# LAWRENCE

# CONTRIBUTORY RETIREMENT SYSTEM AUDIT REPORT

JAN. 1, 2017 - DEC. 31, 2021



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#### COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESO., Chair

JOHN W. PARSONS, ESQ., Executive Director

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

#### December 5, 2023

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

We conducted an inspection of the work papers prepared by P&S. 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 P&S 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 Lawrence 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





Lawrence Audit Report December 5, 2023 Page 2

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

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

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

Sincerely

John W. Parsons, Esq.

**Executive Director** 

#### EXPLANATION OF FINDING AND RECOMMENDATION

#### 1. New Retiree Calculations:

We tested the retirement allowance calculations of 20 new retirees during the audit period and found the following issues:

- Four retirees are overpaid due to the calculations including a fourth partial longevity payment, in addition to three annual payments, in the three-year average salary.
- One retiree is underpaid due to the calculation excluding approximately one month of earnings in the three-year average salary.
- Three of the 20 reviewed were accidental disability retirements. Of these three, there were
  two with issues. One included over one year's worth of longevity in the one-year salary,
  resulting in an overpayment. The second included all of a retroactive payment which covered
  21 months, but only three of those months applied to the final year of regular compensation,
  resulting in another overpayment.
- There were two folders without all the required documents. One Option D folder was missing the beneficiary birth certificate, and an Option C folder was missing both the marriage certificate and beneficiary birth certificate.

**Recommendation:** The Board needs to review and recalculate the retirement allowances noted and resubmit calculations to PERAC for approval. The Board should not rely on retirement deductions to determine regular compensation but should review detailed payroll records to determine regular compensation and maintain these payroll records in the retirees' folders. Folders should contain required documents to support data used in the retirement allowance calculations. The total regular compensation used in the retirement allowance calculation should not go beyond three years or one year, whichever applies.

#### **Board Response:**

The Lawrence Retirement Board has reviewed PERAC's findings and will comply with their current recommendation now and going forward.

#### 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)

		ASOF DECEMBER 31, 2021			
			PERCENTAGE		
		OFTOTAL MARKET VALUE ASSETS			
Cash		\$956,461	0.3%		
PRIT Cash Fund		1,400,163	0.4%		
PRIT Core Fund		<u>341,383,859</u>	<u>99.3</u> %		
Gran	d Total	<u>\$343,740,482</u>	100.0%		

For the year ending December 31, 2021, the rate of return for the investments of the Lawrence Retirement System was 20.30%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Lawrence Retirement System averaged 10.95%. 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 Lawrence Retirement System was 8.38%.

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%.

#### ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Comptroller 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: Ramona Ceballos, Chairperson

Appointed Member: Pascual Ruiz Serves until successor is appointed

Elected Member: Robert Wilson Term Expires: 07/02/2025

Elected Member: Diane Cockcroft Term Expires: 07/02/2025

Appointed Member: Sheryl Wright Term Expires: 07/09/2024

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 Lawrence Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at <a href="https://mass.gov/Lawrence-retirement-board-regulations">https://mass.gov/Lawrence-retirement-board-regulations</a>.

## **ACTUARIAL VALUATION AND ASSUMPTIONS**

The most recent actuarial valuation of the System was prepared by KMS Actuaries as of January 1, 2022.

The actuarial liability for active members was The actuarial liability for inactive members was The actuarial liability for retired members and beneficiaries was	\$207,603,951 8,154,403 <u>280,638,336</u>
The total actuarial liability was System assets as of that date were (actuarial value) The unfunded actuarial liability was	\$496,396,690 <u>306,931,298</u> \$ <u>189,465,392</u>
The ratio of system's assets to total actuarial liability was As of that date the total covered employee payroll was	61.8% \$83,668,626

The normal cost for employees on that date was 8.9% 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 service. 7.75% for 0-4 years,

3.75% thereafter for all groups

# SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022 (Dollars in Thousands)

	Actuarial	Actuarial	Unfunded			UAAL as a
Actuarial	Value of	Accrued	AAL	Funded	Covered	%of
Valuation	Assets	Liability	(UAAL)	Ratio	Payroll	Cov. Payroll
Date	(a)	(b)	( b-a )	( a/b )	(c)	( (b-a)/c )
1/1/2022	\$306,931	\$496,396	\$189,465	61.8%	\$83,669	226.4%
1/1/2020	\$255,359	\$461,256	\$205,897	55.4%	\$75,850	271.5%
1/1/2018	\$227,443	\$431,442	\$203,999	52.7%	\$71,472	285.4%
1/1/2016	\$182,660	\$398,032	\$215,372	45.9%	\$69,996	307.7%
1/1/2014	\$168,979	\$379,183	\$210,204	44.6%	\$67,767	310.2%

# MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	36	19	36	34	38	33	37	46	30	36
Ordinary Disability	0	1	1	1	1	0	0	1	1	2
Accidental Disability	0	0	1	1	2	1	2	0	0	1
Total Retirements	36	20	38	36	41	34	39	47	31	39
Total Retirees, Beneficiaries and										
Survivors	887	866	869	886	893	894	904	922	908	923
Total Active Members	1,421	1,620	1,715	1,818	1,734	1,843	1,737	1,874	1,668	1,626
Pension Payments										
Superannuation	\$12,282,529	\$12,659,811	\$13,105,100	\$13,386,025	\$13,981,919	\$14,430,657	\$14,748,419	\$15,225,058	\$15,671,285	\$16,015,564
Survivor/Beneficiary Payments	1,015,239	1,016,232	998,860	1,090,049	1,158,154	1,163,250	1,228,072	1,288,125	1,285,381	1,339,445
Ordinary Disability	47,689	55,951	86,862	75,225	130,582	122,457	163,363	177,473	185,132	243,248
Accidental Disability	4,007,201	4,004,304	3,924,911	3,986,794	4,223,728	4,271,118	4,297,726	4,277,597	4,238,010	4,260,373
Other	2,266,688	<u>2,245,186</u>	<u>2,314,858</u>	<u>2,177,098</u>	<u>2,584,002</u>	<u>2,620,314</u>	<u>2,919,717</u>	<u>2,633,935</u>	<u>2,603,006</u>	2,395,123
Total Payments for Year	\$ <u>19,619,346</u>	\$ <u>19,981,485</u>	\$ <u>20,430,592</u>	\$ <u>20,715,191</u>	\$ <u>22,078,385</u>	\$ <u>22,607,796</u>	\$ <u>23,357,296</u>	\$ <u>23,602,188</u>	\$ <u>23,982,815</u>	\$ <u>24,253,753</u>

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## **LEASED PREMISES**

The Lawrence Retirement Board leases approximately 2,000 square feet of space for its offices located at 354 Merrimack Street in Lawrence. The original 5-year lease commenced June 1, 2005. A fifth amendment extension was signed for a 3-year term which will expire May 31, 2025, with an annual 2% increase as of June 1, 2023. A rent abatement for two months, one month during the first year of extension and one month during the second year of extension, was included in the lease extension. The lessor is S&N Lawrence Realty, LLC.

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

For the year ending	<b>Annual Rent</b>
2022	\$ 39,662
2023	40,166
2024	44,721
2025 (four months due to rent paid in advance)	<u>15,005</u>
Total future minimum lease payments required	<u>\$139,554</u>

LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

## LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

#### FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2021

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# Financial Section

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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

#### Opinion

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lawrence Contributory Retirement System as of December 31, 2021, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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's for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is

higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- · Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform auditing procedures responsive to those risks. Such procedures include examining on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that
  are appropriate in the circumstances, but not for the purpose of expressing an opinion on the
  effectiveness of the 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 judgement, 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 Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2022, on our consideration of the Lawrence Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the

System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence Contributory Retirement System's internal control over financial reporting and compliance.

#### Restriction on Use

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

August 31, 2022

#### Management's Discussion and Analysis

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

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

#### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$342.7 million (net position).
- The System's net position increased by \$55.8 million for the year ended December 31, 2021.
- Total investment income was \$57.8 million, investment expenses were \$1.5 million, and net investment income was \$56.2 million.
- Total contributions were \$31.5 million including \$22.8 million from employers, \$7.6 million from members, and \$1.1 million from other transfers in and settlements.
- · Retirement benefits, refunds and transfers to other systems amounted to \$31.4 million.
- Administrative expenses were \$507,000.
- The total pension liability is \$496.4 million as of December 31, 2021, while the net pension liability is \$153.7 million
- . The Plan fiduciary net position as a percentage of the total pension liability is 69,03%.

#### Overview of the Financial Statements

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

#### **Fiduciary Financial Statements**

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

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

#### Notes to the financial statements

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

Lawrence Contributory Retirement System

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Management's Discussion and Analysis

#### Required Supplementary Information

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

#### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$342.7 million at the close of 2021.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of \$341.4 million, cash of \$2.4 million, accounts receivable of \$556,000 and other assets of \$13,000.

In 2021 the System's contributions were \$31.5 million, while deductions were \$31.9 million which resulted in a current deficiency of (\$411,000). In 2020, the System's contributions were \$31.1 million while deductions were \$30.5 million which resulted in a prior year surplus of \$658,000. The System was able to substantially sustain operations independent of investment income for both years.

The primary change in net position when comparing the 2021 and 2020 results relates to each year's investment performance. Net investment income was \$56.2 million in 2021, as compared to net investment income of \$30.8 million in 2020. The annual money weighted rate of return was 19.69% and 12.01% in 2021 and 2020, respectively. Fluctuations in the System's annual investment returns are expected.

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

	2021		2020
Statement of Fiduciary Net Position		-	
Assets:			
Cash\$	2,356,624	S	2,189,794
Investments	341,383,859		285,714,354
Receivables	555,902		584,439
Other assets	12,663		12,187
Total assets.	344,309,048		288,500,774
Liabilities			
Accounts payable	1,649,793		1,649,124
Net Position Restricted for Pension Benefits\$	342,659,255	\$	286,851,650

Lawrence Contributory Retirement System

Management's Discussion and Analysis

	2021	2020
Statement of Changes in Fiduciary Net Position Additions:		
Contributions:		
Member contributions	5 7,616,774	\$ 7,713,914
Employer contributions	22,825,030	22,075,444
Other contributions	1,037,842	1,328,568
Total contributions	31,479,646	31,117,926
Net investment income.	56,218,505	30,834,840
Total additions	87,698,151	61,952,766
Deductions:		
Administration	506,754	511,249
Retirement benefits, refunds and transfers	31,383,792	29,948,572
Total deductions	31,890,546	30,459,821
Net increase (decrease) in fiduciary net position	55,807,605	31,492,945
Fiduciary net position at beginning of year	286,851,650	255,358,705
Fiduciary net position at end of year	\$ 342,659,255	\$ 286,851,650

## Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 354 Merrimack Street, Suite 302, Lawrence, MA 01843.

This page left intentionally blank Lawrence Contributory Retirement System Management's Discussion and Analysis

#### STATEMENT OF FIDUCIARY NET POSITION

#### DECEMBER 31, 2021

ssets	
Cash and cash equivalents \$ 2,35 investments:	6,624
Investments in Pension Reserve Investment Trust. 341,38 Receivables, net of allowance for uncollectibles:	3,859
and the state of t	55,902
	2,663
otal Assets	9,048
abilities	
Warrants payable 1,64	19,793
et Position Restricted for Pensions \$ 342,65	9,255
et Position Restricted for Pensions	9,

See notes to financial statements.

#### STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## YEAR ENDED DECEMBER 31, 2021

Additions:	
Contributions:	
Employer pension appropriation\$	22,825,030
Member contributions	7,616,774
Retirement benefits - transfers from other systems	319,908
Retirement benefits - 3(8)(c) contributions from other systems	392,137
Retirement benefits - workers' compensation settlements	8,600
Retirement benefits - state COLA reimbursements	194,202
Retirement benefits - members' makeup payments and redeposits	121,643
Retirement benefits - interest not refunded	177
Retirement benefits - reimbursement of 91A overearnings	1,175
Total contributions	31,479,646
Net investment income:	
Investment income	57,765,274
Less: investment expense	(1,546,769)
Net investment income.	56,218,505
Total additions	87,698,151
Deductions:	
Administration	506,754
Retirement benefits and refunds	28,996,912
Retirement benefits - transfers to other systems	1,078,281
Retirement benefits - 3(8)(c) transfer to other systems	1,308,599
Total deductions	31,890,546
Net increase (decrease) in fiduciary net position	55,807,605
Fiduciary net position at beginning of year	286,851,650
Fiduciary net position at end of year. \$	342,659,255

See notes to financial statements.

Lawrence Contributory Retirement System

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#### NOTE 1 - PLAN DESCRIPTION

The Lawrence Contributory Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Lawrence Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees. The System has four participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

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

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

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

Any Individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

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

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are

Lawrence Contributory Retirement System

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deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2036.

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

Employees who resign from service are entitled to request a refund of their accumulated total deductions.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Cash and Investments

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

Lawrence Contributory Retirement System

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#### Fair Value Measurements

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

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

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

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

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

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

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

#### Accounts Receivable

Accounts receivable consist of member deductions, federal grant reimbursements, and 3(8)c reimbursements due from other systems. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles

#### Deferred Outflows/Inflows of Resources

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

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

Lawrence Contributory Retirement System

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

#### NOTE 3 - PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of the Lawrence City Comptroller, who shall be a member ex-officio, a second member appointed by the Mayor of Lawrence, 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 members.

Chairman	Thomas M. Cuddy	Term Expires:	Indefinite
Elected Member	Kevin Loughlin	Term Expires:	7/1/2022
Elected Member	Gina Rizzo	Term Expires:	10/14/2024
Appointed Member	Sheryl Wright	Term Expires;	7/9/2024
Ex-officio Member	Ramona Ceballos	Term Expires:	Indefinite

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 walver 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 three persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer-Custodian:

Description:

Descript

Lawrence Contributory Retirement System

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#### NOTE 4 - CASH AND INVESTMENTS

#### Custodial Credit Risk - Deposits

At December 31, 2021, the carrying amount of the System's deposits totaled \$2,356,624 and the bank balance totaled \$2,423,502. Of the bank balance, \$1,023,339 was covered by Federal Depository Insurance, and the remaining amount of \$1,400,163, which was the amount held in the PRIT cash fund, was uninsured.

#### Investments

The System's investments as of December 31, 2021, consist of \$341,383,859 in PRIT pooled funds.

100% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. PRIT investments are valued using the net asset value (NAV) method.

