	21.71%	21.79%	10.03%	22.87%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ 7,787	\$ 12,532	\$ (351)	\$ 13,207
June 30, 2022	(4,416)	(1,353)	(273)	(6,400)
June 30, 2023	15,469	20,110	491	20,786
June 30, 2024	(32,035)	(35,624)	(1,184)	(48,948)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ (13,215)	\$ (4,335)	\$ (1,317)	\$ (21,355)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 1,003,764	\$ 1,131,923	\$ 35,590	\$ 1,455,343
Current discount rate (7.75%)	\$ 664,275	\$ 771,627	\$ 24,262	\$ 992,101
1% increase (8.75%)	\$ 413,739	\$ 486,555	\$ 14,669	\$ 599,862
Covered Payroll	\$ 443,231	\$ 497,931	\$ 17,203	\$ 609,880
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

		Town of Charlton	Town of Colrain	Town of Cotuit	Town of Deerfield
<b>Net Pension Liability</b>					
Beginning net pension liability	\$	854,261	\$ 826,883	\$ 1,853,488	\$ 5,418,444
Ending net pension liability	\$	533,833	\$ 616,334	\$ 1,358,841	\$ 4,532,715
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience	\$	7,055	\$ 8,145	\$ 17,857	\$ 59,900
Changes of assumptions		70,833	24,052	53,029	176,889
Changes in proportion and differences between employer contributions and proportionate share of contributions		18,898	13,365	44,244	251,578
Total Deferred Outflows of Resources	\$	46,786	\$ 45,562	\$ 115,230	\$ 488,367
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience	\$	6,758	\$ 10,110	\$ 22,289	\$ 74,350
Net difference between projected and actual investment earnings on pension plan investments		40,284	56,912	125,476	418,592
Changes in proportion and differences between employer contributions and proportionate share of contributions		102	33,627	-	-
Total Deferred Inflows of Resources	\$	58,152	\$ 100,649	\$ 147,765	\$ 492,902
<b>Pension Expense</b>					
Proportionate share of plan pension expense	\$	100,066	\$ 115,531	\$ 254,712	\$ 849,648
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		7,290	8,935	20,675	113,293
Total Employer Pension Expense	\$	107,356	\$ 124,466	\$ 275,387	\$ 962,941
<b>Contributions</b>					
Statutory required contribution	\$	75,053	\$ 86,652	\$ 191,043	\$ 637,286
Contribution in relation to statutory required contribution		(75,053)	(86,652)	(191,043)	(637,286)
Contribution deficiency/excess	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll		21.83%	21.69%	21.70%	21.73%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>					
June 30, 2021	\$	6,092	\$ (4,404)	\$ 14,703	\$ 95,939
June 30, 2022		(3,169)	(14,680)	(11,913)	(6,340)
June 30, 2023		11,743	2,076	29,603	121,529
June 30, 2024		(26,032)	(38,078)	(64,928)	(205,663)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$	(11,366)	\$ (55,087)	\$ (32,535)	\$ (4,535)
<b>Discount Rate Sensitivity</b>					
1% decrease (6.75%)	\$	783,096	\$ 904,119	\$ 1,993,326	\$ 8,649,177
Current discount rate (7.75%)	\$	533,833	\$ 616,334	\$ 1,358,841	\$ 4,532,715
1% increase (8.75%)	\$	322,776	\$ 372,850	\$ 821,607	\$ 2,740,851
Covered Payroll	\$	343,881	\$ 399,449	\$ 880,405	\$ 2,932,946
See notes to schedule of employer allocations and schedule of pension amounts by employer.					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Town of Erving	Franklin County Regional Housing Authority	Franklin County Solid Waste Management District	Franklin Regional Council of Governments
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 2,706,238	\$ 2,398,210	\$ 260,534	\$ -
Ending net pension liability	\$ 2,256,648	\$ 1,913,159	\$ 207,628	\$ -
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 29,822	\$ 25,282	\$ 2,744	\$ -
Changes of assumptions	88,066	74,681	8,103	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	133,777	4,807	2,033	-
Total Deferred Outflows of Resources	\$ 251,665	\$ 104,750	\$ 12,880	\$ -
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 37,016	\$ 31,381	\$ 3,406	\$ -
Net difference between projected and actual investment earnings on pension plan investments	208,379	176,681	19,172	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	74,869	103,955	42	-
Total Deferred Inflows of Resources	\$ 320,264	\$ 311,997	\$ 22,620	\$ -
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 423,004	\$ 358,618	\$ 38,920	\$ -
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	43,519	(37,574)	2,262	(370,743)
Total Employer Pension Expense	\$ 466,523	\$ 321,044	\$ 41,182	\$ (370,743)
<b>Contributions</b>				
Statutory required contribution	\$ 317,208	\$ 264,049	\$ 28,650	\$ -
Contribution in relation to statutory required contribution	(317,288)	(288,978)	(29,191)	-
Contribution deficiency(excess)	\$ -	\$ (4,927)	\$ (535)	\$ -
Contributions as a percentage of covered payroll	21.75%	22.12%	21.91%	0.00%
<b>Deferred Inflows/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ 9,115	\$ (62,780)	\$ 421	\$ -
June 30, 2022	(33,810)	(65,336)	(2,793)	-
June 30, 2023	59,255	19,620	3,439	-
June 30, 2024	(103,359)	(98,751)	(10,807)	-
Total Deferred Inflows/Outflows Recognized in Future Pension Expense	\$ (68,599)	\$ (207,247)	\$ (9,740)	\$ -
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 3,310,346	\$ 2,808,472	\$ 304,576	\$ -
Current discount rate (7.75%)	\$ 2,256,648	\$ 1,913,159	\$ 207,628	\$ -
1% increase (8.75%)	\$ 1,364,455	\$ 1,166,788	\$ 125,540	\$ -
Covered Payroll	\$ 1,458,730	\$ 1,216,077	\$ 133,252	\$ -
See notes to schedule of employer allocations and schedule of pension amounts by employer				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2018

	Franklin Regional Transit Authority	Frontier Regional School District	Town of Gill	Hawlemont Regional School District
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 896,756	\$ 3,800,419	\$ 944,816	\$ 528,401
Ending net pension liability	\$ 586,281	\$ 3,023,431	\$ 674,566	\$ 441,624
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 7,774	\$ 39,955	\$ 8,914	\$ 5,836
Changes of assumptions	22,958	117,989	26,325	17,234
Changes in proportion and differences between employer contributions and proportionate share of contributions	65,942	31,227	14,274	19,748
Total Deferred Outflows of Resources	\$ 96,674	\$ 189,171	\$ 49,513	\$ 42,818
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 9,650	\$ 49,593	\$ 11,065	\$ 7,244
Net difference between projected and actual investment earnings on pension plan investments	54,322	279,184	62,290	40,780
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	7,623	62,083	5,201
Total Deferred Inflows of Resources	\$ 63,972	\$ 336,800	\$ 135,438	\$ 53,225
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 110,272	\$ 566,736	\$ 126,446	\$ 82,791
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	29,910	27,279	4,807	1,051
Total Employer Pension Expense	\$ 140,182	\$ 594,015	\$ 131,253	\$ 83,842
<b>Contributions</b>				
Statutory required contribution	\$ 61,193	\$ 425,072	\$ 94,839	\$ 62,089
Contribution in relation to statutory required contribution	(62,708)	(425,072)	(94,839)	(62,089)
Contribution deficiency(excess)	\$ (1,515)	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	22.18%	21.72%	21.67%	21.73%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ 28,788	\$ 12,954	\$ (9,562)	\$ 304
June 30, 2022	10,011	(45,986)	(24,335)	(3,219)
June 30, 2023	19,868	43,725	(5,852)	12,039
June 30, 2024	(25,965)	(158,122)	(46,176)	(19,531)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ 32,702	\$ (147,429)	\$ (85,925)	\$ (10,407)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 862,988	\$ 4,435,164	\$ 989,542	\$ 647,831
Current discount rate (7.75%)	\$ 588,281	\$ 3,023,431	\$ 674,566	\$ 441,624
1% increase (8.75%)	\$ 355,687	\$ 1,828,081	\$ 407,868	\$ 267,022
Covered Payroll	\$ 372,671	\$ 1,956,918	\$ 437,716	\$ 284,908
See notes to schedule of employer allocations and schedule of pension amounts by employer				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

		Town of Hawley	Town of Heath	Town of Leverett	Town of Leyden
<b>Net Pension Liability</b>					
Beginning net pension liability	\$	255,762	\$ 535,298	\$ 1,867,697	\$ 261,701
Ending net pension liability	\$	206,851	\$ 446,482	\$ 1,373,401	\$ 219,383
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience	\$	2,758	\$ 5,900	\$ 19,149	\$ 2,886
Changes of assumptions		8,144	17,424	53,597	8,522
Changes in proportion and differences between employer contributions and proportionate share of contributions		12,871	24,307	-	13,281
Total Deferred Outflows of Resources	\$	23,773	\$ 47,631	\$ 71,746	\$ 24,789
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience	\$	3,425	\$ 7,324	\$ 22,528	\$ 3,582
Net difference between projected and actual investment earnings on pension plan investments		19,270	41,228	126,820	20,166
Changes in proportion and differences between employer contributions and proportionate share of contributions		-	-	119,036	-
Total Deferred Inflows of Resources	\$	22,695	\$ 48,552	\$ 268,384	\$ 23,748
<b>Pension Expense</b>					
Proportionate share of plan pension expense	\$	39,117	\$ 83,692	\$ 257,441	\$ 40,935
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		8,114	10,871	(20,515)	8,149
Total Employer Pension Expense	\$	45,231	\$ 94,563	\$ 236,926	\$ 47,084
<b>Contributions</b>					
Statutory required contribution	\$	29,339	\$ 62,772	\$ 193,090	\$ 30,703
Contribution in relation to statutory required contribution		(29,339)	(62,772)	(193,090)	(30,703)
Contribution deficiency/(excess)	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll		21.64%	21.79%	21.74%	21.96%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>					
June 30, 2021	\$	5,619	\$ 9,057	\$ (41,549)	\$ 5,874
June 30, 2022		486	(1,113)	(58,819)	(109)
June 30, 2023		5,152	11,570	(8,746)	5,455
June 30, 2024		(10,179)	(20,435)	(87,724)	(9,978)
Total Deferred (Inflows)/Outflows Recognized in	\$	1,080	\$ (921)	\$ (196,638)	\$ 1,041
<b>Discount Rate Sensitivity</b>					
1% decrease (8.75%)	\$	306,121	\$ 654,957	\$ 2,014,684	\$ 320,352
Current discount rate (7.75%)	\$	208,681	\$ 446,482	\$ 1,373,401	\$ 219,383
1% increase (8.75%)	\$	126,176	\$ 269,960	\$ 830,410	\$ 132,042
Covered Payroll	\$	135,583	\$ 288,014	\$ 886,311	\$ 139,841
See notes to schedule of employer allocations and schedule of pension amounts by employer.					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2018

		Mahar Regional School District	Mohawk Regional School District	Town of Monroe	Town of New Salem
<b>Net Pension Liability</b>					
Beginning net pension liability	\$	3,089,058	\$ 5,596,879	\$ 184,384	\$ 469,877
Ending net pension liability	\$	2,499,307	\$ 4,527,856	\$ 180,151	\$ 388,242
<b>Deferred Outflows of Resources</b>					
Differences between expected and actual experience	\$	33,029	\$ 59,835	\$ 2,118	\$ 5,131
Changes of assumptions		97,535	176,700	6,250	15,151
Changes in proportion and differences between employer contributions and proportionate share of contributions		95,823	86,719	10,477	24,183
Total Deferred Outflows of Resources	\$	225,886	\$ 303,254	\$ 18,843	\$ 44,465
<b>Deferred Inflows of Resources</b>					
Differences between expected and actual experience	\$	40,996	\$ 74,270	\$ 2,627	\$ 6,368
Net difference between projected and actual investment earnings on pension plan investments		230,786	418,103	14,788	35,850
Changes in proportion and differences between employer contributions and proportionate share of contributions		-	80,874	4,049	-
Total Deferred Inflows of Resources	\$	271,782	\$ 523,247	\$ 21,464	\$ 42,218
<b>Pension Expense</b>					
Proportionate share of plan pension expense	\$	468,490	\$ 849,738	\$ 30,020	\$ 72,775
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		63,093	6,880	2,090	11,867
Total Employer Pension Expense	\$	531,583	\$ 855,418	\$ 32,110	\$ 84,442
<b>Contributions</b>					
Statutory required contribution	\$	351,384	\$ 636,583	\$ 22,516	\$ 54,584
Contribution in relation to statutory required contribution		(351,384)	(636,583)	(22,516)	(54,584)
Contribution deficiency/excess	\$	-	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll		21.73%	21.73%	21.89%	21.70%
<b>Deferred Inflows/Outflows Recognized in Future Pension Expense</b>					
June 30, 2021	\$	38,488	\$ (18,082)	\$ 788	\$ 9,316
June 30, 2022		(14,076)	(63,170)	(1,468)	912
June 30, 2023		54,245	85,405	4,561	10,281
June 30, 2024		(122,553)	(228,186)	(6,472)	(18,264)
Total Deferred Inflows/Outflows Recognized in Future Pension Expense	\$	(45,896)	\$ (219,993)	\$ (2,621)	\$ 3,247
<b>Discount Rate Sensitivity</b>					
1% decrease (6.75%)	\$	3,686,310	\$ 6,642,051	\$ 234,930	\$ 569,525
Current discount rate (7.75%)	\$	2,499,307	\$ 4,527,856	\$ 180,151	\$ 388,242
1% increase (8.75%)	\$	1,511,175	\$ 2,737,713	\$ 98,833	\$ 234,746
Covered Payroll	\$	1,618,898	\$ 2,929,753	\$ 102,837	\$ 251,587
See notes to schedule of employer allocations and schedule of pension amounts by employer					

