

MAYNARD
RETIREMENT SYSTEM
AUDIT REPORT
JAN. 1, 2020 - DEC. 31, 2024



PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair*

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

February 18, 2026

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Maynard Retirement System conducted by the Roselli, Clark & Associates, Certified Public Accountants. Roselli, Clark & Associates conducted these audits in accordance with auditing standards generally accepted in the United States of America (GAAS). The audits covered the period from January 1, 2020, to December 31, 2024.

We conducted an inspection of the work papers prepared by Roselli, Clark & Associates. 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 Roselli, Clark & Associates with certain limited procedures designed to provide additional assurance that the accounting and management standards established by PERAC were adhered to and complied with. The specific objectives of our review were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that retirement contributions are accurately deducted, 4) that retirement allowances were correctly calculated, and 5) that required member documentation is maintained.

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



In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exception of that related to our supplemental work which is 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 Roselli, Clark & Associates 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, 2024, December 31, 2023, December 31, 2022, December 31, 2021, and December 31, 2020.

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

Sincerely,

A handwritten signature in black ink that reads "Bill Keefe". The signature is written in a cursive, flowing style.

William T. Keefe
Executive Director

EXPLANATION OF FINDING AND RECOMMENDATION

Cash reconciliations:

We noted in both our minutes and cash reconciliation testing that there are significant delays in obtaining Treasurer-prepared reconciliations. Reconciliations for the period of May 2023 through February 2024 were received by the Board in April 2024. Reconciliations for March 2024 through October 2024 were received by the Board in November 2024. When audit field work was being conducted in November 2025 the Board had only received reconciliations through July 2025. To ensure cash is balanced, Board staff prepares their own reconciliations.

Recommendation: The Board should work with the Town Treasurer to expedite the processing of reconciliations.

Board Response:

The Board has resent the Treasurer Stipend policy to the Treasurer and will be reviewing the policy on a quarterly basis.

FINAL DETERMINATION:

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2024		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$3,231,616	4.6%
Equities	34,178,732	48.6%
Pooled Domestic Fixed Income Funds	19,195,868	27.3%
Pooled Alternative Investment Funds	4,206,681	6.0%
Pooled Real Estate Funds	5,427,531	7.7%
Hedge Funds	3,797,171	5.4%
PRIT Cash Fund	<u>268,416</u>	<u>0.4%</u>
Grand Total	<u>\$70,306,015</u>	<u>100.0%</u>

For the year ending December 31, 2024, the rate of return for the investments of the Maynard Retirement System was 13.74%. For the ten-year period ending December 31, 2024, the rate of return for the investments of the Maynard Retirement System averaged 7.87%. For the 40-year period ending December 31, 2024, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Maynard Retirement System was 8.05%.

The composite rate of return for all retirement systems for the year ending December 31, 2024 was 9.57%. For the ten-year period ending December 31, 2024, the composite rate of return for the investments of all retirement systems averaged 7.98%. For the 40-year period ending December 31, 2024, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.07%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member: Kevin Petersen

Appointed Member: James Alexander Serves until successor is appointed

Elected Member: Patrick Hakey, Chairperson Term Expires: 04/01/2026

Elected Member: Sandra Baltazar Term Expires: 04/01/2027

Appointed Member: Michael Pasternak Term Expires: 04/01/2028

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

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

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

BOARD REGULATIONS

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

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retirement in Past Years										
Superannuation	7	4	7	6	10	15	5	5	3	8
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	0	0	0	0	0	0	0	0	1	0
Total Retirements	7	4	7	6	10	15	5	5	4	8
Total Retirees, Beneficiaries and Survivors	108	108	113	117	127	140	141	140	140	146
Total Active Members	204	220	218	213	208	188	184	192	184	191
Pension Payments										
Superannuation	\$1,792,959	\$1,913,078	\$1,957,328	\$2,070,115	\$2,235,354	\$2,454,994	\$2,715,280	\$2,700,192	\$2,794,455	\$ 2,857,521
Survivor/Beneficiary Payments	161,303	167,463	179,794	180,121	184,882	182,981	215,338	253,369	294,296	301,941
Ordinary Disability	17,309	17,759	18,209	18,659	19,109	19,559	20,009	20,459	21,359	21,659
Accidental Disability	209,763	212,463	215,163	217,863	220,563	223,263	225,963	199,835	273,983	326,310
Other	<u>239,877</u>	<u>222,377</u>	<u>234,584</u>	<u>257,604</u>	<u>251,684</u>	<u>269,727</u>	<u>305,589</u>	<u>356,821</u>	<u>440,360</u>	<u>421,339</u>
Total Payments for Year	<u>\$2,421,211</u>	<u>\$2,533,141</u>	<u>\$2,605,078</u>	<u>\$2,744,363</u>	<u>\$2,911,592</u>	<u>\$3,150,524</u>	<u>\$3,482,179</u>	<u>\$3,530,674</u>	<u>\$3,824,453</u>	<u>\$3,928,770</u>