The Administration's annual money-weighted rate of return on pension plan investments was a gain of 19.69%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

#### NOTE 5 - MEMBERSHIP

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

Retirees and beneficiaries currently receiving benefits	923
Inactive members	770
Active members	1,626
Total	3,319

#### NOTE 6 - ACTUARIAL VALUATION

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

Total pension liability\$	496,396,690
The pension plan's fiduciary net position	(342,659,255)
The net pension liability \$	153,737,435
The pension plan's fiduciary net position as a percentage of the total pension liability	69.03%

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

Actuarial cost method...... Entry Age Normal

Inflation 2.4% per year

Investment rate of return/Discount rate...... 7.00%, net of pension plan investment expense, including inflatic

generational mortality improvement using Scale MP-2020.

one year with full generational mortality improvement using

Scale MP-2020.

#### Investment policy

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

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

Lawrence Contributory Retirement System

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	38.00%	4.22%
Core Fixed Income	15.00%	0.70%
Value Added Fixed Income	8.00%	4.00%
Private Equity	15.00%	7.70%
Real Estate	10.00%	3.60%
Timberland	4.00%	4.20%
Portfolio Completion Strategies	10.00%	3.00%
	100.00%	

#### Discount rate

The discount rate used to measure the total pension liability was 7.00% and 7.25% as of December 31, 2021 and December 31, 2020, respectively. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate

The following presents the net position liability, calculated using the discount rate of 7.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease	Discount	1% Increase	
	(6.00%)	(7.00%)	(8.00%)	
Lawrence Retirement System's net pension liability as of December 31, 2021	\$ 209,749,099 \$	153,737,435 \$	106,404,655	

#### Contributions

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE 7 - COMMITMENTS AND CONTINGENCIES

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

Lawrence Contributory Retirement System

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#### NOTE 8 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

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

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

#### NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 31, '2022, which is the date the financial statements were available to be issued.

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Lawrence Contributory Retirement System

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# Required Supplementary Information

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

	December 31, 2014		December 31, 2015		December 31 2016		December 31, 2017
Total pension liability:			Likestonis				La constant and
Service cost	8,469,461	\$	8,829,413	S	8,737,363	\$	9,108,701
Interest	29,607.284		30,713,326		31,842,170		32,023,014
Differences between expected and actual experience			15		(11,573,571)		1,144,844
Changes in assumptions.			-		The second second		9,356,284
Benefit payments	(24,653,000)		(23,677,370)		(26,092,541)		(27,995,140)
Net change in total pension liability	13,423,745		15,865,369		2,913,421		23,637,703
Total pension liability - beginning	385,886,510		399,310,255		415,175,624		418,089,045
Total pension liability - ending (a)\$	399,310,255	5	415,175,624	\$	418,089,045	\$ .	441,726,748
Plan fiduciary net position:							
Employer pension appropriation	17,323,139	\$	18,508,811	S	19,329,195	S	20,605,965
Member contributions.	6,950,852		6,706,412		6,851,473		6,781,214
Net investment income (loss)	12,432,925		1,013,895		13,190,264		33,087,835
Administrative expenses	(454,640)		(470,218)		(472,754)		(503,253)
Retirement benefits and refunds	(24,653,000)		(23,677,370)		(26,092,541)		(27,995,140)
Net increase (decrease) in fiduciary net position	11,599,276		2,081,530		12,805,637		31,976,621
Fiduciary net position - beginning of year	168,979,467	. 6	180,578,743		182,660,273		195,465,910
Fiduciary net position - end of year (b)\$	180,578,743	s	182,660,273	\$	195,465,910	\$	227,442,531
Net pension liability - ending (a)-(b)\$	218,731,512	5	232,515,351	5	222,623,135	\$	214,284,217
Plan fiduciary net position as a percentage of the total							
pension liability	45.22%		44.00%		46,75%		51.49%
Covered-employee payroli	71,253,430	s	74,624,910	s	73,741,641	\$	77,421,566
Net pension liability as a percentage of	0.5.00						1.37 W.
covered-employee payroll	306.98%		311.58%		301.90%		276.78%

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

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

See notes to required supplementary information.

Lawrence Contributory Retirement System

Required Supplementary Information

5	December 31, 2018		December 31, 2019		December 31, 2020		December 31, 2021
\$	9,495,821	s	9,873,518	S	10,155,774	s	10,543,987
	32,766,855		33,814,517		33,897,815		33,879,521
			(5,276,740)				(13,283,146)
			6,640,447				8,496,574
. 5	(28,662,273)		(28,706,774)	Ċ,	(28,620,004)	ò	(30,345,950)
	13,600,403		16,344,968		15,433,585		9,290,986
-	441,726,748		455,327,151	o	471,672,119		487,105,704
5	455,327,151	5	471,672,119	\$	487,105,704	\$	496,396,690
3	20,798,277	S	21,372,967	S	22,075,444	s	22,825,030
	6,843,880		7,219,910		7,713,914		7,616,774
	(5,258,484)		35,297,869		30,834,840		56,218,505
	(502,442)		(486,756)		(511,249)		(506,754)
-	(28,662,273)		(28,706,774)	Į,	(28,620,004)		(30,345,950)
	(6,781,042)		34,697,216		31,492,945		55,807,605
	227,442,531		220,661,489	,	255,358,705		286,851,650
\$	220,661,489	5	255,358,705	\$	286,851,650	\$	342,659,255
\$	234,665,662	\$	216,313,414	\$	200,254,054	\$	153,737,435
	48.46%		54.14%		58.89%		69.03%
8	75,251,536	\$	75,849,815	Š	76,525,906	S	79,526,303
	311.84%		285.19%		261.68%		193.32%

Lawrence Contributory Retirement System

Required Supplementary Information

#### SCHEDULE OF CONTRIBUTIONS

	December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017
Actuarially determined contribution. \$	17,714,868	s	18,515,120	\$	19,320,161	S	20,684,393
Contributions in relation to the actuarially determined contribution	(17,714,868)		(18,508,911)		(19,162,742)		(19,958,286)
Settlement of M.V.R.T.A past service cost				l, a	(166,453)		(647,679)
Contribution deficiency (excess) \$		s	6,209	\$	(9,034)	s	78,428
Covered-employee payroll \$	71,253,430	\$	74,624,910	\$	73,741,641	s	77,421,566
Contributions as a percentage of covered-employee payroll	24 86%		24,80%		25,99%		25,78%

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

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

See notes to required supplementary information.

,	December 31, 2018	December 31, 2019		December 31 2020		December 31, 2021
8	20,756,572	\$ 21,375,578	\$	21,607,083	S	22,801,808
	(20,798,277)	(21,372,967)		(22,075,444)		(22,825,030)
-	-					- >
S.	(41,705)	\$ 2,611	S	(468,361)	8	(23,222)
S	75,251,536	\$ 75,849,815	\$	76,525,906	S	79,526,303
	27 64%	28.18%		28 85%		28,70%

## SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted

Year	rate of return, net of investment expense
December 31, 2021	19.69%
December 31, 2020	12.01%
December 31, 2019	16.03%
December 31, 2018	-2.29%
December 31, 2017	17.07%
December 31, 2016	7,53%
December 31, 2015	0.59%
December 31, 2014	7,39%

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

See notes to required supplementary information.

#### NOTE A - CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the Systems total pension liability, changes in the Systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

#### NOTE B - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate, Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE C - MONEY WEIGHTED RATE OF RETURN

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

#### NOTE D - CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions:

The discount rate decreased from 7.25% to 7.00% and the mortality improvement scale has been updated.

Changes in Plan Provisions:

None.

Lawrence Contributory Retirement System

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Required Supplementary Information

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



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

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

#### Opinion

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

In our opinion, the accompanying schedule of employer allocations and schedule of pension amounts by employer present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the Lawrence 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 Opinion

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

#### Responsibilities of Management for the Schedules

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

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

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer as a whole are free from material

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Lawrence Contributory Retirement System

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

In performing an audit in accordance with GAAS, we:

- · Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and
  design and perform audit procedures responsive to those risks. Such procedures include examining, on a test
  basis, evidence regarding the amounts and disclosures in the schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are
  appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the
  System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting
  estimates made by management, as well as evaluate the overall presentation of the schedules.

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

#### Other Matter

We have audited, in accordance with GAAS, the financial statements of the Lawrence Contributory Retirement System as of and for the year ended December 31, 2021, and our report thereon, dated August 31, 2022, expressed an unmodified opinion on those financial statements.

#### Restriction on Use

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

August 31, 2022

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## SCHEDULE OF EMPLOYER ALLOCATIONS

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

Employer	FY2022 Pension Fund Appropriation		Direct Appropriation E.R.I.		FY2022 Total Appropriation		Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Lawrence	19,560,438	\$	1,025,620	3	20,586,058	\$	138,813,305	90.29%
Greater Lawrence Regional Vocational Tech.	1,073,174		46,310		1,119,484		7,540,257	4,90%
Lawrence Housing Authority	977,587		5,713		983,300		6,622,993	4.31%
M.V.R.T.A	112,966				112,966		760,880	0.49%
Total\$	21,724,165	5	1,077,643	\$	22,801,808	5	153,737,435	100.00%

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

#### SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 202.

		City of Lawrence		Greater Lawrence Regional Vocational Tech	-	Lawrence Housing Authority		MVRTA		Totels
Net Pension Liability  Beginning net pension liability.	*	180,700,344	\$	9,697,662	ş	8,883,964	8	972,984	F.	200,254,054
Ending net pension Habitity	\$	138,813,305	\$	7,540,257	\$	6,622,993	\$	780,880	-	153,737,435
Deferred Outflows of Resources  Differences between expected and actual experience	s	186,406	\$	10,126	***	8,894	5	1,022	\$	206,448
Changes of assumptions		10,767,112		584,863		513,715		59,018		11,924,708
Changes in proportion and differences between employer contributions and proportionate strare of contributions.		1,033,925		697.876		690,368		311,971		2,734,140
Total Deferred Outflows of Resources		11,987,443	\$	1,292,865	5.	1,212,977	9	372,011	\$.	14,865,296
<u>Deferred Inflows of Resources</u> Differences between expected and actual experience	\$	13,509,672	100	723,837	\$	644,567	*	74,051	\$	14,962,127
Not difference between projected and actual investment earnings on pension plan investments		35,138,795		1,908,719		1,678,525		192,607		38,916,646
Changes in proportion and differences between employer contributions and proportionals share of contributions		1,340,493	ļ	199,260		1,194,387				2,734,140
Total Deferred Inflows of Resources	\$	49,988,960		2,841,816	5	3,515,479	\$	266,658	\$.	56,812,913
Proportionate share of plan pension expense	4	3,160,413	*	171,670	*	150,788	\$	17,325	*	3,500,196
Net amortization of deterred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		(340,587)	20	296,009		(132,720)		177.298		
Total Employer Pension Expense	\$	2,819,826	\$	487,679	\$ .	18,068	5	194,623	\$ .	3,580,196
Contributions Actuarially determined contribution	\$	20,586,058	16	1,118,484	4	983,300	*	112,966	\$	22,801,809
Contribution in relation to statutory required contribution.	į.	(20,609,280)		(1,119,484)		(983,300)		(112,966)	-	(22,825,030)
Contribution deficiency/(excess)	\$ .	(25,222)	8		8,	-	\$.		\$	(23,222)
Contributions as a percentage of covered payroll .		28 70%		30.00%		26.90%		27.78%		28.67%
Deterred Outflows/linflows) Recognized in Foture Pension Expense. Line 30, 2022 . June 30, 2023 . June 30, 2024 . June 30, 2024 . June 30, 2025 . June 30, 2026 . June 30, 2026 .	*	(8,774,631) (12,580,188) (9,367,060) (6,983,005) (296,633)		(143,127) (581,731) (406,798) (410,115) (7,180)		(539,439) (657,654) (470,834) (600,601) (53,974)	5	119,906 (9,380) (2,256) (2,617) (300)	*	(9,337,291) (13,828,953) (10,246,946) (7,996,338) (338,087)
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	\$	(38,001,517)		(1,548,951)	5.	(2,302,502)	5	105,353	\$.	(41,747,617)
Discount Rate Sensitivity 1% decrease (6 00%)	\$	189,387,611	\$	10,287,424	5	9,035,970	4	1,038,094	\$	209,749,099
Current discount rate (7 00%)	\$	138,813,305	\$	7,540,257	6	6.622.993	ş	760,880	\$	153,737,435
1% increase (6,00%)	\$	96,075,375	\$	5,210:758	\$	4,563,902	\$	526,620	\$	106,404,655
Covered Payroli	\$	71,733,252	\$	3,731,412	\$	3,654,976	5	406,663	\$	79,526,303
See hotes to schedule of employer allocations and schedule of pension amounts by employer										

Lawrence Contributory Retirement System

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Pension Amounts by Employer

#### NOTE I - Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a costsharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2020, were applied to allocate the System's December 31, 2021, pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC complete an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the System's funding schedule.

#### NOTE II - Schedule of Pension Amounts by Employer

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

## Changes in Assumptions:

The discount rate decreased from 7.25% to 7.00% and the mortality improvement scale has been updated.

#### Changes in Plan Provisions:

None.

Lawrence Contributory Retirement System

33 Audit of Specific Elements Accounts and Items of Financial Statements

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

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

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

#### Report on Internal Control Over Financial Reporting

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

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

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

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of

financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

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

August 31, 2022

LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

## LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

## FINANCIAL STATEMENTS

## YEAR ENDED DECEMBER 31, 2020

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## Financial Section

## Powers & Sullivan, LLC

Certified Public Accountants



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

#### Report on the Financial Statements

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

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

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

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

#### Other Matters

#### Required Supplementary Information

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

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 22, 2021, on our consideration of the Lawrence Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lawrence Contributory Retirement System's internal control over financial reporting and compliance.

#### Restriction on Use

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

June 22, 2021

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## Management's Discussion and Analysis

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

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

#### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$286.9 million (net position).
- The System's net position increased by \$31.5 million for the year ended December 31, 2020.
- Total investment income was \$32.1 million; investment expenses were \$1.2 million, and net investment income was \$30.8 million.
- Total contributions were \$31.1 million including \$22.1 million from employers, \$7.7 million from members, and \$1.3 million from other transfers in and settlements.
- · Retirement benefits, refunds and transfers to other systems amounted to \$29.9 million.
- Administrative expenses were \$511,000.
- The total pension liability is \$487.1 million as of December 31, 2020, while the net pension liability is \$200.3 million
- . The Plan fiduciary net position as a percentage of the total pension liability is 58,89%.

#### Overview of the Financial Statements

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

#### **Fiduciary Financial Statements**

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

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

#### Notes to the financial statements

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

Lawrence Contributory Retirement System

Management's Discussion and Analysis

#### Required Supplementary Information

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

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$286.9 million at the close of 2020.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of \$285.7 million, cash of \$2.2 million, accounts receivable of \$584,000 and other assets of \$12,200.

In 2020 the System's contributions were \$31.1 million, while deductions were \$30.5 million which resulted in a current increase of \$658,000. In 2019, the System's contributions were \$29.7 million while deductions were \$30.3 million which resulted in a prior year decrease of (\$601,000). For 2020, the System was able to sustain operations independent of investment income, and for 2019, the System was unable to.