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

	New Salem/ Wendell Union School District	Town of Northfield	Town of Orange	Orange Housing Authority
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 1,262,219	\$ 1,759,489	\$ 8,693,790	\$ 83,265
Ending net pension liability	\$ 990,017	\$ 1,281,191	\$ 6,583,507	\$ 63,090
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 13,083	\$ 16,931	\$ 86,898	\$ 834
Changes of assumptions	38,635	49,999	256,921	2,482
Changes in proportion and differences between employer contributions and proportionate share of contributions	9,640	15,278	-	437
Total Deferred Outflows of Resources	\$ 61,358	\$ 82,208	\$ 343,819	\$ 3,732
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 16,239	\$ 21,015	\$ 107,988	\$ 1,035
Net difference between projected and actual investment earnings on pension plan investments	91,418	118,305	607,924	5,826
Changes in proportion and differences between employer contributions and proportionate share of contributions	13,467	95,819	513,209	6,192
Total Deferred Inflows of Resources	\$ 121,124	\$ 235,139	\$ 1,229,121	\$ 13,054
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 185,577	\$ 240,157	\$ 1,234,068	\$ 11,826
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	6,602	(6,336)	(86,094)	(1,990)
Total Employer Pension Expense	\$ 192,179	\$ 233,819	\$ 1,147,977	\$ 9,836
<b>Contributions</b>				
Statutory required contribution	\$ 139,189	\$ 180,126	\$ 925,592	\$ 8,870
Contribution in relation to statutory required contribution	(139,189)	(180,126)	(925,592)	(8,870)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	21.69%	21.74%	22.31%	22.60%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ (1,718)	\$ (20,587)	\$ (233,508)	\$ (2,215)
June 30, 2022	(18,905)	(42,906)	(262,909)	(3,162)
June 30, 2023	12,632	(5,692)	2,374	(209)
June 30, 2024	(53,777)	(83,766)	(391,361)	(3,745)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ (59,768)	\$ (152,931)	\$ (885,202)	\$ (9,321)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 1,452,286	\$ 1,679,419	\$ 9,857,544	\$ 92,549
Current discount rate (7.75%)	\$ 990,017	\$ 1,281,191	\$ 6,583,507	\$ 63,090
1% increase (8.75%)	\$ 698,602	\$ 774,857	\$ 3,980,636	\$ 38,147
Covered Payroll	\$ 641,815	\$ 628,575	\$ 4,148,020	\$ 39,249
See notes to schedule of employer allocations and schedule of pension amounts by employer.				

(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Pioneer Valley Regional School District	Town of Rowe	Town of Shelburne	Shelburne Falls Fire District
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 4,457,583	\$ 1,295,674	\$ 1,141,983	\$ 392,551
Ending net pension liability	\$ 3,363,143	\$ 1,026,775	\$ 931,778	\$ 315,451
Differences between expected and actual experience	\$ 44,444	\$ 13,589	\$ 12,313	\$ 4,189
Changes of assumptions	131,247	40,070	36,363	12,310
Changes in proportion and differences between employer contributions and proportionate share of contributions	27,160	723	17,972	4,111
Total Deferred Outflows of Resources	\$ 202,851	\$ 54,382	\$ 66,648	\$ 20,590
Differences between expected and actual experience	\$ 55,166	\$ 16,842	\$ 15,284	\$ 5,174
Net difference between projected and actual investment earnings on pension plan investments	310,553	94,813	86,041	29,129
Changes in proportion and differences between employer contributions and proportionate share of contributions	149,787	13,431	1,749	2,255
Total Deferred Inflows of Resources	\$ 515,508	\$ 125,068	\$ 103,074	\$ 36,558
Proportionate share of plan pension expense	\$ 630,415	\$ 192,467	\$ 174,660	\$ 59,131
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	945	8,456	11,774	(340)
Total Employer Pension Expense	\$ 631,360	\$ 198,923	\$ 186,434	\$ 58,791
Statutory required contribution	\$ 472,833	\$ 144,357	\$ 131,001	\$ 44,350
Contribution in relation to statutory required contribution	(472,833)	(144,357)	(131,001)	(44,350)
Contribution deficiency/excess	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	21.74%	23.41%	21.74%	21.76%
<b>Future Pension Expense</b>				
June 30, 2021	\$ (30,994)	\$ (6,731)	\$ 2,488	\$ 282
June 30, 2022	(90,421)	(22,280)	(11,900)	(5,107)
June 30, 2023	10,524	12,549	19,429	4,907
June 30, 2024	(201,774)	(54,262)	(45,442)	(18,050)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ (312,655)	\$ (70,724)	\$ (36,425)	\$ (18,968)
1% decrease (6.75%)	\$ 4,933,498	\$ 1,506,208	\$ 1,398,853	\$ 462,744
Current discount rate (7.75%)	\$ 3,363,143	\$ 1,026,775	\$ 931,778	\$ 315,451
1% increase (6.75%)	\$ 2,033,484	\$ 620,827	\$ 583,388	\$ 190,733
Covered Payroll	\$ 2,174,890	\$ 816,782	\$ 802,692	\$ 203,648
See notes to schedule of employer allocations and schedule of pension amounts by employer				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Town of Shutesbury	South Deerfield Fire District	South Deerfield Water Supply District	Town of Sunderland
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 1,754,597	\$ 113,006	\$ 279,545	\$ 2,319,645
Ending net pension liability	\$ 1,460,753	\$ 97,061	\$ 242,644	\$ 1,941,205
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 19,304	\$ 1,283	\$ 9,207	\$ 25,653
Changes of assumptions	57,006	3,788	9,469	75,756
Changes in proportion and differences between employer contributions and proportionate share of contributions	64,099	7,125	18,181	88,220
Total Deferred Outflows of Resources	\$ 140,399	\$ 12,196	\$ 28,637	\$ 169,629
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 23,981	\$ 1,592	\$ 3,960	\$ 31,842
Net difference between projected and actual investment earnings on pension plan investments	134,386	8,963	22,406	179,251
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,187	2,371	5,938	5,810
Total Deferred Inflows of Resources	\$ 160,034	\$ 12,926	\$ 32,324	\$ 216,905
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 273,815	\$ 18,194	\$ 45,483	\$ 363,875
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	26,398	1,772	6,024	21,458
Total Employer Pension Expense	\$ 300,211	\$ 19,966	\$ 51,507	\$ 385,333
<b>Contributions</b>				
Statutory required contribution	\$ 205,371	\$ 13,640	\$ 34,114	\$ 272,919
Contribution in relation to statutory required contribution	(205,371)	(13,640)	(34,114)	(272,919)
Contribution deficiency/excess	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered payroll	21.73%	21.51%	21.72%	21.74%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ 15,347	\$ 1,399	\$ 754	\$ 18,909
June 30, 2022	(5,844)	(602)	(1,956)	(7,863)
June 30, 2023	38,086	2,536	7,543	51,479
June 30, 2024	(67,224)	(4,063)	(9,829)	(87,979)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ (19,635)	\$ (730)	\$ (3,487)	\$ (27,274)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 2,142,823	\$ 142,361	\$ 355,942	\$ 2,647,613
Current discount rate (7.75%)	\$ 1,460,753	\$ 97,061	\$ 242,644	\$ 1,941,205
1% increase (8.75%)	\$ 883,226	\$ 58,687	\$ 146,712	\$ 1,173,726
Covered Payroll	\$ 945,262	\$ 63,431	\$ 157,081	\$ 1,255,125
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(continued)

**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

FOR THE YEAR ENDED DECEMBER 31, 2019

	Town of Warwick	Town of Wendell	Town of Whately	Totals
<b>Net Pension Liability</b>				
Beginning net pension liability	\$ 493,870	\$ 477,334	\$ 1,889,177	\$ 61,337,732
Ending net pension liability	\$ 402,795	\$ 373,883	\$ 1,363,699	\$ 48,878,820
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 5,323	\$ 4,938	\$ 18,021	\$ 945,929
Changes of assumptions	15,719	14,583	53,218	1,907,489
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,948	11,370	39,315	1,262,591
Total Deferred Outflows of Resources	\$ 31,990	\$ 30,891	\$ 110,554	\$ 3,816,009
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ 6,607	\$ 6,130	\$ 22,369	\$ 801,754
Net difference between projected and actual investment earnings on pension plan investments	37,194	34,508	125,024	4,513,461
Changes in proportion and differences between employer contributions and proportionate share of contributions	985	5,305	-	1,262,591
Total Deferred Inflows of Resources	\$ 44,788	\$ 45,941	\$ 146,283	\$ 8,577,808
<b>Pension Expense</b>				
Proportionate share of plan pension expense	\$ 75,503	\$ 70,048	\$ 255,623	\$ 9,162,203
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	2,887	10,799	17,586	-
Total Employer Pension Expense	\$ 78,390	\$ 80,845	\$ 273,209	\$ 9,162,203
<b>Contributions</b>				
Statutory required contribution	\$ 56,630	\$ 52,537	\$ 191,726	\$ 6,884,994
Contribution in relation to statutory required contribution	(56,630)	(52,537)	(191,726)	(6,871,971)
Contribution deficiency/(excess)	\$ -	\$ -	\$ -	\$ (6,977)
Contributions as a percentage of covered payroll	21.72%	21.72%	21.76%	21.89%
<b>Deferred (Inflows)/Outflows Recognized in Future Pension Expense</b>				
June 30, 2021	\$ 1,774	\$ 5,075	\$ 16,784	\$ (110,849)
June 30, 2022	(3,555)	(4,510)	(11,952)	(842,679)
June 30, 2023	8,625	4,787	25,943	736,335
June 30, 2024	(19,642)	(20,402)	(66,514)	(2,544,304)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	\$ (12,798)	\$ (15,050)	\$ (37,739)	\$ (2,761,797)
<b>Discount Rate Sensitivity</b>				
1% decrease (6.75%)	\$ 590,872	\$ 546,188	\$ 2,000,452	\$ 71,701,537
Current discount rate (7.75%)	\$ 402,795	\$ 373,883	\$ 1,363,699	\$ 48,878,820
1% increase (8.75%)	\$ 243,545	\$ 225,943	\$ 824,544	\$ 29,553,861
Covered Payroll	\$ 260,758	\$ 241,855	\$ 881,252	\$ 31,398,150
See notes to schedule of employer allocations and schedule of pension amounts by employer.				(concluded)

**NOTE I – Schedule of Employer Allocations**

Governmental Accounting Standards Board (GASB) Statement #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 Statement #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 Statement #68, The Schedule of Employer Allocations is used to demonstrate the allocation of Franklin Regional Retirement System's collective pension amounts.

A 5-year average of the rates of regular compensation were applied to allocate the System's fiscal year 2020 pension fund appropriation by member unit. The annual pension fund appropriations are calculated based on semi-annual payments. Discounts are applied to member units making one annual payment on July 1. The System's net pension liability is allocated to each member unit based on their actual contributions to the System, regardless of which payment option they select.

Effective July 1, 2014, the Franklin Regional Council of Governments' employees were transferred to the State. As a result, there is no appropriation allocated to the Franklin Regional Council of Governments and no related net pension liability. The related deferred inflow of resources for the Franklin Regional Council of Governments continued to be amortized through December 31, 2019, resulting in a negative pension expense.

**NOTE II – Schedule of Pension Amounts by Employer**

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

**NOTE III – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS**

*Actuarial Assumptions:*

- Administrative expense assumption has increased from \$550,000 to \$600,000.
- The net 3(8)(c) transfers assumption has increased from \$725,800 to \$1,000,000.
- The mortality and mortality improvements rates have been updated.

*Plan Provisions – None*



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**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 Honorable Franklin Regional Retirement Board  
Franklin Regional Retirement System  
Greenfield, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Franklin Regional Retirement System, as of and for the year ended December 31, 2019 and the related notes to the financial statements, which collectively comprise the Franklin Regional Retirement System's financial statements, and have issued our report thereon dated August 12, 2020.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Franklin Regional Retirement System's internal control over financial reporting (internal control) to determine the 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 Franklin Regional Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of Franklin Regional Retirement 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 entity'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 may exist that have not been identified.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Franklin Regional Retirement System's financial statements are free of 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 determination of financial statement amounts. 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Powers & Sullivan LLC".

August 12, 2020

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

Financial Statements,  
Required Supplementary Information,  
and Other Information

For the Year Ended December 31, 2018

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## INDEPENDENT AUDITORS' REPORT

To the Honorable Retirement Board  
Franklin Regional Retirement System

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

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

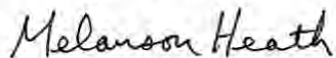
### **Report on Summarized Comparative Information**

We have previously audited the System's fiscal year 2017 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 25, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2017 is consistent, in all material aspects, with the audited financial statements from which this has been derived.

### **Other Matters**

#### ***Required Supplementary Information***

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



July 31, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis 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, 2018. It reflects contributions by members and participating employers, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

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

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

### **B. FINANCIAL HIGHLIGHTS**

- The System's total net position restricted for pensions was \$136,400,418 at December 31, 2018.
- The System's net position decreased by \$(7,519,731), which is primarily due to investment losses of \$(5.1 million).

- Employer and employee contributions to the plan were \$10,261,624, which represents a \$412,441 increase over the prior year. The employer share of contributions represents 60.29% of the total contributions made to the System.
- Benefits paid to plan participants increased by \$626,594 or 5.66%, and totaled \$11,693,351 in 2018. At December 31, 2018, there were 633 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2018 actuarial valuation was 68.98%, with 16 years remaining in its amortization period.

