Gardner
Contributory Retirement System
Audit Report
JAN. 1, 2017 - DEC. 31, 2021

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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May 31, 2024

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

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

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

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

To achieve these objectives, we inspected certain records of the Gardner Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, and tested a sample of travel expenses for Board approvals, supporting documentation and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over $30,000. We tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We also reviewed a sample of member files for accuracy and completeness.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exception of those related to our supplemental work which are detailed in the finding presented in this report.

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

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

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

Sincerely,

Bill Keefe

William T. Keefe
Executive Director

EXPLANATION OF FINDING AND RECOMMENDATION

New Retirements' Calculations:
We tested the retirement allowance calculation of 22 new retirees during the audit period and found the following issues:

- One accidental disability retiree received a vacation payout of 28 days that was incorrectly included in the salary used when calculating the allowance. According to the firefighter contract this payment can be made "if the Chief determines there are funds available" and that "the final decision as to payment shall be vested in the Chief and in the exercise of his/her discretion". Any payment that an employer has discretion over cannot be regular compensation.
- One member had their regular compensation adjusted when the anti-spiking test was applied, but the retirement contributions withheld on this unused regular compensation were not returned.

Recommendation: The Retirement Board should recalculate the accidental disability retiree's allowance without the vacation payout. The retiree who spiked should receive a refund of the contributions, with interest at the actuarial rate if applicable.

Board Response:
The Board does not contest the findings, the System's Administrator has taken the necessary steps to implement the corrective actions recommended and has implemented protocols and procedures to ensure similar errors and oversights will not occur in the future.

The accidental disability retiree that received vacation payout of 28 days that was incorrectly included in the salary used to calculate the allowance has been adjusted. The Board Administrator adjusted the retiree's final year of pay to $86,538.56. The Board Administrator also calculated the retirement deductions that should have been returned to this retiree and that amount was used to offset the total overpayment to the retiree since their retirement on May 23, 2021. The net total overpayment to the retiree was $22,210.71, and this amount includes their pension payment for the month of April 2024. At the April 25, 2024, Board Meeting, the Board unanimously voted to forgive this amount be paid back to the Retirement Board as this over payment was through no fault of their own on the part of the retiree. Starting with their May 2024 retirement pension amount, the retiree will receive the reduced monthly benefit. The Board Administrator will also be resending this file to PERAC for re-approval of this benefit.

The Board and Administrator have reviewed and understand the impact of the findings related to payroll deductions and vacation paid out while a member was collecting 111F injury pay. Communication with the Fire Department and Police Department will occur to correct their handling and pay out of vacation pay while a member collects 111F Injury pay.

The member that had their regular compensation adjusted when the anti-spiking test was applied, has had the retirement deductions, plus applicable interest, refunded to them with their March 2024 monthly pension benefit.

Procedures are in place to review payroll records prior to processing a retirement benefit to make sure all payroll records are properly handled to allow for only retirement allowed income and any anti-spiking violations are handled at the time of retirement and any retirement deductions received for payroll that is not allowed will be refunded to the member.

FINAL DETERMINATION:
PERAC Audit staff will follow up in six (6) months to ensure appropriate actions have been taken regarding all findings.

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2021	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
PRIT Cash Fund	$56,200	0.1%
PRIT Core Fund	79,063,888	99.9%
Grand Total	$79,120,088	100.0%

For the year ending December 31, 2021, the rate of return for the investments of the Gardner Retirement System was 20.45%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Gardner Retirement System averaged 10.98%. 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 Gardner Retirement System was 9.77%.

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 City Auditor who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	John Richard		
Appointed Member:	Kevin McInerney	Serves until successor is appointed	
Elected Member:	Denise M. Merriam, Chairperson	Term Expires:	06/30/2026
Elected Member:	Robert W. Newton	Term Expires:	06/30/2026
Appointed Member:	Neil W. Janssens	Term Expires:	01/01/2027

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 Gardner Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at https://www.mass.gov/gardner-retirement-board-regulations.

SUPPLEMENTARY INFORMATION (Continued)

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2023.

The actuarial liability for active members was	$32,713,686
The actuarial liability for inactive members was	1,671,890
The actuarial liability for retired members was	76,754,247
The total actuarial liability was	$111,139,823
System assets as of that date were	69,183,336
The unfunded actuarial liability was	$41,956,487
The ratio of system's assets to total actuarial liability was	62.2%
As of that date the total covered employee payroll was	$15,953,023

The normal cost for employees on that date was	9.6% of payroll
The normal cost for the employer including administrative expenses was	6.5% of payroll

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

Investment Return:	7.00% per annum
Rate of Salary Increase:	Based on groups and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2023

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2023	$69,183,336	$111,139,823	$41,956,487	62.2%	$15,953,023	263.0%
1/1/2022	$79,056,572	$107,490,979	$28,434,407	73.5%	$15,477,773	183.7%
1/1/2021	$66,938,926	$105,102,407	$38,163,481	63.7%	$15,065,058	253.3%
1/1/2020	$60,599,735	$101,441,586	$40,841,851	59.7%	$14,357,287	284.5%
1/1/2019	$53,419,536	$100,359,306	$46,939,770	53.2%	$13,345,611	351.7%

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	10	9	11	10	11	15	17	12	20	14
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	0	0	0	1	0	0	0	1	2
Total Retirements	11	9	11	10	12	15	17	12	21	16
Total Retirees, Beneficiaries and Survivors	236	238	227	233	236	245	252	259	264	269
Total Active Members	264	264	270	276	281	292	301	311	317	320
Pension Payments										
Superannuation	$3,247,537	$3,367,035	$3,471,233	$3,550,594	$3,710,570	$3,880,855	$4,135,510	$4,342,940	$4,477,544	$4,657,783
Survivor/Beneficiary Payments	69,210	75,905	79,195	107,787	115,611	151,109	155,248	161,340	180,940	190,129
Ordinary Disability	52,908	54,340	53,304	54,121	55,478	56,852	58,243	59,653	52,020	40,585
Accidental Disability	618,214	662,224	671,678	714,230	717,235	711,314	680,208	678,273	671,407	748,666
Other	372,138	364,905	346,899	313,236	333,059	372,565	329,352	348,436	340,877	407,011
Total Payments for Year	$4,360,007	$4,524,409	$4,622,309	$4,739,968	$4,931,953	$5,172,695	$5,358,561	$5,590,642	$5,722,788	$6,044,174

THE CHAIR CITY

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2021

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

Opinion

We have audited the accompanying financial statements of the Gardner Contributory Retirement System (the System), a component unit of the City of Gardner, Massachusetts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the Table of Contents.

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

Basis for Opinion

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

Responsibilities of Management 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, 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.

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Melanson

Merrimack, New Hampshire
September 19, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements. The financial statements are comprised of Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position and notes to the financial statements. This report also contains Required Supplementary Information.

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

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

The notes 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 the Schedule of Changes in the Net Pension Liability and the Schedules of Contributions and Investment Returns.

Financial Highlights

- The System's total net position restricted for pensions was $79,056,571 at December 31, 2021.
- The System's net position increased by $12,117,645, which is primarily due to investment gains during the year.
- Employer and employee contributions to the plan were $6,600,247, which represents an increase of $500,466 over the prior year. The employer share represents 76.4% of those contributions made to the System.
- Benefits paid to plan participants increased by $745,675, or 11.3%, from the previous year. Benefits paid include refunds to plan members, which increased by $398,560 from the previous year. At December 31, 2021, there were 260 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.

- The System's funded ratio (based on the System's funding valuation) as of the January 1, 2021 actuarial valuation was 63.7%, with 9 years remaining in its amortization period.

Financial Statement Analysis

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

FIDUCIARY NET POSITION

	2021	2020
Assets		
Cash and receivables	$ 426,577	$ 362,798
Investments	79,063,888	66,808,507
Total Assets	$ 79,490,465	$ 67,171,305
Liabilities		
Cash overdraft	$ -	$ 12,810
Accounts payable	433,894	219,569
Total Liabilities	433,894	232,379
Net Position		
Restricted for Pensions	79,056,571	66,938,926
Total Liabilities and Net Position	$ 79,490,465	$ 67,171,305

The System's total assets as of December 31, 2021 were $79,490,465 and were mostly comprised of investments. Total assets increased $12,319,160, or 18.3%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	2021	2020
Additions		
Contributions	$ 7,183,143	$ 6,425,920
Investment income, net	13,057,760	7,089,662
Total Additions	20,240,903	13,515,582
Deductions		
Benefit payments	7,371,359	6,625,684
Other	751,899	550,707
Total Deductions	8,123,258	7,176,391
Change in Net Position	12,117,645	6,339,191
Net Position Restricted for Pensions		
Beginning of Year	66,938,926	60,599,735
End of Year	$ 79,056,571	$ 66,938,926

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, transfers from other systems, receipts from Massachusetts General Law (MGL) Chapter 32 Section 3(8)c reimbursements, Commonwealth of Massachusetts reimbursements for pre-1998 COLA and through earnings on investments. Contributions and net investment change for calendar year 2021 resulted in an addition of \$20,240,903. Employers' contributions increased by \$389,719, or 8.4%, in calendar year 2021. Net investment gains increased by \$5,968,098 from the previous year due to favorable market performance. The System invests in Pension Reserves Investment Trust (PRIT). The 2021 PRIT return outperformed the benchmark by more than 8%.

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 MGL, Chapter 32, Section 3(8)c, and the costs of administering the System. Total deductions for calendar year 2021 were \$8,123,258, which represents an increase of \$946,867, or 13.2%. The payment of pension benefits, excluding refunds, increased by \$347,115, or 5.2% over the previous year.

Requests for Information

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

Ms. Cheryl Bosse, Retirement Director

Gardner Contributory Retirement System

95 Pleasant Street, Room 17

Gardner, Massachusetts 01440

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2021

Assets	
Cash	$ 56,200
Investments:	
External investment pool	79,063,888
Accounts receivable	370,377
Total Assets	$ 79,490,465
Liabilities	
Accounts payable	$ 433,894
Net Position	
Restricted for pension benefits	79,056,571
Total Liabilities and Net Position	$ 79,490,465

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2021

Additions		
Contributions:		
Employers	$	5,043,492
Plan members		1,556,755
Transfers from other systems		445,863
Reimbursements from other systems and Commonwealth of Massachusetts		137,033
Total Contributions		7,183,143
Investment Income:		
Appreciation in fair value of investments		13,416,842
Less: Management fees		(359,082)
Net Investment Income		13,057,760
Total Additions		20,240,903
Deductions		
Benefit payments to plan members and beneficiaries		7,371,359
Transfers to other systems		323,579
Reimbursements to other systems		276,020
Administrative expenses		152,300
Total Deductions		8,123,258
Net Increase		12,117,645
Net Position Restricted for Pension Benefits		
Beginning of Year		66,938,926
End of Year	$	79,056,571

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

1. Plan Description

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

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

Retirees and beneficiaries receiving benefits	260
Inactive members entitled to a return of employee contributions	111
Active plan members	313
Total	684
Number of participating employers	2

Participant Contributions

The employees' contribution percentages are determined by their date of entry into the System and 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%

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

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 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 four 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 City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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

Participant Refunds
Employees who 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%.