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



**MAYNARD CONTRIBUTORY
RETIREMENT SYSTEM**
(a Component Unit of the
Town of Maynard, Massachusetts)

Basic Financial Statements and
Supplementary Information

Year Ended December 31, 2024

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

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DECEMBER 31, 2024**

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying financial statements the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of December 31, 2024, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 2, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2024. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is nearly 89% funded at December 31, 2024.

The System's fiduciary net position increased over \$7.5 million in 2024 to over \$70.3 million. Net investment income totaled approximately \$8.2 million in 2024 versus \$7.0 million in 2023. This was the primary contributor to the overall increase in fiduciary net position. The System's 2024 net investment return was approximately 13.8% versus 13.4% in 2023.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the year. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Fiduciary Net Position for the two most recent years are as follows:

	December 31,		Dollar Change	Percent Change
	2024	2023		
Assets:				
Cash and cash equivalents	\$ 3,500,032	\$ 1,945,663	\$ 1,554,369	80%
Investments, at fair value	66,805,983	60,795,216	6,010,767	10%
Receivables and other assets	83,225	102,753	(19,528)	-19%
Total Assets	70,389,240	56,412,453	7,545,608	13%
Liabilities	85,465	74,583	10,882	15%
Fiduciary Net Position	\$ 70,303,775	\$ 56,337,870	\$ 7,534,726	13%

Total assets at December 31, 2024 approached \$70.4 million and principally consisted of investments recorded at fair value. Total assets increased by over \$7.5 million in 2024, which was due primarily to a net investment return of approximately 13.8% in 2024.

Receivables and liabilities are not material to the System at either December 31, 2024 or 2023.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31,		Dollar Change	Percent Change
	2024	2023		
Additions:				
Contributions	\$ 4,844,150	\$ 4,590,842	\$ 253,308	6%
Investment income, net	8,155,132	7,034,207	1,120,925	16%
Total Additions	12,999,282	11,625,049	1,374,233	
Deductions:				
Benefits and refunds to Plan members	5,275,907	5,071,520	204,387	4%
Administrative and other expenses	188,649	122,343	66,306	54%
Total Deductions	5,464,556	5,193,863	270,693	
Change in Fiduciary Net Position	\$ 7,534,726	\$ 6,431,186	\$ 1,103,540	

Fiduciary net position increased over \$7.5 million in 2024, which was primarily the result of net investment income of nearly \$8.2 million.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions increased approximately 6% year-over-year.

Employer contributions represent the largest source of System contributions. In 2024, employer contributions totaled approximately \$3.3 million, or 68% of total contributions. Employer contributions are actuarially determined. Employee contributions and other contributions totaled approximately \$1.2 million and \$0.4 million, respectively, in 2024, each of which were consistent with the prior year.

Investment income is presented net of associated investment management expenses. In 2024, the System reported net investment income of approximately \$8.2 million versus \$7.0 million in 2023. The System's money-weighted rates of return for 2024 and 2023 were approximately 13.8% and 13.4%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2024 were approximately \$271,000 greater than the prior year.

Pension benefits to members and beneficiaries represent the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 82% of total 2024 and 2023 deductions. Pension benefits to members and beneficiaries increased approximately \$179,000 in 2024. This increase was due primarily to normal cost-of-living adjustments paid by the System coupled with higher average number of beneficiaries in 2024 versus 2023.

In addition to the increase in pension benefits to members and beneficiaries, member refunds, transfers and reimbursements to other Massachusetts public pension systems increased over \$25,000, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's independent actuary estimates that the System is nearly 89% funded at December 31, 2024, which is an improvement over the prior year's estimate of 82%.