### C. FINANCIAL STATEMENT ANALYSIS

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

#### FIDUCIARY NET POSITION

	<u>2018</u>	<u>2017</u>
<b>Assets</b>		
Cash and receivables	\$ 1,648	\$ 1,416
Investments	<u>137,213</u>	<u>144,523</u>
Total assets	138,861	145,939
<b>Liabilities</b>		
Accounts payable	<u>2,461</u>	<u>2,019</u>
<b>Net Position</b>		
Restricted for pensions	<u>\$ 136,400</u>	<u>\$ 143,920</u>

The System's total assets as of December 31, 2018 were \$138,861,111 and were mostly comprised of cash and investments. Total assets decreased \$(7,078,517) or 4.85% from the prior year primarily due to a decrease in investment values. Total liabilities increased by \$441,214 or 21.85% over the prior year.

CHANGES IN FIDUCIARY NET POSITION

	<u>2018</u>	<u>2017</u>
<b>Additions</b>		
Contributions	\$ 10,793	\$ 10,324
Investment income / (loss), net	<u>(5,107)</u>	<u>18,847</u>
Total additions	5,686	29,171
<b>Deductions</b>		
Benefit payments	11,693	11,067
Other	<u>1,513</u>	<u>1,234</u>
Total deductions	<u>13,206</u>	<u>12,301</u>
Changes in net position	(7,520)	16,870
<b>Net Position Restricted for Pensions</b>		
Beginning of year	<u>143,920</u>	<u>127,050</u>
End of year	<u>\$ 136,400</u>	<u>\$ 143,920</u>

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment (loss) for calendar year 2018 resulted in total additions of approximately \$5.7 million. Employers' contributions increased by \$340,402, or 5.23% in calendar year 2018. The System had a net investment (loss) of \$(5,106,602) versus a gain of \$18,837,040 in 2017, primarily due to the market performing less favorably in 2018.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2018 were \$13,206,427, which represents an increase of \$905,156, or 7.36%, over deductions of \$12,301,271 in calendar year 2017. The payment of pension benefits increased by \$626,594 or 5.36% over the previous year, due to an increase in retirees and beneficiaries in 2018.

### **REQUESTS FOR INFORMATION**

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

Mr. Dale Kowacki, Executive Director  
Franklin Regional Retirement System  
278 Main Street, Suite 311  
Greenfield, MA 01301

# FRANKLIN REGIONAL RETIREMENT SYSTEM

## Statement of Fiduciary Net Position

December 31, 2018

### Assets

Cash and short-term investments	\$ 1,548,623
Investments:	
Equity mutual funds	29,944,272
External investment pool	107,268,708
Accounts receivable	99,508
Total assets	<u>\$ 138,861,111</u>

### Liabilities

Accounts payable	<u>\$ 2,460,693</u>
Total liabilities	2,460,693

### Net Position

Restricted for pensions	<u>136,400,418</u>
Total liabilities and net position	<u>\$ 138,861,111</u>

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

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2018

**Additions**

Contributions:

Employers	\$ 6,507,162
Plan members	3,754,462
Other systems and Commonwealth of Massachusetts	<u>531,674</u>
Total contributions	10,793,298

Investment income (loss):

Appreciation (depreciation) in fair value of investments	(4,358,182)
Less: management fees	<u>(748,420)</u>
Net investment gain (loss)	<u>(5,106,602)</u>
Total additions	5,686,696

**Deductions**

Benefit payments to plan members and beneficiaries	11,693,351
Refunds to plan members	443,808
Transfers to other systems	472,882
Administrative expenses	<u>596,386</u>
Total deductions	<u>13,206,427</u>
Net increase (decrease)	(7,519,731)

**Net Position Restricted for Pensions**

Beginning of year	<u>143,920,149</u>
End of year	<u>\$ 136,400,418</u>

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

## FRANKLIN REGIONAL RETIREMENT SYSTEM

### Notes to Financial Statements

#### 1. Description of Plan

Substantially all employees of the 38 member unit employers in Franklin County (except teachers and administrators under contract employed by School Departments) are members of the Franklin Regional 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 Franklin Regional Retirement Board does not have the authority to amend benefit provisions.

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

Retirees and beneficiaries receiving benefits	633
Inactive plan members entitled to but not yet receiving benefits	604
Active plan members	<u>1,023</u>
Total	<u>2,260</u>
Number of participating employers	38

#### Participant Contributions

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

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

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

### Employer Contributions

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

### Participant Retirement Benefits

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

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

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

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

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

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

#### Methods of Payment

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

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

#### Participant Refunds

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

## **2. Nature of Operations and Summary of Significant Accounting Policies**

### **Nature of Operations**

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

### **Summary of Significant Accounting Policies**

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

#### **Basis of Accounting**

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

#### **Investments**

##### ***Investment Policy***

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

##### ***Rate of Return***

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (4.05%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

#### **Comparative Financial Information**

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

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

### 3. Cash and Short-Term Investments

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

As of December 31, 2018, \$879,764 of the System's bank balance of \$1,634,992 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

### 4. Investments

The following is a summary of the System's investments as of December 31, 2018:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 29,944,272
External investment pools	107,268,708
Total investments	<u>\$ 137,212,980</u>

#### A. Credit Risk

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

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

### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's policy on custodial credit risk is to diversify plan assets as described under Asset Allocation and Management Structure below.

### **C. Concentration of Credit Risk**

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System's policy with respect to asset allocation and management structure is as follows:

#### **Asset Allocation**

The Board of Trustees of the Retirement System originally adopted an asset allocation policy in 2002 and modified the policy in 2018 to the following. It should be noted that this is a target allocation policy and the Board of Trustees has the authority to override these targets if market conditions warrant such action.

	<u>Percentages of Allocation</u>			<u>Corresponding Index</u>
	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>	
Diversified Investment	45%	35%	55%	Customized
Separately Managed Domestic Stocks	28%	24%	32%	Customized
International Stocks	5%	3%	8%	MSCI ACWI-Lex US
Separately Managed Domestic Bonds	12%	6%	18%	Barclay's Aggregate Bond Index
Real Estate	10%	0%	13%	NCREIF Real Estate Index

Although cash is not included in the above asset allocation, the Trustees realize the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized to pay obligations of the System and periodic re-balancing of the assets. The System's investment managers(s) shall be kept informed of the liquidity requirements of the System, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of plan assets.

#### **Management Structure**

To diversify plan assets so as to minimize the risk associated with dependence on the success of one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing plan assets.

Investment managers will be employed to utilize individual expertise within their assigned area of responsibility. Each manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to the Policy.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the System's investments consist of equities and pooled funds, neither of which has specified maturity dates. Consequently, none of the System's investments are subject to interest rate risk.

**E. Foreign Currency Risk**

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

**F. Fair Value**

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

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

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

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

		Fair Value Measurements Using:
		Quoted prices in active markets for identical assets (Level 1)
<u>Description</u>	<u>Amount</u>	
Investments by fair value level:		
Equity securities		
Common stock	\$ 27,378,741	\$ 27,378,741
Foreign stock	1,828,713	1,828,713
ADR	342,126	342,126
Real Estate investment trusts	394,692	394,692
External investment pools	<u>107,268,708</u>	
Total	<u>\$ 137,212,980</u>	

<u>Description</u>	<u>Value</u>	Redemption Frequency (If currently eligible)	Redemption Notice Period
PRIT General Allocation*	\$ 61,594,028	Monthly	30 Days
PRIT International Equity*	3,830,904	Monthly	30 Days
PRIT Core Real Estate*	15,062,715	Monthly	30 Days
PRIT Emerging Markets*	2,804,393	Monthly	30 Days
PRIT Value Added Fixed Income*	5,965,390	Monthly	30 Days
Loomis Domestic Fixed Income	11,256,753	Monthly	5 Days
Aberdeen Pooled Domestic Equity	6,754,525	Monthly	30 Days
Total	<u>\$ 107,268,708</u>		

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

**5. Accounts Receivable**

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily consists of appropriations, member deductions and makeup payments, and other receivables.

Member deductions and makeup payments – Balance \$76,658

This balance represents member deductions and makeup payments for 2018 that were not received by the System until after year end.

Appropriation receivable – Balance \$13,953

This balance represents legal amounts due to pension appropriation not received until after year end.

Other receivable – Balance \$8,897

This balance is comprised of miscellaneous amounts due for accrued interest and other items.

**6. Accounts Payable**

Accounts payable represents calendar year 2018 expenditures paid after December 31, 2018 of \$108,998. The remaining \$2,351,695 represents 3(8)(c) Reimbursement owed to the Massachusetts State Retirement Board, which will be paid once a final determination of the amount owed is verified.

**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, 2018, and rolled forward to December 31, 2018.

**A. Net Pension Liability of Employers**

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

Total pension liability	\$ 197,738,150
Less plan fiduciary net position	(136,400,418)
Employers' net pension liability	\$ 61,337,732
Plan fiduciary net position as a percentage of total pension liability	68.98%

**B. Actuarial Assumptions**

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

Valuation date	1/1/2018
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	4
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases:	
Group 1 and 2	6% - 4.25%, based on service
Fire	7% - 4.75%, based on service
Police	7% - 4.75%, based on service
Inflation rate	3% per year
Post-retirement cost-of-living adjustment	3% on first \$17,000

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

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB.

Mortality for disabled lives, were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

**C. Target Allocations**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of

arithmetic real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2018, are summarized in the following table.

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PRIT Core	45.00%	5.10%
Domestic equity	27.00%	5.40%
International equity	5.00%	5.00%
Real estate	10.00%	7.00%
Fixed income	13.00%	2.40%
Total	<u>100.00%</u>	

**D. Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**E. Sensitivity of Discount Rate**

The following presents the Net Pension Liability of the participating employers calculated using the discount rate of 7.75%, 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:

<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
\$83,412,315	\$61,337,732	\$42,649,017

**F. Deferred Outflows/(Inflows) of Resources**

The following schedule reflects the deferred outflows/(inflows) of resources for the System for the year ended December 31, 2018:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	\$ 1,085,336	\$ (49,611)
Changes of assumptions	2,045,713	-
Net difference between projected and actual investment earnings on pension plan investments	8,906,107	-
Changes in proportion and differences between employer contributions and proportionate share of contributions*	1,307,462	(1,307,462)
Total	<u>\$ 13,344,618</u>	<u>\$ (1,357,073)</u>

\* These amounts must be calculated separately by each member employer.

The following summarizes changes in deferred outflows/(inflows):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
<u>Deferred Outflows of Resources:</u>						
Difference between expected and actual experience	2017	4.47	\$ 1,524,743	\$ -	\$ (439,407)	\$ 1,085,336
Change in assumptions:	2016	4.54	3,209,413	-	(1,263,549)	1,945,864
	2017	4.47	140,273	-	(40,424)	99,849
Net differences between projected and actual earnings on pension plan investments:	2014	5.00	61,306	-	(61,306)	-
	2015	5.00	3,431,678	-	(1,715,839)	1,715,839
	2016	5.00	(561,596)	-	187,199	(374,397)
	2017	5.00	(7,218,148)	-	1,804,537	(5,413,611)
	2018	5.00	-	16,222,845	(3,244,569)	12,978,276
Changes in proportion and difference between contributions and proportionate share of contributions	2015	4.67	961,426	-	(575,706)	385,720
	2016	4.54	384,118	-	(151,227)	232,891
	2017	4.47	525,886	-	(151,553)	374,333
	2018	4.47	-	405,157	(90,639)	314,518
Total Deferred Outflows of Resources			<u>2,459,099</u>	<u>16,628,002</u>	<u>(5,742,483)</u>	<u>13,344,618</u>

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
<u>Deferred (Inflows) of Resources:</u>						
Difference between expected and actual experience:	2017	4.47	(81,827)	-	32,216	(49,611)
Changes in proportion and difference between contributions and proportionate share of contributions	2015	4.67	(961,426)	-	575,706	(385,720)
	2016	4.54	(384,118)	-	151,227	(232,891)
	2017	4.47	(525,886)	-	151,553	(374,333)
	2018	4.47	-	(405,157)	90,639	(314,518)
Total Deferred (Inflows) of Resources			<u>(1,953,257)</u>	<u>(405,157)</u>	<u>1,001,341</u>	<u>(1,357,073)</u>
Total Collective Deferred Outflows and (Inflows) of Resources			\$ <u>505,842</u>	\$ <u>16,222,845</u>	\$ <u>(4,741,142)</u>	\$ <u>11,987,545</u>

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

Fiscal Year*	Total
2019	\$ 4,679,836
2020	2,397,585
2021	1,665,555
2022	<u>3,244,569</u>
	\$ <u>11,987,545</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.

FRANKLIN REGIONAL RETIREMENT SYSTEM  
Schedule of Changes in the Net Pension Liability  
Required Supplementary Information  
For the Year Ended December 31, 2018  
(Unaudited)

	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>					
Service cost	\$ 5,063,236	\$ 5,207,589	\$ 5,089,632	\$ 4,703,273	\$ 4,703,273
Interest on unfunded liability - time value of money	14,639,832	13,899,079	12,791,108	12,116,265	11,306,271
Changes of benefit terms	-	(293,031)	1,003,761	962,410	-
Differences between expected and actual experience	-	1,964,150	(146,259)	-	-
Changes of assumptions	-	180,697	5,736,511	-	-
Benefit payments, including refunds of member contributions	(11,805,484)	(10,908,580)	(9,686,040)	(9,235,255)	(11,287,291)
Net change in total pension liability	8,097,584	10,051,894	14,788,713	8,546,693	4,722,253
Total pension liability - beginning	189,640,566	179,588,672	164,799,959	156,253,266	151,531,013
Total pension liability - ending (a)	\$ 197,738,150	\$ 189,640,566	\$ 179,588,672	\$ 164,799,959	\$ 156,253,266
<b>Plan Fiduciary Net Position</b>					
Contributions - employer	\$ 6,506,893	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345	\$ 5,418,156
Contributions - member	3,281,580	3,310,425	3,098,432	2,971,069	3,270,956
Net investment income / (loss)	(5,160,455)	18,794,508	10,050,389	579,359	8,362,434
Benefit payments, including refunds of member contributions	(11,805,484)	(10,908,580)	(9,686,040)	(9,235,255)	(11,287,291)
Administrative expense	(542,267)	(495,399)	(498,301)	(489,365)	(403,802)
Net change in plan fiduciary net position	(7,519,733)	16,869,705	8,840,300	(508,847)	5,360,455
Plan fiduciary net position - beginning	143,920,151	127,050,446	118,210,146	118,718,993	113,358,538
Plan fiduciary net position - ending (b)	\$ 136,400,418	\$ 143,920,151	\$ 127,050,446	\$ 118,210,146	\$ 118,718,993
Net pension liability (asset) - ending (a-b)	\$ 61,337,732	\$ 45,720,415	\$ 52,538,226	\$ 46,589,813	\$ 37,534,273

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

See Independent Auditors' Report.