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

2. Summary of Significant Accounting Policies

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

Reporting Entity

The System is governed by a 5-member board. The 5 members include 2 appointed by the City, 2 elected by the members and retirees, and a 5^{th} member chosen by the other 4 members with the approval of PERAC. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial statements.

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 City of Gardner and Gardner Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

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

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 19.6%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. MGL Chapter 32 Sections 23 (b) and (c) limit the System's deposits to the Pension Reserves Investment Trust (PRIT), or a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company. The System does not have a deposit policy for custodial credit risk.

As of December 31, 2021, System's bank balance of $57,905 was insured by FDIC and $56,200 represented the System's share in PRIT, which is not subject to custodial credit risk disclosure.

4. Investments

All of the System's investments totaling $79,063,888 are in PRIT, an external state investment pool. Fair value is the same as the value of the pool share. PRIT, created under MGL, Chapter 32, Section 22 in December 1983, is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board (PRIM). PRIM chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under MGL, Chapter 30B.

Credit Risk

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

Due to PRIT's nature, the System's investments are not subject to credit risk disclosure.

Custodial Credit Risk

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

The System's investments of $79,063,888 are held in a state investment pool, which is not subject to custodial risk disclosure.

Concentration of Credit Risk

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

All the System's investments are in the PRIT fund, which is not subject to concentration of credit risk disclosure.

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 level 1, 2, and 3. The system does not hold level 1, 2, or 3 investments.

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

The System's investment in PRIT is valued at NAV. PRIT's redemption frequency is monthly with 30-day redemption notice period.

5. 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.

6. Subsequent Event

The fair market values of investments declined subsequent to year-end and as of the date of the date these financial statements were available to be issued. Management has determined that the effect on the System's statement of operations is uncertain.

7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2021 and rolled forward to December 31, 2021.

Net Pension Liability of Employers

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

Total pension liability	$	108,639,822
Plan fiduciary net position		(79,056,571)
Employers' net pension liability	$	29,583,251
Plan fiduciary net position as a percentage of total pension liability		72.8%

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

Valuation date	1/1/2021
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	9 years
Actuarial assumptions:	
Investment rate of return	7.00%, previously 7.25%
Projected salary increases	9-25.55% in year 1-2, and 3.25-8.25% thereafter
Post-retirement cost-of-living adjustment	3% on first $13,000

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

Mortality rates were based on RP-2014 table adjusted to 2006 and projected generationally with MP-2020. Mortality rates for disabled retirees follows the same table as non-disabled retirees, set forward two years.

Changes of Assumptions
The change in discount rate (investment rate of return) increased the Net Pension Liability by $2.5 million.

Target Allocations
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation of 2.6%. Best estimates of geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2021, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity	33-43%	
U.S. equity		3.61%
International equities		3.70%
Emerging equities		5.95%
Hedged equity		3.02%
Core Fixed Income	12-18%	
Core bonds		0.49%
Short-term fixed income		-0.19%
Treasury STRIPS		-0.49%
TIPS/ILBS		-0.29%
Value-added fixed income	5-11%	3.70%
Private equity	12-18%	7.31%
Real estate	7-13%	3.31%
Timberland	1-7%	3.90%
Portfolio completion (PCS)	7-13%	2.73%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.00%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
$41,178,647	$29,583,251	$19,758,505

Deferred Outflows/Inflows of Resources

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 428,910	$ 1,019,750
Changes of assumptions	3,573,243	813,040
Net difference between projected and actual investment earnings on pension plan investments	-	8,890,671
Changes in proportion and differences between employer contributions and proportionate share of contributions	129,207	129,207
Total	$ 4,131,360	$ 10,852,668

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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
Deferred Outflows of Resources						
Difference between expected						
and actual experience:	2020	5.2	$ 15,161	$ -	$ (3,610)	$ 11,551
	2019	5.2	511,409	-	(159,815)	351,594
	2018	5.2	66,453	-	(30,205)	36,248
	2017	5.2	177,099	-	(147,582)	29,517
	2016	5.6	45,982	-	(45,982)	-
Change in assumptions:	2021	5.2	-	2,104,414	(404,695)	1,699,719
	2019	5.2	1,900,456	-	(593,892)	1,306,564
	2018	5.2	1,039,425	-	(472,465)	566,960
	2016	5.6	123,807	-	(123,807)	-
Changes in proportion and differences						
between contributions and						
proportionate share of contributions:	2021	5.2	-	11,807	(2,271)	9,536
	2020	5.2	41,914	-	(9,980)	31,934
	2019	5.2	85,780	-	(26,806)	58,974
	2018	5.2	46,129	-	(20,968)	25,161
	2017	5.2	21,606	-	(18,004)	3,602
	2016	5.6	3,127	-	(3,127)	-
Total Deferred Outflows of Resources			4,078,348	2,116,221	(2,063,209)	4,131,360
Deferred Inflows of Resources						
Difference between expected						
and actual experience	2021	5.2	-	1,262,547	(242,797)	1,019,750
Change in assumptions	2020	5.2	1,053,297	-	(250,785)	802,512
	2017	5.2	63,166	-	(52,638)	10,528
Net differences between projected						
and actual earnings on pension plan						
investments:	2021	5.0	-	8,227,462	(1,645,492)	6,581,970
	2020	5.0	2,178,646	-	(544,662)	1,633,984
	2019	5.0	2,651,882	-	(883,961)	1,767,921
	2018	5.0	(2,186,408)	-	1,093,204	(1,093,204)
	2017	5.0	890,147	-	(890,147)	-
Changes in proportion and differences						
between contributions and						
proportionate share of contributions:	2021	5.2	-	11,807	(2,271)	9,536
	2020	5.2	41,914	-	(9,980)	31,934
	2019	5.2	85,780	-	(26,806)	58,974
	2018	5.2	46,129	-	(20,968)	25,161
	2017	5.2	21,606	-	(18,004)	3,602
	2016	5.6	3,127	-	(3,127)	-
Total Deferred Inflows of Resources			4,849,286	9,501,816	(3,498,434)	10,852,668
Total Collective Deferred Outflows/(Inflows) of Resources			$ (770,938)	$ (7,385,595)	$ 1,435,225	$ (6,721,308)

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

Fiscal Year	Total
2023	$ (790,819)
2024	(2,305,150)
2025	(2,124,690)
2026	(1,533,030)
Thereafter	32,380
	$ (6,721,309)

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)
Required Supplementary Information
Schedule of Changes in the Net Pension Liability
(Amounts expressed in thousands)
(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability								
Service cost	$ 2,115	$ 2,006	$ 1,663	$ 1,607	$ 1,498	$ 1,466	$ 1,358	$ 1,242
Interest	7,536	7,447	7,223	6,872	6,884	6,595	6,441	6,362
Differences between expected and actual experience	(1,262)	19	831	157	767	429	(129)	-
Changes of assumptions	2,104	(1,304)	3,088	2,457	(274)	1,156	1,140	-
Benefit payments, including refunds of member contributions	(7,377)	(6,708)	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,467)
Net Change in Total Pension Liability	3,116	1,460	6,028	4,940	2,696	3,875	3,375	2,137
Total Pension Liability - Beginning	105,524	104,064	98,036	93,096	90,400	86,525	83,150	81,013
Total Pension Liability - Ending (a)	$ 108,640	$ 105,524	$ 104,064	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan Fiduciary Net Position								
Contributions - employer	$ 5,043	$ 4,626	$ 4,300	$ 4,097	$ 3,880	$ 3,682	$ 3,466	$ 3,273
Contributions - member	1,557	1,482	1,418	1,280	1,201	1,233	1,092	1,215
Net investment income	13,047	7,090	8,381	(1,326)	8,178	3,364	276	3,307
Benefit payments, including refunds of member contributions	(7,377)	(6,708)	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,466)
Administrative expense	(152)	(151)	(142)	(132)	(143)	(144)	(132)	(125)
Net Change in Plan Fiduciary Net Position	12,118	6,339	7,180	(2,234)	6,937	2,364	(733)	2,204
Plan Fiduciary Net Position - Beginning	66,939	60,600	53,420	55,654	48,717	46,353	47,086	44,882
Plan Fiduciary Net Position - Ending (b)	$ 79,057	$ 66,939	$ 60,600	$ 53,420	$ 55,654	$ 48,717	$ 46,353	$ 47,086
Net Pension Liability - Ending (a-b)	$ 29,583	$ 38,585	$ 43,464	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064
Plan fiduciary net position as a percentage of the total pension liability	72.77%	63.43%	58.23%	54.49%	59.78%	53.89%	53.57%	56.63%
Covered payroll	$ 15,885	$ 15,199	$ 14,156	$ 13,047	$ 12,772	$ 12,301	$ 11,431	$ 10,936
Participating employer net pension liability as a percentage of covered payroll	186.2%	253.9%	307.0%	342.0%	293.2%	338.9%	351.4%	329.8%

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

See Independent Auditor's Report.

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedules of Contributions and Investment Returns

(Amounts expressed in thousands)

(Unaudited)

Schedule of Contributions	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016	FY 2015
Actuarially determined contribution	$ 5,007	$ 4,618	$ 4,258	$ 4,061	$ 3,849	$ 3,649	$ 3,436	$ 3,241
Contributions in relation to the actuarially determined contribution	(5,043)	(4,626)	(4,300)	(4,097)	(3,880)	(3,682)	(3,466)	(3,273)
Contribution Deficiency (Excess)	$ (36)	$ (8)	$ (42)	$ (36)	$ (31)	$ (33)	$ (30)	$ (32)
Covered payroll	$ 16,214	$ 15,542	$ 14,497	$ 13,333	$ 13,040	$ 12,533	$ 11,636	$ 11,126
Contributions as a percentage of covered payroll	31.1%	29.8%	29.7%	30.7%	29.8%	29.4%	29.8%	29.4%

Schedule of Investment Returns	2021	2020	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	19.6%	11.8%	16.1%	-2.4%	17.0%	7.3%	0.5%	7.4%

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

See Independent Auditors' Report.