The primary change in net position when comparing the 2020 and 2019 results relates to each year's investment performance. Net investment income was \$30.8 million 2020, as compared to net investment income of \$35.3 million in 2019. The annual money weighted rate of return was 12.01% and 16.03% in 2020 and 2019, respectively. Fluctuations in the System's annual investment returns are expected.

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

	2020		2019
Statement of Fiduciary Net Position			
Assets:			
Cash,\$	2,189,794	S	2,044,230
Investments	285,714,354		254,078,313
Receivables	584, 439		535,883
Other assets	12,187		11,733
Total assets	288,500,774		256,670,159
Liabilities:			
Accounts payable	1,649,124		1,311,454
Net Position Restricted for Pension Benefits	286,851,650	\$	255,358,705

Lawrence Contributory Retirement System

Management's Discussion and Analysis

	2020	2019
Statement of Changes in Fiduciary Net Position Additions:		
Contributions		
Member contributions\$	7,713,914	\$ 7,219,910
Employer contributions	22,075,444	21,372,967
Other contributions	1,328,568	1,118,622
Total contributions	31,117,926	29,711,499
Net investment income	30,834,840	35,297,869
Total additions	61,952,766	65,009,368
Deductions:		
Administration	511,249	486,756
Retirement benefits, refunds and transfers	29,948,572	29,825,396
Total deductions	30,459,821	30,312,152
Net increase (decrease) in fiduciary net position	31,492,945	34,697,216
Fiduciary net position at beginning of year	255,358,705	220,661,489
Fiduciary net position at end of year\$	286,851,650	\$ 255,358,705

## Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 354 Merrimack Street, Suite 302, Lawrence, MA 01843:

This page left intentionally blank Lawrence Contributory Retirement System Management's Discussion and Analysis

## STATEMENT OF FIDUCIARY NET POSITION

## DECEMBER 31, 2020

Assets	
Cash and cash equivalents \$ Investments:	2,189,794
Investments in Pension Reserve Investment Trust	285,714,354
Receivables, net of allowance for uncollectibles:  Other accounts receivable	584,439
Other assets.	12,187
Total Assets	288,500,774
Liabilities	
Warrants payable.	1,649,124
Net Position Restricted for Pensions \$	286,851,650

See notes to financial statements.

Lawrence Contributory Retirement System

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## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## YEAR ENDED DECEMBER 31, 2020

Additions:	
Contributions:	
Employer pension appropriation\$	22,075,444
Member contributions.	7,713,914
Transfers from other systems.	673,029
3(8)(c) contributions from other systems	358,995
State COLA reimbursements.	217,057
Members' makeup payments and redeposits.	76,344
Interest not refunded.	3,143
Total contributions.	31,117,926
Net investment income:	
Investment income	32,067,396
Less: investment expense	(1,232,556
Net investment income	30,834,840
Total additions	61,952,766
Deductions:	
Administration.	511,249
Retirement benefits and refunds	27,775,780
Transfers to other systems	759,337
3(8)(c) transfer to other systems.	1,413,455
Total deductions	30,459,821
Net increase (decrease) in fiduciary net position,	31,492,945
Fiduciary net position at beginning of year	255,358,705
Fiduciary net position at end of year\$	286,851,650

See notes to financial statements.

Lawrence Contributory Retirement System

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#### NOTE 1 - PLAN DESCRIPTION

The Lawrence Contributory Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Lawrence Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees. The System has four participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

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

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

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

Any Individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

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

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are

Lawrence Contributory Retirement System

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deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2036.

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

Employees who resign from service are entitled to request a refund of their accumulated total deductions.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

## Cash and Investments

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

#### Fair Value Measurements

The Retirement System reports required types of financial instruments in accordance with the fair value

Lawrence Contributory Retirement System

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

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

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

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

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

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

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

#### Accounts Receivable

Accounts receivable consist of member deductions, federal grant reimbursements, and 3(8)c reimbursements due from other systems. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

### Deferred Outflows/Inflows of Resources

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

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

Lawrence Contributory Retirement System

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#### NOTE 3 - PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of the Lawrence City Comptroller, who shall be a member ex-officio, a second member appointed by the Mayor of Lawrence, 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 members.

Chairman	William Bateman	Term Expires:	1/28/2022
Elected Member	Kevin Loughlin	Term Expires:	7/1/2022
Elected Member	Gina Rizzo	Term Expires:	10/15/2021
Appointed Member	Thomas M. Cuddy	Term Expires:	Indefinite
Ex-officio Member	Ramona Ceballos	Term Expires:	Indefinite

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 three persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer-Custodian:	)	MACRS Blanket Policy
Ex-Officio Member:	)	\$50,000,000 Fiduciary Liability
Elected Members:	)	\$1,000,000 Fidelity (ERISA) Bond
Appointed Members:	)	St. Paul Travelers Insurance Company
Staff Employees:	)	National Union Fire Arch Insurance
		Company

#### NOTE 4 - CASH AND INVESTMENTS

#### Custodial Credit Risk - Deposits

At December 31, 2020, the carrying amount of the System's deposits totaled \$2,189,794 and the bank balance totaled \$2,318,885. Of the bank balance, \$1,218,690 was covered by Federal Depository Insurance, and the remaining amount of \$1,100,195, which was the amount held in the PRIT cash fund, was uninsured.

#### Investments

The System's investments as of December 31, 2020, consist of \$285,714,354 in PRIT pooled funds.

Lawrence Contributory Retirement System 12 Financial Statements

100% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. PRIT investments are valued using the net asset value (NAV) method.

The Administration's annual money-weighted rate of return on pension plan investments was a gain of 12.01%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

#### Fair Value of Investments

The plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures.

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

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

#### NOTE 5 - MEMBERSHIP

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

Retirees and beneficiaries currently receiving benefits	908
Inactive members	663
Active members.	1,668
Total	3,239

#### NOTE 6 - ACTUARIAL VALUATION

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

Total pension liability	. \$	487,105,704
The pension plan's fiduciary net position		(286,851,650)
The net pension liability	· s_	200,254,054
The pension plan's fiduciary net position as a percentage of the total pension liability		58.89%

Lawrence Contributory Retirement System

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

Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal.
Amortization method	3,67% amortization increase
Remaining amortization period	16 years for the fresh start base.
Asset valuation method	Market value of assets as of the valuation date.
Projected salary increases	7.75% - 3.75%, based on service.
Inflation	2.3% per year.
Cost of living adjustments	3% of first \$12,000 of a member's retirement allowance.
Rates of retirement	Groups 1 and 2; Ages 50 - 70 Group 4; Ages 50 - 65
Rates of disability	Groups 1 and 2; ages 50 - 70 Group 4; Ages 50 - 65
Mortality Rates	RP-2014 adjusted to 2006 and projected generationally using MP-2019. For members retired under an Accidental Disability (job-related), 50% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 adjusted to 2006 and projected generationally using MP-2019, ages set forward two years.
Investment rate of return/Discount rate	7.25%.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 3.0%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020, are summarized in the table on the following page:

Lawrence Contributory Retirement System

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	23.10%	6.40%
International Equities	14,40%	6.60%
Emerging Markets Equities	5.80%	8.40%
Core Fixed Income	15.80%	2.70%
Value Added Fixed Income	7.40%	6.20%
Private Equity	12,60%	10.20%
Real Estate	8.30%	6.00%
Timberland	3.30%	6,60%
Hedge Funds, PCP	8.80%	5.20%
Liquidating Portfolios	0.10%	0.00%
Overlay	0.60%	0.00%
	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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 7.25%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

		Current			
	1% Decrease	Discount		1% Increase	
	6.25%	7.25%		8.25%	
Lawrence Retirement System's net pension		440			
liability as of December 31, 2020\$	253,259,342	\$ 200,254,054	S	155, 478, 056	

Contributions: Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE 7 - COMMITMENTS AND CONTINGENCIES

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

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## NOTE 8 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

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

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

#### NOTE 9 - SUBSEQUENT EVENTS

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

# Required Supplementary Information

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

		December 31 _ 2014	December 31 _ 2015		December 31_ 2016		December 31, 2017		Decamber 31		December 31, 2019		December 31, 2020
Total pension liability: Service cost Interest: Differences between expected and actual expenence	\$	8,469,461 \$ 29,607,284	8,829,413 30,713,326	\$	8,797,983 31,842,176 (11,579,571)	\$	9,109,701 32,023,014 1,144,844	s	9,495,021 S 32,766,855	-	9,973,518 33,814,517 (5,276,740)	2	10,155,774 33,897,815
Changes in assumptions Benefit payments		(24,653,000)	(29,677,370)		(28,092,541)	o i	9,356,284 (27,995,140)		(28,682,273)		6,840,447 (28,708,774)		(28,820,064
Net change in total purpoier flability		13,423,745	15,865,389		2,913,421		25,637,703		13,600,403		18,344,988		15,433,585
Total pension liability - beginning		385 886,510	399,310,255	17	415,175,624		418,099,045		441,726,748	è	455,327,151		471,672,119
Total pension liability ending (a).	\$	389,310,255 \$	415 175 624	\$.	418,089,045	\$.	541,726,749	Ŀ,	455,327,151		471,672,119	5	497,106.704
Plan fiduciary net position: Employer penson appropriation. Myerizer contributions  Net investment income (unsa) Administrative expenses Retirement benefits and retunds.	1	17,323,139 \$ 6,950,852 12,432,925 (454,640) (24,653,000)	18,509.811 B,706,412 1,013,885 (470,218) (23,677,370)		(9,329,185 6,851,473 13,190,284 (472,754) (26,092,541)		20.605,965 5,781,214 33,067,835 (603,253) (27,995,140)	5	20,788,277 4 6,843,880 (5,256,484) (507,442) (28,662,273)		21,372,967 7,219,910 35,297,859 (486,756) (28,706,774)		22,075,444 7,713,914 30,634,840 (511,240) (28,620,084)
Net micrease (decrease) in fiduciary net purificin		11,599,276	2,081,530		12,805,637		31,970,621		(6,791,042)		34,697,216		91,492,945
Fiductury met position - beginning of year		166,979,467	180,578,743		192,660,273	į,	195,465,910		227,442,531		220,681,489	-	255,358,705
Fiductury met position - und of year (b)		160,578,743 \$	182,850,273	\$	195,465,910	١.	227,442,531	٠.	220,881,489		255,358,705	٠.	286,651,650
Net pension liability - ending (a)-(b),	\$	718,781,512 \$	232,515,351	s.	222,673,135	\$.	214,294,217	٤.	734,685,662		216,313,414	5.	700,254,054
Plan fiduciary net position as a percentage of the total pension liability.		45.22%	44 00%		46.75%		51.49%		48/16%		54.14%		58.881
Covered payroll	t	71.253,430 \$	74,624,810	¢	73,741,641	ţ.	77 A21,666	5	75.251,536	Ė	75,649,815	\$	76,575,HU6
Net pension liability as a percentage of covered payroll.		308.99%	211.50%		303.90%		270 78%		311.84%		285.19%		281.685

Note: this schedule is intended to present information for 1D years.

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

See notes to required supplementary information

#### SCHEDULE OF CONTRIBUTIONS

	December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017	December 31, 2018		December 31, 2019		December 31, 2020
×.	17,714,868	s	18,515,120	\$	19,320,161	\$	20,684,393 \$	20,756,572	\$	21,375,578	\$	21,607,088
	(17,714,888)		(18.506,911)		(19,162,742)		(19,958,286)	(20,798,277)		(21,372,987)		(22,075,444)
		φ:			(166,453)		(647,679)				d	-
5		s.	6,209		(9,034)	\$.	78,428 \$	(41,705)	\$	2,611	\$.	(468,361)
4	71,258,480	\$	74,824,910	9	73,741,641	\$	77,421,566 \$	75,251,536	9	75,849,815	\$	76,525,906
	24.66%		24 80%		25.99%		76.62%	27 64%		28 18%		38.85%
	\$ 5 8	2014 \$ 17,714,868 (17,714,888) 	\$ 17,714,888 \$ (17,714,888) \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ 71,258,430 \$	2014 2015  \$ 17,714,888 \$ 18,515,120 :  (17,714,888) (18,506,911)  \$\$ 6,209 .  \$ 71,258,430 \$ 74,624,810 :	2014 2015  \$ 17,714,868 \$ 18,515,120 \$  (17,714,888) (18,506,911)  5 \$ 6,209 \$  \$ 71,263,480 \$ 74,624,810 \$	2014 2015 2016  \$ 17,714,868 \$ 18,515,120 \$ 19,320,161  (17,714,888) (18,508,911) (19,162,742)  - (166,453)  \$ \$ \$ 5,209 \$ (9,034)  \$ 71,253,430 \$ 74,624,810 \$ 73,741,841	2014 2015 2016  \$ 17,714,868 \$ 18,515,120 \$ 18,320,161 \$  (17,714,888) (18,506,911) (19,162,742)  - (165,453)  \$ \$ 6,209 \$ (9,034) \$  \$ 71,268,430 \$ 74,824,910 \$ 73,741,841 \$	2014   2015   2016   2017	2014   2015   2016   2017   2018	2014   2015   2016   2017   2018	2014         2015         2016         2017         2018         2019           \$ 17,714,888 \$ 18,515,120 \$ 19,320,161 \$ 20,684,393 \$ 20,756,572 \$ 21,375,578           (17,714,888) (18,508,911) (18,362,742) (19,986,288) (20,798,277) (21,372,987)           - (166,453) (647,679)           5 \$ 5,209 \$ (9,034) \$ 78,428 \$ (41,705) \$ 2,611           4 71,268,430 \$ 74,624,910 \$ 73,741,841 \$ 77,421,568 \$ 75,251,538 \$ 75,849,816	2014   2015   2016   2017   2018   2019

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

See notes to required supplementary information

## SCHEDULE OF INVESTMENT RETURNS

Annual money-weighted rate of return, Year net of investment expense December 31, 2020..... 12.01% December 31, 2019 16.03% December 31, 2018..... -2.29% December 31, 2017..... 17 07% December 31, 2016..... 7.53% December 31, 2015..... 0.59% December 31, 2014..... 7.39%

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

See notes to required supplementary information

#### NOTE A - CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the Systems total pension liability, changes in the Systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

#### NOTE B - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE C - MONEY WEIGHTED RATE OF RETURN

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of

pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.	
NOTE D - CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS	

Changes in Assumptions:

None.

Changes in Plan Provisions:

None

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



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

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

#### Management's Responsibility for the Schedules

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

#### Auditor's Responsibility

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

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

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

Lawrence Contributory Retirement System

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Audit of Specific Elements, Accounts and Items of Financial Statements

### Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the Lawrence 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.