The System maintains a large portion of its investments in pooled funds. Approximately 20% of investments are in private equity, hedge funds or real estate funds. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields it expects to be necessary to achieve fully funded status in the required time frame, the System, like so many other institutional investors, has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2024

Assets:	
Cash and cash equivalents	\$ 3,500,032
Investments, at fair value:	
Equity securities	34,178,732
PRT	32,627,251
Receivables:	
Contributions	2,981
Open trades	73,863
Other	<u>6,381</u>
Total Assets	<u>70,389,240</u>
Liabilities:	
Accounts payable and accrued expenses	<u>85,465</u>
Total Liabilities	<u>85,465</u>
Net Position Restricted for Pensions	<u>\$ 70,303,775</u>

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2024

Additions:	
Employer contributions	\$ 3,291,272
Employee contributions	1,160,354
Other contributions	<u>369,065</u>
Total contributions	<u>4,820,691</u>
Investment income:	
Interest and dividends	1,958,508
Net increase in fair value of investments	6,566,604
Less investment management fees	<u>(369,980)</u>
Total net investment income	<u>8,155,132</u>
Other income	<u>23,459</u>
Total Additions	<u>12,999,282</u>
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	4,458,771
Member refunds	158,597
Transfers and reimbursements to other systems	658,539
Administrative expenses:	
Operations payroll and related personnel costs	72,262
Other	<u>116,387</u>
Total Deductions	<u>5,464,556</u>
Change in Net Position	7,534,726
Net Position Restricted for Pensions:	
Beginning of the year	<u>62,769,049</u>
End of the year	<u>\$ 70,303,775</u>

See accompanying notes to basic financial statements.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the “System”) is a cost-sharing, multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws (“MGL”), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the “Town”). The Town and the Maynard Housing Authority (“MHA”) contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2024, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	146
Active plan members	191
Inactive plan members	<u>106</u>
Total	<u>443</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants’ accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) Disability Retirements – The System provides for both ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Mr. Kevin Petersen	No Specified Date
Appointed Member:	Mr. James Alexander	No Specified Date
Elected Member:	Mr. Patrick Hakey	April 1, 2026
Elected Member:	Ms. Sandra Baltazar	April 1, 2027
Board Appointed Member:	Mr. Michael Pasternack	April 1, 2028

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System’s funds is the responsibility of the Board. The Board adopted an investment policy, which was last updated in March 2024. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently, this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System’s ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System’s investment policy outlines a target allocation for its investments. Boston Advisors, the System’s external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System’s portfolio target weights at the broad asset class level were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity securities - large cap	30.0%
Domestic equity securities - small cap	5.0%
International equity securities	15.0%
Fixed income	30.0%
Alternative assets	10.0%
Real estate	10.0%

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. All of the System’s bank balances were fully insured at December 31, 2024.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2024, the System was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the System’s investments carried at fair value on a recurring basis at December 31, 2024:

Investments By Fair Value Level	December 31, 2024	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities	\$ 34,178,732	\$ 34,178,732	\$ -	\$ -
Total investments by fair value level	34,178,732	\$ 34,178,732	\$ -	\$ -
Investments measured at NAV:				
PRIT funds	32,627,251			
Total investments measured at fair value	\$ 66,805,983			

The PRIT funds are administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The System holds five separate PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days’ notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The System’s investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System’s total investment balance. The following investments in pooled funds held by the System at December 31, 2024 represent approximately 48.8% of the System’s total investments:

PRIT Value Added Fixed Income Fund	15.9%
PRIT Core Fixed Income Fund	12.8%
PRIT Core Real Estate Fund	8.1%
PRIT Private Equity Vintage Year 2021	6.3%
PRIT Hedge Fund	5.7%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not hold any debt securities at December 31, 2024.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody’s Investors Services and Standard and Poor’s Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. None of the System’s investments were subject to credit quality ratings from leading credit rating agencies.

At December 31, 2024, uninsured short-term investment funds with fair values of \$3,172,588 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2024 money-weighted rate of return was approximately 13.8%.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$3,291,272 in 2024.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2035.

The components of the System’s net pension liability at December 31, 2024 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 79,368
Plan fiduciary net position	<u>70,304</u>
Net pension liability	<u>\$ 9,064</u>
Plan fiduciary net position as a percentage of total pension liability	88.6%

The total pension liability was determined by an actuarial valuation as of January 1, 2023 and rolled forward to December 31, 2024. The significant actuarial assumptions used in the latest actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	4.0% increasing amortization of the unfunded liability to fiscal year 2034
Remaining amortization period:	9 years from July 1, 2025
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25% and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2024 was 6.5%, which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System’s investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System’s target asset allocation (see the discussion of the System’s investment policy in Note 4).