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**Schedules of Net Pension Liability, Contributions, and Investment Returns**  
**Required Supplementary Information**  
**For the Year Ended December 31, 2018**  
(Unaudited)

<b>Schedule of Net Pension Liability</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Total pension liability		\$ 197,738,150	\$ 189,640,568	\$ 179,588,672	\$ 164,799,959	\$ 156,253,266
Plan fiduciary net position		(136,400,418)	(143,920,151)	(127,050,446)	(118,210,146)	(118,718,993)
Net pension liability		\$ 61,337,732	\$ 45,720,415	\$ 52,538,226	\$ 46,589,813	\$ 37,534,273
Plan fiduciary net position as a percentage of the total pension liability		68.98%	75.89%	70.75%	71.73%	75.98%
Covered payroll		\$ 30,220,970	\$ 29,460,407	\$ 33,556,164	\$ 32,088,838	\$ 30,854,652
Participating employer net pension liability as a percentage of covered payroll		202.96%	155.19%	156.57%	145.19%	121.85%
<b>Schedule of Contributions</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Actuarially determined contribution		\$ 8,506,893	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345	\$ 5,888,495
Contributions in relation to the actuarially determined contribution		(8,506,893)	(6,166,761)	(5,875,820)	(5,645,345)	(5,888,495)
Contribution deficiency (excess)		\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll		\$ 30,220,970	\$ 29,460,407	\$ 33,556,164	\$ 32,088,838	\$ 30,854,652
Contributions as a percentage of covered payroll		21.53%	20.93%	17.51%	17.59%	19.08%
<b>Schedule of Investment Returns</b>		<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>
Year Ended December 31						
Annual money weighted rate of return, net of investment expense		(4.05%)	14.48%	8.24%	0.57%	7.37%

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 Retirement Board  
Franklin Regional Retirement System

### **Report on Schedules**

We have audited the accompanying schedule of employer allocations of the Franklin Regional Retirement System as of and for the year ended December 31, 2018. We have also audited the total for all entities of the rows 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 Franklin Regional Retirement System as of and for the year ended December 31, 2018.

### **Management's Responsibility for the Schedules**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified row 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 row 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 entity's preparation and fair presentation of the schedule of employer allocations and specified row 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 row totals included in the schedule of pension amounts by employer.

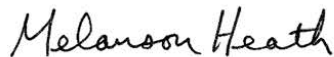
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### **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 Franklin Regional Retirement System as of and for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

### **Restriction on Use**

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



July 31, 2019

**FRANKLIN REGIONAL RETIREMENT SYSTEM**

**Schedule of Employer Allocations**

For the Year Ended December 31, 2018

<u>Employer</u>	<u>FY 2018 Actual Employer Contributions</u>	<u>Allocation Percentage</u>
Town of Ashfield	\$ 87,704	1.35%
Town of Bernardston	98,429	1.51%
Bernardston Fire & Water District	3,155	0.05%
Town of Buckland	129,523	1.99%
Town of Charlemont	69,406	1.07%
Town of Colrain	87,697	1.35%
Town of Conway	175,407	2.70%
Town of Deerfield	574,805	8.83%
Town of Erving	287,086	4.41%
Franklin County Regional Housing Authority	253,879	3.90%
Franklin County Solid Waste Management District	27,638	0.42%
Franklin Regional Transit Authority	73,914	1.14%
Frontier Regional School District	403,160	6.20%
Town of Gill	100,229	1.54%
Hawlemont Regional School District	55,524	0.85%
Town of Hawley	27,132	0.42%
Town of Heath	56,786	0.87%
Town of Leverett	198,131	3.04%
Town of Leyden	27,762	0.43%
Mahar Regional School District	325,575	5.00%
Mohawk Regional School District	593,734	9.12%
Town of Monroe	19,560	0.30%
Town of New Salem	49,846	0.77%
New Salem/Wendell Union School District	133,900	2.06%
Town of Northfield	186,652	2.87%
Town of Orange	922,264	14.17%
Orange Housing Authority	8,833	0.14%
Pioneer Valley Regional School District	472,874	7.27%
Town of Rowe	137,449	2.11%
Town of Shelburne	121,145	1.86%
Shelburne Falls Fire District	41,643	0.64%
Town of Shutesbury	186,133	2.86%
South Deerfield Fire District	11,988	0.18%
South Deerfield Water Supply District	29,655	0.46%
Town of Sunderland	246,075	3.78%
Town of Warwick	52,370	0.80%
Town of Wendell	50,637	0.78%
Town of Whately	179,193	2.75%
<b>Total</b>	<b>\$ 6,506,893</b>	<b>100%</b>

See actuarial assumptions in the Franklin Regional Retirement System audited financial statements.

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER  
As of and for the year ended December 31, 2018

	Franklin Regional Retirement System Total	Town of Ashfield	Town of Bernardston	Barnardston Fire & Water District	Town of Buckland	Town of Chatham
<i>Beginning Net Pension Liability, 12/31/17</i>	\$ 45,720,415	\$ 619,781	\$ 677,336	\$ 22,131	\$ 883,900	\$ 478,122
<i>Ending Net Pension Liability, 12/31/18</i>	\$ 61,337,732	\$ 826,749	\$ 927,849	\$ 29,741	\$ 1,220,959	\$ 654,261
<i>Total Deferred Outflows of Resources:</i>						
Differences Between Expected and Actual Experience	\$ 1,085,336	\$ 14,629	\$ 16,418	\$ 526	\$ 21,804	\$ 11,577
Earnings on Pension Plan Investments	8,906,107	120,042	134,722	4,318	177,281	94,997
Change of Assumptions	2,046,713	27,573	30,945	992	40,721	21,821
Contributions and Proportionate Share of Contributions	1,307,462	14,392	22,100	524	38,475	13,790
Total Deferred Outflows of Resources	\$ 13,344,618	\$ 176,536	\$ 204,185	\$ 6,360	\$ 278,081	\$ 142,185
<i>Total Deferred Inflows of Resources:</i>						
Differences Between Expected and Actual Experience	\$ 49,611	\$ 669	\$ 750	\$ 24	\$ 983	\$ 529
Contributions and Proportionate Share of Contributions	1,307,462	5,698	-	1,306	-	291
Total Deferred Inflows of Resources	\$ 1,357,073	\$ 6,367	\$ 750	\$ 1,330	\$ 983	\$ 820
<i>Employer Pension Expense:</i>						
Proportionate Share of Plan Pension Expense	\$ 10,642,507	\$ 143,446	\$ 160,988	\$ 5,160	\$ 211,844	\$ 113,519
Contributions and Proportionate Share of Contributions	-	3,722	8,808	(185)	22,129	4,627
Total Employer Pension Expense	\$ 10,642,507	\$ 147,168	\$ 169,796	\$ 4,974	\$ 233,973	\$ 118,146
<i>Covered Payroll:</i>	30,220,970	420,798	471,803	15,681	585,463	331,289
<i>Sensitivity of the Net Pension Liability to changes in the discount rate:</i>						
Current discount rate: 7.75%						
1% decrease in the discount rate: 8.75%						
1% increase in the discount rate: 8.75%						
<i>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</i>						
FY 2020	\$ 4,679,836	\$ 56,529	\$ 79,182	\$ 1,879	\$ 112,103	\$ 54,503
FY 2021	2,397,585	36,104	43,545	744	59,021	30,167
FY 2022	1,665,655	24,301	30,143	831	39,702	21,093
FY 2023	3,244,569	43,365	50,565	1,576	66,267	35,802
Total	\$ 11,987,645	\$ 170,299	\$ 203,435	\$ 5,030	\$ 277,093	\$ 141,565

(Continued)

FRANKLIN REGIONAL RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2018

(Continued)

	Town of Colrain	Town of Conway	Town of Deerfield	Town of Erving	Franklin County Regional Housing Authority	Franklin County Solid Waste Management District
<i>Beginning Net Pension Liability, 12/31/17</i>	\$ 598,939	\$ 1,230,718	\$ 3,975,473	\$ 1,983,314	\$ 1,885,026	\$ 191,240
<i>Ending Net Pension Liability, 12/31/18</i>	\$ 826,683	\$ 1,653,488	\$ 5,418,444	\$ 2,706,238	\$ 2,393,210	\$ 280,534
<i>Total Deferred Outflows of Resources:</i>						
Differences Between Expected and Actual Experience	\$ 14,628	\$ 28,258	\$ 95,876	\$ 47,885	\$ 42,346	\$ 4,610
Earnings on Pension Plan Investments	120,033	240,083	786,746	392,840	347,489	37,828
Change of Assumptions	27,671	56,146	180,714	90,257	79,817	8,688
Contributions and Proportionate Share of Contributions	29,513	23,660	147,916	128,458	32,262	4,361
Total Deferred Outflows of Resources	\$ 191,745	\$ 348,147	\$ 1,211,252	\$ 659,540	\$ 501,914	\$ 55,489
<i>Total Deferred Inflows of Resources:</i>						
Differences Between Expected and Actual Experience	\$ 669	\$ 1,337	\$ 4,383	\$ 2,189	\$ 1,936	\$ 211
Contributions and Proportionate Share of Contributions	-	354	-	127,105	175,106	121
Total Deferred Inflows of Resources	\$ 669	\$ 1,691	\$ 4,383	\$ 129,294	\$ 177,042	\$ 332
<i>Employer Pension Expense:</i>						
Proportionate Share of Plan Pension Expense	\$ 143,435	\$ 286,881	\$ 940,136	\$ 469,550	\$ 415,238	\$ 45,204
Contributions and Proportionate Share of Contributions	21,034	11,551	70,084	21,141	(22,898)	2,957
Total Employer Pension Expense	\$ 164,469	\$ 298,432	\$ 1,010,220	\$ 490,691	\$ 392,340	\$ 48,161
<i>Covered Payroll:</i>	375,240	840,364	2,751,736	1,375,541	1,194,266	129,442
<i>Sensitivity of the Net Pension Liability to changes:</i>						
<i>In the discount rate:</i>						
Current discount rate: 7.75%						
1% decrease in the discount rate: 6.75%	826,683	1,653,488	5,418,444	2,706,238	2,393,210	280,534
1% increase in the discount rate: 8.75%	1,124,194	2,248,554	7,368,465	3,680,175	3,254,492	354,297
	574,804	1,149,684	3,767,623	1,881,687	1,664,034	181,153
<i>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</i>						
FY 2020	\$ 79,221	\$ 137,881	\$ 480,043	\$ 228,260	\$ 143,704	\$ 22,139
FY 2021	38,517	73,463	261,341	98,269	33,780	11,071
FY 2022	27,607	47,464	172,280	57,044	31,314	7,859
FY 2023	45,731	87,648	293,205	146,673	116,074	14,088
Total	\$ 191,076	\$ 346,456	\$ 1,206,869	\$ 530,246	\$ 324,872	\$ 55,157

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2018

(Continued)

	Franklin Regional Council of Government	Franklin Regional Transit Authority	Frontier Regional School District	Town of Gill	Hawlemont Regional School District	Town of Hawley
<b>Beginning Net Pension Liability, 12/31/17</b>						
<b>Ending Net Pension Liability, 12/31/18</b>	\$ -	\$ 482,533	\$ 2,839,802	\$ 694,685	\$ 389,584	\$ 181,510
	\$ -	\$ 696,756	\$ 3,800,419	\$ 944,816	\$ 523,401	\$ 255,762
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ -	\$ 12,329	\$ 67,246	\$ 16,718	\$ 9,261	\$ 4,526
Earnings on Pension Plan Investments	-	101,167	551,813	137,185	75,967	37,136
Change of Assumptions	-	23,238	126,750	31,511	17,456	8,530
Contributions and Proportionate Share of Contributions	-	66,544	61,152	36,089	1,789	14,787
Total Deferred Outflows of Resources	\$ -	\$ 203,278	\$ 806,961	\$ 221,503	\$ 104,503	\$ 64,979
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ -	\$ 564	\$ 3,074	\$ 764	\$ 423	\$ 207
Contributions and Proportionate Share of Contributions	370,743	4,063	5,385	-	10,967	719
Total Deferred Inflows of Resources	\$ 370,743	\$ 4,627	\$ 8,459	\$ 764	\$ 11,390	\$ 926
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ -	\$ 120,892	\$ 658,398	\$ 163,932	\$ 90,814	\$ 44,376
Contributions and Proportionate Share of Contributions	(553,347)	20,731	30,483	27,214	(3,605)	4,702
Total Employer Pension Expense	\$ (553,347)	\$ 141,623	\$ 688,881	\$ 191,146	\$ 87,208	\$ 49,078
<b>Covered Payroll:</b>						
	-	347,069	1,903,857	423,080	265,877	129,031
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	-	696,756	3,800,419	944,816	523,401	255,762
1% decrease in the discount rate: 6.75%	-	947,509	5,168,136	1,284,842	711,766	347,807
1% increase in the discount rate: 8.75%	-	484,465	2,642,487	656,945	363,929	177,835
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2020	\$ (370,743)	\$ 75,893	\$ 318,331	\$ 93,901	\$ 35,655	\$ 24,571
FY 2021	-	50,178	169,443	45,905	16,435	15,030
FY 2022	-	31,896	110,428	28,960	13,279	9,973
FY 2023	-	40,684	200,300	50,973	27,744	14,479
Total	\$ (370,743)	\$ 198,651	\$ 798,502	\$ 220,739	\$ 93,113	\$ 64,053