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INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Schedules

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

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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 Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Restriction on Use

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

Melanson

Merrimack, New Hampshire
September 19, 2022

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Employer Allocations

Employer	FY 2022 Actual Employer Contributions	Allocation Percentage
City of Gardner	$ 4,799,440	95.85%
Gardner Housing Authority	207,801	4.15%
Total	$ 5,007,241	100.00%

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

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Pension Amounts by Employer

As of and for the Year Ended December 31, 2021

	City of Gardner	Gardner Housing Authority	Total
Net Pension Liability	$ 28,355,546	$ 1,227,705	$ 29,583,251
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 411,110	$ 17,800	$ 428,910
Changes of assumptions	3,424,953	148,290	3,573,243
Changes in proportion and differences between employer contributions and proportionate share of contributions	70,233	58,974	129,207
Total Deferred Outflows of Resources	$ 3,906,296	$ 225,064	$ 4,131,360
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 977,430	$ 42,320	$ 1,019,750
Changes of assumptions	779,299	33,741	813,040
Net difference between projected and actual investment earnings on pension plan investments	8,521,708	368,963	8,890,671
Changes in proportion and differences between employer contributions and proportionate share of contributions	58,974	70,233	129,207
Total Deferred Inflows of Resources	$ 10,337,411	$ 515,257	$ 10,852,668
Pension Expense			
Proportionate share of pension expense	$ 1,909,470	$ 82,674	$ 1,992,144
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	11,806	(11,806)	-
Total Pension Expense	$ 1,921,276	$ 70,868	$ 1,992,144
Contributions			
Actuarially determined contribution	$ 4,799,440	$ 207,801	$ 5,007,241
Contributions made	(4,834,187)	(209,305)	(5,043,492)
Contribution Deficiency / (Excess)	$ (34,747)	$ (1,504)	$ (36,251)
Contributions as a percentage of covered payroll	31.59%	36.01%	31.75%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2023	$ (747,987)	$ (42,832)	$ (790,819)
June 30, 2024	(2,219,849)	(85,301)	(2,305,150)
June 30, 2025	(2,029,626)	(95,064)	(2,124,690)
June 30, 2026	(1,465,143)	(67,887)	(1,533,030)
June 30, 2027	31,490	890	32,380
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ (6,431,115)	$ (290,194)	$ (6,721,309)
Discount Rate Sensitivity			
1% decrease (6.00%)	$ 39,469,733	$ 1,708,914	$ 41,178,647
Current discount rate (7.00%)	$ 28,355,546	$ 1,227,705	$ 29,583,251
1% increase (8.00%)	$ 18,938,527	$ 819,978	$ 19,758,505
Covered payroll	$ 15,303,362	$ 581,254	$ 15,884,616

See actuarial assumptions in the Gardner Contributory Retirement System's audited financial statements.

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THE CHAIR CITY

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2020

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

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MELANSON

INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

We have audited the accompanying financial statements of the Gardner Contributory Retirement System (the System), a component unit of the City of Gardner, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

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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 Gardner Contributory Retirement System as of December 31, 2020, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson

Merrimack, New Hampshire
January 24, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Fund Financial Statements

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

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

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

Notes to Financial Statements

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

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

Financial Highlights

- The System's total net position restricted for pensions was $66,938,926 at December 31, 2020.
- The System's net position increased by $6,339,191, which is primarily due to investment gains during the year.

- Employer and employee contributions to the plan were $6,296,247, which represents an increase of $579,965 over the prior year. The employer share of contributions represents 71.86% of the total contributions made to the System.
- Benefits paid to plan participants increased by $174,506, or 2.64%, totaling $6,794,149. At December 31, 2020, there were 259 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's funding valuation) as of the January 1, 2020 actuarial valuation was 59.7%, with 10 years remaining in its amortization period.

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

FIDUCIARY NET POSITION

	2020	2019
Assets		
Cash and receivables	$ 362,798	$ 356,074
Investments	66,808,507	60,467,632
Total Assets	$ 67,171,305	$ 60,823,706
Liabilities		
Cash overdraft	$ 12,810	$ -
Accounts payable	219,569	223,971
Total Liabilities	232,379	223,971
Net Position		
Restricted for Pensions	66,938,926	60,599,735
Total Liabilities and Net Position	$ 67,171,305	$ 60,823,706

The System's total assets as of December 31, 2020 were $67,171,305 and were mostly comprised of investments. Total assets increased $6,347,599, or 10.44%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

		2020		2019
Additions				
Contributions	$	6,425,920	$	5,885,088
Investment income, net		7,089,662		8,383,981
Total Additions		13,515,582		14,269,069
Deductions				
Benefit payments		6,794,149		6,619,643
Other		382,242		469,228
Total Deductions		7,176,391		7,088,871
Change in Net Position		6,339,191		7,180,198
Net Position Restricted for Pensions				
Beginning of Year		60,599,735		53,419,537
End of Year	$	66,938,926	$	60,599,735

The amount needed to finance benefits is accumulated through the collection of employers' and employees' contributions, Massachusetts General Law (MGL) Chapter 32 Section 3(8)c reimbursements, Commonwealth of Massachusetts reimbursements for pre-1998 COLA and through earnings on investments. Contributions and net investment change for calendar year 2020 resulted in an addition of $13,515,582. Employers' contributions increased by $359,386, or 8.44%, in calendar year 2020. The System had net investment gains of $7,089,662 in 2020 versus investment gains of $8,383,981 in 2019, primarily due to the market performing more favorable in calendar year 2019.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with MGL, Chapter 32, Section 3(8)c, and the costs of administering the System. Total deductions for calendar year 2020 were $7,176,391, which represents an increase of $87,520, or 1.23%, over deductions of $7,088,871 in calendar year 2019. The payment of pension benefits increased by $174,506, or 2.64%, over the previous year.

Requests for Information

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

Ms. Cheryl Bosse, Retirement Director

Gardner Contributory Retirement System

95 Pleasant Street, Room 17

Gardner, Massachusetts 01440

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2020

Assets	
Investments:	
External investment pool	$ 66,808,507
Accounts receivable	362,798
Total Assets	$ 67,171,305
Liabilities	
Cash overdraft	$ 12,810
Accounts payable	219,569
Total Liabilities	232,379
Net Position	
Restricted for pension benefits	66,938,926
Total Liabilities and Net Position	$ 67,171,305

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2020

Additions		
Contributions:		
Employers	$	4,617,522
Plan members		1,678,725
Other systems and Commonwealth of Massachusetts		121,223
Other		8,450
Total Contributions		6,425,920
Investment Income:		
Appreciation in fair value of investments		7,380,230
Less: Management fees		(290,568)
Net Investment Income		7,089,662
Total Additions		13,515,582
Deductions		
Benefit payments to plan members and beneficiaries		6,794,149
Refunds to plan members		43,237
Transfers to other systems		188,135
Administrative expenses		150,870
Total Deductions		7,176,391
Net Increase		6,339,191
Net Position Restricted for Pension Benefits		
Beginning of Year		60,599,735
End of Year	$	66,938,926

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

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

Membership of the plan consisted of the following at January 1, 2020:

Retirees and beneficiaries receiving benefits	259
Inactive members entitled to a return of employee contributions	93
Active plan members	308
Total	660
Number of participating employers	2

Participant Contributions

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

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

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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.

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 four 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 City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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

Participant Refunds

Employees who 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%.

Employer Contributions

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

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial statements. The System is governed by a 5-member board. The 5 members include 2 appointed by the City, 2 elected by the members and retirees, and a 5th member chosen by the other 4 members with the approval of PERAC.

Summary of Significant Accounting Policies

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

Basis of Accounting

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

Investments

Investment Policy

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

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 11.80%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits

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

As of December 31, 2020, none of the System's bank balances of $67,982 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

All of the System's investments totaling $66,808,507 are in an external (State) investment pool. Fair value is the same as the value of the pool share. The Pension Reserves Investment Trust (PRIT) was created under Massachusetts General Law, Chapter 32, Section 22, in December 1983. The Pension Reserves Investment Trust is operated under contract with a private investment advisor, approved by the Pension Reserves Investment Management Board. The Pension Reserves Investment Management Board chooses an investment advisor by requesting proposals from advisors and reviewing such proposals based on criteria adopted under Massachusetts General Law, Chapter 30B.

Credit Risk
Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. 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 PRIT's nature, the System's investments are not subject to credit risk disclosure.

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

The System's investments of $66,808,507 are held in a state investment pool, which is not subject to custodial risk disclosure.

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

All the System's investments are in the PRIT fund, which is not subject to concentration of credit risk disclosure.

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

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

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

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into level 1, 2, and 3. The system does not hold level 1, 2, or 3 investments.

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

The System's investment in PRIT is valued at NAV. PRIT's redemption frequency is monthly with 30 day redemption notice period.

5. Accounts Receivable

The accounts receivable balance primarily represents amounts due from Gardner Housing Authority for pension appropriations, member deductions from the City of Gardner, as well as 3(8)c reimbursements from other systems and COLA reimbursements from the Commonwealth, not received until after December 31, 2020.

6. Accounts Payable

This balance primarily represents 3(8)c reimbursements for calendar year 2020 paid after December 31, 2020.

7. Contingencies

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

8. Subsequent Event

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

9. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2020 and rolled forward to December 31, 2020.

Net Pension Liability of Employers

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

Total pension liability	$	105,523,896
Plan fiduciary net position		(66,938,926)
Employers' net pension liability	$	38,584,970
Plan fiduciary net position as a percentage of total pension liability		63.43%

Actuarial Assumptions

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

Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	10 years
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases	various up to year 20, 3.25% thereafter
Inflation rate	3.5% per year
Post-retirement cost-of-living adjustment	3% on first $13,000

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

Mortality rates were based on RP-2014 table adjusted to 2006 and projected generationally with MP-2019 (sex-distinct). Mortality rates for disabled retirees follows the same table as non-disabled retirees, set forward two years.

Changes of Assumptions

The January 1, 2020 valuation included a change of mortality assumption; the 2020 valuation used RP-2014 adjusted to 2006 and projected using MP-2019. The prior valuation used the same table, projected with MP-2016. This change reduced the Total Pension Liability and Net Pension Liability by approximately $1.3 million.

Target Allocations

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

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	13.00%	4.11%
International equities	13.00%	4.31%
Emerging equities	5.00%	6.07%
Hedged equity	8.00%	3.42%
Core bonds	6.00%	0.49%
Short-term fixed income	2.00%	-0.20%
Treasury STRIPS	3.00%	-0.49%
TIPS/ILBS	4.00%	-0.10%
Value-added fixed income	8.00%	3.91%
Private equity	14.00%	7.83%
Real estate	10.00%	3.72%
Timberland	4.00%	4.31%
Portfolio completion (PCS)	10.00%	2.94%
Total	100.00%	

Discount Rate

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

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investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of Discount Rate

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$49,662,709	$38,584,970	$29,188,334

Deferred Outflows/(Inflows) of Resources

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 816,104	$ -
Changes of assumptions	3,063,688	(1,116,463)
Net difference between projected and actual investment earnings on pension plan investments	-	(3,534,267)
Changes in proportion and differences between employer contributions and proportionate share of contributions	198,556	(198,556)
Total	$ 4,078,348	$ (4,849,286)