The following table summarizes these target benchmarks:

<u>Asset Class</u>	<u>Corresponding Benchmark</u>
Equity securities:	
Domestic - large cap	Bloomberg 1000 Total Return Index
Domestic - small cap	Bloomberg 1000 Total Return Index
International	Bloomberg World (excluding US)
Fixed income	Bloomberg US Aggregate Bond Total Return Index
Alternative assets	HFRI FoF Composite Index or PRIT Hedge Fund
Real estate	Bloomberg US 3000 REIT Total Return Index

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2024 calculated using the current discount rate of 6.5%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
6.5%	\$ 17,700	\$ 9,064	\$ 1,800

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2024 was comprised of the following legally required reserves:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 10,485,715	Active members' contribution balance
Annuity Reserve Fund	3,320,449	Retired members' contribution balance
Pension Fund	338,653	Amounts appropriated to fund future retirement
Military Service Fund	39,713	Members' contributions while on military leave
Pension Reserve Fund	<u>56,119,245</u>	Remaining net position
	<u>\$ 70,303,775</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * *

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability:										
Service cost	\$ 2,156	\$ 2,063	\$ 1,948	\$ 1,864	\$ 1,872	\$ 1,791	\$ 1,770	\$ 1,694	\$ 1,507	\$ 1,442
Interest	4,989	4,791	4,640	4,384	4,398	4,174	4,147	3,842	3,925	3,618
Differences in expected and actual experience	-	551	-	-458	-	(1,630)	-	(994)	-	(694)
Changes in assumptions	-	164	-	1,400	-	2,484	-	2,900	-	2,600
Benefit payments, including refunds	(4,743)	(4,488)	(4,291)	(4,208)	(3,737)	(3,421)	(3,263)	(3,068)	(3,067)	(2,802)
Net change in total pension liability	2,402	3,081	2,297	3,898	2,533	3,398	2,654	4,374	2,365	4,164
Total pension liability - beginning of year	76,966	73,885	71,588	67,690	65,157	61,759	59,105	54,731	52,366	48,202
Total pension liability - end of year (a)	\$ 79,368	\$ 76,966	\$ 73,885	\$ 71,588	\$ 67,690	\$ 65,157	\$ 61,759	\$ 59,105	\$ 54,731	\$ 52,366
Plan fiduciary net position:										
Contributions - employer	\$ 3,291	\$ 3,116	\$ 2,939	\$ 2,773	\$ 2,616	\$ 2,468	\$ 2,328	\$ 2,196	\$ 2,072	\$ 1,955
Contributions - employee	1,160	1,097	1,084	1,024	1,022	1,028	1,025	997	916	904
Contributions - nonemployers	369	377	573	350	547	545	327	327	273	199
Net investment income (loss)	8,155	7,034	(8,157)	9,431	6,534	7,328	(3,349)	6,496	2,823	(47)
Benefit payments, including refunds	(5,276)	(5,072)	(4,860)	(4,576)	(4,054)	(4,003)	(3,880)	(3,448)	(3,313)	(3,117)
Administrative expenses	(188)	(122)	(120)	(111)	(105)	(119)	(123)	(119)	(117)	(82)
Other	24	1	1	1	2	10	4	1	6	-
Net change in plan fiduciary net position	7,535	6,431	(8,540)	8,892	6,562	7,257	(3,668)	6,450	2,660	(188)
Plan fiduciary net position - beginning of year	62,769	56,338	64,878	55,986	49,424	42,167	45,835	39,385	36,725	36,913
Plan fiduciary net position - end of year (b)	\$ 70,304	\$ 62,769	\$ 56,338	\$ 64,878	\$ 55,986	\$ 49,424	\$ 42,167	\$ 45,835	\$ 39,385	\$ 36,725
Net pension liability - end of year (a) - (b)	\$ 9,064	\$ 14,197	\$ 17,547	\$ 6,710	\$ 11,704	\$ 15,733	\$ 19,592	\$ 13,270	\$ 15,346	\$ 15,641
Plan fiduciary net position as a percentage of the total pension liability	88.6%	81.6%	76.3%	90.6%	82.7%	75.9%	68.3%	77.5%	72.0%	70.1%
Covered payroll	\$ 10,889	\$ 10,889	\$ 9,833	\$ 9,833	\$ 10,039	\$ 10,039	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285
Net pension liability as a percentage of covered payroll	83.2%	130.1%	178.5%	68.2%	116.6%	156.7%	199.1%	134.9%	165.3%	168.3%
See accompanying independent auditor's report.										