#### Other Matter

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

#### Restriction on Use

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

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June 22, 2021

# SCHEDULE OF EMPLOYER ALLOCATIONS

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

Employer	FY2021 Pension Fund Appropriation	Direct Appropriation E.R.I.		FY2021 Total Appropriation		Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Lawrence	18,925,899	\$ 992,790	3	19,918,689	5	180,700,344	90.24%
Greater Lawrence Regional Vocational Tech	1,024,215	44,828		1,069,043		9,697,662	4.84%
Lawrence Housing Authority	973,740	5,504		979,244		8,883,064	4.44%
M.V.R.T.A	107,259			107,259		972,984	0.49%
Total\$	21,031,113	\$ 1,043,122	5	22,074,235	\$	200,254,054	100.00%

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

### SCHEDULE OF PENSION AMOUNTS BY EMPLOYER.

FOR THE YEAR ENDED DECEMBER 31, 2020

		Cily of Lawrence		Greater Lawrence Regional Vocational Tech		Lawrence Housing Authority		M.V.R.T.A		Totals
Net Pension Liability				Various.		1420000		15000		San San San
Beginning net pension liability	5	193,946,473	\$	10,723,156	5	10,786,470	S	857,315	5	216,313,414
Ending net pension liability	\$	180,700,344	5	9,697,662	ş.	8,883.064	\$	972,984	5	200,254,064
Deferred Outflows of Resources Differences between expected and actual experience.	5	355,643	\$	19,086	5	17,483	\$	1,915	5	394,127
Changes of assumptions		6,901,197		370,367		339,257		37,160		7,647,981
Changes in proportion and differences between										
employer contributions and proportionate share of contributions		1,204,544		947,154		931,423		469,837		3,552,958
Total Deferred Outflows of Resources	\$	8,461,384	s	1,336,607	5	1,288,163	\$	508,912	s.	11,595,066
Deferred Inflows of Resources Differences between expected and actual experience	s	6,050,070	s	324,690	5	297.416	s	32,577	5	6.704.753
Net difference between projected and actual investment earnings on pension plan investments		14,341.305		769,656		705,005		77,221		15,893,187
Changes in proportion and differences between employer contributions and proportionals share of contributions.		1,973,941		265,612		1,293,405				3,552,958
Total Deferred Inflows of Resources	5	22,365,316	s	1,379,968	5	2,295,826	5	109.796	5	26,150,898
Pension Expense Proportionate share of plan pension expense	5	12.126.974	s	650.819	s	596,151	s	65,296	5	13,439,242
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		(337,275)		269,076		(79,212)		147,411		
Total Employer Pension Expense	\$	11,789,699	s	919,895	\$	516,939	s	212,709	\$	13,439,242
Contributions										
Statutory required contribution	5	19,918,689	\$	1,069,043	5	979,244	s	107,259	\$	22,074,235
Contribution in relation to statutory required contribution		(19,919,898)		(1.069,043)		(979.244)		(107,259)		(22.075,444
Contribution deficiency/(excess)	\$	(1,209)	\$		5		s.		s.	(1,209
Contributions as a percentage of covered payrol		28.67%		30.78%		30.56%		28,14%		28,855
Deferred Outflows/(Inflows) Recognized in Future Pension Expense										
June 30, 2021	\$	(4,993,884)		22,764	\$	(309,285)	\$	148,753	5	(5,131,652
June 30, 2022. June 30, 2023.		(1,575,502) (5,379,501)		(210,663)		(145,602) (269,563)		27,111		(1,340,954
June 30 . 2024.		(2,168,408)		(37,951)		(78,163)		33,912		(2,250,610
June 30, 2025		214,363		(42,660)		(205,050)		33,347		4
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	5	(13,903,932)	5	(43,351)	5	(1,007,663)	\$	399,114	5	(14,555,832
Discount Rate Sensitivity			3.7							
1% decrease (6.25%)	\$	228,529,957	\$	12,264,538	5	11,234,324	s	1,230,523	\$	253,259,342
Current discount rate (7.25%)	\$	180,700,344	\$	9,697,662	\$	8,883,064	\$	972,984	5	200.254.054
1% Increase (8.25%)	s	140,296,476	s	7,529,304	5	6,896,847	S	755,429	\$	155,478,056
Covered Payroll:	s	69,467,122	\$	3,473,215	\$	3,204,342	s	381.227	5	76,525,906
See notes to schedule of employer allocations and schedule										

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

Lawrence Contributory Retirement System

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Pension Amounts by Employer

### NOTE I - Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a costsharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2019, were applied to allocate the System's December 31, 2020, pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC complete an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the System's funding schedule.

# NOTE II - Schedule of Pension Amounts by Employer

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

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Changes in Assumptions:	
None.	

None

Changes in Plan Provisions:

Lawrence Contributory Retirement System

Audit of Specific Elements Accounts and Items of Financial Statements

LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

# LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

# FINANCIAL STATEMENTS

# YEAR ENDED DECEMBER 31, 2019

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# Financial Section

# Powers & Sullivan, LLC

Certified Public Accountants



100 Quannapowiti-Parkway Suite 101 Wakefield, MA 01880 T. 781-914-1700 F. 781-914-1701 www.powersaudsullivan.com

#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

#### Report on the Financial Statements

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

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

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

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

#### Other Matters

#### Required Supplementary Information

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2020, on our consideration of the Lawrence Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence Contributory Retirement System's internal control over financial reporting and compliance.

#### Restriction on Use

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

August 20, 2020

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# Management's Discussion and Analysis

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

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

#### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$255.4 million (net position).
- The System's net position increased by \$34.7 million for the year ended December 31, 2019.
- Total investment income was \$36.5 million; investment expenses were \$1.2 million, and net investment income was \$35.3 million.
- Total contributions were \$29.7 million including \$21.4 million from employers, \$7.2 million from members, and \$1.1 million from other transfers in and settlements.
- · Retirement benefits, refunds and transfers to other systems amounted to \$29.8 million.
- Administrative expenses were \$487,000.
- The Total Pension Liability is \$471.7 million as of December 31, 2019 while the Net Pension Liability is \$216.3 million.
- The Plan fiduciary net position as a percentage of the total pension liability is 54.14%.

#### Overview of the Financial Statements

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

### **Fiduciary Financial Statements**

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

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

#### Notes to the financial statements

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

Lawrence Contributory Retirement System

Management's Discussion and Analysis

### Required Supplementary Information

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

# Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$255.4 million at the close of 2019.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of \$254.1 million, cash of \$2.0 million, accounts receivable of \$536,000 and other assets of \$12,000.

In 2019 the System's contributions were \$29,7 million while deductions were \$30,3 million which resulted in a current decrease of (\$601,000). In 2018 the System's contributions were \$28.9 million while deductions were \$30.5 million which resulted in a prior year decrease of (\$1.5) million. For these two years the System was not able to sustain operations independent of investment income.

The primary change in net position when comparing the 2019 and 2018 results relates to each year's investment performance. Net investment income was \$35.3 million 2019, as compared to net investment loss of \$5.3 million in 2018. The annual money weighted rate of return was 16.03% and a loss of (2.29%) in 2019 and 2018 respectively. Fluctuations in the System's annual investment returns are expected.

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

2019		2018
2,044,230	\$	1,530,539
254,078,313		220, 395, 627
535,883		524,992
11,733		11,332
256,670,159		222,462,490
1,311,454	7	1,801,001
255,358,705	\$	220,661,489
	2,044,230 254,078,313 535,883 11,733 256,670,159 1,311,454	2,044,230 \$ 254,078,313 535,883 11,733 256,670,159

Lawrence Contributory Retirement System

Management's Discussion and Analysis

	2019	2018
Statement of Changes in Fiduciary Net Position Additions:		
Contributions		
Member contributions\$	7,219,910	\$ 6,843,880
Employer contributions	21,372,967	20,798,277
Other contributions	1,118,622	1,289,969
Total contributions	29,711,499	28,932,126
Net investment income (loss).	35,297,869	(5,258,484)
Total additions	65,009,368	23,673,642
Deductions:		
Administration.	486,756	502,442
Retirement benefits, refunds and transfers	29,825,396	29,952,242
Total deductions.	30,312,152	30,454,684
Net increase (decrease) in fiduciary net position	34,697,216	(6,781,042)
Fiduciary net position at beginning of year	220,661,489	227,442,531
Fiduciary net position at end of year \$	255,358,705	\$ 220,661,489
and the second s		

# Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 350 Merrimack Street, Suite 302, Lawrence, MA 01843.

This page left intentionally blank Lawrence Contributory Retirement System Management's Discussion and Analysis

# STATEMENT OF FIDUCIARY NET POSITION

# DECEMBER 31, 2019

Assets	
Cash and cash equivalents \$	2,044,230
Investments:	
Investments in Pension Reserve Investment Trust	254,078,313
Receivables, net of allowance for uncollectibles:	
Other accounts receivable	535,883
Other assets.	11,733
Total Assets	256,670,159
Liabilities	
Warrants payable.	1,311,454
Net Position Restricted for Pensions \$	255,358,705

See notes to financial statements.

Lawrence Contributory Retirement System

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# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

# YEAR ENDED DECEMBER 31, 2019

Additions	
Contributions:	
Employer pension appropriation\$	21,372,967
Member contributions	7,219,910
Transfers from other systems	470,255
3(8)(c) contributions from other systems	329,014
Workers' compensation settlements	28,260
State COLA reimbursements	256,458
Members' makeup payments and redeposits	25,874
Interest not refunded.	8,761
Total contributions	29,711,499
Net investment income:	
Investment income (loss)	36,517,787
Less: investment expense.	(1,219,918)
Net investment income (loss)	35,297,869
Total additions	65,009,368
Deductions:	
Administration	486,756
Retirement benefits and refunds	27,657,635
Transfers to other systems	828,803
3(8)(c) transfer to other systems.	1,338,958
Total deductions	30,312,152
Net increase (decrease) in fiduciary net position	34,697,216
Fiduciary net position at beginning of year.	220,661,489
Fiduciary net position at end of year\$	255,358,705

See notes to financial statements.

Lawrence Contributory Retirement System

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#### NOTE 1 - PLAN DESCRIPTION

The Lawrence Contributory Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Lawrence Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees. The System has four participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

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

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

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

Any Individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

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

Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are

Lawrence Contributory Retirement System

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deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2036.

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

Employees who resign from service are entitled to request a refund of their accumulated total deductions.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

# Cash and Investments

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

#### Fair Value Measurements

The Retirement System reports required types of financial instruments in accordance with the fair value

Lawrence Contributory Retirement System

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

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

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

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

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

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

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

#### Accounts Receivable

Accounts receivable consist of member deductions, federal grant reimbursements, and 3(8)c reimbursements due from other systems. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

# Deferred Outflows/Inflows of Resources

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

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

Lawrence Contributory Retirement System

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# NOTE 3 - PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of the Lawrence City Comptroller, who shall be a member ex-officio, a second member appointed by the Mayor of Lawrence, 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 members.

Chairman	William Bateman	Term Expires	1/28/2022
Elected Member	Kevin Loughlin	Term Expires:	7/1/2022
Elected Member	Gina Rizzo	Term Expires:	10/15/2021
Appointed Member	Thomas M. Cuddy	Term Expires:	Indefinite
Ex-officio Member	Ramona Ceballos	Term Expires:	Indefinite

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 three persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer-Custodian:	)	MACRS Blanket Policy
Ex-Officio Member.	)	\$50,000,000 Fiduciary Liability
Elected Members:	)	\$1,000,000 Fidelity (ERISA) Bond
Appointed Members:	)	St. Paul Travelers Insurance Company
Staff Employees	)	National Union Fire Arch Insurance

## NOTE 4 - CASH AND INVESTMENTS

#### Custodial Credit Risk - Deposits

At December 31, 2019, the carrying amount of the System's deposits totaled \$2,044,230 and the bank balance totaled \$2,248,083. Of the bank balance, \$1,244,509 was covered by Federal Depository Insurance, and the remaining amount of \$1,003,574, which was the amount held in the PRIT cash fund, was uninsured.

#### Investments

The System's investments as of December 31, 2019 consist of \$254,078,313 in PRIT pooled funds. Subsequent to year end, the market value of the PRIT investment declined by approximately (\$9.2 million) (See Note 9).

Lawrence Contributory Retirement System

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100% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. PRIT investments are valued using the net asset value (NAV) method.

The Administration's annual money-weighted rate of return on pension plan investments was a gain of 16.03%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

#### Fair Value of Investments

The plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures.

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

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

#### NOTE 5 - MEMBERSHIP

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

Retirees and beneficiaries currently receiving benefits	922
Inactive members	402
Active members	1,874
Total	3,198

## NOTE 6 - ACTUARIAL VALUATION

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

Total pension liability\$	471,672,119
The pension plan's fiduciary net position	(255, 358, 705)
The net pension liability	216,313,414
The pension plan's fiduciary net position as a percentage of the total pension liability.	54.14%

Lawrence Contributory Retirement System

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

Valuation date	January 1, 2020
Actuarial cost method	Entry Age Normal
Amortization method	3.24% amortization increase
Remaining amortization period	17 years for the fresh start base.
Asset valuation method	Market value adjusted by accounts payable and receivables.
Projected salary increases	3.75% ultimate rate, plus 4.00% steps for the first five years of service
Cost of living adjustments.	3% of first \$12,000 of a member's retirement allowance.
Rates of retirement	Groups 1 and 2; Ages 50 - 70 Group 4; Ages 50 - 65
Rates of disability	Groups 1 and 2, ages 50 - 70 Group 4, Ages 50 - 65
Mortality Rates	RP-2014 adjusted to 2006 and projected generationally using MP-2019. For members retired under an Accidental Disability (job-related), 50% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 adjusted to 2006 and projected generationally using MP-2019, ages set forward two years.
Investment rate of return/Discount rate	7.25% (7.50% in prior valuation).

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 3.0%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2020 are summarized in the table on the following page.

Lawrence Contributory Retirement System

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Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	13.00%	4.29%
International Equities	13.00%	4.39%
Emerging Markets Equities	5.00%	6.54%
Hedged Equities	8.00%	3.61%
Core Fixed Income	6.00%	0.88%
Short-Term Fixed Income	2.00%	0.59%
20+ Year Treasury Strips	3.00%	0.00%
TIPS	4.00%	20.00%
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	11.00%	3.22%
_	100.00%	2

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 7.25%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease 6.25%		Discount 7.25%		1% Increase 8.25%	
Lawrence Retirement System's net pension						
liability as of December 31, 2019	268, 531, 484	S	216,313,414	S	172, 205, 025	

Current

Contributions: Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

# NOTE 7 - COMMITMENTS AND CONTINGENCIES

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

Lawrence Contributory Retirement System

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### NOTE 8 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

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

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

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

#### NOTE 9 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 20, 2020, which is the date the financial statements were available to be issued.