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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
Deferred Outflows of Resources						
Difference between expected						
and actual experience:	2020	5.2	$ -	$ 18,771	$ (3,610)	$ 15,161
	2019	5.2	671,225	-	(159,816)	511,409
	2018	5.2	96,659	-	(30,206)	66,453
	2017	5.2	324,682	-	(147,583)	177,099
	2016	5.6	122,615	-	(76,633)	45,982
Change in assumptions:	2019	5.2	2,494,349	-	(593,893)	1,900,456
	2018	5.2	1,511,890	-	(472,465)	1,039,425
	2016	5.6	330,153	-	(206,346)	123,807
	2015	5.6	122,179	-	(122,179)	-
Changes in proportion and differences						
between contributions and						
proportionate share of contributions:	2020	5.2	-	51,894	(9,980)	41,914
	2019	5.2	112,586	-	(26,806)	85,780
	2018	5.2	69,383	-	(23,254)	46,129
	2017	5.2	39,610	-	(18,004)	21,606
	2016	5.6	8,384	-	(5,257)	3,127
	2015	5.6	12,168	-	(12,168)	-
Total Deferred Outflows of Resources			5,915,883	70,665	(1,908,200)	4,078,348
Deferred (Inflows) of Resources						
Difference between expected						
and actual experience	2015	5.6	(13,862)	-	13,862	-
Change in assumptions	2020	5.2	-	(1,304,082)	250,785	(1,053,297)
	2017	5.2	(115,805)	-	52,639	(63,166)
Net differences between projected						
and actual earnings on pension plan						
investments:	2020	5.0	-	(2,723,307)	544,661	(2,178,646)
	2019	5.0	(3,535,843)	-	883,961	(2,651,882)
	2018	5.0	3,279,613	-	(1,093,205)	2,186,408
	2017	5.0	(1,780,297)	-	890,150	(890,147)
	2016	5.0	37,966	-	(37,966)	-
Changes in proportion and differences						
between contributions and						
proportionate share of contributions:	2020	5.2	-	(51,894)	9,980	(41,914)
	2019	5.2	(112,586)	-	26,806	(85,780)
	2018	5.2	(69,383)	-	23,254	(46,129)
	2017	5.2	(39,610)	-	18,004	(21,606)
	2016	5.6	(8,384)	-	5,257	(3,127)
	2015	5.6	(12,168)	-	12,168	-
Total Deferred (Inflows) of Resources			(2,370,359)	(4,079,283)	1,600,356	(4,849,286)
Total Collective Deferred Outflows (Inflows) of Resources			$ 3,545,524	$ (4,008,618)	$ (307,844)	$ (770,938)

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

Fiscal Year		Total
2022	$	48,371
2023		692,776
2024		(821,555)
2025		(641,095)
Thereafter		(49,435)
	$	(770,938)

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

(Amounts expressed in thousands)

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability							
Service cost	$ 2,006	$ 1,663	$ 1,607	$ 1,498	$ 1,466	$ 1,358	$ 1,242
Interest	7,447	7,223	6,872	6,884	6,595	6,441	6,362
Differences between expected and actual experience	19	831	157	767	429	(129)	-
Changes of assumptions	(1,304)	3,088	2,457	(274)	1,156	1,140	-
Benefit payments, including refunds of member contributions	(6,708)	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,467)
Net Change in Total Pension Liability	1,460	6,028	4,940	2,696	3,875	3,375	2,137
Total Pension Liability - Beginning	104,064	98,036	93,096	90,400	86,525	83,150	81,013
Total Pension Liability - Ending (a)	$ 105,524	$ 104,064	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan Fiduciary Net Position							
Contributions - employer	$ 4,626	$ 4,300	$ 4,097	$ 3,880	$ 3,682	$ 3,466	$ 3,273
Contributions - member	1,482	1,418	1,280	1,201	1,233	1,092	1,215
Net investment income	7,090	8,381	(1,326)	8,178	3,364	276	3,307
Benefit payments, including refunds of member contributions	(6,708)	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,466)
Administrative expense	(151)	(142)	(132)	(143)	(144)	(132)	(125)
Net Change in Plan Fiduciary Net Position	6,339	7,180	(2,234)	6,937	2,364	(733)	2,204
Plan Fiduciary Net Position - Beginning	60,600	53,420	55,654	48,717	46,353	47,086	44,882
Plan Fiduciary Net Position - Ending (b)	$ 66,939	$ 60,600	$ 53,420	$ 55,654	$ 48,717	$ 46,353	$ 47,086
Net Pension Liability - Ending (a-b)	$ 38,585	$ 43,464	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064

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

See Independent Auditors' Report.

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Amounts expressed in thousands)

(Unaudited)

Schedule of Net Pension Liability	2020	2019	2018	2017	2016	2015	2014
Total pension liability	$ 105,524	$ 104,064	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan fiduciary net position	(66,939)	(60,600)	(53,420)	(55,654)	(48,717)	(46,353)	(47,086)
Net Pension Liability	$ 38,585	$ 43,464	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064
Plan fiduciary net position as a percentage of the total pension liability	63.43%	58.23%	54.49%	59.78%	53.89%	53.57%	56.63%
Covered payroll	$ 15,199	$ 14,156	$ 13,047	$ 12,772	$ 12,301	$ 11,431	$ 10,936
Participating employer net pension liability as a percentage of covered payroll	253.87%	307.04%	341.96%	293.16%	338.86%	351.43%	329.77%

Schedule of Contributions	2020	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,618	$ 4,258	$ 4,061	$ 3,849	$ 3,649	$ 3,436	$ 3,241
Contributions in relation to the actuarially determined contribution	(4,626)	(4,300)	(4,097)	(3,880)	(3,682)	(3,466)	(3,273)
Contribution Deficiency (Excess)	$ (8)	$ (42)	$ (36)	$ (31)	$ (33)	$ (30)	$ (32)
Covered payroll	$ 15,542	$ 14,497	$ 13,333	$ 13,040	$ 12,533	$ 11,636	$ 11,126
Contributions as a percentage of covered payroll	29.76%	29.66%	30.73%	29.75%	29.38%	29.79%	29.42%

Schedule of Investment Returns	2020	2020	2019	2018	2017	2016	2015
Annual money weighted rate of return, net of investment expense	11.80%	16.12%	(2.41%)	17.04%	7.33%	0.47%	7.43%

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

See Independent Auditors' Report.

MELANSON

INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Gardner Contributory Retirement System as of and for the year ended December 31, 2020. We have also audited the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Gardner Contributory Retirement System as of and for the year ended December 31, 2020.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

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

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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 totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer.

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

Opinions

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

Restriction on Use

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

Melanson

Merrimack, New Hampshire
January 24, 2022

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Employer Allocations

Employer	FY21 Actual Employer Contributions	Allocation Percentage
City of Gardner	$ 4,424,510	95.82%
Gardner Housing Authority	193,012	4.18%
Total	$ 4,617,522	100.00%

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

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)
Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2020

	City of Gardner	Gardner Housing Authority	Total
Net Pension Liability	$ 36,972,118	$ 1,612,852	$ 38,584,970
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 781,991	$ 34,113	$ 816,104
Changes of assumptions	2,935,626	128,062	3,063,688
Changes in proportion and differences between employer contributions and proportionate share of contributions	112,776	85,780	198,556
Total Deferred Outflows of Resources	$ 3,830,393	$ 247,955	$ 4,078,348
Deferred Inflows of Resources			
Changes of assumptions	$ 1,069,796	$ 46,667	$ 1,116,463
Net difference between projected and actual investment earnings on pension plan investments	3,386,535	147,732	3,534,267
Changes in proportion and differences between employer contributions and proportionate share of contributions	85,780	112,776	198,556
Total Deferred Inflows of Resources	$ 4,542,111	$ 307,175	$ 4,849,286
Pension Expense			
Proportionate share of pension expense	$ 3,893,213	$ 169,835	$ 4,063,048
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	12,857	(12,857)	-
Total Pension Expense	$ 3,906,070	$ 156,978	$ 4,063,048
Contributions			
Actuarially determined contribution	$ 4,424,510	$ 193,012	$ 4,617,522
Contributions made	(4,432,606)	(193,365)	(4,625,971)
Contribution Deficiency / (Excess)	$ (8,096)	$ (353)	$ (8,449)
Contributions as a percentage of covered payroll	30.44%	30.24%	30.43%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2022	$ 71,621	$ (23,250)	$ 48,371
June 30, 2023	671,560	21,216	692,776
June 30, 2024	(799,847)	(21,708)	(821,555)
June 30, 2025	(609,679)	(31,416)	(641,095)
June 30, 2026	(45,373)	(4,062)	(49,435)
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ (711,718)	$ (59,220)	$ (770,938)
Discount Rate Sensitivity			
1% decrease (6.25%)	$ 47,586,807	$ 2,075,902	$ 49,662,709
Current discount rate (7.25%)	$ 36,972,118	$ 1,612,852	$ 38,584,970
1% increase (8.25%)	$ 27,968,262	$ 1,220,072	$ 29,188,334
Covered payroll	$ 14,560,121	$ 639,492	$ 15,199,613

See actuarial assumptions in the Gardner Contributory Retirement System's audited financial statements.

THE CHAIR CITY

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2019

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

We have audited the accompanying financial statements of the Gardner Contributory Retirement System (the System), a component unit of the City of Gardner, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the

circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 Gardner Contributory Retirement System as of December 31, 2019, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Melanson Heath

July 28, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Notes to financial statements. The notes 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 $60,599,735 at December 31, 2019.
- The System's net position increased by $7,180,198, which is primarily due to investment gains during the year.

- **Employer and employee contributions to the plan were $5,716,282, which represents an increase of $106,387 over the prior year. The employer share of contributions represents 72.35% of the total contributions made to the System.**
- **Benefits paid to plan participants increased by $313,076, or 4.96%, totaling $6,619,643. At December 31, 2019, there were 254 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 8.**
- **The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2019 actuarial valuation was 58.23%, with 12 years remaining in its amortization period.**

C. FINANCIAL STATEMENT ANALYSIS

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

FIDUCIARY NET POSITION

	2019	2018
Assets		
Cash and receivables	$ 356	$ 390
Investments	60,468	53,255
Total Assets	60,824	53,645
Liabilities		
Accounts payable	224	225
Total Liabilities	224	225
Net Position		
Restricted for Pensions	$ 60,600	$ 53,420

The System's total assets as of December 31, 2019 were $60,823,706 and were mostly comprised of investments. Total assets increased $7,179,201, or 13.38%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	2019	2018
Additions		
Contributions	$ 5,885	$ 5,773
Investment income (loss), net	8,384	(1,323)
Total Additions	14,269	4,450
Deductions		
Benefit payments	6,620	6,306
Other	469	378
Total Deductions	7,089	6,684
Change in Net Position	7,180	(2,234)
Net Position Restricted for Pensions		
Beginning of Year	53,420	55,654
End of Year	$ 60,600	$ 53,420

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 2019 resulted in a gain of $7,180,198. Employers' contributions increased by $196,967, or 4.85%, in calendar year 2019. The System had net investment gains of $8,383,981 in 2019 versus investment losses of $(1,322,966) in 2018, primarily due to the market performing more favorable in calendar year 2019.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2019 were $7,088,871, which represents an increase of $403,771, or 6.04%, over deductions of $6,685,100 in calendar year 2018. The payment of pension benefits increased by $313,076, or 4.96%, over the previous year.

REQUESTS FOR INFORMATION

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

Ms. Cheryl Bosse, Retirement Director
Gardner Contributory Retirement System
95 Pleasant Street, Room 17
Gardner, Massachusetts 01440

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2019

Assets		
Cash and short-term investments	$	29,086
Investments:		
External investment pool		60,467,632
Accounts receivable		326,988
Total Assets	$	60,823,706
Liabilities		
Accounts payable	$	223,971
Total Liabilities		223,971
Net Position		
Restricted for pensions purposes		60,599,735
Total Liabilities and Net Position	$	60,823,706

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2019

Additions	
Contributions:	
Employers	$ 4,258,136
Plan members	1,458,146
Other systems and Commonwealth of Massachusetts	127,030
Other	41,776
Total Contributions	5,885,088
Investment Income:	
Appreciation in fair value of investments	8,672,167
Less: Management fees	(288,186)
Net Investment Gain	8,383,981
Total Additions	14,269,069
Deductions	
Benefit payments to plan members and beneficiaries	6,619,643
Refunds to plan members	168,448
Transfers to other systems	158,883
Administrative expenses	141,897
Total Deductions	7,088,871
Net Increase	7,180,198
Net Position Restricted for Pensions	
Beginning of Year	53,419,537
End of Year	$ 60,599,735

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

1. Description of Plan

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

Membership of the plan consisted of the following at January 1, 2019:

Retirees and beneficiaries receiving benefits	254
Inactive members entitled to a return of employee contributions	81
Active plan members	296
Total	631
Number of participating employers	2

Participant Contributions

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

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

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

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 four 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 City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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%.