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2024	\$ 3,291	\$ 3,291	\$ -	\$ 10,889	30.2%
2023	3,116	3,116	-	10,889	28.6%
2022	2,939	2,939	-	9,833	29.9%
2021	2,773	2,773	-	9,833	28.2%
2020	2,616	2,616	-	10,039	26.1%
2019	2,468	2,468	-	10,039	24.6%
2018	2,328	2,328	-	9,838	23.7%
2017	2,196	2,196	-	9,838	22.3%
2016	2,072	2,072	-	9,285	22.3%
2015	1,955	1,955	-	9,285	21.1%

SCHEDULE OF INVESTMENT RETURNS

For Fiscal Year Ended June 30,	Annual Money- Weighted Rate of Return *
2024	13.80%
2023	13.36%
2022	-12.42%
2021	17.31%
2020	13.07%
2019	16.47%
2018	-2.39%
2017	16.70%
2016	7.93%
2015	-0.62%

* Net of investment expenses.

See accompanying independent auditors' report.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2024.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the most current actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	4.0% increasing amortization of the unfunded liability to fiscal year 2034
Remaining amortization period:	9 years from July 1, 2025
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.



**INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS,
ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS**

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2024 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of the System, and related notes thereto. Collectively, these are referred to as the Schedules.

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2024, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Schedules

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

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

Auditors' Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 evaluating the overall presentation of the Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2024, and our report thereon, dated May 2, 2025, expressed an unmodified opinion on those financial statements.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 2, 2025

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2024

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Maynard	\$ 3,181	96.7%
Maynard Housing Authority	110	3.3%
Total	\$ 3,291	100.0%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2024

Dollar amounts are in thousands

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	\$ 8,765	\$ 299	\$ 9,064
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 422	\$ 14	\$ 436
Changes of assumptions	407	14	421
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>9</u>	<u>-</u>	<u>9</u>
Total deferred outflows of resources	<u>\$ 838</u>	<u>\$ 28</u>	<u>\$ 866</u>
Deferred inflows of resources:			
Net difference between projected and actual investment earnings on pension plan investments	\$ 1,478	\$ 50	\$ 1,528
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>9</u>	<u>9</u>
Total deferred inflows of resources	<u>\$ 1,478</u>	<u>\$ 59</u>	<u>\$ 1,537</u>
Pension expense:			
Proportionate share of plan pension expense	\$ 1,978	\$ 68	\$ 2,046
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(2)</u>	<u>2</u>	<u>-</u>
Total employer pension expense	<u>\$ 1,976</u>	<u>\$ 70</u>	<u>\$ 2,046</u>

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

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2024**

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2024.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31,	Town of Maynard	Maynard Housing Authority	Total
2025	\$ 306	\$ 7	\$ 313
2026	1,153	36	1,189
2027	(1,307)	(47)	(1,354)
2028	(792)	(27)	(819)
	<u>\$ (640)</u>	<u>\$ (31)</u>	<u>\$ (671)</u>

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



**MAYNARD CONTRIBUTORY
RETIREMENT SYSTEM**
(a Component Unit of the
Town of Maynard, Massachusetts)

Basic Financial Statements and
Supplementary Information

Year Ended December 31, 2023

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying financial statements the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of December 31, 2023, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
April 30, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2023. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 82% funded at December 31, 2023.

The System's fiduciary net position increased over \$6.4 million in 2023 to approximately \$62.8 million. Net investment income totaled over \$7.0 million in 2023 versus a nearly \$8.2 million net investment loss in 2022. This was the primary contributor to the overall increase in fiduciary net position. The System's 2023 net investment return was approximately 13.4% versus -12.4% in 2022 and 17.3% in 2021.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the year. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Fiduciary Net Position for the two most recent years are as follows:

	December 31,		Dollar Change	Percent Change
	2023	2022		
Assets:				
Cash and cash equivalents	\$ 1,945,663	\$ 1,247,899	\$ 697,764	56%
Investments, at fair value	60,795,216	55,060,251	5,734,965	10%
Receivables and other assets	102,753	104,303	(1,550)	-1%
Total Assets	62,843,632	56,412,453	6,431,179	11%
Liabilities	74,583	74,590	(7)	0%
Fiduciary Net Position	\$ 62,769,049	\$ 56,337,863	\$ 6,431,186	11%

Total assets at December 31, 2023 exceeded \$62.8 million and principally consisted of investments recorded at fair value. Total assets increased by over \$6.4 million in 2023, which was due primarily to a net investment return of nearly 13.4% in 2023.