The Retirement System carries its investments at fair (market) value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to year end, the System's investment of \$254,078,313 in the Pension Reserves Investment Trust (PRIT), as determined by PRIT, has declined in value by approximately (\$9.2 million). The market value decline is consistent with recent trends in the overall financial securities market.

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

# Required Supplementary Information

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

		December 31, 2014	1	December 31, 2015		December 31, 2016		December 51, 2017		December 31, 2018		December 31, 2019
Total pension liability: Service cost Interest	6	8,469,461 29,607,284	5	8,829,413 30,713,328	ş	8,737,363 \$. 31,842,170		g,108,701 32,023,014	\$	9,495,621 32,766,855	\$	9,873,518 33,814,517
Differences between expected and actual experience.  Changes in assumptions.		28,007,204		30.714,020		(11,573,571)		1,144,844		32,700,000		(5,276,740)
Benefit payments.		(24,653,000)		(23,877,370)		(26.092.541)	_	(27,995,140)		(28,662,273)		(28,706,774
Net change in total pension liability		13,423,745		15,865,369		2,913,421		23,637,703		13,600,403		16,344,968
Total pension liability - beginning		385,886,510	Ü	399,310,255		415,175,624	_	418,089,045		441,726,748		455,327,151
Total pension liability - ending (a)	\$	399,310,255	\$	415,175,824	ŧ.	418,089,045 \$		441,726,748	\$	455,327,151	\$	471,672,119
Plan fiduciary net position:												
Employer pension appropriation.  Member contributions	1	17,323,139	\$	18,508,811	8	19,329,195 \$		20,605,965	8	20,798,277	5	21,372,967
Net investment income (loss).		6,950,852		6,706,412		6,851,473 13,190,264		6,781,214 33,087,835		6,843,880 (5,258,484)		7,219,910
Administrative expenses		(454,840)		(470,218)		(472,754)		(503,253)		(502,442)		(486,756
Retirement benefits and refunds	4	(24,653,000)	,	(23,677,370)	14	(26,092,541)	_	(27,995,140)		(28,662,273)		(28,706,774
Net increase (decrease) in fluidary net position		11,599,276		2,081,530		12,805,637		31,976,621		(6,781,042)		34,697,216
Fiduciary net postion - beginning of year		168,979,467		180,578,743		192,660,273	-	195,465,910		227,442,531		220,661,489
Fiduciary net position - end of year (b)	\$ .	180,578,743	S.	182,660,273	8.	195,465,910 \$	=	227,442,531	\$	220,661,489	\$	255,358,705
Net pension liability - ending (a)-(b)	\$	218,731,512	10	232.515,351	٤,	222 628 135 \$	_	214 284 217	\$	234,665,662	\$	216,315,414
Plan iduciary net position as a percentage of the total		16 add		22 444		in whi		E) 4600		16.734		
pension liability		45 22%		44 00%		46.75%		51 49%		48.46%		54 14%
Covered payroll	5	71,253,430	ş	74,624,910	2	73,741,641 \$		77,421,566	\$	75,251,536	F	75,849,815
Net pension liability as a percentage of				2000						- 75.0		-07.4
covered payroll.		306.98%		311 58%		201,90%		275.78%		311 5490		285 19W

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

See notes to required supplementary information.

#### SCHEDULE OF CONTRIBUTIONS December 31. December 31. December 31, December 31. December 31. December 31, 2014 2019 2018 2017 2018 2015 18,515,120 5 19,320,161 \$ 20,684,393 \$ 21,375,578 Actuarially determined contribution... 20,756,572 \$ Contributions in relation to the actuarially determined contribution... (17,714,868) (18,508,911) (19,162,742) (19,958,286) (20,798,277) (21,372,967) Settlement of M.V.R.T.A. past service cost... (647,679) 6,209 5 (41,705) \$ 2,611 78,428 5 71,253,430 \$ 74,624,910 5 73,741,641 \$ 75,251,536 \$ 75,849,815 77,421,566 \$ Contributions as a percentage of

24.80%

26.62%

27.64%

28,18%

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

24.86%

See notes to required supplementary information.

covered payroll.....

# SCHEDULE OF INVESTMENT RETURNS

7.39%

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

See notes to required supplementary information

December 31, 2014.....

### NOTE A - CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the Systems total pension liability, changes in the Systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

#### NOTE B - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE C - MONEY WEIGHTED RATE OF RETURN

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

#### NOTE D - CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS

#### Changes in Assumptions

The January 1, 2020 valuation of the System included two changes of assumptions: an update of the mortality assumption and a reduction of the discount rate from 7.50% to 7.25%.

# Changes in Plan Provisions

None.

Lawrence Contributory Retirement System

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Required Supplementary Information

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

# Powers & Sullivan, LLC

Certified Public Accountants



100 Quannapowitt Parkway Suite 101 Wakefield, MA 01880 T. 781-914-1700 F. 781-914-1701 www.powersandsullivan.com

#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

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

#### Management's Responsibility for the Schedules

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

#### Auditor's Responsibility

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

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

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

Lawrence Contributory Retirement System

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Audit of Specific Elements, Accounts and Items of Financial Statements

### **Opinions**

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the Lawrence 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.

#### Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Lawrence Contributory Retirement System as of and for the year ended December 31, 2019, and our report thereon, dated August 20, 2020, expressed an unmodified opinion on those financial statements.

#### Restriction on Use

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

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August 20, 2020

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# SCHEDULE OF EMPLOYER ALLOCATIONS

#### FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	FY2020 Pension Fund Appropriation	Direct Appropriation E.R.I.		FY2020 Total Appropriation	 Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Lawrence	18,227,366	\$ 954,605	5	19,181,972	\$ 193,946,473	89.66%
Greater Lawrence Regional Vocational Tech	1,014,555	43,104		1,057,659	10,723,156	4.96%
Lawrence Housing Authority	1,047,152	5,267		1,052,419	10,786,470	4.99%
M.V.R.T.A	83,528			83,528	 857,315	0.40%
Total \$	20,372,601	\$ 1,002,977	5	21,375,578	\$ 216,313,414	100.00%

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

### SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2019

	City of Lawrence		Greater Lawrence Regional Vocational Tech		Lawrence Housing Authority		M.V.R.T.A		Totals
Net Pension Liability	- Charten	N 12	a a contraction of		ar retrosper'y		AFTINITY.		CONTRACTOR
Beginning net pension liability	212,650,87	4 \$	10,908,478	S	10,242,798	S	863,513	S	234.665,663
Ending net pension liability	193,946,47	3 \$	10,723,156	\$	10,786,470	\$	857,315	5	216,313,414
Deferred Outflows of Resources			Seattle.						***
Differences between expected and actual experience			O.U.	*	29,012	S	2,306	\$	581,806
Changes of assumptions	9,224,69	7	510,027		513,038		40,777		10,288,533
Changes in proportion and differences between employer contributions and proportionate share of contributions	190,63	1	1,305,922		1,173,693		417,163		3,087,409
				ď				ď	-1
Total Deferred Outflows of Resources	9,936,97	5 \$	1,844,790	5,	1,715,743	٠,	460,246	۶.	13,957,754
Deferred Inflows of Resources Differences between expected and actual experience	8,303,88	9 \$	469,116	5	461,827	5	36,706	5	9,261,538
Net difference between projected and actual investment earnings on pension plan investments	7,837,60	16	433,336		435,894		34,645		8.741,483
Changes in proportion and differences between employer contributions and proportionate share of contributions.	2,583,48	10	119,343		384,584				3,087,407
Total Deferred Inflows of Resources	18.724.97	7 \$	1.011.795	5	1.282,305	5	71,351	5	21.090.428
Pension Expense Proportionate share of plan pension expense	5 18,419,58	9 \$	1.016,407	5	1.024.418	s	81.422	5	20,543,836
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(567,30	11)	310,986		125,037		131,278		
Total Employer Pension Expense	17.852,28	8 s	1,329,393	\$	1.149.455	s	212.700	s.	20,543,836
Contributions		0.0	-652000	2			5.00	£	47.028.00
Statutory required contribution	19.181.97	2 5	1,057,659	5	1,052,419	S	83,528	5	21,375,578
Contribution in relation to statutory required contribution	(19.179.63	6)	(1.057,529)		(1,052,285)	-	(83,517)	-	(21,372,967
Contribution deficiency/(excess)	2,33	6 \$	130	5	134	\$	- 11	\$.	2,611
Contributions as a percentage of covered payroll.	27.88	%	30,45%		32.84%		21 91%		28.189
Deferred Outflows/(Inflows) Recognized in									
Future Pension Expense June 30, 2020.	(2,798,42	4 C	187,629		952	4	121,416	•	(2,488,424
June 30, 2021	(2,948,78		182,774	4	(8.507)		120.760		(2,653,757
June 30, 2022	445,95		389,472		176,004		125,510		1,136,942
June 30, 2023	(3,338,61		(51,849)		26,933		8,809		(3,354,721
June 30, 2024. Total Deferred Outflows/(Inflows) Recognized in	1148.13	9)	124,969		238,056	-	12,400		227,286
Future Pension Expense	(8,788,00	2) \$	832,995	5	433,438	\$	388,895	5	(7.132,674
Discount Rate Sensitivity			10000						
1% decrease (6,25%)	\$ 240,665,98	11 \$	13,323,616	S	13,470,479	S	1,071,409	\$	268,531,484
Current discount rate (7.25%)	193,946,47	3 \$	10.723,156	5	10.786.470	5	657,316	5	216,313,414
1% Increase (8,25%)	154,482,69	8 \$	8,526,558	\$	8,519,299	s	676,471	s	172,205,025
Covered Payroll	68,791.03	1 5	3,473,215	5	3,204,342	s	381,227	5	75,849,815
See notes to schedule of employer allocations and schedule									

Lawrence Contributory Retirement System

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Pension Amounts by Employer

# NOTE I - Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a costsharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2018 were applied to allocate the System's December 31, 2019 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC complete an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the System's funding schedule.

# NOTE II - Schedule of Pension Amounts by Employer

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

# Changes in Assumptions

The January 1, 2020 valuation of the System included two changes of assumptions: an update of the mortality assumption and a reduction of the discount rate from 7.50% to 7.25%.

# Changes in Plan Provisions

None.

Lawrence Contributory Retirement System

27 Audit of Specific Elements Accounts and Items of Financial Statements LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

# LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

#### FINANCIAL STATEMENTS

# YEAR ENDED DECEMBER 31, 2018

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# Financial Section

# Powers & Sullivan, LLC

Certified Public Accountants



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

#### Report on the Financial Statements

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

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

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

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

#### Other Matters

#### Required Supplementary Information

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

#### Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 8, 2019, on our consideration of the Lawrence Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Lawrence Contributory Retirement System's internal control over financial reporting and compliance.

#### Restriction on Use

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

October 8, 2019

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# Management's Discussion and Analysis

As management of the Lawrence Contributory Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

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

#### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$220.7 million (net position).
- The System's net position decreased by \$6.8 million for the year ended December 31, 2018.
- Total investment loss was \$4.1 million, investment expenses were \$1.2 million; and net investment loss was \$5.3 million.
- Total contributions were \$28.9 million including \$20.8 million from employers, \$6.8 million from members, and \$1.3 million from other transfers in and settlements.
- · Retirement benefits, refunds and transfers to other systems amounted to \$30.0 million.
- Administrative expenses were \$502,000.
- The Total Pension Liability is \$455,3 million as of December 31, 2018 while the Net Pension Liability is \$234.7 million.
- The Plan fiduciary net position as a percentage of the total pension liability is 48.46%.

#### Overview of the Financial Statements

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

#### **Fiduciary Financial Statements**

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

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

#### Notes to the financial statements

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

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Lawrence Contributory Retirement System

Management's Discussion and Analysis

#### Required Supplementary Information

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

#### Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities by \$220.7 million at the close of 2018.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of \$220.4 million, cash of \$1.5 million, accounts receivable of \$525,000 and other assets of \$11,000.

In 2018 the System's contributions were \$28.9 million while deductions were \$30.5 million which resulted in a current decrease of (\$1.5) million. In 2017 the System's contributions were \$28.2 million while deductions were \$29.3 million which resulted in a prior year decrease of (\$1.1) million. For these two years the System was not able to sustain operations independent of investment income.

The primary change in net position when comparing the 2018 and 2017 results relates to each year's investment performance. Net investment loss was \$5.3 million 2018, as compared to net investment income of \$33.1 million in 2017. The annual money weighted rate of return was a loss of (2.29%) and 17.06% in 2018 and 2017 respectively. Fluctuations in the System's annual investment returns are expected.

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

	2018	2017
Statement of Fiduciary Net Position		C-12
Assets:		
Cash\$	1,530,539	\$ 1,731,759
Investments	220,395,627	226,646,366
Receivables	524,992	387,998
Other assets.	11,332	12,938
Total assets	222,462,490	228,779,061
Liabilities:		
Accounts payable	1,801,001	1,336,530
Net Position Restricted for Pension Benefits \$	220,661,489	\$ 227,442,531

Lawrence Contributory Retirement System

Management's Discussion and Analysis

	2018	2017
Statement of Changes in Fiduciary Net Position Additions:		-
Contributions:	Name and Advantage	
Member contributions\$	6,843,880	\$ 6,781,214
Employer contributions	20,798,277	20,605,965
Other contributions	1,289,969	802,266
Total contributions	28,932, 126	28,189,445
Net investment income (loss).	(5,258,484)	33,087,835
Total additions.	23,673,642	61,277,280
Deductions:		
Administration	502,442	503,253
Retirement benefits, refunds and transfers	29,952,242	28,797,406
Total deductions	30,454,684	29,300,659
Net increase (decrease) in fiduciary net position	(6,781,042)	31,976,621
Fiduciary net position at beginning of year	227,442,531	195,465,910
Fiduciary net position at end of year. \$	220,661,489	\$ 227,442,531

# Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 350 Merrimack Street, Suite 302, Lawrence, MA 01843.

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#### STATEMENT OF FIDUCIARY NET POSITION

# DECEMBER 31, 2018

Assets	
Cash and cash equivalents \$	1,530,539
Investments:	
Investments in Pension Reserve Investment Trust	220,395,627
Receivables, net of allowance for uncollectibles:	
Other accounts receivable	524,992
Other assets.	11,332
Total Assets	222,462,490
Liabilities	
Warrants payable.	1,801,001
Net Position Restricted for Pensions\$	220,661,489

See notes to financial statements.