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2018

(Continued)

	Town of Heath	Town of Levant	Town of Layden	Mahar Regional School District	Mohawk Regional School District	Town of Monroe
<b>Beginning Net Pension Liability, 12/31/17</b>						
<b>Ending Net Pension Liability, 12/31/18</b>	\$ 394,003	\$ 1,435,270	\$ 194,788	\$ 2,240,076	\$ 4,148,130	\$ 144,381
	\$ 535,298	\$ 1,867,697	\$ 261,701	\$ 3,069,058	\$ 5,596,879	\$ 184,384
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 9,472	\$ 33,048	\$ 4,631	\$ 54,305	\$ 98,034	\$ 3,263
Earnings on Pension Plan Investments	77,724	271,196	37,998	445,621	812,655	26,772
Change of Assumptions	17,853	62,291	8,728	102,358	186,665	6,150
Contributions and Proportionate Share of Contributions	16,128	20,470	10,353	104,252	43,450	964
Total Deferred Outflows of Resources	\$ 121,177	\$ 386,995	\$ 61,710	\$ 706,536	\$ 1,141,804	\$ 37,149
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 433	\$ 1,511	\$ 212	\$ 2,482	\$ 4,527	\$ 149
Contributions and Proportionate Share of Contributions	1,058	43,990	758	-	69,412	5,794
Total Deferred Inflows of Resources	\$ 1,491	\$ 45,501	\$ 970	\$ 2,482	\$ 73,939	\$ 5,943
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 92,878	\$ 324,058	\$ 45,407	\$ 532,502	\$ 971,066	\$ 31,992
Contributions and Proportionate Share of Contributions	6,023	14,518	3,641	59,489	4,384	(308)
Total Employer Pension Expense	\$ 98,901	\$ 338,576	\$ 49,048	\$ 591,991	\$ 975,450	\$ 31,684
<b>Covered Payroll:</b>	272,836	884,987	133,882	1,558,430	2,844,714	54,864
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	535,298	1,867,697	261,701	3,069,058	5,596,879	184,384
1% decrease in the discount rate: 8.75%	727,944	2,538,855	365,883	4,173,568	7,611,117	250,741
1% increase in the discount rate: 8.75%	372,200	1,298,637	181,964	2,133,961	3,891,592	128,205
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2020	\$ 47,387	\$ 146,935	\$ 23,979	\$ 285,602	\$ 418,973	\$ 13,287
FY 2021	26,667	58,518	14,263	150,460	198,230	5,487
FY 2022	16,796	40,728	8,626	100,702	152,139	3,400
FY 2023	28,836	94,313	13,872	167,290	298,523	9,032
Total	\$ 119,686	\$ 341,494	\$ 60,740	\$ 704,054	\$ 1,067,865	\$ 31,206

(Continued)

FRANKLIN REGIONAL RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2018

(Continued)

	New Salem/ Wendell		Union		Town of Northfield	Town of Orange	Orange Housing Authority	Pioneer Valley Regional School District
	Town of New Salem		School District					
<b>Beginning Net Pension Liability, 12/31/17</b>	\$ 336,455		\$ 929,768		\$ 1,299,394	\$ 8,692,078	\$ 66,407	\$ 3,314,006
<b>Ending Net Pension Liability, 12/31/18</b>	\$ 469,877		\$ 1,262,219		\$ 1,759,489	\$ 8,693,790	\$ 83,265	\$ 4,457,583
<b>Total Deferred Outflows of Resources:</b>								
Differences Between Expected and Actual Experience	\$ 8,314	\$ 22,334	\$ 31,133	\$ 153,831	\$ 1,473	\$ 78,874		
Earnings on Pension Plan Investments	68,225	183,271	255,474	1,262,320		647,232		
Change of Assumptions	15,671	42,097	58,682	289,953		148,668		
Contributions and Proportionate Share of Contributions	21,910	21,402	35,194	164,402		69,143		
Total Deferred Outflows of Resources	\$ 114,120	\$ 289,104	\$ 380,483	\$ 1,870,506	\$ 17,586	\$ 943,917		
<b>Total Deferred Inflows of Resources:</b>								
Differences Between Expected and Actual Experience	\$ 380	\$ 1,021	\$ 1,423	\$ 7,031	\$ 67	\$ 3,605		
Contributions and Proportionate Share of Contributions	-	2,657	-	416,009		5,698		
Total Deferred Inflows of Resources	\$ 380	\$ 3,678	\$ 1,423	\$ 423,040	\$ 5,766	\$ 3,605		
<b>Employer Pension Expense:</b>								
Proportionate Share of Plan Pension Expense	\$ 81,527	\$ 219,003	\$ 305,283	\$ 1,508,433	\$ 14,447	\$ 773,421		
Contributions and Proportionate Share of Contributions	9,044	13,418	25,478	69,652	(1,427)	53,321		
Total Employer Pension Expense	\$ 90,571	\$ 232,421	\$ 330,761	\$ 1,578,085	\$ 13,020	\$ 826,742		
<b>Covered Payroll:</b>	239,217	599,218	804,329	4,035,150	42,237	2,148,102		
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>								
Current discount rate: 7.75%								
1% decrease in the discount rate: 6.75%	469,877	1,262,219	1,759,489	8,693,790	83,265	4,457,583		
1% increase in the discount rate: 8.75%	638,979	1,716,473	2,392,705	11,822,566	113,231	6,061,805		
	326,712	877,639	1,223,398	6,044,921	57,885	3,099,422		
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>								
FY 2020	\$ 44,521	\$ 106,339	\$ 154,158	\$ 651,979	\$ 5,071	\$ 382,080		
FY 2021	26,566	53,297	77,360	196,200	1,861	191,905		
FY 2022	17,366	37,871	53,211	161,439	905	129,638		
FY 2023	26,288	67,819	94,331	437,848	3,953	236,689		
Total	\$ 113,740	\$ 265,426	\$ 379,060	\$ 1,447,466	\$ 11,820	\$ 940,312		

(Continued)

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2018

(Continued)

	Town of Roxbury	Town of Shelburne	Shelburne Falls District	Town of Shutebury	South Deerfield Fire District	South Deerfield Water Supply District
<b>Beginning Net Pension Liability, 12/31/17</b>						
<b>Ending Net Pension Liability, 12/31/18</b>	\$ 881,504	\$ 854,420	\$ 296,612	\$ 1,283,839	\$ 88,588	\$ 212,493
	\$ 1,295,674	\$ 1,141,983	\$ 392,551	\$ 1,754,597	\$ 113,006	\$ 279,545
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 22,526	\$ 20,207	\$ 6,946	\$ 31,047	\$ 2,000	\$ 4,946
Earnings on Pension Plan Investments	188,129	165,813	56,998	254,764	16,408	40,589
Change of Assumptions	43,213	38,087	13,082	58,519	3,768	9,323
Contributions and Proportionate Share of Contributions	12,154	8,486	3,397	29,523	2,804	5,532
<b>Total Deferred Outflows of Resources</b>	<b>\$ 266,422</b>	<b>\$ 232,593</b>	<b>\$ 80,433</b>	<b>\$ 373,853</b>	<b>\$ 24,981</b>	<b>\$ 60,390</b>
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 1,048	\$ 924	\$ 318	\$ 1,419	\$ 81	\$ 226
Contributions and Proportionate Share of Contributions	12,633	2,457	4,542	3,385	3,355	9,357
<b>Total Deferred Inflows of Resources</b>	<b>\$ 13,681</b>	<b>\$ 3,381</b>	<b>\$ 4,860</b>	<b>\$ 4,804</b>	<b>\$ 3,436</b>	<b>\$ 9,583</b>
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 224,808	\$ 199,142	\$ 68,110	\$ 304,434	\$ 19,607	\$ 48,503
Contributions and Proportionate Share of Contributions	13,038	10,472	(1,544)	17,121	328	3,865
<b>Total Employer Pension Expense</b>	<b>\$ 237,846</b>	<b>\$ 209,614</b>	<b>\$ 66,566</b>	<b>\$ 321,555</b>	<b>\$ 19,936</b>	<b>\$ 52,368</b>
<b>Covered Payroll:</b>	608,781	580,390	200,686	892,959	57,116	143,091
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%						
1% decrease in the discount rate: 6.75%	1,295,674	1,141,983	392,551	1,754,597	113,006	279,545
1% increase in the discount rate: 8.75%	1,761,968	1,552,966	533,324	2,386,052	153,675	380,149
	900,901	794,037	272,946	1,219,997	78,576	194,372
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2020	\$ 106,553	\$ 94,179	\$ 29,038	\$ 146,681	\$ 8,872	\$ 23,036
FY 2021	47,482	44,510	16,768	73,655	4,514	7,913
FY 2022	31,847	30,449	10,418	53,402	2,619	5,501
FY 2023	66,859	60,074	20,348	95,311	5,530	14,357
<b>Total</b>	<b>\$ 252,741</b>	<b>\$ 229,212</b>	<b>\$ 76,573</b>	<b>\$ 369,049</b>	<b>\$ 21,536</b>	<b>\$ 50,807</b>

(Continued)

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2018

(Continued)

	Town of Sunderland	Town of Warwick	Town of Wendell	Town of Whately
<b>Beginning Net Pension Liability, 12/31/17</b>				
<b>Ending Net Pension Liability, 12/31/18</b>	\$ 1,708,832	\$ 363,012	\$ 349,919	\$ 1,243,996
	\$ 2,319,645	\$ 493,670	\$ 477,334	\$ 1,689,177
<b>Total Deferred Outflows of Resources:</b>				
Differences Between Expected and Actual Experience	\$ 41,045	\$ 8,735	\$ 8,446	\$ 29,889
Earnings on Pension Plan Investments	336,807	71,680	69,303	245,265
Change of Assumptions	77,364	16,465	15,920	56,337
Contributions and Proportionate Share of Contributions	26,810	6,166	23,621	44,246
Total Deferred Outflows of Resources	\$ 482,026	\$ 103,046	\$ 117,295	\$ 375,737
<b>Total Deferred Inflows of Resources:</b>				
Differences Between Expected and Actual Experience	\$ 1,876	\$ 399	\$ 386	\$ 1,366
Contributions and Proportionate Share of Contributions	16,570	2,810	-	5,149
Total Deferred Inflows of Resources	\$ 18,446	\$ 3,209	\$ 386	\$ 6,515
<b>Employer Pension Expense:</b>				
Proportionate Share of Plan Pension Expense	\$ 402,474	\$ 85,655	\$ 82,821	\$ 293,083
Contributions and Proportionate Share of Contributions	3,838	1,362	13,969	11,221
Total Employer Pension Expense	\$ 406,312	\$ 87,017	\$ 96,790	\$ 304,304
<b>Covered Payroll:</b>				
	1,178,982	251,001	227,070	859,326
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>				
Current discount rate: 7.75%				
1% decrease in the discount rate: 6.75%	2,319,645	493,670	477,334	1,689,177
1% increase in the discount rate: 8.75%	3,154,452	671,335	648,119	2,297,087
	1,612,883	343,256	331,887	1,174,509
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>				
FY 2020	\$ 178,303	\$ 38,511	\$ 48,570	\$ 142,635
FY 2021	91,838	19,943	26,032	82,069
FY 2022	68,636	14,753	16,346	53,596
FY 2023	124,803	26,630	25,861	90,922
Total	\$ 483,580	\$ 99,837	\$ 116,809	\$ 369,222

**FRANKLIN REGIONAL  
RETIREMENT SYSTEM**

Annual Financial Statements

Required Supplementary Information,  
and Other Information

For the Year Ended December 31, 2017

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## INDEPENDENT AUDITORS' REPORT

To the Retirement Board  
Franklin Regional Retirement System

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

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

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express 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 plan'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 plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by

management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinion**

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

### **Report on Summarized Comparative Information**

We have previously audited the System's fiscal year 2016 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated July 19, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2016 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the Pension Schedules appearing on pages 20 to 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

*Melanson Heath*

July 25, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise 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 Available for Benefits presents information on the System's assets and liabilities and the resulting net position held in trust for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities.

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

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

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

### **B. FINANCIAL HIGHLIGHTS**

- The System's total net position available for benefits was \$143,920,149 at December 31, 2017.
- The System's net position changed by \$16,869,702 in comparison to the prior year, almost all of which was the result of investment earnings.

- Employer and employee contributions to the plan were \$9,849,183 which represents a \$301,736 change over the preceding year. The employer share of contributions represents 59.67% of the total contributions.
- Benefits paid to plan participants were \$11,066,757. At December 31, 2017, there were 601 retirees and beneficiaries receiving pension benefits.
- The System's funded ratio as of the January 1, 2018 actuarial report was 75.89%.

### **C. FINANCIAL STATEMENT ANALYSIS**

The following is a summary of condensed financial data for the current and prior fiscal years.

#### **FIDUCIARY NET POSITION**

	<u>2017</u>	<u>2016</u>
Cash and investments	\$ 145,731,734	\$ 128,340,814
Other assets	<u>207,894</u>	<u>331,808</u>
Total assets	145,939,628	128,672,622
Liabilities	<u>2,019,479</u>	<u>1,622,175</u>
Net position	<u>\$ 143,920,149</u>	<u>\$ 127,050,447</u>

The System's total assets as of December 31, 2017 were \$145,939,628 and were mostly comprised of cash and investments. Total assets changed by \$17,267,006 or 13.4% from the prior year primarily due to an increase in investments. Total liabilities as of December 31, 2017 were \$2,019,479 and were mostly comprised of 3 (8)(c) payables. Total liabilities increased by \$397,304 or 24.49% over the prior year.