Receivables and liabilities are not material to the System at either December 31, 2023 or 2022.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31,		Dollar Change	Percent Change
	2023	2022		
Additions:				
Contributions	\$ 4,590,842	\$ 4,596,773	\$ (5,931)	0%
Investment income (loss), net	7,034,207	(8,157,006)	15,191,213	186%
Total Additions	11,625,049	(3,560,233)	15,185,282	
Deductions:				
Benefits and refunds to Plan members	5,071,520	4,859,618	211,902	4%
Administrative and other expenses	122,343	120,047	2,296	2%
Total Deductions	5,193,863	4,979,665	214,198	
Change in Fiduciary Net Position	\$ 6,431,186	\$ (8,539,898)	\$ 14,971,084	

Fiduciary net position increased over \$6.4 million in 2023, which was primarily the result of net investment income of over \$7.0 million.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions were consistent year-over-year.

Employer contributions represent the largest source of System contributions. In 2023, employer contributions totaled approximately \$3.1 million, or 68% of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately \$1.1 million in 2023, which was consistent with the prior year.

Other contributions of approximately \$377,000 in 2023 were approximately \$196,000 lower than the prior year. A significant portion of other contributions pertains to membership transfers from other Massachusetts public pension systems, which is a function of timing and employment trends/movements.

Investment income is presented net of associated investment management expenses. In 2023, the System reported net investment income of over \$7.0 million versus a net investment loss of nearly \$8.2 million in 2022. The System's money-weighted rates of return for 2023 and 2022 were approximately 13.4% and -12.4%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2023 were approximately \$214,000 greater than the prior year.

Pension benefits to members and beneficiaries represent the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 82% and 81% of total 2023 and 2022 deductions, respectively. Pension benefits to members and beneficiaries increased approximately \$250,000 in 2023. This increase was due primarily to normal annual and supplementary cost-of-living adjustments paid by the System.

In addition to the increase in pension benefits to members and beneficiaries, member refunds, transfers and reimbursements to other Massachusetts public pension systems decreased nearly \$39,000, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's independent actuary estimates that the System is approximately 82% funded at December 31, 2023, which is an improvement over the prior year's estimate of 76%.

The System maintains a large portion of its investments in pooled funds. Approximately 20% of investments are in private equity, hedge funds or real estate funds. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields it expects to be necessary to achieve fully funded status in the required time frame, the System, like so many other institutional investors, has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023

Assets:	
Cash and cash equivalents	\$ 1,945,663
Investments, at fair value:	
Equity securities	32,241,793
PRT	28,553,423
Receivables:	
Contributions	93,538
Other	<u>9,215</u>
Total Assets	<u>62,843,632</u>
Liabilities:	
Accounts payable and accrued expenses	<u>74,583</u>
Total Liabilities	<u>74,583</u>
Net Position Restricted for Pensions	<u>\$ 62,769,049</u>

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2023

Additions:	
Employer contributions	\$ 3,115,630
Employee contributions	1,097,279
Other contributions	<u>377,021</u>
Total contributions	<u>4,589,930</u>
Investment income:	
Interest and dividends	1,926,926
Net increase in fair value of investments	5,458,495
Less investment management fees	<u>(351,214)</u>
Total net investment income	<u>7,034,207</u>
Other income	<u>912</u>
Total Additions	<u>11,625,049</u>
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	4,279,794
Member refunds	56,674
Transfers and reimbursements to other systems	735,052
Administrative expenses:	
Operations payroll and related personnel costs	66,761
Other	<u>55,582</u>
Total Deductions	<u>5,193,863</u>
Change in Net Position	6,431,186
Net Position Restricted for Pensions:	
Beginning of the year	<u>56,337,863</u>
End of the year	<u>\$ 62,769,049</u>

See accompanying notes to basic financial statements.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the “System”) is a cost-sharing, multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws (“MGL”), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the “Town”). The Town and the Maynard Housing Authority (“MHA”) contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2023, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	140
Active plan members	184
Inactive plan members	<u>108</u>
Total	<u>432</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants’ accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) Disability Retirements – The System provides for both ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Mr. Kevin Petersen	No Specified Date
Appointed Member:	Mr. James Alexander	No Specified Date
Elected Member:	Mr. Patrick Hakey	April 1, 2026
Elected Member:	Ms. Sandra Baltazar	April 1, 2027
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2025