Employer Contributions

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

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial statements. The System is governed by a 5-member board. The 5 members include 2 appointed by the City, 2 elected by the members and retirees, and a 5th member chosen by the other 4 members with the approval of PERAC.

Summary of Significant Accounting Policies

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

Basis of Accounting

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

Investments

Investment Policy

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

Rate of Return

For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 16.12%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

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

As of December 31, 2019, none of the System's bank balances of $138,268 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

All of the System's investments totaling $60,467,632 are in an external (State) investment pool. *

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

A. *Credit Risk*

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

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

B. *Custodial Credit Risk*

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

All the System's investments of $60,467,632 are comprised of pooled investment funds, which are exempt from custodial risk disclosure.

C. *Concentration of Credit Risk*

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

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

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

D. *Interest Rate Risk*

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

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

E. *Foreign Currency Risk*

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

F. *Fair Value*

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

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

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

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

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

Investments measured at the net asset value (NAV):	Value
External investment pool	$ 60,468

Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool	$ 60,468	$ -	Monthly	30 Days

5. Accounts Receivable

The accounts receivable balance primarily represents legal amounts due from Gardner Housing Authority for pension appropriations, member deductions from the City of Gardner, as well as 3(8)c reimbursements from other systems, not received until after December 31, 2019.

6. Accounts Payable

This balance primarily represents 3(8)c reimbursements for calendar year 2019 paid after December 31, 2019.

7. Contingencies

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

8. Subsequent Event

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

9. Net Pension Liability of Participating Employers

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

A. *Net Pension Liability of Employers*

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

Total pension liability	$ 104,064,091
Plan fiduciary net position	(60,599,735)
Employers' net pension liability	$ 43,464,356
Plan fiduciary net position as a percentage of total pension liability	58.23%

B. *Actuarial Assumptions*

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

Valuation date	1/1/2019
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	12 years

Actuarial assumptions:

Investment rate of return	7.25%
Projected salary increases:	
Group 1 and 2	3.25%
Fire	3.25%
Police	3.25%
Inflation rate	3% per year
Post-retirement cost-of-living adjustment	3% on first $13,000

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

Mortality rates were based on RP-2014 table adjusted to 2006 and projected generationally with MP-2016 (sex-distinct). Mortality rates for disabled retirees follows the same table as non-disabled retirees, set forward two years.

Changes of Assumptions

The discount rate in 2019 decreased to 7.25% from 7.50% in 2018. The salary increase assumption was revised, increasing step increases for all employees. The System's total pension liability increased by approximately $3.1M as the result of these changes.

C. *Target Allocations*

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

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Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	13.00%	4.29%
International equities	13.00%	4.39%
Emerging equities	5.00%	6.54%
Hedged equity	8.00%	3.61%
Core bonds	6.00%	0.88%
Short-term fixed income	2.00%	0.59%
Long duration treasury	3.00%	0.00%
Inflation-linked bonds	4.00%	0.20%
Value-added fixed income	8.00%	4.20%
Private equity	13.00%	8.20%
Real estate	10.00%	3.51%
Timberland	4.00%	4.10%
Portfolio completion (PCS)	11.00%	3.22%
Total	100.00%	

D. *Discount Rate*

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

E. *Sensitivity of Discount Rate*

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$54,641,001	$43,464,356	$34,004,612

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F. Deferred Outflows/(Inflows) of Resources

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 1,215,181	$ (13,862)
Changes of assumptions	4,458,571	(115,805)
Net difference between projected and actual investment earnings on pension plan investments	-	(1,998,561)
Changes in proportion and differences between employer contributions and proportionate share of contributions	242,131	(242,131)
Total	$ 5,915,883	$ (2,370,359)

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
Deferred Outflows of Resources						
Difference between expected and actual experience:	2019	5.2	$ -	$ 831,041	$ (159,816)	$ 671,225
	2018	5.2	126,865	-	(30,206)	96,659
	2017	5.2	472,265	-	(147,583)	324,682
	2016	5.6	199,249	-	(76,634)	122,615
Change in assumptions:	2019	5.2	-	3,088,244	(593,895)	2,494,349
	2018	5.2	1,984,355	-	(472,465)	1,511,890
	2016	5.6	536,497	-	(206,344)	330,153
	2015	5.6	325,812	-	(203,633)	122,179
Changes in proportion and differences between contribtions and proportionate share of contributions:	2019	5.2	-	139,392	(26,806)	112,586
	2018	5.2	90,233	-	(20,850)	69,383
	2017	5.2	57,614	-	(18,004)	39,610
	2016	5.6	13,581	-	(5,197)	8,384
	2015	5.6	35,229	-	(23,061)	12,168
Total Deferred Outflows of Resources			3,841,700	4,058,677	(1,984,494)	5,915,883
Deferred (Inflows) of Resources						
Difference between expected and actual experience	2015	5.6	(36,965)	-	23,103	(13,862)
Change in assumptions	2017	5.2	(168,444)	-	52,639	(115,805)
Net differences between projected and actual earnings on pension plan investments:	2019	5.0	-	(4,419,804)	883,961	(3,535,843)
	2018	5.0	4,372,818	-	(1,093,205)	3,279,613
	2017	5.0	(2,670,445)	-	890,148	(1,780,297)
	2016	5.0	75,930	-	(37,964)	37,966
	2015	5.0	678,431	-	(678,431)	-
Changes in proportion and differences between contribtions and proportionate share of contributions:	2019	5.2	-	(139,392)	26,806	(112,586)
	2018	5.2	(90,233)	-	20,850	(69,383)
	2017	5.2	(57,614)	-	18,004	(39,610)
	2016	5.6	(13,581)	-	5,197	(8,384)
	2015	5.6	(35,229)	-	23,061	(12,168)
Total Deferred (Inflows) of Resources			2,054,668	(4,559,196)	134,169	(2,370,359)
Total Collective Deferred Outflows (Inflows) of Resources			$ 5,896,368	$ (500,519)	$ (1,850,325)	$ 3,545,524

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

Fiscal Year	Total
2021	$ 1,099,682
2022	840,207
2023	1,484,613
2024	(29,718)
Thereafter	150,740
	$ 3,545,524

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

(Amounts expressed in thousands)

(Unaudited)

	2019	2018	2017	2016	2015	2014
Total Pension Liability						
Service cost	$ 1,663	$ 1,607	$ 1,498	$ 1,466	$ 1,358	$ 1,242
Interest on unfunded liability - time value of money	7,223	6,872	6,884	6,595	6,441	6,362
Differences between expected and actual experience	831	157	767	429	(129)	-
Changes of assumptions	3,088	2,457	(274)	1,156	1,140	-
Benefit payments, including refunds of member contributions	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,467)
Net Change in Total Pension Liability	6,028	4,940	2,696	3,875	3,375	2,137
Total Pension Liability - Beginning	98,036	93,096	90,400	86,525	83,150	81,013
Total Pension Liability - Ending (a)	$ 104,064	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan Fiduciary Net Position						
Contributions - employer	$ 4,300	$ 4,097	$ 3,880	$ 3,682	$ 3,466	$ 3,273
Contributions - member	1,418	1,280	1,201	1,233	1,092	1,215
Net investment income	8,381	(1,326)	8,178	3,364	276	3,307
Benefit payments, including refunds of member contributions	(6,777)	(6,153)	(6,179)	(5,771)	(5,435)	(5,466)
Administrative expense	(142)	(132)	(143)	(144)	(132)	(125)
Net Change in Plan Fiduciary Net Position	7,180	(2,234)	6,937	2,364	(733)	2,204
Plan Fiduciary Net Position - Beginning	53,420	55,654	48,717	46,353	47,086	44,882
Plan Fiduciary Net Position - Ending (b)	$ 60,600	$ 53,420	$ 55,654	$ 48,717	$ 46,353	$ 47,086
Net Pension Liability (Asset) - Ending (a-b)	$ 43,464	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064

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

See Independent Auditors' Report.

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Amounts expressed in thousands)

(Unaudited)

Schedule of Net Pension Liability	2019	2018	2017	2016	2015	2014
Total pension liability	$ 104,064	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan fiduciary net position	(60,600)	(53,420)	(55,654)	(48,717)	(46,353)	(47,086)
Net Pension Liability (Asset)	$ 43,464	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064
Plan fiduciary net position as a percentage of the total pension liability	58.23%	54.49%	59.78%	53.89%	53.57%	56.63%
Covered payroll	$ 14,156	$ 13,047	$ 12,772	$ 12,301	$ 11,431	$ 10,936
Participating employer net pension liability as a percentage of covered payroll	307.04%	341.96%	293.16%	338.86%	351.43%	329.77%

Schedule of Contributions	2019	2018	2017	2016	2015	2014
Actuarially determined contribution	$ 4,258	$ 4,061	$ 3,849	$ 3,649	$ 3,436	$ 3,241
Contributions in relation to the actuarially determined contribution	(4,300)	(4,097)	(3,880)	(3,682)	(3,466)	(3,273)
Contribution Deficiency (Excess)	$ (42)	$ (36)	$ (31)	$ (33)	$ (30)	$ (32)
Covered payroll	$ 14,497	$ 13,333	$ 13,040	$ 12,533	$ 11,636	$ 11,126
Contributions as a percentage of covered payroll	29.66%	30.73%	29.75%	29.38%	29.79%	29.42%

Schedule of Investment Returns *Year Ended December 31*	2019	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	16.12%	(2.41%)	17.04%	7.33%	0.47%	7.43%

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

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

Report on Schedules

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

Management's Responsibility for the Schedules

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Gardner Contributory Retirement System as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Restriction on Use

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

Melanson Heath

July 28, 2020

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Employer Allocations

Employer	FY20 Actual Employer Contributions	Allocation Percentage
City of Gardner	$ 4,074,610	95.69%
Gardner Housing Authority	183,526	4.31%
Total	$ 4,258,136	100.00%

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

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Pension Amounts by Employer

As of and for the Year Ended December 31, 2019

	City of Gardner	Gardner Housing Authority	Total
Net Pension Liability	$ 41,591,042	$ 1,873,314	$ 43,464,356
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 1,162,807	$ 52,374	$ 1,215,181
Changes of assumptions	4,266,407	192,164	4,458,571
Changes in proportion and differences between employer contributions and proportionate share of contributions	115,045	127,086	242,131
Total Deferred Outflows of Resources	$ 5,544,259	$ 371,624	$ 5,915,883
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 13,264	$ 598	$ 13,862
Changes of assumptions	110,814	4,991	115,805
Net difference between projected and actual investment earnings on pension plan investments	1,912,423	86,138	1,998,561
Changes in proportion and differences between employer contributions and proportionate share of contributions	127,086	115,045	242,131
Total Deferred Inflows of Resources	$ 2,163,587	$ 206,772	$ 2,370,359
Pension Expense			
Proportionate share of pension expense	$ 5,261,807	$ 236,999	$ 5,498,806
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(5,551)	5,551	-
Total Pension Expense	$ 5,256,256	$ 242,550	$ 5,498,806
Contributions			
Actuarially determined contribution	$ 4,074,610	$ 183,526	$ 4,258,136
Contributions made	(4,114,586)	(185,327)	(4,299,913)
Contribution Deficiency / (Excess)	$ (39,976)	$ (1,801)	$ (41,777)
Contributions as a percentage of covered payroll	30.43%	29.17%	30.37%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2021	$ 1,055,163	$ 44,519	$ 1,099,682
June 30, 2022	819,287	20,920	840,207
June 30, 2023	1,418,388	66,225	1,484,613
June 30, 2024	(51,050)	21,332	(29,718)
June 30, 2025	138,883	11,857	150,740
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ 3,380,671	$ 164,853	$ 3,545,524
Discount Rate Sensitivity			
1% decrease (6.25%)	$ 52,285,974	$ 2,355,027	$ 54,641,001
Current discount rate (7.25%)	$ 41,591,042	$ 1,873,314	$ 43,464,356
1% increase (8.25%)	$ 32,539,013	$ 1,465,599	$ 34,004,612
Covered payroll	$ 13,520,929	$ 635,331	$ 14,156,260

See actuarial assumptions in the Gardner Contributory Retirement System's audited financial statements.