The System was 75.89% funded based on its actuarial valuation of January 1, 2018 with 18 years remaining in its amortization period.

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment gain for calendar year 2017 resulted in an increase of \$29,170,973. Employers' contributions increased by \$290,940. The System had net investment gain of \$18,837,040 versus a gain of \$10,088,170 in 2016.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions, and the costs of administering the System. Total deductions for 2017 were \$12,301,271, which represents an increase of 9.2% over deductions of \$11,265,062 in 2016. The

payment of pension benefits increased by \$1,237,422 or 12.6% over the previous year.

#### CHANGES IN FIDUCIARY NET POSITION

	<u>2017</u>	<u>2016</u>
Additions:		
Contributions	\$ 10,333,933	\$ 10,017,191
Investment income, net	<u>18,837,040</u>	<u>10,088,170</u>
Total additions	29,170,973	20,105,361
Deductions:		
Benefits paid to participants	11,066,757	9,829,335
Refunds to members and transfers to other systems	686,652	889,954
Administrative expenses	<u>547,862</u>	<u>545,773</u>
Total expenses	<u>12,301,271</u>	<u>11,265,062</u>
Change in net position	16,869,702	8,840,299
Net position - beginning of year	<u>127,050,447</u>	<u>118,210,148</u>
Net position - end of year	<u>\$ 143,920,149</u>	<u>\$ 127,050,447</u>

#### REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Franklin Regional Retirement System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mr. Dale Kowacki, Executive Director  
Franklin Regional Retirement System  
278 Main Street  
Suite 311  
Greenfield, MA 01301

FRANKLIN REGIONAL RETIREMENT SYSTEM  
STATEMENTS OF FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<u>ASSETS</u>	<u>2017</u>	<u>2016</u>
Cash	\$ 1,208,507	\$ 927,926
Investments, at fair value:		
Equities	39,608,483	35,573,376
Pooled domestic fixed income funds	17,550,548	15,900,782
Pooled equity funds	7,647,245	5,972,550
Pooled real estate funds	14,338,949	12,747,887
PRIT Fund	65,378,002	57,216,393
Receivables:		
Appropriation receivable	6,510	134,517
Member deductions and makeup payments	171,971	190,598
Other	22,231	1,900
Prepaid expenses	7,182	6,693
<b>TOTAL ASSETS</b>	<b>145,939,628</b>	<b>128,672,622</b>
 <u>LIABILITIES AND NET POSITION</u>		
Accounts payable	2,019,479	1,622,175
<b>TOTAL LIABILITIES</b>	<b>2,019,479</b>	<b>1,622,175</b>
Net position restricted for pensions	143,920,149	127,050,447
<b>TOTAL LIABILITIES AND NET PENSION</b>	<b>\$ 145,939,628</b>	<b>\$ 128,672,622</b>

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

FRANKLIN REGIONAL RETIREMENT SYSTEM  
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION  
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016

<b>Additions</b>	<u>2017</u>	<u>2016</u>
Contributions:		
Employers	\$ 6,166,760	\$ 5,875,820
Plan members	3,682,423	3,671,627
Other systems and Commonwealth of Massachusetts	474,821	460,054
Other	<u>9,929</u>	<u>9,690</u>
Total Contributions	10,333,933	10,017,191
Investment income:		
Appreciation in fair value of investments	19,547,767	10,744,196
Less: management fees	<u>(710,727)</u>	<u>(656,026)</u>
Net investment income	<u>18,837,040</u>	<u>10,088,170</u>
Total Additions	29,170,973	20,105,361
<b>Deductions</b>		
Benefit payments to plan members and beneficiaries	11,066,757	9,829,335
Refunds to plan members	314,654	316,759
Transfers to other systems	371,998	573,195
Administrative expenses	<u>547,862</u>	<u>545,773</u>
Total Deductions	<u>12,301,271</u>	<u>11,265,062</u>
Net increase	16,869,702	8,840,299
Net position restricted for pensions:		
Beginning of Year	<u>127,050,447</u>	<u>118,210,148</u>
End of Year	<u>\$ 143,920,149</u>	<u>\$ 127,050,447</u>

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

## Franklin Regional Retirement System

### Notes to Financial Statements

#### 1. Description of Plan

The System's plan is a defined benefit multiple employer cost sharing pension plan covering the employees of its 38-member units, except school department employees who serve in a teaching capacity. The pensions of such employees are administered by the Massachusetts Teachers' Retirement Board. 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 System Retirement Board does not have the authority to amend benefit provisions.

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

Retirees and beneficiaries receiving benefits	601
Terminated plan members entitled to but not yet receiving benefits	614
Active plan members	<u>972</u>
Total	<u>2,187</u>
Number of participating employers	38

At December 31, 2017, the 38 participating employers consisted of:

Towns	24
School Districts	6
Special Districts	<u>8</u>
Total	<u>38</u>

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 after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of \$30,000 per year. The percentages are as follows:

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

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

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation and group classification. Members become vested after 10 years of creditable service. A retirement allowance may be received upon reaching age 65 or upon attaining 20 years of service. The plan also provides for early retirement at age 55 if the participant became a member before April 2, 2012, or at age 60 if the participant became a member on or after April 2, 2012 (1) has a record of 10 years of creditable service, (2) commenced employment on or after January 1, 1978, (3) voluntarily left member employer's employment on or after that date, and (4) left accumulated annuity deductions in the fund. 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.

Per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 10 percent, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement.

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, members that have accrued at least 10 years of service, or less than 10 years of service and are involuntarily withdrawn from service, receive one hundred percent of the regular interest which has accrued upon those deductions until 2 years after termination or withdrawal from service. However, members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3% until 2 years after withdrawing.

## **2. Nature of Operations and Summary of Significant Accounting Policies**

### *Nature of Operations*

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

### *Summary of Significant Accounting Policies*

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

#### Basis of Accounting

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

#### Investments

##### *Investment Policy*

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

##### *Rate of Return*

For the year ended December 31, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 14.48%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Comparative Financial Information

The financial statements include certain prior-year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2016.

### **3. Cash and Short-Term Investments**

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

As of December 31, 2017, \$665,770 of the System's bank balance of \$1,315,328 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by pledging bank's trust department not in the System's name.

### **4. Investments**

#### **A. Credit Risk**

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

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

### **B. Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System's policy is to limit custodial credit risk by diversifying plan assets as described under Asset Allocation and Management Structure below.

### **C. Concentration of Credit Risk**

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund. The System's policy with respect to asset allocation and management structure is as follows:

#### **Asset Allocation**

The Board of Trustees of the Retirement System originally adopted an asset allocation policy in 2002 and modified the policy in 2012 to the following. It should be noted that this is a target allocation policy and the Board of Trustees has the authority to override these targets if market conditions warrant such action.

	<u>Percentages of Allocation</u>			<u>Corresponding Index</u>
	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>	
Diversified Investments	45%	35%	55%	Customized
Domestic stocks	27%	22%	32%	Customized
Domestic bonds	13%	10%	16%	Barclay's Aggregate Bond Index
International stocks	5%	0%	8%	MSCI ACWI-ex US
Real estate	10%	0%	13%	NCREIF Real Estate Index

Although cash is not included in the asset allocation of the Fund, the Trustees realize the need to provide liquidity to pay obligations as they come due. Surplus cash flows, additional contributions, and investment manager cash will be utilized to pay obligations of the Fund and periodic re-balancing of the assets. The Fund's investment manager(s) shall be kept informed of the liquidity requirements of the Fund, and to the extent possible, avoid untimely sales of assets which could be detrimental to the performance of the Plan.

#### **Management Structure**

To diversify plan assets so as to minimize the risk associated with dependence on the success of one enterprise, the Board of Trustees has decided to employ a multi-manager team approach to investing plan assets.

Investment managers will be employed to utilize individual expertise within their assigned area of responsibility. Each manager will be governed by individual investment guidelines. Separate manager guidelines for each investment manager shall serve as addenda to the Policy.

**D. Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates; however, the System's investments consist of equities and pooled funds, neither of which has specified maturity dates. Consequently, none of the System's investments are subject to interest rate risk.

**E. Foreign Currency Risk**

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

**F. Fair Value**

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

The System has the following fair value measurements as of June 30, 2017:

		Fair Value Measurements Using:		
Description	Amount	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:				
Common Stock	\$ 28,427,396	\$ 28,427,396	\$ -	\$ -
Foreign Stock	2,536,756	2,536,756	-	-
ADR	563,209	563,209		
Real Estate Investment Trusts	498,652	498,652		
Investments measured at the net asset value (NAV):				
External investment pools	112,497,214			
Total	\$ 144,523,227			

Description	Amount	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
PRIT- General Allocation	\$ 65,378,002	\$ -	Monthly	30 days
PRIT- International Equity	7,582,469	-	Monthly	30 days
PRIT- Core Real Estate	14,338,949	-	Monthly	30 days
ABERDEEN- Domestic Equities	7,647,245	-	Monthly	30 days
BNY Mellon- Domestic Fixed Income	17,550,548	-	Monthly	5 days
Total	\$ 112,497,213			

## 5. Receivables

### Appropriation receivable

This balance represents legal amounts due for pension appropriation not received until after year end.

### Member deductions and makeup payments

This balance represents member deductions and makeup payments for 2017 that were not received by the System until after year end.

### Other receivable

This balance is comprised primarily of amounts due from the State for 3(8)(c) and COLA reimbursements billed in or due for 2017.

**6. Prepaid Expenses**

This balance represents warrants processed in 2017 for 2018 expenses.

**7. Accounts Payable**

Accounts payable represents calendar year 2017 expenditures paid after December 31, 2017 of \$84,502. The remaining \$1,934,977 represents 3 (8)(C) Reimbursements owed to the Massachusetts State Retirement Board, which will be paid once a final determination of the amount owed is verified.

**8. Commitments and Contingencies**

Litigation – There are several pending legal issues in which the System is involved. The System's management is of the opinion that the potential future settlement of some claims may result in a gain while others may result in an increase in future benefits paid. Management believes these events would not materially affect its financial statements taken as a whole; however, the outcome of these claims is undeterminable at the present time.

**9. Risk Management**

The System is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the System carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

**10. Net Pension Liability of Participating Employers**

The net pension liability was based on an actuarial valuation dated January 1, 2018.

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

**A. Net Pension Liability of Employers**

Total pension liability	\$ 189,640,566
Plan fiduciary net position *	143,920,151
Employers' net pension liability	<u>\$ 45,720,415</u>
Plan fiduciary net position as a percentage of total pension liability	75.89%

\* Reflects rounding differences from page 6.

**B. Actuarial Assumptions**

A summary of the actuarial assumptions as of the latest actuarial valuation of January 1, 2018 is shown below:

Valuation Date	1/1/2018
Actuarial cost method	Entry Age
Actuarial assumptions:	
Investment rate of return	7.75%
Inflation rate	3.00%
Projected salary increases	Group 1: 6%-4.25%, based on service Group 4: 7%-4.75%, based on service

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

Mortality rates were based on the RP-2000 Mortality Table (base year 2009) with full generational mortality improvement using Scale BB. For disabled lives, the mortality rates were based on the RP-2000 Mortality Table (base year 2012) with full generational mortality improvement using Scale BB.

**Changes of benefit terms**

The Board approved a 2% cost-of-living adjustment on July 1, 2018, which resulted in a decrease in the accrued liability of \$293,030.

### Changes of assumptions

The administrative expense assumption was increased from \$450,000 to \$550,000, and the retirement and disability rates were updated which resulted in a net increase in the unfunded actuarial accrued liability of \$180,697 and a decrease in the employer normal cost of \$122,354.

### C. Target Allocations

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

<u>Asset Class</u>	<u>Target Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
PRIT Core	45%	5.30%
Domestic Equity	27%	6.60%
International Equity	5%	3.70%
Real Estate	10%	7.00%
Fixed Income	13%	5.40%
Total	<u>100%</u>	

### D. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**E. Sensitivity of Discount Rate**

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.75%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
Participating employers' net pension liability	\$67,089,580	\$45,720,415	\$27,632,329

**F. Deferred Outflows/Inflows of Resources**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,524,743	\$ (81,827)
Net difference between projected and actual earnings on pension plan investments	-	(4,286,760)
Changes of assumptions	3,349,686	-
Changes in proportion and differences between contributions and proportionate share of contributions	1,871,428	(1,871,428)
Total	\$ <u>6,745,857</u>	\$ <u>(6,240,015)</u>

The following summarizes changes in deferred outflows/inflows:

<u>Deferred Outflows (Inflows) of Resources</u>	<u>Measurement Year</u>	<u>Amortization Period</u>	<u>Beginning Balance on Prior Measurement Period Deferrals</u>	<u>Current Measurement Period Additions</u>	<u>Amortization of Amounts Recognized in Current Period Pension Expense</u>	<u>End of Year Balance</u>
Differences between expected and actual experience	2018	4.54	\$ (114,043)	\$ -	\$ 32,216	\$ (81,827)
	2017	4.47	-	1,964,150	(439,407)	1,524,743
Net differences between projected and actual earnings on pension plan investments	2014	5	122,611	-	(61,305)	61,306
	2015	5	5,147,517	-	(1,715,839)	3,431,678
	2016	5	(748,795)	-	187,199	(561,596)
	2017	5	-	(9,022,685)	1,804,537	(7,218,148)
Changes of assumptions	2018	4.54	4,472,962	-	(1,263,549)	3,209,413
	2017	4.47	-	180,697	(40,424)	140,273
Changes in proportion and differences between contributions and proportionate share of contributions	2015	4.67	1,537,129	-	(575,703)	961,426
	2016	4.67	(1,537,129)	-	575,703	(961,426)
	2016	4.54	535,346	-	(151,228)	384,118
	2016	4.54	(535,346)	-	151,228	(384,118)
	2017	4.47	-	677,438	(151,552)	525,886
	2017	4.47	-	(677,438)	151,552	(525,886)
Total Collective Deferred Outflows (Inflows)			\$ 8,880,252	\$ (6,877,838)	\$ (1,496,572)	\$ 505,842