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System’s funds is the responsibility of the Board. The Board adopted an investment policy, which was last updated in March 2022. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently, this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System’s ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System’s investment policy outlines a target allocation for its investments. Boston Advisors, the System’s external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System’s portfolio target weights at the broad asset class level were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity securities - large cap	30.0%
Domestic equity securities - small cap	5.0%
International equity securities	15.0%
Fixed income	30.0%
Alternative assets	10.0%
Real estate	10.0%

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. All of the System’s bank balances were fully insured at December 31, 2023.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2023, the System was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the System’s investments carried at fair value on a recurring basis at December 31, 2023:

Investments By Fair Value Level	December 31,	Fair Value Measurements Using		
	2023	Level 1	Level 2	Level 3
Equity securities	\$ 32,241,793	\$ 32,241,793	\$ -	\$ -
Total investments by fair value level	32,241,793	\$ 32,241,793	\$ -	\$ -
Investments measured at NAV:				
PRIT funds	28,553,423			
Total investments measured at fair value	\$ 60,795,216			

The PRIT funds are administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The System holds five separate PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days’ notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The System’s investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System’s total investment balance. The following investments in pooled funds held by the System at December 31, 2023 represent approximately 46.9% of the System’s total investments:

PRIT Value Added Fixed Income Fund	13.8%
PRIT Core Fixed Income Fund	13.1%
PRIT Core Real Estate Fund	9.2%
PRIT Hedge Fund	5.4%
PRIT Private Equity Vintage Year 2021	5.4%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not hold any debt securities at December 31, 2023.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody’s Investors Services and Standard and Poor’s Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. None of the System’s investments were subject to credit quality ratings from leading credit rating agencies.

At December 31, 2023, uninsured short-term investment funds with fair values of \$1,655,168 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2023 money-weighted rate of return was approximately 13.4%.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$3,115,630 in 2023.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits. Additionally, as permitted under MGL, the System approved a one-time additional 2% cost-of-living adjustment in 2023 that included retroactive application for the second half of 2022.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2035.

The components of the System’s net pension liability at December 31, 2023 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 76,966
Plan fiduciary net position	<u>62,769</u>
Net pension liability	<u>\$ 14,197</u>
Plan fiduciary net position as a percentage of total pension liability	81.6%

The total pension liability was determined by an actuarial valuation as of January 1, 2023 and rolled forward to December 31, 2023. The significant actuarial assumptions used in the latest actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	4.0% increasing amortization of the unfunded liability to fiscal year 2034
Remaining amortization period:	10 years from July 1, 2024
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25% and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2021 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2021 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2023 was 6.5%, which was unchanged from the prior year. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System’s investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System’s target asset allocation (see the discussion of the System’s investment policy in Note 4).

The following table summarizes these target benchmarks:

<u>Asset Class</u>	<u>Corresponding Benchmark</u>
Equity securities:	
Domestic - large cap	S&P 500 Index
Domestic - small cap	Russell 2000 Index
International	MSCI Emerging Markets Index or custom blend
Fixed income	Barclays Capital Aggregate Bond Index
Alternative assets	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index or custom blend

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2023 calculated using the current discount rate of 6.5%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
6.5%	\$ 22,500	\$ 14,197	\$ 7,150