Lawrence Contributory Retirement System

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# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

# YEAR ENDED DECEMBER 31, 2018

* Alexander		
Additions		
Contributions:		
Employer pension appropriation	\$	20,798,277
Member contributions		6,843,880
Transfers from other systems		538,085
3(8)(c) contributions from other systems		288,733
Workers' compensation settlements		21,000
State COLA reimbursements		440,391
Interest not refunded	-	1,760
Total contributions	-	28,932,126
Net investment income:		
Investment income (loss)		(4,060,145)
Less: investment expense	-	(1,198,339)
Net investment income (loss)	1	(5,258,484)
Total additions	-	23,673,642
Deductions:		
Administration		502,442
Retirement benefits and refunds		26,778,061
Transfers to other systems		1,575,874
3(8)(c) transfer to other systems.	_	1,598,307
Total deductions	_	30,454,684
Net increase (decrease) in fiduciary net position,		(6,781,042)
Fiduciary net position at beginning of year	_	227,442,531
Fiduciary net position at end of year.	s	220,661,489

See notes to financial statements.

Lawrence Contributory Retirement System

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#### NOTE 1 - PLAN DESCRIPTION

The Lawrence Contributory Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Lawrence Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees. The System has four participating employers.

The System is governed by a five-member Board who establish the policies under which the System operates. Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

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

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

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

Any Individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

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

Lawrence Contributory Retirement System

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Active members contribute between 5% and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2036.

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

Employees who resign from service are entitled to request a refund of their accumulated total deductions.

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

#### NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

#### Cash and Investments

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

Lawrence Contributory Retirement System

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#### Fair Value Measurements

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

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

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

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

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

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

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

#### Accounts Receivable

Accounts receivable consist of member deductions, federal grant reimbursements, and 3(8)c reimbursements due from other systems. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles

#### Deferred Outflows/Inflows of Resources

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

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

Lawrence Contributory Retirement System

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

#### **NOTE 3 - PLAN ADMINISTRATION**

The System is administered by a five-person Board of Retirement consisting of the Lawrence City Comptroller, who shall be a member ex-officio, a second member appointed by the Mayor of Lawrence, 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 members.

Chairman	William Bateman	Term Expires:	1/28/2022
Elected Member	Kevin Loughlin	Term Expires:	7/1/2019
Elected Member	Gina Rizzo	Term Expires:	10/15/2021
Appointed Member	Thomas M. Cuddy	Term Expires:	Indefinate
Ex-officio Member	Ramona Ceballos	Term Expires:	Indefinate

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 three persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer-Custodian:

Discrete Description

Company

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#### NOTE 4 - CASH AND INVESTMENTS

#### Custodial Credit Risk - Deposits

At December 31, 2018, the carrying amount of the System's deposits totaled \$1,530,539 and the bank balance totaled \$1,642,068, all of which was covered by Federal Depository Insurance.

#### Investments

The System's investments as of December 31, 2018 consist of \$220,395,627 in PRIT pooled funds.

100% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. PRIT investments are valued using the net asset value (NAV) method.

The Administration's annual money-weighted rate of return on pension plan investments was a loss of (2.29%). The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

#### Fair Value of Investments

The plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures.

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

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

#### NOTE 5 - MEMBERSHIP

The following table represents the System's membership at December 31, 2018:

Retirees and beneficiaries currently receiving benefits	904
Inactive members	444
Active members	1,737
Total	3,085

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# NOTE 6 - ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2018 were as follows:

Total pension liability\$	455,327,151
The pension plan's fiduciary net position	(220,661,489)
The net pension liability\$	234,665,662
The pension plan's fiduciary net position as a percentage of the total pension liability	48 46%

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated back to December 31, 2018:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal
Amortization method.	3.24% amortization increase
Remaining amortization period	17 years for the fresh start base
Asset valuation method	Market value adjusted by accounts payable and receivables.
Projected salary increases	3.75% ultimate rate, plus 4.00% steps for the first five years of service.
Cost of living adjustments	3% of first \$12,000 of a member's retirement allowance.
Rates of retirement	Groups 1 and 2; Ages 50 - 70. Group 4; Ages 50 - 65.
Rates of disability	Groups 1 and 2, ages 50 - 70. Group 4, ages 50 - 65.
Mortality Rates	RP-2014 adjusted to 2006 and projected generationally using MP-2016. For members retired under and Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 adjusted to 2006 and projected generationally using MP-2016, ages set forward two years. (Prior valuation used RP-2000 mortality table projected with generational mortality, scale BB, and a base year of 2000).

Lawrence Contributory Retirement System

Investment rate of return/Discount rate...... 7.50% (7.75% in prior valuation).

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 3.0%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class  Domestic Equities	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	13.00%	5.25%
	13.00%	5.43%
Emerging Markets Equities	5.00%	6.90%
	8.00%	4.54%
Core Fixed Income	6.00%	2.07%
Short-Term Fixed Income	2.00%	1.72%
20+ Year 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	11.00%	4.41%
	100.00%	

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 7.50%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Discount (7.50%)	1% Increase (8.50%)		
Lawrence Retirement System's net pension		74.52.67			
liability as of December 31, 2018\$	284,626,809	\$ 234,665,663	\$	191,814,511	

Lawrence Contributory Retirement System

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Contributions: Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE 7 - COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending against the System Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2018 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2018.

#### NOTE 8 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- The GASB issued Statement #85, Omnibus 2017. The basic financial statements and related notes were
  updated to be in compliance with this pronouncement.
- The GASB issued Statement #86, Certain Debt Extinguishment Issues. The basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, Certain Asset Retirement Obligations, which is required to be implemented in 2019.
- The GASB issued Statement #84. Fiduciary Activities, which is required to be implemented in 2020.
- . The GASB issued Statement #87, Leases, which is required to be implemented in 2021.
- The GASB issued Statement #88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements, which is required to be implemented in 2019.
- The GASB issued Statement #89, Accounting for Interest Cost Incurred Before the End of a Construction Period, which is required to be implemented in 2020.
- The GASB issued Statement #90, Majority Equity Interest An Amendment of GASB Statements No. 14 and No. 61, which is required to be implemented in 2019.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

#### NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 8, 2019, which is the date the financial statements were available to be issued.

Lawrence Contributory Retirement System

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# Required Supplementary Information

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

		December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017		December 31, 2018
Total pension liability:										
Service cost	S	8,469,461	\$	8,829,413	S	8,737,363	S	9,108,701	\$	9,495,821
Interest		29,607,284		30,713,326		31,842,170		32,023,014		32,766,855
Changes in benefit terms		1.0		2		100		1.1.1.1		1.5
Differences between expected and actual experience		+		-		(11,573,571)		1,144,844		
Changes in assumptions								9,356,284		
Benefit payments.	'n.	(24,653,000)		(23,677,370)	0	(26,092,541)		(27,995,140)		(28,662,273)
Net change in total pension liability		13,423,745		15,865,369		2,913,421		23,637,703		13,600,403
Total pension liability - beginning		385,886,510		399,310,255		415,175,624		418,089,045		441.726,748
Total pension liability - ending (a)	\$	399,310,255	5	415,175,624	\$	418,089,045	5	441,726,748	\$	455,327,151
Plan fiduciary net position:										
Employer pension appropriation	\$	17,323,139	\$	18,508,811	\$	19,329,195	\$	20,605,965	\$	20,798,277
Member contributions		6,950,852		6,706,412		6,851,473		6,781,214		6,843,880
Net investment income (loss)		12,432,925		1,013,895		13,190,264		33,087,835		(5,258,484)
Administrative expenses.		(454,640)		(470, 218)		(472,754)		(503,253)		(502,442)
Retirement benefits and refunds		(24,653,000)		(23,677,370)		(26,092,541)		(27,995,140)		(28,662,273)
Net increase (decrease) in fiduciary net position		11,599,276		2,081,530		12,805,637		31,976,621		(6,781,042)
Fiduciary net position - beginning of year		168,979,467		180,578,743		182,660,273		195,465,910		227,442,531
Fiduciary net position - end of year (b)	\$	180,578,743	\$	182,660,273	\$	195,465,910	5	227,442,531	\$	220,661,489
Net pension liability - ending (a)-(b)	\$	218,731,512	\$	232,515,351	5	222,623,135	\$	214,284,217	\$	234,665,662
Plan fiduciary net position as a percentage of the total										
pension liability		45.22%		44.00%		46.75%		51.49%		48.46%
Covered payroll	8	71,253,430	5	74,624,910	\$	73,741,641	\$	77,421,566	s	75,251,536
Net pension liability as a percentage of										
covered payroll		306.98%		311.58%		301.90%		276.78%		311.84%

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

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

See notes to required supplementary information.

Lawrence Retirement System Audit Report

#### SCHEDULE OF CONTRIBUTIONS

	,	December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017		December 31, 2018
Actuarially determined contribution,	s	17,714,868	\$	18,515,120	\$	19,320,161	5	20,684,393	5	20,756,572
Contributions in relation to the actuarially determined contribution		(17,714,868)		(18,508,911)		(19,162,742)		(19,958,286)		(20,798,277)
Settlement of M.V.R.T.A. past service cost	Ċ,	-			J.	(166,453)		(647,679)		-
Contribution deficiency (excess)	s		5	6,209	5	(9,034)	\$	78,428	5	(41.705)
Covered payroll	s	71,253,430	5	74,624,910	5	73,741,641	\$	77,421,566	s	75,251,536
Contributions as a percentage of covered payroll		24.86%		24.80%		25.99%		26.62%		27.64%

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

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

See notes to required supplementary information.

Lawrence Retirement System Audit Report

# SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2018	-2.29%
December 31, 2017	17.07%
December 31, 2016	7,53%
December 31, 2015	0.59%
December 31, 2014	7.39%

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

See notes to required supplementary information.

#### NOTE A - CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the Systems total pension liability, changes in the Systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

#### NOTE B - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

#### NOTE C - MONEY WEIGHTED RATE OF RETURN

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

#### NOTE D - CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions	
None	

Changes in Plan Provisions

None

Lawrence Contributory Retirement System

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Required Supplementary Information

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

Certified Public Accountants



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

We have audited the accompanying schedule of employer allocations of the Lawrence Contributory Retirement System (System) as of and for the year ended December 31, 2018, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule of pension amounts by employer of the System Pension Plan as of and for the year ended December 31, 2018, and the related notes.

#### Management's Responsibility for the Schedules

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

#### Auditor's Responsibility

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

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

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

Lawrence Contributory Retirement System

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Audit of Specific Elements Accounts and Items of Financial Statements

#### **Opinions**

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the Lawrence 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.

#### Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Lawrence Contributory Retirement System as of and for the year ended December 31, 2018, and our report thereon, dated October 8, 2019, expressed an unmodified opinion on those financial statements.

#### Restriction on Use

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

24

bower & Late CCC October 8, 2019

#### SCHEDULE OF EMPLOYER ALLOCATIONS

#### FOR THE YEAR ENDED DECEMBER 31, 2018

Employer	FY2019 Pension Fund Appropriation	Direct Appropriation E.R.I.		FY2019 Total Appropriation	Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Lawrence	17,898,321	\$ 925,969	\$	18,824,290	\$ 212,650,874	90.62%
Greater Lawrence Regional Vocational Tech.	921,921	41,810		963,731	10,908,478	4.65%
Lawrence Housing Authority	888,288	5,085		893,373	10,242,798	4.36%
M.V.R.T.A	75,178	 	8.8	75,178	 863,513	0.37%
Total\$	19,783,708	\$ 972,864	\$	20,756,572	\$ 234,665,663	100.00%