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

Year ended June 30:

2019	\$ 1,496,573
2020	1,435,267
2021	(846,984)
2022	(1,579,014)
Total	\$ 505,842

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY  
(Unaudited)

	2017	2016	2015
<b>Total Pension liability</b>			
Service cost	\$ 5,207,589	\$ 5,089,632	\$ 4,703,273
Interest on unfunded liability - time value of \$	13,899,079	12,791,108	12,116,265
Changes of benefit terms	(293,031)	1,003,761	962,410
Differences between expected and actual experience	1,964,150	(146,259)	-
Changes of assumptions	180,697	5,736,511	-
Benefit payments, including refunds of member contributions	(10,906,590)	(9,686,040)	(9,235,255)
Net change in total pension liability	10,051,894	14,788,713	8,546,693
Total pension liability - beginning	179,588,872	164,799,959	156,253,266
<b>Total pension liability - ending (a)</b>	<b>\$ 189,640,566</b>	<b>\$ 179,588,672</b>	<b>\$ 164,799,959</b>
<b>Plan fiduciary net position *</b>			
Contributions - employer	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345
Contributions - member	3,310,425	3,098,432	2,971,069
Net investment income	18,794,508	10,050,389	579,359
Benefit payments, including refunds of member contributions	(10,906,590)	(9,686,040)	(9,235,255)
Administrative expense	(495,399)	(498,301)	(469,365)
Net change in plan fiduciary net position	16,869,705	8,840,300	(508,847)
Plan fiduciary net position - beginning	127,050,446	118,210,146	118,718,993
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 143,920,151</b>	<b>\$ 127,050,446</b>	<b>\$ 118,210,146</b>
<b>Net pension liability (asset) - ending (a-b)</b>	<b>\$ 45,720,415</b>	<b>\$ 52,538,226</b>	<b>\$ 46,589,813</b>

\* Reflects certain rounding and classification differences from page 7.

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

FRANKLIN REGIONAL RETIREMENT SYSTEM

SCHEDULES OF NET PENSION LIABILITY, CONTRIBUTIONS, AND INVESTMENT RETURNS

(Unaudited)

<b>Schedule of Net Pension Liability</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 189,640,566	\$ 179,588,872	\$ 164,799,959
Plan fiduciary net position	<u>(143,920,151)</u>	<u>(127,050,446)</u>	<u>(118,210,146)</u>
Net pension liability (asset)	<u>\$ 45,720,415</u>	<u>\$ 52,538,226</u>	<u>\$ 46,589,813</u>
Plan fiduciary net position as a percentage of the total pension liability	75.89%	70.75%	71.73%
Covered employee payroll	\$ 29,460,407	\$ 33,556,164	\$ 32,088,838
Participating employer net pension liability as a percentage of covered employee payroll	155.19%	156.57%	145.19%
<b>Schedule of Contributions</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 6,166,761	\$ 5,875,820	\$ 5,645,345
Contributions in relation to the actuarially determined contribution	<u>6,166,761</u>	<u>5,875,820</u>	<u>5,645,345</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 29,460,407	\$ 33,556,164	\$ 32,088,838
Contributions as a percentage of covered employee payroll	20.93%	17.51%	17.59%
<b>Schedule of Investment Returns</b>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Year Ended December 31			
Annual money weighted rate of return, net of investment expense	14.48%	8.24%	0.57%

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

## **GASB REPORTS**

## INDEPENDENT AUDITORS' REPORT

To the Retirement Board  
Franklin Regional Retirement System

### **Report on Schedules**

We have audited the accompanying schedule of employer allocations of the Franklin Regional Retirement System as of and for the year ended December 31, 2017. 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 column totals) included in the accompanying schedule of pension amounts by employer of Franklin Regional Retirement System as of and for the year ended December 31, 2017.

### **Management's Responsibility for the Schedules**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of 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 column 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 column 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 column 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 column 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 column 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 Franklin Regional Retirement System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

### **Restriction on Use**

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

*Melanson Heath*

July 25, 2018

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF EMPLOYER ALLOCATIONS

December 31, 2017

<u>Employer</u>	FY 2017 Pension Fund <u>Appropriation</u>	Employer Allocation <u>Percentage</u>
Town of Ashfield	\$ 83,596	1.36%
Town of Bernardston	91,359	1.48%
Bernardston Fire & Water District	2,985	0.05%
Town of Buckland	120,569	1.96%
Town of Charlemont	64,489	1.05%
Town of Colrain	80,515	1.31%
Town of Conway	165,999	2.69%
Town of Deerfield	536,211	8.70%
Town of Erving	267,509	4.34%
Franklin County Regional Housing Authority	254,252	4.12%
Franklin County Solid Waste Management District	25,794	0.42%
Franklin Regional Transit Authority	65,084	1.06%
Frontier Regional School District	383,032	6.21%
Town of Gill	93,699	1.52%
Hawlemont Regional School District	52,547	0.85%
Town of Hawley	24,482	0.40%
Town of Heath	53,143	0.86%
Town of Leverett	193,589	3.14%
Town of Leyden	26,273	0.43%
Mahar Regional School District	302,141	4.90%
Mohawk Regional School District	559,499	9.07%
Town of Monroe	19,474	0.32%
Town of New Salem	45,381	0.74%
New Salem/Wendell Union School District	125,407	2.03%
Town of Northfield	175,262	2.84%
Town of Orange	902,626	14.64%
Orange Housing Authority	8,957	0.15%
Pioneer Valley Regional School District	446,993	7.25%
Town of Rowe	132,439	2.15%
Town of Shelburne	115,244	1.87%
Shelburne Falls Fire District	40,007	0.65%
Town of Shutesbury	173,164	2.81%
South Deerfield Fire District	11,942	0.19%
South Deerfield Water Supply District	28,661	0.46%
Town of Sunderland	230,487	3.74%
Town of Warwick	48,963	0.79%
Town of Wendell	47,187	0.77%
Town of Whately	167,790	2.72%
Total	<u>\$ 6,166,761</u>	<u>100.00%</u>

See actuarial assumptions in the Franklin Regional Retirement System audited financial statements.

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

	Franklin Regional Retirement System Total	Town of Ashfield	Town of Barnardston	Barnardston Fire & Water District	Town of Buckland	Town of Charlton
<b>Beginning Net Pension Liability, 12/31/16</b>	\$ 52,538,226	\$ 882,052	\$ 757,840	\$ 25,260	\$ 983,250	\$ 535,538
<b>Ending Net Pension Liability, 12/31/17</b>	\$ 45,720,415	\$ 619,781	\$ 677,336	\$ 22,131	\$ 883,900	\$ 478,122
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 1,524,743	\$ 20,689	\$ 22,589	\$ 738	\$ 29,811	\$ 15,945
Change of Assumptions	3,349,686	45,408	49,625	1,621	65,481	35,029
Contributions and Proportionate Share of Contributions	1,871,428	20,814	16,795	1,151	44,595	9,155
Total Deferred Outflows of Resources	\$ 6,745,857	\$ 86,891	\$ 89,009	\$ 3,510	\$ 139,887	\$ 60,129
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 81,627	\$ 1,108	\$ 1,212	\$ 40	\$ 1,600	\$ 856
Earnings on Pension Plan Investments	4,286,760	58,111	63,507	2,075	83,812	44,829
Contributions and Proportionate Share of Contributions	1,871,428	4,875	-	2,155	-	479
Total Deferred Inflows of Resources	\$ 6,240,015	\$ 64,095	\$ 64,719	\$ 4,270	\$ 85,412	\$ 46,164
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 7,723,360	\$ 104,697	\$ 114,420	\$ 3,738	\$ 151,003	\$ 80,767
Contributions and Proportionate Share of Contributions	-	4,504	5,652	(191)	18,548	2,511
Total Employer Pension Expense	\$ 7,723,360	\$ 109,201	\$ 120,072	\$ 3,547	\$ 169,549	\$ 83,278
<b>Covered Payroll:</b>	29,460,407	412,038	451,528	15,317	561,183	318,588
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%						
1% decrease in the discount rate: 6.75%	45,720,415	619,781	677,336	22,131	883,900	478,122
1% increase in the discount rate: 8.75%	67,089,580	908,480	983,915	32,474	1,311,697	701,590
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2019	\$ 1,496,573	\$ 24,790	\$ 27,821	\$ 530	\$ 47,808	\$ 18,163
FY 2020	1,435,267	23,698	26,497	297	43,428	17,480
FY 2021	(946,984)	(6,913)	(8,428)	(837)	(9,845)	(6,378)
FY 2022	(1,578,014)	(18,770)	(21,600)	(750)	(27,906)	(15,300)
Total	\$ 505,842	\$ 22,796	\$ 24,290	\$ (760)	\$ 54,485	\$ 13,965

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

(Continued)

	Town of Colrain	Town of Conway	Town of Deerfield	Town of Erving	Franklin County Regional Housing Authority	Franklin County Solid Waste Management District
<i>Beginning Net Pension Liability, 12/31/16</i>	\$ 675,677	\$ 1,389,373	\$ 4,440,931	\$ 2,553,036	\$ 2,295,345	\$ 218,278
<i>Ending Net Pension Liability, 12/31/17</i>	\$ 596,939	\$ 1,230,718	\$ 3,975,473	\$ 1,983,314	\$ 1,885,026	\$ 191,240
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 19,807	\$ 41,044	\$ 132,579	\$ 66,142	\$ 82,864	\$ 8,378
Change of Assumptions	43,734	90,168	281,261	145,307	138,106	14,011
Contributions and Proportionate Share of Contributions	31,500	33,966	153,332	168,988	80,415	4,469
Total Deferred Outflows of Resources	\$ 95,141	\$ 165,198	\$ 578,172	\$ 380,417	\$ 281,385	\$ 24,858
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 1,068	\$ 2,203	\$ 7,115	\$ 3,550	\$ 3,374	\$ 342
Earnings on Pension Plan Investments	55,969	115,392	372,742	185,956	176,741	17,931
Contributions and Proportionate Share of Contributions	-	882	-	179,983	146,221	199
Total Deferred Inflows of Resources	\$ 57,037	\$ 118,477	\$ 379,857	\$ 369,489	\$ 326,336	\$ 18,472
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 100,838	\$ 207,900	\$ 671,560	\$ 335,033	\$ 318,430	\$ 32,305
Contributions and Proportionate Share of Contributions	16,772	11,160	56,068	13,844	(618)	2,301
Total Employer Pension Expense	\$ 117,610	\$ 219,060	\$ 727,628	\$ 348,877	\$ 317,812	\$ 34,606
<b>Covered Payroll:</b>	350,569	818,738	2,645,878	1,318,102	1,230,969	125,000
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	596,939	1,230,718	3,975,473	1,983,314	1,885,026	191,240
1% decrease in the discount rate: 6.75%	875,941	1,805,940	5,633,560	2,810,281	2,766,065	280,624
1% increase in the discount rate: 8.75%	380,778	743,817	2,402,681	1,186,668	1,139,265	115,581
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2019	\$ 36,313	\$ 51,444	\$ 186,194	\$ 78,585	\$ 81,084	\$ 8,562
FY 2020	30,628	49,959	177,416	76,546	42,668	7,609
FY 2021	(8,116)	(14,361)	(38,124)	(51,750)	(72,308)	(3,310)
FY 2022	(18,719)	(40,331)	(126,171)	(82,435)	(76,383)	(8,475)
Total	\$ 38,104	\$ 46,721	\$ 196,315	\$ 10,928	\$ (44,951)	\$ 6,396

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

(Continued)

	Franklin Regional Council of Government	Franklin Regional Transit Authority	Frontier Regional School District	Town of Gill	Hawlemont Regional School District	Town of Hawley
<b>Beginning Net Pension Liability, 12/31/16</b>	\$ -	\$ 498,209	\$ 3,182,743	\$ 773,246	\$ 458,759	\$ 197,042
<b>Ending Net Pension Liability, 12/31/17</b>	\$ -	\$ 482,533	\$ 2,839,802	\$ 694,685	\$ 389,584	\$ 181,510
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ -	\$ 16,092	\$ 94,705	\$ 23,167	\$ 12,982	\$ 8,053
Change of Assumptions	-	35,353	208,057	50,896	28,543	13,288
Contributions and Proportionate Share of Contributions	-	56,926	93,167	53,838	3,400	11,531
Total Deferred Outflows of Resources	\$ -	\$ 106,371	\$ 385,949	\$ 127,801	\$ 44,935	\$ 30,882
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ -	\$ 864	\$ 5,082	\$ 1,243	\$ 687	\$ 325
Earnings on Pension Plan Investments	-	45,242	286,261	65,134	38,528	17,018
Contributions and Proportionate Share of Contributions	924,090	10,128	-	-	16,731	1,792
Total Deferred Inflows of Resources	\$ 924,090	\$ 56,234	\$ 271,343	\$ 66,377	\$ 53,956	\$ 18,135
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ -	\$ 81,512	\$ 479,716	\$ 117,350	\$ 65,811	\$ 30,662
Contributions and Proportionate Share of Contributions	(553,347)	12,585	32,034	25,097	(3,729)	2,680
Total Employer Pension Expense	\$ (553,347)	\$ 94,097	\$ 511,750	\$ 142,447	\$ 62,082	\$ 33,342
<b>Covered Payroll:</b>	-	315,132	1,881,728	404,564	258,192	120,612
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	-	482,533	2,839,802	694,685	389,584	181,510
1% decrease in the discount rate: 6.75%	-	708,063	4,107,091	1,019,372	571,671	286,345
1% increase in the discount rate: 8.75%	-	291,632	1,716,308	419,851	235,455	106,700
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2019	\$ (553,347)	\$ 28,380	\$ 124,991	\$ 47,836	\$ 8,024	\$ 8,623
FY 2020	(370,743)	28,734	118,073	41,506	7,828	8,734
FY 2021	-	5,868	(30,185)	(6,012)	(11,363)	(350)
FY 2022	-	(11,835)	(88,283)	(21,805)	(14,510)	(5,260)
Total	\$ (924,090)	\$ 52,137	\$ 124,606	\$ 61,524	\$ (9,021)	\$ 11,747