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THE CHAIR CITY

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2018

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

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

Other Matters

Required Supplementary Information

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

Melanson Heath

October 29, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Gardner Contributory Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 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, other assets, 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 $53,419,537 at December 31, 2018.

- The System's net position (decreased) by $(2,234,668), which is primarily due to investment losses during the year.
- Employer and employee contributions to the plan were $5,609,895, which represents a $426,310 increase over the prior year. The employer share of contributions represents 70.34% of the total contributions made to the System.
- Benefits paid to plan participants increased by $160,984 or 2.62%, totaling $6,306,567. At December 31, 2018, there were 248 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 8.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2018 actuarial valuation was 54.49%, with 13 years remaining in its amortization period.

C. FINANCIAL STATEMENT ANALYSIS

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

FIDUCIARY NET POSITION

	2018	2017
Assets		
Cash and receivables	$ 390	$ 318
Investments	53,255	55,580
Total Assets	53,645	55,898
Liabilities		
Accounts payable	225	244
Total Liabilities	225	244
Net Position		
Restricted for Pensions	$ 53,420	$ 55,654

The System's total assets as of December 31, 2018 were $53,644,505 and were mostly comprised of investments. Total assets decreased $(2,253,434), or 4.03%, from the prior year primarily due to decrease in investment value.

CHANGES IN FIDUCIARY NET POSITION

	2018	2017
Additions		
Contributions	$ 5,773	$ 5,347
Investment income (loss), net	(1,323)	8,179
Total Additions	4,450	13,526
Deductions		
Benefit payments	6,306	6,146
Other	378	443
Total Deductions	6,684	6,589
Change in Net Position	(2,234)	6,937
Net Position Restricted for Pensions		
Beginning of Year	55,654	48,717
End of Year	$ 53,420	$ 55,654

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 a net loss of $(2,234,668). Employers' contributions increased by $211,720, or 5.50% in calendar year 2018. The System had net investment loss of $(1,322,966) versus investment income of $8,178,723 in 2017, primarily due to the market performing less favorable in calendar year 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 $6,685,100, which represents an increase of $96,388, or 1.46%, over deductions of $6,588,712 in calendar year 2017. The payment of pension benefits increased by $160,984 or 2.62% over the previous year.

REQUESTS FOR INFORMATION

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

Ms. Cheryl Bosse, Retirement Director
Gardner Contributory Retirement System
95 Pleasant Street, Room 17
Gardner, Massachusetts 01440

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2018

Assets	
Cash and short-term investments	$ 82,405
Investments:	
External investment pool	53,254,441
Accounts receivable	307,659
Total Assets	$ 53,644,505
Liabilities	
Accounts payable	$ 224,968
Total Liabilities	224,968
Net Position	
Restricted for pensions	53,419,537
Total Liabilities and Net Position	$ 53,644,505

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2018

Additions		
Contributions:		
Employers	$	4,061,169
Plan members		1,548,726
Other systems and Commonwealth of Massachusetts		127,463
Other		36,040
Total Contributions		5,773,398
Investment income (loss):		
Appreciation (depreciation) in fair value of investments		(1,032,214)
Less: management fees		(290,752)
Net Investment Gain (Loss)		(1,322,966)
Total Additions		4,450,432
Deductions		
Benefit payments to plan members and beneficiaries		6,306,567
Refunds to plan members		84,703
Transfers to other systems		157,396
Administrative expenses		136,434
Total Deductions		6,685,100
Net Increase (Decrease)		(2,234,668)
Net Position Restricted for Pensions		
Beginning of Year		55,654,205
End of Year	$	53,419,537

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

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

Membership of the plan consisted of the following at January 1, 2018 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	248
Inactive members entitled to a return of employee contributions	67
Active plan members	286
Total	601
Number of participating employers	2

Participant Contributions

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

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

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% 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 City employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

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

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 a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the City, the System is included as a pension trust fund in the City's basic financial statements. The System is governed by a 5-member board. The 5 members include 2 appointed by the City, 2 elected by the members and retirees, and a 5^{th} member chosen by the other 4 members with the approval of PERAC.

Summary of Significant Accounting Policies

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

Investments

Investment Policy

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

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was (2.41)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

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

As of December 31, 2018, none of the System's bank balances of $186,199 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

All of the System's investments totaling $53,254,441 are in an external (State) investment pool. *

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

A. <u>Credit Risk</u>

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

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

B. <u>Custodial Credit Risk</u>

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

All the System's investments of $53,254,441 are comprised of pooled investment funds, which are exempt from custodial risk disclosure.

C. *Concentration of Credit Risk*

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

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

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

D. *Interest Rate Risk*

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

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

E. *Foreign Currency Risk*

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

F. *Fair Value*

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

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

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

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

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

Investments measured at the net asset value (NAV):	Value
External Investment Pools	$ 53,254

Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pools	$ 53,254	$ -	Monthly	30 Days

5. Accounts Receivable

The accounts receivable balance primarily represents member deductions from the City of Gardner as well as 3(8)c reimbursements from other systems not received until after December 31, 2018.

6. Accounts Payable

This balance primarily represents 3(8)c reimbursement payments for calendar year 2018 paid after December 31, 2018.

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	$ 98,035,844
Plan fiduciary net position	(53,419,537)
Employers' Net Pension Liability	$ 44,616,307
Plan fiduciary net position as a percentage of total pension liability	54.49%

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	13 years
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases:	
Group 1 and 2	3.25%
Fire	3.25%
Police	3.25%
Inflation rate	3% per year
Post-retirement cost-of-living adjustment	3% on first $13,000

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

Mortality rates were based on RP-2014 projected from the year 2006 with MP-2016. For members retired under an accidental disability (job related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 table projected from the year 2006 with Generational Mortality, Scale BB, set forward 2 years.

Changes of Assumptions

The discount rate in 2018 changed to 7.5% compared to the discount rate of 7.75% in 2017. The salary increase assumption in 2018 change to 3.25% compared to 3.75% in 2017.

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.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
U.S. equity	13.00%	5.25%
International equities	13.00%	5.43%
Emerging equities	5.00%	6.90%
Hedged equity	8.00%	4.54%
Core bonds	6.00%	2.07%
Short-term fixed income	2.00%	1.72%
20+ yr. Treasury STRIPS	3.00%	1.22%
TIPS	4.00%	1.71%
Value-Added fixed income	8.00%	5.21%
Private equity	13.00%	8.70%
Real estate	10.00%	4.09%
Timberland	4.00%	4.65%
Portfolio completion (PCS)	11.00%	4.41%
Total	100.00%	

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D. __Discount Rate__

The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

E. __Sensitivity of Discount Rate__

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, 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 or 1 percentage-point higher than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
$54,239,841	$44,616,307	$37,361,793

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	$ 798,379	$ (36,965)
Changes of assumptions	2,846,664	(168,444)
Net difference between projected and actual investment earnings on pension plan investments	2,456,734	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,657	(196,657)
Total	$ 6,298,434	$ (402,066)

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
Deferred Outflows of Resources						
Difference between expected						
and actual experience:	2018	5.2	$ -	$ 157,071	$ (30,206)	$ 126,865
	2017	5.2	619,848	-	(147,583)	472,265
	2016	5.6	275,883	-	(76,634)	199,249
Change in assumptions:	2018	5.2	-	2,456,820	(472,465)	1,984,355
	2016	5.6	742,841	-	(206,344)	536,497
	2015	5.6	529,445	-	(203,633)	325,812
Net differences between projected						
and actual earnings on pension plan						
investments:	2018	5.0	-	5,466,023	(1,093,205)	4,372,818
	2017	5.0	(3,560,593)	-	890,148	(2,670,445)
	2016	5.0	113,894	-	(37,964)	75,930
	2015	5.0	1,356,861	-	(678,430)	678,431
	2014	5.0	47,811	-	(47,811)	-
Changes in proportion and differences						
between contribtions and						
proportionate share of contributions:	2018	5.8	-	109,032	(18,799)	90,233
	2017	5.2	75,618	-	(18,004)	57,614
	2016	5.6	18,778	-	(5,197)	13,581
	2015	5.6	58,290	-	(23,061)	35,229
Total Deferred Outflows of Resources			278,676	8,188,946	(2,169,188)	6,298,434
Deferred (Inflows) of Resources						
Difference between expected						
and actual experience	2015	5.6	(60,068)	-	23,103	(36,965)
Change in assumptions	2017	5.2	(221,082)	-	52,638	(168,444)
Changes in proportion and differences						
between contribtions and						
proportionate share of contributions:	2018	5.8	-	(109,032)	18,799	(90,233)
	2017	5.2	(75,618)	-	18,004	(57,614)
	2016	5.6	(18,778)	-	5,197	(13,581)
	2015	5.6	(58,290)	-	23,061	(35,229)
Total Deferred (Inflows) of Resources			(433,836)	(109,032)	140,802	(402,066)
Total Collective Deferred Outflows (Inflows) of Resources			$ (155,160)	$ 8,079,914	$ (2,028,386)	$ 5,896,368

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

Fiscal Year	Total
2020	$ 1,980,576
2021	1,229,934
2022	970,459
2023	1,614,865
Thereafter	100,534
	$ 5,896,368

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GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

For the Year Ended December 31,

(Unaudited)

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	$ 1,607	$ 1,498	$ 1,466	$ 1,358	$ 1,242
Interest on unfunded liability - time value of money	6,872	6,884	6,595	6,441	6,362
Differences between expected and actual experience	157	767	429	(129)	-
Changes of assumptions	2,457	(274)	1,156	1,140	-
Benefit payments, including refunds of member contributions	(6,153)	(6,179)	(5,771)	(5,435)	(5,467)
Net Change in Total Pension Liability	4,940	2,696	3,875	3,375	2,137
Total Pension Liability - Beginning	93,096	90,400	86,525	83,150	81,013
Total Pension Liability - Ending (a)	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan Fiduciary Net Position					
Contributions - employer	$ 4,097	$ 3,880	$ 3,682	$ 3,466	$ 3,273
Contributions - member	1,280	1,201	1,233	1,092	1,215
Net investment income	(1,326)	8,178	3,364	276	3,307
Benefit payments, including refunds of member contributions	(6,153)	(6,179)	(5,771)	(5,435)	(5,466)
Administrative expense	(132)	(143)	(144)	(132)	(125)
Net Change in Plan Fiduciary Net Position	(2,234)	6,937	2,364	(733)	2,204
Plan Fiduciary Net Position - Beginning	55,654	48,717	46,353	47,086	44,882
Plan Fiduciary Net Position - Ending (b)	$ 53,420	$ 55,654	$ 48,717	$ 46,353	$ 47,086
Net Pension Liability (Asset) - Ending (a-b)	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064

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

See Independent Auditors' Report.