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

#### SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2018

,-	Cily of Lawrence	d	Lawrence Regional Vocational Tech		Lawrence Housing Authority		M.V.R.T.A		Totals
5	193,980,472	\$	10,040,042	s	9,540,920	s	722,785	s	214,284,219
\$	212,650,874	\$	10,908,478	\$	10,242,798	\$	863,513	5	234,665,663
\$	697,297	\$	35,770	\$	33,587	\$	2,832	5	769,486
	8,947,587		458,990		430,980		36,334		9,873,891
1	5,698,690		292,329		274,490		23,141		5,288,650
	248,532		973,554		35,226		485,040		1,743,352
5	15,592,106	5	1,760,643	5	774,283	5	548,347	5	18,675,379
s	5,927,895	\$	304,087	s	285,530	s	24,071	\$	6,541,583
	1,075,160		166,375	t	501,817			Į	1,743,352
5	7,003,055	\$	470,462	5	787.347	s	24.071	5	6,284.935
\$	20,541,181	5	1,053,712	5	989,412	5	83.410	5	22,667,715
	(211,714)		195,922		(105,085)		120,677		
s,	20,329.467	s	1,249,634	\$,	884,327	s_	204.287	s_	22,667,715
. 5	18,824,290	s	963,731	5	893,373	s	75.178	\$	20,756,572
	(18,862,020)		(965,674)	6	(895.246)		(75.336)		(20,798,276
5	(37,730)	\$	(1,943)	S.	(1,873)	\$_	(158)	\$	(41,704
	27,61%		26.98%		27.84%		25,51%		27.589
s	729,314	\$	244,194	s	53,922 (59,759)	\$	134,283 124,699	5	3,642,914 1,038,448
	4,008,447 180,815 3,664		239,849 434,845 7,393 (1,363)		(68,190) 92,756 (28,393) (3,400)	į	124,091 127,767 12,337 1,099		873,115 4,663,815 172,152
\$	8,589,051	\$	1,290,181	S.	(13,064)	s.	524,276	s.	10,390,444
\$	257,850,750	5	13,236,668	5	12,486,055	5	1,053,336	\$	284,626,809
ş					10,242,798	s	0.0510	\$	234,665,663
5	173,883,437	\$	8,911,614	5	8,318,781	\$	700,679	5	191,814,511
\$	68,188,086	\$	3,571,409	\$	3,208,439	\$	283,601	5	75,251,536
	\$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ \$	\$ 212,650,874 \$ 697,297 8,947,587 6,598,690 248,532 \$ 15,592,106 \$ 5,927,895 1,075,160 \$ 7,003,055 \$ 20,541,181 (211,714) \$ 20,329,467 \$ 18,824,290 (18,862,020) \$ (37,730) 27,61% \$ 3,089,446 729,314 577,365 4,009,447 180,815 3,664 \$ 8,569,051 \$ 257,850,750 \$ 212,650,874 5 173,883,437	\$ 212,650,874 \$ \$ 697,297 \$ 8,947,597 \$ 5,598,690  248,532 \$ 15,592,106 \$ \$ 5,927,895 \$  1,075,160 \$ 7,003,055 \$ \$ 20,541,181 \$  (211,714) \$ 20,329,467 \$ \$ (16,862,020) \$ (16,862,020) \$ (37,730) \$ 27,61%  \$ 3,089,446 \$ 729,314 \$ 577,365 \$ 4,009,447 \$ 180,815 \$ 3,664 \$ \$ 8,569,051 \$ \$ 257,850,750 \$ \$ 212,650,874 \$ \$ 173,883,437 \$	\$ 212,650,874 \$ 10,906,478 \$ 697,297 \$ 35,770  8,947,597 459,990  5,698,690 292,329  248,632 973,664  \$ 15,592,106 \$ 1,760,643  \$ 5,927,895 \$ 304,087  1,075,160 166,375  \$ 7,003,055 \$ 470,462  \$ 20,541,181 \$ 1,053,712  (211,714) 195,922  \$ 20,329,467 \$ 1,249,634  \$ 18,824,290 \$ 963,731  (18,862,020) (965,874)  \$ (37,730) \$ (1,943)  27,61% 26,98%  \$ 3,089,446 \$ 365,263  729,314 244,194  577,365 239,849  4,008,447 434,845  713,863 33,664 (1,363)  \$ 8,589,051 \$ 1,290,181  \$ 257,850,750 \$ 13,236,668  \$ 212,650,874 \$ 10,908,478  \$ 173,883,437 \$ 8,911,614	\$ 212,650,874 \$ 10,906,478 \$ \$ 697,297 \$ 35,770 \$ 8,947,597 458,990 5,698,690 292,329	\$ 212,650,874 \$ 10,908,478 \$ 10,242,798 \$ 697,297 \$ 35,770 \$ 33,587 \$ 8,947,587 458,990 430,980 \$ 5,598,690 292,329 274,490 \$ 248,532 973,654 36,226 \$ 15,592,106 \$ 1,760,643 \$ 774,283 \$ 5,927,895 \$ 304,087 \$ 285,530 \$ 1,075,160 186,375 501,817 \$ 7,003,055 \$ 470,462 \$ 787,347 \$ 20,541,181 \$ 1,053,712 \$ 989,412 \$ 20,541,181 \$ 1,053,712 \$ 989,412 \$ 20,541,181 \$ 1,053,712 \$ 989,412 \$ 20,329,467 \$ 1,249,634 \$ 804,327 \$ 18,824,290 \$ 963,731 \$ 893,373 (18,862,020) (965,874) (895,246) \$ (18,73) \$ 27,81% 26,98% 27,84% \$ 3,089,446 \$ 365,263 \$ 53,922 729,314 244,194 (59,759) 577,365 239,849 (88,190) 4,006,447 434,845 92,756 180,815 7,393 (26,393) 3,864 (13,63) (3,400) \$ 8,569,051 \$ 1,290,191 \$ (13,064) \$ 257,850,750 \$ 13,236,660 \$ 12,466,055 \$ 212,650,874 \$ 10,908,478 \$ 10,242,798 \$ 173,883,437 \$ 6,911,614 \$ 8,318,781	\$ 212,650,874 \$ 10,908,478 \$ 10,242,798 \$ \$ 697,297 \$ 35,770 \$ 33,587 \$ 8,947,587 458,990 430,980 5,598,690 292,329 274,490 \$ 248,532 973,654 35,225 \$ 15,592,106 \$ 1,760,643 \$ 774,283 \$ \$ 5,927,895 \$ 304,087 \$ 285,530 \$ \$ 1,075,160 186,375 501,817 \$ 7,003,055 \$ 470,482 \$ 787,347 \$ \$ \$ 20,541,181 \$ 1,053,712 \$ 989,412 \$ \$ (211,714) 195,922 (105,086) \$ \$ 20,329,467 \$ 1,249,634 \$ 884,327 \$ \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ (18,824,290 \$ 963,731 \$ 893,373 \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 893,373 \$ \$ (18,824,290 \$ 963,731 \$ 8 (18,824,290 \$ 963,731 \$ 9 (18,824,290 \$ 963,731 \$ 9 (18,824,290 \$ 9 (18,824,290 \$ 9 (18,824,290 \$ 9 (18,824,290 \$ 9 (18,824,290 \$ 9 (18,824,290 \$	\$ 212,650,874 \$ 10,906,478 \$ 10,242,798 \$ 663,513 \$ 697,297 \$ 35,770 \$ 33,587 \$ 2,832 \$ 8,947,597	\$ 212,650,874 \$ 10,906,478 \$ 10,242,798 \$ 663,513 \$ \$ 697,297 \$ 35,770 \$ 33,587 \$ 2,632 \$ \$ 6,947,597 458,990 430,990 36,334 \$ 5,698,690 292,329 274,490 23,141 \$ 248,532 973,664 35,226 486,040 \$ 5 15,592,106 \$ 1,760,643 \$ 774,283 \$ 548,347 \$ \$ \$ 5,927,895 \$ 304,087 \$ 285,530 \$ 24,071 \$ \$ 1,075,160 186,375 501,817 \$ \$ 7,003,056 \$ 470,462 \$ 787,347 \$ 24,071 \$ \$ \$ 20,541,181 \$ 1,053,712 \$ 989,412 \$ 83,410 \$ \$ \$ 20,329,467 \$ 1,249,634 \$ 884,327 \$ 204,297 \$ \$ \$ 18,824,290 \$ 963,731 \$ 893,373 \$ 75,178 \$ (16,862,020) (965,874) (895,246) (75,336) \$ \$ (1,943) \$ (1,873) \$ (158) \$ 27,514 424,194 (99,793) 124,699 \$ 100,000,447 434,845 92,756 127,767 160,815 7,933 (26,393) 123,37 3,664 (1,363) (3,400) 1,099 \$ 8,569,051 \$ 1,290,181 \$ 10,242,798 \$ 963,513 \$ \$ 212,650,874 \$ 10,908,478 \$ 10,503,336 \$ 124,650 \$ 1,053,336 \$ 124,650,55 \$ 1,053,336 \$ \$ 173,883,437 \$ 8,911,614 \$ 8,318,781 \$ 700,679 \$ \$

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

Lawrence Contributory Retirement System

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Pension Amounts by Employer

#### NOTE I - Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a costsharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2016 were applied to allocate the System's December 31, 2018 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC complete an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the System's funding schedule.

#### NOTE II - Schedule of Pension Amounts by Employer

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

	No.	All and a second	A
Changes	in	ASSIII	notions

None

Changes in Plan Provisions

None

Lawrence Contributory Retirement System

27 Audit of Specific Elements Accounts and Items of Financial Statements LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

# LAWRENCE CONTRIBUTORY RETIREMENT SYSTEM

#### FINANCIAL STATEMENTS

# YEAR ENDED DECEMBER 31, 2017

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# Financial Section

Lawrence Contributory Retirement System

Financial Section

# Powers & Sullivan, LLC

Certified Public Accountants



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#### Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

#### Report on the Financial Statements

We have audited the accompanying financial statements of Lawrence Contributory Retirement System (System) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Lawrence Contributory Retirement Systems' financial statements as listed in the table of contents.

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

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

#### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of Lawrence Retirement System, as of December 31, 2016, were audited by other auditors whose report dated June 29, 2017, expressed an unqualified opinion on those statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinion

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

#### Other Matters

#### Required Supplementary Information

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

#### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 1, 2018, on our consideration of the Lawrence Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Lawrence Contributory Retirement System's internal control over financial reporting and compliance.

#### Restriction on Use

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

August 1, 2018

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# Management's Discussion and Analysis

As management of the Lawrence Contributory Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2017. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

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

#### **Financial Highlights**

- The System's assets exceeded its liabilities at the close of the most recent year by \$227.4 million (net position).
- The System's net position increased by \$32 million for the year ended December 31, 2017.
- Total investment income was \$34.2 million, investment expenses were \$1.1 million, and net investment income was \$33.1 million.
- Total contributions were \$28.2 million including \$20.6 million from employers, \$6.8 million from members, and \$802,000 from other transfers in and settlements.
- · Retirement benefits, refunds and transfers to other systems amounted to \$28.8 million.
- Administrative expenses were \$503,000.
- The Total Pension Liability is \$441.7 million as of December 31, 2017 while the Net Pension Liability is \$214.3 million.
- . The Plan fiduciary net position as a percentage of the total pension liability is 51.49%.

#### Overview of the Financial Statements

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

#### **Fiduciary Financial Statements**

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

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

#### Notes to the financial statements

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

Lawrence Contributory Retirement System

Management's Discussion and Analysis

## Required Supplementary Information

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

## Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's net position exceeded liabilities by \$227.4 million at the close of 2017.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of \$226.6 million, cash of \$1.7 million and accounts receivable of \$388,000.

In 2017 the System's contributions were \$28.2 million while deductions were \$29.3 million which resulted in a current decrease of (\$1.1) million. In 2016 the System's contributions were \$27.0 million while deductions were \$27.4 million which resulted in a prior year decrease of (\$0.4) million. For these two years the System was not able to sustain operations independent of investment income.

The primary change in net position when comparing the 2017 and 2016 results relates to each year's investment performance. Net investment income was \$33.1 million and \$13.2 million in 2017 and 2016 respectively. The annual money weighted rate of return was 17.06% and 7.53% in 2017 and 2016 respectively. Fluctuations in the System's annual investment returns are expected.

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

		2017		2016
Statement of Fiduciary Net Position			1	
Assets:				
Cash	\$	1,731,759	\$	1,448,046
Investments		226,646,366		194,964,599
Receivables		387,998		319,679
Other assets	-	12,938		8,042
Total assets	Z	228,779,061		196,740,366
Liabilities				
Accounts payable	-	1,336,530		1,274,456
Net Position Restricted for Pension Benefits	s _	227,442,531	\$	195,465,910

Lawrence Contributory Retirement System

Management's Discussion and Analysis

	2017		2016
Statement of Changes in Fiduciary Net Position			
Additions			
Contributions:			- Z
Member contributions\$	6,781,214	S	6,851,473
Employer contributions	20,605,965		19,329,196
Other contributions.	802,266	-	809,178
Total contributions.	28,189,445		26,989,847
Net investment income (loss)	33,087,835		13,189,373
Total additions	61,277,280		40,179,220
Deductions:			
Administration	503,253		472,754
Retirement benefits, refunds and transfers	28,797,406		26,900,829
Total deductions	29,300,659		27,373,583
Net increase (decrease) in fiduciary net position	31,976,621		12,805,637
Fiduciary net position at beginning of year	195,465,910		182,660,273
Fiduciary net position at end of year\$	227,442,531	5	195,465,910

## Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 350 Merrimack Street, Suite 302, Lawrence, MA 01843.

## STATEMENT OF FIDUCIARY NET POSITION

## DECEMBER 31, 2017

Assets		
Cash and cash equivalents	\$	1,731,759
Investments in Pension Reserve Investment Trust		226,646,366
Other accounts receivable		387,998
Other assets.	-	12,938
Total Assets	_	228,779,061
Liabilities		
Warrants payable	_	1,336,530
Net Position Restricted for Pensions	\$	227,442,531

See notes to financial statements.

Lawrence Contributory Retirement System

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## STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

## YEAR ENDED DECEMBER 31, 2017

Additions:	
Contributions:	
Employer pension appropriation	\$ 20,605,965
Member contributions	6,726,421
Transfers from other systems	360,296
3(8)(c) contributions from other systems	266,382
Workers' compensation settlements	7,000
State COLA reimbursements	161,410
Members' makeup payments and redeposits	54,793
Interest not refunded.	7,178
Total contributions	28,189,445
Net investment income:	
Investment income (loss)	34,189,107
Less: investment expense	(1,101,272)
Net investment income (loss)	33,087,835
Total additions	61,277,280
Deductions:	
Administration	503,253
Retirement benefits and refunds	25,958,887
Transfers to other systems	1,520,601
3(8)(c) transfer to other systems.	1,317,918
Total deductions	29,300,659
Net increase (decrease) in fiduciary net position	31,976,621
Fiduciary net position at beginning of year.	195,465,910
Fiduciary net position at end of year.	\$ 227,442,531

See notes to financial statements.

Lawrence Contributory Retirement System

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## NOTE 1 - PLAN DESCRIPTION

The Lawrence Contributory Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Lawrence Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees. The System has four participating employers.

The System is governed by a five member Board who establish the policies under which the System operates Board members also approve all of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

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

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

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

Any individual in Group 1 or Group 2 whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

There are no minimum vesting requirements for individuals in Group 4.

Members in Groups 1 and 2, hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members in Groups 1 and 2, hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 (Group 1) or age 55 (Group 2).

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

Lawrence Contributory Retirement System

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Active members contribute between 5 and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of \$30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the PERAC actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989. The System's current funding schedule is designed to reduce the unfunded actuarial liability to zero by 2036.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the System, are now paid from investment income.

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

Employees who resign from service are entitled to request a refund of their accumulated total deductions.

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

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

## Cash and Investments

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

Lawrence Contributory Retirement System

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

## Fair Value Measurements

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

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

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

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

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

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

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

## Accounts Receivable

Accounts receivable consist of member deductions, federal grant reimbursements, and 3(8)c reimbursements due from other systems. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

## Deferred Outflows/Inflows of Resources

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

Lawrence Contributory Retirement System

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

## NOTE 3 - PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of the Lawrence City Comptroller, who shall be a member ex-officio, a second member appointed by the Mayor of Lawrence, 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 members.

Chairman	William Bateman	Term Expires:	1/29/2019
Elected Member	Kevin Loughlin	Term Expires:	7/1/2019
Elected Member	Gina Rizzo	Term Expires:	10/14/2018
Appointed Member	Thomas M. Cuddy	Term Expires:	Indefinate
Ex-officio Member	Ramona Ceballos	Term Expires:	Indefinate

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 three persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer-Custodian:

Ex-Officio Member:

Elected Members:

Appointed Members:

Staff Employees:

) MACRS Blanket Policy

\$50,000,000 Fiduciary Liability

\$1,000,000 Fidelity (ERISA) Bond

St. Paul Travelers Insurance Company

National Union Fire Arch Insurance

Company

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## NOTE 4 - CASH AND INVESTMENTS

## Custodial Credit Risk - Deposits

At December 31, 2017, the carrying amount of the System's deposits totaled \$1,731,759 and the bank balance totaled \$1,831,183, all of which was covered by Federal Depository Insurance.

## Investments

The System's Investments as of December 31, 2017 consist of \$226,646,366 in PRIT pooled funds.

100% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT), which meets the criteria of an external investment pool. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. PRIT investments are valued using the net asset value (NAV) method.

The Administration's annual money-weighted rate of return on pension plan investments was 17.07%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

## Fair Value of Investments

The plan holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures.