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

(Continued)

	Town of Health	Town of Leicester	Town of Lewiston	Mahar Regional School District	Mohawk Regional School District	Town of Monroe
<b>Beginning Net Pension Liability, 12/31/16</b>						
<b>Ending Net Pension Liability, 12/31/17</b>	\$ 439,552	\$ 1,654,450	\$ 207,146	\$ 2,485,812	\$ 4,824,902	\$ 166,722
	\$ 394,003	\$ 1,435,270	\$ 194,788	\$ 2,240,076	\$ 4,148,130	\$ 144,381
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 13,140	\$ 47,865	\$ 8,466	\$ 74,705	\$ 138,337	\$ 4,815
Change of Assumptions	28,866	105,154	14,271	164,118	303,811	10,578
Contributions and Proportionate Share of Contributions	18,784	51,022	14,847	116,704	82,819	2,402
Total Deferred Outflows of Resources	\$ 60,790	\$ 204,041	\$ 37,584	\$ 355,527	\$ 505,167	\$ 17,795
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 705	\$ 2,568	\$ 349	\$ 4,008	\$ 7,424	\$ 258
Earnings on Pension Plan Investments	36,942	134,571	18,263	210,030	388,930	13,537
Contributions and Proportionate Share of Contributions	2,837	17,381	1,889	-	107,851	873
Total Deferred Inflows of Resources	\$ 40,284	\$ 154,520	\$ 20,501	\$ 214,038	\$ 504,305	\$ 14,668
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 65,557	\$ 242,454	\$ 32,905	\$ 378,407	\$ 700,726	\$ 24,390
Contributions and Proportionate Share of Contributions	4,919	24,058	3,577	48,985	(862)	1,228
Total Employer Pension Expense	\$ 71,476	\$ 266,510	\$ 36,482	\$ 427,372	\$ 699,864	\$ 25,618
<b>Covered Payroll:</b>	262,983	898,659	128,738	1,490,440	2,761,450	83,465
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	394,003	1,435,270	194,788	2,240,076	4,148,130	144,381
1% decrease in the discount rate: 6.75%	578,155	2,106,098	285,830	3,287,060	6,086,915	211,863
1% increase in the discount rate: 8.75%	238,126	867,443	117,725	1,353,848	2,507,031	87,260
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2019	\$ 17,814	\$ 71,037	\$ 8,955	\$ 122,291	\$ 134,918	\$ 5,954
FY 2020	17,808	59,030	10,065	111,243	116,924	5,287
FY 2021	(2,662)	(30,538)	362	(21,524)	(102,634)	(2,858)
FY 2022	(12,454)	(50,019)	(5,269)	(70,522)	(148,346)	(5,056)
Total	\$ 20,506	\$ 49,510	\$ 15,113	\$ 141,488	\$ 862	\$ 3,327

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

(Continued)

	New Salem/ Wendell		Town of Northfield		Town of Orange		Orange Housing Authority		Pioneer Valley Regional School District
	Town of New Salem	Union School District	Town of Northfield	Town of Orange	Town of Orange	Town of Orange	Orange Housing Authority	Orange Housing Authority	Pioneer Valley Regional School District
<b>Beginning Net Pension Liability, 12/31/16</b>									
<b>Ending Net Pension Liability, 12/31/17</b>	\$ 268,807	\$ 1,055,285	\$ 1,461,629	\$ 8,007,780	\$ 8,007,780	\$ 8,007,780	\$ 80,831	\$ 80,831	\$ 3,731,834
<b>Total Deferred Outflows of Resources:</b>	\$ 336,455	\$ 929,768	\$ 1,289,394	\$ 6,682,078	\$ 6,682,078	\$ 6,682,078	\$ 66,407	\$ 66,407	\$ 3,314,006
Differences Between Expected and Actual Experience									
Change of Assumptions	\$ 11,221	\$ 31,007	\$ 43,334	\$ 223,177	\$ 223,177	\$ 223,177	\$ 2,215	\$ 2,215	\$ 110,520
Contributions and Proportionate Share of Contributions	24,650	68,119	95,200	490,282	490,282	490,282	4,865	4,865	242,789
Total Deferred Outflows of Resources	\$ 37,143	\$ 99,126	\$ 138,534	\$ 713,459	\$ 713,459	\$ 713,459	\$ 7,080	\$ 7,080	\$ 353,309
<b>Total Deferred Inflows of Resources:</b>									
Differences Between Expected and Actual Experience									
Earnings on Pension Plan Investments	\$ 602	\$ 1,664	\$ 2,326	\$ 11,878	\$ 11,878	\$ 11,878	\$ 119	\$ 119	\$ 5,831
Contributions and Proportionate Share of Contributions	\$ 31,546	\$ 87,175	\$ 121,832	\$ 627,454	\$ 627,454	\$ 627,454	\$ 6,226	\$ 6,226	\$ 310,722
Total Deferred Inflows of Resources	\$ 32,148	\$ 88,839	\$ 124,158	\$ 1,021,681	\$ 1,021,681	\$ 1,021,681	\$ 9,986	\$ 9,986	\$ 316,553
<b>Employer Pension Expense:</b>									
Proportionate Share of Plan Pension Expense	\$ 56,836	\$ 157,062	\$ 219,501	\$ 1,130,466	\$ 1,130,466	\$ 1,130,466	\$ 11,218	\$ 11,218	\$ 559,821
Contributions and Proportionate Share of Contributions	\$ 5,996	\$ 10,970	\$ 22,788	\$ 118,512	\$ 118,512	\$ 118,512	\$ (464)	\$ (464)	\$ 51,413
Total Employer Pension Expense	\$ 62,832	\$ 168,032	\$ 242,289	\$ 1,248,978	\$ 1,248,978	\$ 1,248,978	\$ 10,754	\$ 10,754	\$ 611,234
<b>Covered Payroll:</b>	225,317	574,342	771,158	4,069,644	4,069,644	4,069,644	45,278	45,278	2,099,837
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>									
Current discount rate: 7.75%									
1% decrease in the discount rate: 6.75%	336,455	929,768	1,289,394	6,682,078	6,682,078	6,682,078	66,407	66,407	3,314,006
1% increase in the discount rate: 8.75%	483,710	1,364,331	1,906,715	8,819,871	8,819,871	8,819,871	97,445	97,445	4,862,932
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>									
FY 2018	\$ 17,007	\$ 41,402	\$ 65,332	\$ 335,567	\$ 335,567	\$ 335,567	\$ 1,708	\$ 1,708	\$ 159,891
FY 2019	16,183	38,774	58,028	245,623	245,623	245,623	1,763	1,763	144,109
FY 2020	(2,085)	(15,715)	(18,166)	(220,734)	(220,734)	(220,734)	(1,833)	(1,833)	(45,835)
FY 2021	(10,062)	(30,964)	(42,121)	(258,889)	(258,889)	(258,889)	(2,689)	(2,689)	(107,764)
FY 2022									
<b>Total</b>	\$ 21,043	\$ 31,497	\$ 65,073	\$ 101,567	\$ 101,567	\$ 101,567	\$ (851)	\$ (851)	\$ 150,801

(Continued)

**FRANKLIN REGIONAL RETIREMENT SYSTEM**  
**SCHEDULE OF PENSION AMOUNTS BY EMPLOYER**

As of and for the year ended December 31, 2017

(Continued)

	Town of Roxbury	Town of Shelburne	Shelburne Falls District	Town of Shutesbury	South Deerfield Fire District	South Deerfield Water Supply District
<b>Beginning Net Pension Liability, 12/31/16</b>	\$ 1,125,692	\$ 980,142	\$ 333,444	\$ 1,470,204	\$ 95,995	\$ 257,665
<b>Ending Net Pension Liability, 12/31/17</b>	\$ 981,804	\$ 854,420	\$ 286,612	\$ 1,283,839	\$ 88,538	\$ 212,463
<b>Total Deferred Outflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 32,746	\$ 28,494	\$ 9,892	\$ 42,815	\$ 2,953	\$ 7,086
Change of Assumptions	71,939	62,599	21,731	94,060	6,487	15,568
Contributions and Proportionate Share of Contributions	28,974	19,666	4,773	25,061	4,119	12,815
Total Deferred Outflows of Resources	\$ 133,659	\$ 110,759	\$ 36,396	\$ 161,936	\$ 13,559	\$ 35,469
<b>Total Deferred Inflows of Resources:</b>						
Differences Between Expected and Actual Experience	\$ 1,757	\$ 1,529	\$ 531	\$ 2,286	\$ 158	\$ 360
Earnings on Pension Plan Investments	92,064	80,111	27,810	120,373	8,301	19,923
Contributions and Proportionate Share of Contributions	420	-	3,487	5,583	83	8,698
Total Deferred Inflows of Resources	\$ 94,241	\$ 81,640	\$ 31,838	\$ 128,254	\$ 8,542	\$ 29,001
<b>Employer Pension Expense:</b>						
Proportionate Share of Plan Pension Expense	\$ 165,869	\$ 144,334	\$ 50,105	\$ 216,874	\$ 14,858	\$ 35,896
Contributions and Proportionate Share of Contributions	18,853	11,181	(658)	11,809	1,283	4,777
Total Employer Pension Expense	\$ 182,522	\$ 155,515	\$ 49,447	\$ 228,683	\$ 16,239	\$ 40,673
<b>Covered Payroll:</b>	600,470	588,466	186,559	855,501	57,567	142,249
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>						
Current discount rate: 7.75%	981,904	854,420	296,612	1,283,839	88,538	212,463
1% decrease in the discount rate: 6.75%	1,440,834	1,253,765	435,245	1,883,890	128,920	311,809
1% increase in the discount rate: 8.75%	593,439	516,391	178,295	775,922	53,510	128,426
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>						
FY 2019	\$ 48,796	\$ 39,148	\$ 9,052	\$ 53,832	\$ 4,180	\$ 11,733
FY 2020	42,089	34,580	9,296	47,901	3,881	9,291
FY 2021	(17,787)	(15,248)	(4,183)	(24,025)	(590)	(6,038)
FY 2022	(33,690)	(29,361)	(9,597)	(43,896)	(2,554)	(8,518)
<b>Total</b>	\$ 39,418	\$ 28,119	\$ 4,558	\$ 33,712	\$ 5,017	\$ 6,468

(Continued)

FRANKLIN REGIONAL RETIREMENT SYSTEM  
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2017

(Continued)

	Town of Sunderland	Town of Warwick	Town of Wendell	Town of Whately
<b>Beginning Net Pension Liability, 12/31/16</b>	\$ 1,950,182	\$ 414,284	\$ 378,249	\$ 1,379,270
<b>Ending Net Pension Liability, 12/31/17</b>	\$ 1,708,832	\$ 363,012	\$ 349,919	\$ 1,243,996
<b>Total Deferred Outflows of Resources:</b>				
Differences Between Expected and Actual Experience	\$ 56,988	\$ 12,106	\$ 11,670	\$ 41,486
Change of Assumptions	125,197	26,596	25,837	81,141
Contributions and Proportionate Share of Contributions	21,428	4,443	31,775	48,225
<b>Total Deferred Outflows of Resources</b>	<b>\$ 203,613</b>	<b>\$ 43,145</b>	<b>\$ 69,082</b>	<b>\$ 180,852</b>
<b>Total Deferred Inflows of Resources:</b>				
Differences Between Expected and Actual Experience	\$ 3,058	\$ 650	\$ 626	\$ 2,226
Earnings on Pension Plan Investments	160,221	34,036	32,808	116,637
Contributions and Proportionate Share of Contributions	27,330	4,634	-	12,834
<b>Total Deferred Inflows of Resources</b>	<b>\$ 190,609</b>	<b>\$ 39,320</b>	<b>\$ 33,434</b>	<b>\$ 131,697</b>
<b>Employer Pension Expense:</b>				
Proportionate Share of Plan Pension Expense	\$ 288,666	\$ 61,322	\$ 59,110	\$ 210,143
Contributions and Proportionate Share of Contributions	(632)	262	12,668	7,682
<b>Total Employer Pension Expense</b>	<b>\$ 288,034</b>	<b>\$ 61,584</b>	<b>\$ 71,778</b>	<b>\$ 218,025</b>
<b>Covered Payroll:</b>	<b>1,136,084</b>	<b>240,616</b>	<b>213,354</b>	<b>827,269</b>
<b>Sensitivity of the Net Pension Liability to changes in the discount rate:</b>				
Current discount rate: 7.75%	1,708,832	363,012	349,919	1,243,996
1% decrease in the discount rate: 6.75%	2,507,520	532,678	513,467	1,825,427
1% increase in the discount rate: 8.75%	1,032,778	219,386	211,483	751,341
<b>Deferred Outflows of Resources and Deferred Inflows of Resources, to be recognized in Pension Expense:</b>				
FY 2019	\$ 55,303	\$ 12,147	\$ 24,122	\$ 48,603
FY 2020	50,497	11,144	21,935	46,470
FY 2021	(34,859)	(7,178)	(408)	(10,343)
FY 2022	(57,837)	(12,286)	(10,000)	(38,575)
<b>Total</b>	<b>\$ 13,004</b>	<b>\$ 3,825</b>	<b>\$ 35,648</b>	<b>\$ 46,155</b>



**COMMONWEALTH OF MASSACHUSETTS**

**Public Employee Retirement Administration Commission**

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