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Required Supplementary Information

Schedules of Net Pension Liability, Contributions, and Investment Returns

For the Year Ended December 31,

(Unaudited)

	2018	2017	2016	2015	2014
Schedule of Net Pension Liability					
Total pension liability	$ 98,036	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan fiduciary net position	(53,420)	(55,654)	(48,717)	(46,353)	(47,086)
Net Pension Liability (Asset)	$ 44,616	$ 37,442	$ 41,683	$ 40,172	$ 36,064
Plan fiduciary net position as a percentage of the total pension liability	54.49%	59.78%	53.89%	53.57%	56.63%
Covered payroll	$ 13,047	$ 12,772	$ 12,301	$ 11,431	$ 10,936
Participating employer net pension liability as a percentage of covered payroll	341.96%	293.16%	338.86%	351.43%	329.77%

	2018	2017	2016	2015	2014
Schedule of Contributions					
Actuarially determined contribution	$ 4,061	$ 3,849	$ 3,649	$ 3,436	$ 3,241
Contributions in relation to the actuarially determined contribution	(4,097)	(3,880)	(3,682)	(3,466)	(3,273)
Contribution Deficiency (Excess)	$ (36)	$ (31)	$ (33)	$ (30)	$ (32)
Covered payroll	$ 13,333	$ 13,040	$ 12,533	$ 11,636	$ 11,126
Contributions as a percentage of covered payroll	30.73%	29.75%	29.38%	29.79%	29.42%

Schedule of Investment Returns

Year Ended December 31	2018	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	(2.41%)	17.04%	7.33%	0.47%	7.43%

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

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
Gardner Contributory Retirement System
City of Gardner, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Gardner Contributory Retirement System as of and for the year ended December 31, 2018. We have also audited the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the Gardner Contributory 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 totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Gardner Contributory 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 Gardner Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2018 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson Heath

October 29, 2019

GARDNER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Employer Allocations

Employer	FY19 Actual Employer Contributions	Allocation Percentage
City of Gardner	$ 3,900,753	96.05%
Gardner Housing Authority	160,416	3.95%
Total	$ 4,061,169	100.00%

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Schedule of Pension Amounts by Employer

As of and for the Year Ended December 31, 2018

	City of Gardner	Gardner Housing Authority	Total
Net Pension Liability	$ 42,853,963	$ 1,762,344	$ 44,616,307
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 766,844	$ 31,535	$ 798,379
Changes of assumptions	2,734,220	112,444	2,846,664
Net difference between projected and actual investment earnings on pension plan investments	2,359,693	97,041	2,456,734
Changes in proportion and differences between employer contributions and proportionate share of contributions	159,229	37,428	196,657
Total Deferred Outflows of Resources	$ 6,019,986	$ 278,448	$ 6,298,434
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 35,505	$ 1,460	$ 36,965
Changes of assumptions	161,790	6,654	168,444
Changes in proportion and differences between employer contributions and proportionate share of contributions	37,429	159,228	196,657
Total Deferred Inflows of Resources	$ 234,724	$ 167,342	$ 402,066
Pension Expense			
Proportionate share of pension expense	$ 5,013,880	$ 206,193	$ 5,220,073
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	21,255	(21,255)	-
Total Pension Expense	$ 5,035,135	$ 184,938	$ 5,220,073
Contributions			
Actuarially determined contribution	$ 3,900,753	$ 160,416	$ 4,061,169
Contributions made	(3,935,369)	(161,840)	(4,097,209)
Contribution Deficiency / (Excess)	$ (34,616)	$ (1,424)	$ (36,040)
Contributions as a percentage of covered payroll	31.42%	31.10%	31.40%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2020	$ 1,923,599	$ 56,977	$ 1,980,576
June 30, 2021	1,211,035	18,899	1,229,934
June 30, 2022	974,225	(3,766)	970,459
June 30, 2023	1,575,646	39,219	1,614,865
June 30, 2024	100,757	(223)	100,534
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ 5,785,262	$ 111,106	$ 5,896,368
Discount Rate Sensitivity			
1% decrease (6.5%)	$ 52,097,368	$ 2,142,473	$ 54,239,841
Current discount rate (7.5%)	$ 42,853,963	$ 1,762,344	$ 44,616,307
1% increase (8.5%)	$ 35,886,002	$ 1,475,791	$ 37,361,793
Covered payroll	$ 12,526,833	$ 520,386	$ 13,047,219

See actuarial assumptions in the Gardner Contributory Retirement System's audited financial statements.

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GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of
Gardner, Massachusetts)

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 System Board
City of Gardner, Massachusetts

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

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

Other Matters

Required Supplementary Information

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

Melanson Heath

December 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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.

B. FINANCIAL HIGHLIGHTS

- The System's total net position available for benefits were $55,654,205 at December 31, 2017, which is a change of $6,937,205, in comparison to the prior year.
- Employer and employee contributions to the plan were $5,183,585, which represents a change of $146,984 in comparison to the prior year. The employer share of contributions represents 72% of the total contributions.
- Benefits paid to plan participants were $6,145,583. At December 31, 2017, there were 241 retirees and beneficiaries in receipt of pension benefits.

C. FINANCIAL STATEMENT ANALYSIS

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

FIDUCIARY NET POSITION

	2017	2016
Assets		
Cash and receivables	$ 320	$ 342
Investments	55,578	48,635
Total assets	55,898	48,977
Liabilities		
Accounts payable	244	260
Net position	$ 55,654	$ 48,717

CHANGES IN FIDUCIARY NET POSITION

	2017	2016
Additions		
Contributions	$ 5,347	$ 5,200
Investment income, net	8,178	3,364
Total additions	13,525	8,564
Deductions		
Benefit payments	6,146	5,747
Other	442	453
Total deductions	6,588	6,200
Change in net position	6,937	2,364
Net position - beginning of year	48,717	46,353
Net position - end of year	$ 55,654	$ 48,717

The System's total assets as of December 31, 2017 were $55,897,939 and were mostly comprised of investments. Total assets increased $6,920,603 or 14% from the prior year primarily due to an increase in investment value.

The System was 59.78% funded based on its actuarial valuation of January 1, 2017 with 16 years remaining in the amortization period.

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment gain for calendar year 2017 resulted in total additions of $13,525,917. Employer contributions increased by $200,682 in comparison with the prior year. The System had net investment gain of $8,178,723 in 2017, versus a gain of $3,363,805 in 2016, an increase of $4,814,918.

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 $6,588,712, which represents an increase of 7.5% over deductions of $6,128,275 in 2016. The payment of pension benefits increased by $398,198 or 6.5% over the previous year.

REQUESTS FOR INFORMATION

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

Ms. Cheryl Bosse
Retirement Director
Gardner Contributory Retirement System
95 Pleasant Street, Room 17
Gardner, Massachusetts 01440

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2017

Assets		
Cash and short-term investments	$	948
Investments		55,577,965
Accounts receivable		319,026
Total Assets	$	55,897,939
Liabilities and Net Position		
Accounts payable	$	243,734
Total Liabilities		243,734
Net position restricted for pensions		55,654,205
Total Liabilities and Net Position	$	55,897,939

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

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the City of Gardner, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2017

Additions	
Contributions:	
Employers	$ 3,849,449
Plan members	1,334,136
Other systems and Commonwealth of Massachusetts	132,976
Other	30,633
Total contributions	5,347,194
Investment income:	
Appreciation in fair value of investments	8,450,654
Less: management fees	(271,931)
Net investment gain	8,178,723
Total additions	13,525,917
Deductions	
Benefit payments to plan members and beneficiaries	6,145,583
Refunds to plan members	74,871
Transfers to other systems	223,902
Administrative expenses	144,356
Total deductions	6,588,712
Net increase	6,937,205
Net Position Restricted for Pensions	
Beginning of year	48,717,000
End of year	$ 55,654,205

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

GARDNER CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

The System is a defined cost sharing, multiple employer public employee retirement system (PERS) of 2-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 the plan consisted of the following at December 31, 2017:

Inactive employees or beneficiaries currently receiving benefits	241
Inactive employees entitled to a return of contributions	63
Active plan members	281
Total	585
Number of participating employers	2

Participant Contributions

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

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

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

Employer Contributions

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

Participant Retirement Benefits

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

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

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

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

Participant Refunds

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

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

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

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 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 the 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, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

3. Cash and Short-Term Investments

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

As of December 31, 2017, none of System's bank balance of $187,356 was exposed to custodial credit risk as uninsured, uncollateralized, and/or collateral held by the 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 Pension Reserve Investment Trust (PRIT) fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

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

B. *Custodial Credit Risk*

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

All the System's investments of $55,577,965 are comprised of pooled investment funds, which are exempt from custodial risk disclosure.

C. *Concentration of Credit Risk*

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

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

D. *Interest Rate Risk*

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

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

E. *Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have polices 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 investments as of December 31, 2017 (in thousands):

Description	Value
Investments measured at the net asset value (NAV):	
External investment pool	$ 55,578

Description	Value	Unfunded Commitments	Redemption Frequency (If currently eligible)	Redemption Notice Period
External investment pool	$ 55,578	$ -	Monthly	30 days

5. Accounts Receivable

The accounts receivable balance primarily represents member deductions from the City of Gardner not received until after December 31, 2017.

6. Accounts Payable

This balance primarily represents 3(8)c reimbursement payments for calendar year 2017 paid after December 31, 2017.

7. Net Pension Liability of Participating Employers

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

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	$ 93,096,120
Plan fiduciary net position	(55,654,205)
Employers' net pension liability	$ 37,441,915
Plan fiduciary net position as a percentage of total pension liability	59.78%

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B. *Actuarial Assumptions*

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

Valuation Date	1/1/2017
Actuarial cost method	Entry Age Normal Cost
Actuarial assumptions:	
Investment rate of return	7.75%
Projected salary increases	3.75%
Inflation	3.00% per year
Post-retirement cost-of-living adjustment	3% on first $13,000

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

Mortality rates were based on RP-2014 projected from the year 2006 with MP-2016. For members retired under an accidental disability (job related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 table projected from the year 2006 with Generational Mortality, Scale BB, set forward 2 years.

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.