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

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

## NOTE 5 - MEMBERSHIP

The following table represents the System's membership at December 31, 2017:

Retirees and beneficiaries currently receiving benefits	911
Inactive members	530
Active members	1,580
Total	3,021

Lawrence Contributory Retirement System

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## NOTE 6 - ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2017 were as follows:

Total pension liability \$	441,726,748
The pension plan's fiduciary net position.	(227,442,531)
The net pension liability\$	214,284,217
The pension plan's flduciary net position as a percentage of the total pension liability	51,49%

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions, applied to all periods included in the measurement that was updated back to December 31, 2017:

Valuation date	January 1, 2018
Actuarial cost method	Entry Age Normal.
Amortization method	3.24% amortization increase.
Remaining amortization period	17 years for the fresh start base.
Asset valuation method	Market value adjusted by accounts payable and receivables.
Projected salary increases.	3.75% ultimate rate, plus 4.00% steps for the first five years of service.
Cost of living adjustments	3% of first \$12,000 of a member's retirement allowance.
Rates of retirement	Groups 1 and 2; Ages 50 - 70 Group 4; Ages 50 - 65.
Rates of disability	Groups 1 and 2, ages 50 - 70. Group 4, ages 50 - 65.
Mortality Rates	RP-2014 adjusted to 2006 and projected generationally using MP-2016. For members retired under and Accidental Disability (job-related), 40% of deaths are assumed to be from the same cause as the disability. Disabled mortality RP-2014 adjusted to 2006 and projected generationally using MP-2016, ages set forward two years. (Prior valuation used RP-2000 mortality table projected with generational mortality, scale BB, and a base year of 2000).
Investment rate of return/Discount rate	7.50% (7.75% in prior valuation).

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate 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 3.0%. Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equities	17.50%	4.47%
International Equities	15.50%	4.66%
Emerging Markets Equities	6.00%	6.12%
Core Fixed Income	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%
20 + year Treasury Strips	2.00%	0.49%
TIPS	5.00%	0.73%
Portfolio Completion	13.00%	3.44%
	100.00%	

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 plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 7.5%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5%) or 1-percentage-point higher (8.5%) than the current rate:

	Current					
	1% Decrease	Discount	1% Increase			
	(6.5%)	(7.5%)	(8.5%)			
Lawrence Retirement System's net pension						
liability as of December 31, 2017 \$	263 310 174 \$	214.284.219 \$	172.887.763			

Lawrence Contributory Retirement System

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Contributions. Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

## NOTE 7 - COMMITMENTS AND CONTINGENCIES

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2017 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2017.

## NOTE 8 - MERRIMACK VALLEY REGIONAL TRANSPORTATION AUTHORITY SETTLEMENT

In June 2016 an ongoing dispute between the Merrimack Valley Regional Transportation Authority (MVRTA) and the Lawrence Retirement Board was settled by the Contributory Retirement Appeals Board (CRAB). The CRAB decision called for the MVRTA to pay for past service cost earned prior to July 1, 2008 by certain MVRTA employees. A liability of \$764,769, as of July 1, 2016, was calculated by an actuary. The parties initially agreed to a 20 year repayment schedule that called for a one-time payment of \$100,000 followed by annual payments, including interest, of \$66,453 through 2036. In calendar 2016 MVRTA paid the \$100,000 along with the first installment of \$66,453. During calendar 2017 the parties agreed to one final payment to satisfy the remaining liability in 2017. PERAC's actuary calculated the remaining liability, as of July 1, 2017, to be \$647,679 which was paid by the MVRTA in July 2017.

The System has reported \$647,679 and \$166,453 as employer pension contributions in the statement of changes in fiduciary net position for the years ended December 31, 2017 and 2016, respectively

## NOTE 9 - IMPLEMENTATION OF GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

GASB Statement #82, Pension Issues – an amendment of GASB Statements #67, #68, and #73. The
basic financial statements and related notes were updated to be in compliance with this pronouncement.

The following GASB pronouncements will be implemented in the future:

- The GASB issued Statement #83, Certain Asset Retirement Obligations, which is required to be implemented in 2019.
- The GASB issued Statement #84, Fiduciary Activities, which is required to be implemented in 2020.
- The GASB issued Statement #85, Omnibus 2017, which is required to be implemented in 2018.
- The GASB issued Statement #86, Certain Debt Extinguishment Issues, which is required to be implemented in 2018.
- The GASB issued Statement #87, Leases, which is required to be implemented in 2021.

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 The GASB issued Statement #88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements, which is require to be implemented in 2019.

Management is currently assessing the impact the implementation of these pronouncements will have on the basic financial statements.

## NOTE 10 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 1, 2018, which is the date the financial statements were available to be issued.

## Required Supplementary Information

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

	December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017
Total pension liability:	57,220		1025 (TO)		7. 2		2.04522
Service cost \$		\$	8,829,413	\$	8,737,363	\$	9,108,701
Interest	29,607,284		30,713,326		31,842,170		32,023,014
Changes in benefit terms.					(24 572 573)		2244.044
Differences between expected and actual experience					(11,573,571)		9.356.284
Changes in assumptions	(24,653,000)	ij,	(23,677,370)		(26,092,541)		(27,995,140)
Net change in total pension liability	13,423,745		15,865,369		2,913,421		23,637,703
Total pension liability - beginning.	385,886,510		399,310,255		415,175,624		418,089,045
Total pension liability - ending (a)\$	399,310,255	\$	415,175,624	\$	418,089,045	s.	441,726,748
Plan fiduciary net position:							
Employer pension appropriation\$		S	18,508,811	\$	19,329,195	5	20,605,965
Member contributions	6,950,852		6,706,412		6,851,473		6,781,214
Net investment income (loss)	12,432,925		1,013,895		13,190,264		33,087,835
Administrative expenses,	(454,640)		(470,218)		(472,754)		(503,253)
Retirement benefits and refunds	(24,653,000)		(23,677,370)		(26,092,541)	-	(27,995,140)
Net increase (decrease) in fiduciary net position,	11,599,276		2,081,530		12,805,637		31,976,621
Fiduciary net position - beginning of year	168,979,467		180,578,743		182,660,273		195,465,910
Fiduciary net position - end of year (b) S	180,578,743	\$	182,660,273	5	195,465,910	\$	227,442,531
Net pension liability - ending (a)-(b)\$	218,731,512	\$	232,515,351	5	222,623,135	5	214,284,217
Plan fiduciary net position as a percentage of the total pension liability.	45.22%		44.00%		46.75%		51.49%
Covered payroll\$	1,000		74,624,910	5	0.0.1.52	\$	77,421,566
Net pension liability as a percentage of							
covered payroll	306.98%		311.58%		301.90%		276.78%

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

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

See notes to required supplementary information.

Lawrence Contributory Retirement System

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Required Supplementary Information

## SCHEDULE OF CONTRIBUTIONS

	December 31, 2014		December 31, 2015		December 31, 2016		December 31, 2017
Actuarially determined contribution \$	17,714,868	5	18,515,120	\$	19,320,161	S	20,684,393
Contributions in relation to the actuarially determined contribution	(17,714,868)		(18,508,911)		(19,162,742)		(19,958,286)
Settlement of M.V.R.T.A. past service cost			-		(166,453)		(647,679)
Contribution deficiency (excess)\$		\$	6,209	\$	(9,034)	\$	78,428
Covered payroll \$	71,253,430	s	74,624,910	S	73,741,641	S	77,421,566
Contributions as a percentage of covered payroll.	24 86%		24.80%		25 99%		26.62%

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

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

See notes to required supplementary information

## SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2017	17.07%
December 31, 2016	7.53%
December 31, 2015	0.59%
December 31, 2014	7.39%

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

See notes to required supplementary information.

Lawrence Retirement System Audit Report

## NOTE A - CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the Systems total pension liability, changes in the Systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

## NOTE B - CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

## NOTE C - MONEY WEIGHTED RATE OF RETURN

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

## NOTE D - CHANGES IN ASSUMPTIONS AND PLAN PROVISIONS

## Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The discount rate assumption was reduced to 7.50%; previously 7.75%.
- The mortality assumption was changed to the RP-2014 mortality table adjusted to 2006 and projected generationally using MP-2016.

## Changes in Plan Provisions

None.

Lawrence Contributory Retirement System

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Required Supplementary Information

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

## Powers & Sullivan, LLC

Certified Public Accountants



100 Quannapowirt Parkway Suite 101 Waketicld, MA 01880 (C 781-914-1700) F. 781-914-1701 www.powersandsullivan.com

## Independent Auditor's Report

To the Honorable Lawrence Retirement Board Lawrence Contributory Retirement System Lawrence, Massachusetts

We have audited the accompanying schedule of employer allocations of the Lawrence Contributory Retirement System (System) as of and for the year ended December 31, 2017, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule of pension amounts by employer of the System Pension Plan as of and for the year ended December 31, 2017, and the related notes.

## Management's Responsibility for the Schedules

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

## Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer based on our audit. The schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer of Lawrence Retirement System, as of December 31, 2016, were audited by other auditors whose report dated June 29, 2017, expressed an unqualified opinion on those statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

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Lawrence Contributory Retirement System

Audit of Specific Elements Accounts and Items of Financial Statements

## **Opinions**

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the Lawrence 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.

## Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Lawrence Contributory Retirement System as of and for the year ended December 31, 2017, and our report thereon, dated August 1, 2018, expressed an unmodified opinion on those financial statements.

## Restriction on Use

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

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August 1, 2018

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## SCHEDULE OF EMPLOYER ALLOCATIONS

## FOR THE YEAR ENDED DECEMBER 31, 2017

Employer	FY2018 Pension Fund Appropriation	Direct Appropriation E.R.I.	FY2018 Total Appropriation			Share of Net Pension Liability	Percent of Total Net Pension Liability	
City of Lawrence \$	17,252,557	\$ 896,107	3	18,148,664	\$	193,980,472	90.52%	
Greater Lawrence Regional Vocational Tech.	897,477	40,462		937,939		10,040,042	4.69%	
Lawrence Housing Authority	878,381	4,897		883,278		9,540,920	4.45%	
M.V.R.T.A.	66,833	 66,453		133,286		722,785	0.34%	
Total \$	19,095,248	\$ 1,007,919	5	20,103,167	\$	214,284,219	100.00%	

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

#### POLICIO IL E OF BENEION AMOUNTS BY EMPLOYED

FOR THE YEAR ENDED DECEMBER 31, 2017

		Ĉity of Lawrence		Greater Lawrence Regional Vocational Tech		Lawrence Housing Authority		MVRTA		Totals
Net Pension Liability  Beginning net pension kability	\$	201,674,657	ş	9,610,040	ě	9,990,060	\$	1,348,379	\$	222,623,136
Ending net pension liability.		193,980,472	\$	10:040,042	\$	9,540,920	ē	722,785	\$	214,284,218
Deterred Outflows of Resources Differences between expected and actual experience	\$	866,472	t	44.847	5	42,617	5	3,229	\$	957,165
Changes of assumptions		7,081,276		366,513		348,292		26,385		7,822,466
Changes in proportion and differences between employer contributions and proportionate share of contributions.	J.	82,904		1,216,508		47,374		539,893		1,886,679
Total Deterred Outflows of Resources	\$.	8,030,652		1,627,868	5	438,283	5.	569,507	€.	10,666,310
Deterred Inflows of Resources Differences between expected and actual experience	\$	7,440,159	t	385,088		365,944	**	27,723	\$	3,218,914
Net difference between projected and actual investment earnings on pension plan investments		7,859,621		406,798		386,575		29,285		8,682,279
Changes in proportion and differences between employer contributions and proportionate share of contributions		1,344,776		130,277		411,625				1,886,678
Total Deferred Inflows of Resources	5	16,644,556	\$	922,163	\$.	1,164,144	\$	57,008	\$.	18,787,871
Pension Expense Proportionate share of plan pension expense	5	17,310,778	\$	898,166	6	851,327		118,/39	\$	19,176,416
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		(246,359)		209,550		(71,082)		109,891		
Total Employer Pension Expense	\$.	17,062,419	F	1,105,716	۶.	780,245	\$.	228,030	\$.	19,176,410
Contributions Statutory required contribution	\$	18,148,664	*	937,939	ş	883,278	\$	714,512	\$	20,684,393
Contribution in relation to statutory required contribution.		(18,077,804)		(934,253)		(879,670)		(66,559)		(19,958,286)
Settlement of M.V.R.T.A. post service cost				-				(647,879)		(647,679)
Contribution deficiency/(excess)	\$.	70,880	*	3,686	\$	3,608	\$	274	\$.	78,428
Contributions as a percentage of covered payroll		25 74%		27.91%		26 70%		293 87%		26 72%
Deferred Outflows/Inflows/Recognized in Future Pension Expense June 30, 2016 June 30, 2019 June 30, 2020 June 30, 2021	\$	(865,966) (990,705) (3,335,394) (3,490,187)	\$	176,549 171,645 49,616 45,210	\$	(102,442) (107,101) (223,065) (231,841)	5	107,514 107,162 98,377 97,819	9	(704,345) (808,999) (3,413,466) (3,576,799)
June 30, 2022		(62,661) 144,009	1	241,603 21,082	-	(67,374) 5,762		1,296		211,899 172,149
Future Pension Expense	\$.	(8,613,904)	\$	705,705	5	(725,861)	5.	512,499	\$.	(8,121,561)
Discount Rate Sensitivity 1% decrease (6.5%)	5	238,275,423	\$	12,344,261	\$	11,796,114	6	B94,376	\$	263,310,174
Current discount rate (7.5%).	\$	193,980,472	4	10,040,042	\$	9,540,920	6	722,785	\$	214,284,219
1% increase (8.5%).	\$	156,578,775	\$	8,094,408	\$	7,636,683	*	577,897	\$	172,887,763
Covered Payrol	\$	70,509,618	\$	3,360,530	Ş	3 308,277	ş	243,141	\$	77,421,566
Covered Payroli See notes to schedule of employer allocations and schedule.	\$	70,509,618	\$	3,360,530	ş	3,308,277	\$	243,141	\$	77,421,

Lawrence Contributory Retirement System

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Pension Amounts by Employer

## NOTE I - Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a costsharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, contributions and pension expense.

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2015 were applied to allocate the System's December 31, 2017 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC complete an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP, and is separately identified in the System's funding schedule.

## NOTE II - Schedule of Pension Amounts by Employer

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

## Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation

- The discount rate assumption was reduced to 7.50%; previously 7.75%.
- The mortality assumption was changed to the RP-2014 mortality table adjusted to 2006 and projected generationally using MP-2016.

## Changes in Plan Provisions

None

Lawrence Contributory Retirement System

Audit of Specific Elements Accounts and Items of Financial Statements





## COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., Chair

WILLIAM T. KEEFE, Executive Director

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

November 8, 2024

Ramona Ceballos, Chairperson Lawrence Retirement Board 354 Merrimack Street Suite 302 Lawrence, MA 01843

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

Dear Chairperson Ceballos:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Lawrence 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 recommendations contained in that report. The examination also addressed the other matters discussed at the completion of the audit. The results are as follows:

The Audit Report cited a finding that some of the retirement allowances tested needed to be recalculated for various reasons. Also, required documents were missing from two member folders.

**Follow-up Result**: Retirement allowances were recalculated and the missing documents were provided by the Board. This issue is resolved.

The additional matters discussed have been reviewed and most have been resolved.

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

Thank you for your continued cooperation in this matter.

Ilian T. Kefe

William T. Keefe Executive Director

WTK/cms

cc: Lawrence Retirement Board Members