Asset Class	Target Asset Allocation	Long-term Expected Real Rate of Return
US Equities	17.50%	4.47%
International Equities	15.50%	4.66%
Emerging Equities	6.00%	6.12%
Core Bonds	5.00%	0.73%
20+ Yr. Treasury STRIPS	2.00%	0.49%
TIPS	5.00%	0.73%
Value-Added Fixed Income	10.00%	3.50%
Private Equity	12.00%	6.31%
Real Estate	10.00%	3.59%
Timberland	4.00%	3.16%
Portfolio Completion	13.00%	3.44%
Total	100.00%	

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:

1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
$46,932,108	$37,441,915	$30,221,093

F. *Deferred Outflows/Inflows of Resources*

The following schedule reflects the deferred outflows and 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	$ 895,731	$ 60,068
Changes of assumptions	1,272,286	221,082
Net difference between projected and actual earnings on pension plan investments	-	2,042,026
Changes in proportion and differences between contributions and proportionate share of contributions	154,738	154,738
Total	$ 2,322,755	$ 2,477,914

The following summarizes changes in deferred outflows and deferred inflows of resources:

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources:						
Change in assumptions:	2016	5.6	$ 949,186	$ -	$ (206,345)	$ 742,841
	2015	5.6	733,078	-	(203,633)	529,445
Changes in proportion and differences between contributions and proportionate share of contributions:	2017	5.2	-	93,622	(18,004)	75,618
	2016	5.6	23,975	-	(5,197)	18,778
	2015	5.6	83,403	-	(23,061)	60,342
Difference between expected and actual experience:	2017	5.2	-	767,431	(147,583)	619,848
	2016	5.6	352,518	-	(76,635)	275,883
Total Deferred Outflows of Resources			2,142,160	861,053	(680,458)	2,322,755
Deferred (Inflows) of Resources:						
Change in assumptions	2017	5.2	-	(273,721)	52,639	(221,082)
Difference between expected and actual experience	2015	5.6	(83,171)		23,103	(60,068)
Net difference between projected and actual earnings on pension plan investments:	2017	5.0	-	(4,450,741)	890,148	(3,560,593)
	2016	5.0	151,860	-	(37,965)	113,895
	2015	5.0	2,035,292	-	(678,431)	1,356,861
	2014	5.0	95,622	-	(47,811)	47,811
Changes in proportion and differences between contributions and proportionate share of contributions:	2017	5.2	-	(93,622)	18,004	(75,618)
	2016	5.6	(23,975)	-	5,197	(18,778)
	2015	5.6	(83,403)	-	23,061	(60,342)
Total Deferred (Inflows) of Resources			2,092,225	(4,818,084)	247,945	(2,477,914)
Total Collective Deferred Outflows (Inflows) of Resources			$ 4,234,385	$ (3,957,031)	$ (432,513)	$ (155,159)

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

Year ended June 30:	
2019	$ 432,511
2020	384,700
2021	(365,942)
2022	(625,416)
2023	18,988
Total	$ (155,159)

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability

(Amounts expressed in thousands)

(Unaudited)

	For the Year Ended December 31			
	2017	2016	2015	2014
Total pension liability				
Service cost	$ 1,498	$ 1,466	$ 1,358	$ 1,242
Interest on unfunded liability - time value of $	6,884	6,595	6,441	6,362
Differences between expected and actual experience	767	429	(129)	-
Changes of assumptions	(274)	1,156	1,140	-
Benefit payments, including refunds of member contributions	(6,179)	(5,771)	(5,435)	(5,467)
Net change in total pension liability	2,696	3,875	3,375	2,137
Total pension liability - beginning	90,400	86,525	83,150	81,013
Total pension liability - ending (a)	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan fiduciary net position *				
Contributions - employer	$ 3,880	$ 3,682	$ 3,466	$ 3,273
Contributions - member	1,201	1,233	1,092	1,215
Net investment income	8,178	3,364	276	3,307
Benefit payments, including refunds of member contributions	(6,179)	(5,771)	(5,435)	(5,466)
Administrative expense	(143)	(144)	(132)	(125)
Net change in plan fiduciary net position	6,937	2,364	(733)	2,204
Plan fiduciary net position - beginning	48,717	46,353	47,086	44,882
Plan fiduciary net position - ending (b)	$ 55,654	$ 48,717	$ 46,353	$ 47,086
Net pension liability (asset) - ending (a-b)	$ 37,442	$ 41,683	$ 40,172	$ 36,064

* Reflects certain classification differences from page 7

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

See Independent Auditors' Report.

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

Schedules of Net Pension Liability, Contributions, and Investment Returns

(Amounts expressed in thousands)

(Unaudited)

	For the Year Ended December 31			
Schedule of Net Pension Liability	2017	2016	2015	2014
Total pension liability	$ 93,096	$ 90,400	$ 86,525	$ 83,150
Plan fiduciary net position	(55,654)	(48,717)	(46,353)	(47,086)
Net pension liability	$ 37,442	$ 41,683	$ 40,172	$ 36,064
Plan fiduciary net position as a percentage of the total pension liability	59.78%	53.89%	53.57%	56.63%
Calendar year covered employee payroll	$ 12,772	$ 12,301	$ 11,431	$ 10,936
Participating employer net pension liability as a percentage of covered employee payroll	293.16%	338.86%	351.43%	329.77%

Schedule of Contributions	2017	2016	2015	2014
Actuarially determined contribution	$ 3,849	$ 3,649	$ 3,436	$ 3,241
Contributions in relation to the actuarially determined contribution	(3,880)	(3,682)	(3,466)	(3,273)
Contribution deficiency (excess)	$ (31)	$ (33)	$ (30)	$ (32)
Fiscal year covered employee payroll	$ 13,040	$ 12,533	$ 11,636	$ 11,126
Contributions as a percentage of covered employee payroll	29.75%	29.38%	29.79%	29.42%

Schedule of Investment Returns

Year Ended December 31	2017	2016	2015	2014
Annual money weighted rate of return, net of investment expense	17.04%	7.33%	0.47%	7.43%

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

See Independent Auditors' Report.

GASB REPORTS

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INDEPENDENT AUDITORS' REPORT

To the Retirement System Board
City of Gardner, Massachusetts

Report on Schedules

We have audited the accompanying Schedule of Employer Allocations of the Gardner Contributory Retirement System as of and for the year ended December 31, 2017. We have also audited the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying Schedule of Pension Amounts by Employer of the Gardner Contributory 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 totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and total 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 Gardner Contributory 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 Gardner Contributory 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

December 27, 2018

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER ALLOCATIONS

Employer	FY 2018 Actual Employer Contributions	Employer Allocation Percentage
City of Gardner	$ 3,686,232	95.76%
Gardner Housing Authority	163,217	4.24%
Total	$ 3,849,449	100.00%

See actuarial assumptions in the City of Gardner, Massachusetts (Contributory Retirement System) audited financial statements.

CITY OF GARDNER, MASSACHUSETTS
CONTRIBUTORY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

As of and for the year ended December 31, 2017

Net Pension Liability *	City of Gardner	Gardner Housing Authority	Total
Beginning net pension liability	$ 39,811,658	$ 1,871,577	$ 41,683,235
Ending net pension liability	35,854,378	1,587,537	37,441,915
Deferred Outflows of Resources			
Difference between expected and actual experience	857,752	37,979	895,731
Changes of assumptions	1,218,342	53,944	1,272,286
Changes in proportion and differences between employer contributions and proportionate share of contributions	94,381	60,357	154,738
Total Deferred Outflows of Resources	$ 2,170,475	$ 152,280	$ 2,322,755
Deferred Inflows of Resources			
Difference between expected and actual experience	$ 57,521	$ 2,547	$ 60,068
Net difference between projected and actual investment earnings on pension plan investments	1,955,444	86,582	2,042,026
Changes of assumptions	211,708	9,374	221,082
Changes in proportion and differences between employer contributions and proportionate share of contributions	60,357	94,381	154,738
Total Deferred Inflows of Resources	$ 2,285,030	$ 192,884	$ 2,477,914
Pension Expense			
Proportionate share of pension expense	$ 3,857,505	$ 170,800	$ 4,028,305
Proportion changes and differences between employer contributions and proportionate share recognized as expense	287	(287)	-
Total Pension Expense	$ 3,857,792	$ 170,513	$ 4,028,305
Contributions			
Actuarially determined contribution	$ 3,686,232	$ 163,217	$ 3,849,449
Contributions made	(3,715,567)	(164,516)	(3,880,083)
Contribution deficiency / (excess)	$ (29,335)	$ (1,299)	$ (30,634)
Contributions as a percentage of covered employee payroll **	29.6%	33.3%	29.8%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2019	$ 414,460	$ 18,051	$ 432,511
June 30, 2020	368,677	16,023	384,700
June 30, 2021	(341,710)	(24,232)	(365,942)
June 30, 2022	(577,767)	(47,649)	(625,416)
June 30, 2023	21,785	(2,797)	18,988
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ (114,555)	$ (40,604)	$ (155,159)
Discount Rate Sensitivity			
1% decrease (6.75%)	$ 44,942,182	$ 1,989,926	$ 46,932,108
Current discount rate (7.75%)	$ 35,854,378	$ 1,587,537	$ 37,441,915
1% increase (8.75%)	$ 28,939,716	$ 1,281,377	$ 30,221,093
Covered Employee Payroll	$ 12,284,985	$ 486,573	$ 12,771,558

* Present value of all future ERI payments was removed from the Net Pension Liability, with the remainder then being allocated using the same employer percentages as the non-ERI portion of the FY2018 appropriation. The Net Pension Liability for any employers with ERI payments are then increased by the present value of those payments.

** Calculated using a covered payroll figure projected for fiscal year 2018.

See actuarial assumptions in the City of Gardner, Massachusetts (Contributory Retirement System) audited financial statements.

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May 8, 2025

Denise Merriam, Chairperson
Gardner Retirement System
95 Pleasant Street
Gardner, MA 01440-2691

REFERENCE: Report of the Examination of the Gardner Retirement System for the five-year period from January 1, 2017 through December 31, 2021.

Dear Chairperson Merriam:

The Public Employee Retirement Administration Commission has completed a follow-up review of the finding, and the recommendation contained in its audit report of the Gardner Retirement Board for the period referenced above. We conduct these visits as a regular part of the oversight process to ensure the timely implementation of the recommendation contained in that report. The examination also addressed the other matter discussed at the completion of the audit. The results are as follows:

The Audit Report cited a finding that one accidental disability retiree's retirement allowance calculation incorrectly included discretionary vacation pay. Additionally, one member did not have their contributions refunded when their regular compensation was adjusted due to the anti-spiking test.

Follow-up Result: The accidental disability retiree's allowance was recalculated, and their benefit was reduced. The applicable contributions for the vacation pay were offset against the overpayment in lieu of a refund. The member with excess contributions due to anti-spiking received a refund. This issue is resolved.

The additional matter discussed has been reviewed and has been resolved.

The Commission wishes to acknowledge the effort demonstrated by the staff of the Gardner Retirement System to correct the issues from the most recent examination of the system.

Thank you for your continued cooperation in this matter.

Sincerely,

Bill Keefe

William T. Keefe
Executive Director

WTK/cms
cc: Gardner Retirement System Members