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2023 was comprised of the following legally required reserves:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 10,374,516	Active members' contribution balance
Annuity Reserve Fund	3,336,017	Retired members' contribution balance
Pension Fund	246,809	Amounts appropriated to fund future retirement
Military Service Fund	37,887	Members' contributions while on military leave
Pension Reserve Fund	<u>48,773,820</u>	Remaining net position
	<u>\$ 62,769,049</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	\$ 2,063	\$ 1,948	\$ 1,864	\$ 1,872	\$ 1,791	\$ 1,770	\$ 1,694	\$ 1,507	\$ 1,442	\$ 1,209
Interest	4,791	4,640	4,384	4,398	4,174	4,147	3,842	3,925	3,618	3,561
Differences in expected and actual experience	551	-	458	-	(1,630)	-	(994)	-	(694)	-
Changes in assumptions	164	-	1,400	-	2,484	-	2,900	-	2,600	-
Benefit payments, including refunds	(4,488)	(4,291)	(4,208)	(3,737)	(3,421)	(3,263)	(3,068)	(3,067)	(2,802)	(2,627)
Net change in total pension liability	3,081	2,297	3,898	2,533	3,398	2,654	4,374	2,365	4,164	2,143
Total pension liability - beginning of year	73,885	71,588	67,690	65,157	61,759	59,105	54,731	52,366	48,202	46,059
Total pension liability - end of year (a)	\$ 76,966	\$ 73,885	\$ 71,588	\$ 67,690	\$ 65,157	\$ 61,759	\$ 59,105	\$ 54,731	\$ 52,366	\$ 48,202
Plan fiduciary net position:										
Contributions - employer	\$ 3,116	\$ 2,939	\$ 2,773	\$ 2,616	\$ 2,468	\$ 2,328	\$ 2,196	\$ 2,072	\$ 1,955	\$ 1,847
Contributions - employee	1,097	1,084	1,024	1,022	1,028	1,025	997	916	904	886
Contributions - nonemployers	377	573	350	547	545	327	327	273	199	240
Net investment income (loss)	7,034	(8,157)	9,431	6,534	7,328	(3,349)	6,496	2,823	(47)	3,211
Benefit payments, including refunds	(5,072)	(4,860)	(4,576)	(4,054)	(4,003)	(3,880)	(3,449)	(3,313)	(3,117)	(2,822)
Administrative expenses	(122)	(120)	(111)	(105)	(119)	(123)	(119)	(117)	(82)	(90)
Other	1	1	1	2	10	4	1	6	-	-
Net change in plan fiduciary net position	6,431	(8,540)	8,892	6,562	7,297	(3,668)	6,450	2,660	(188)	3,272
Plan fiduciary net position - beginning of year	56,338	64,878	55,986	49,424	42,167	45,835	39,385	36,725	36,913	33,641
Plan fiduciary net position - end of year (b)	\$ 62,769	\$ 56,338	\$ 64,878	\$ 55,986	\$ 49,424	\$ 42,167	\$ 45,835	\$ 39,385	\$ 36,725	\$ 36,913
Net pension liability - end of year (a) - (b)	\$ 14,197	\$ 17,547	\$ 6,710	\$ 11,704	\$ 15,733	\$ 19,592	\$ 13,270	\$ 15,346	\$ 15,641	\$ 11,289
Plan fiduciary net position as a percentage of the total pension liability	81.6%	76.3%	90.6%	82.7%	75.9%	68.3%	77.5%	72.0%	70.1%	76.6%
Covered payroll	\$ 10,889	\$ 9,833	\$ 9,833	\$ 10,039	\$ 10,039	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Net pension liability as a percentage of covered payroll	130.4%	178.5%	68.2%	116.6%	156.7%	199.1%	134.9%	165.3%	168.5%	142.3%

See accompanying independent auditors' report.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2023	\$ 3,116	\$ 3,116	\$ -	\$ 10,889	28.6%
2022	2,939	2,939	-	9,833	29.9%
2021	2,773	2,773	-	9,833	28.2%
2020	2,616	2,616	-	10,039	26.1%
2019	2,468	2,468	-	10,039	24.6%
2018	2,328	2,328	-	9,838	23.7%
2017	2,196	2,196	-	9,838	22.3%
2016	2,072	2,072	-	9,285	22.3%
2015	1,955	1,955	-	9,285	21.1%
2014	1,865	1,865	-	7,932	23.5%

SCHEDULE OF INVESTMENT RETURNS

For Fiscal Year Ended June 30,	Annual Money- Weighted Rate of Return *
2023	13.36%
2022	-12.42%
2021	17.31%
2020	13.07%
2019	16.47%
2018	-2.39%
2017	16.70%
2016	7.93%
2015	-0.62%
2014	10.63%

* Net of investment expenses.

See accompanying independent auditors' report.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2023.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the most current actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	4.0% increasing amortization of the unfunded liability to fiscal year 2034
Remaining amortization period:	10 years from July 1, 2024
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS,
ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS**

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2023 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of the System, and related notes thereto. Collectively, these are referred to as the Schedules.

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

Basis for Opinion

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

Responsibilities of Management for the Schedules

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

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

Auditors' Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 evaluating the overall presentation of the Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2023, and our report thereon, dated April 30, 2024, expressed an unmodified opinion on those financial statements.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
April 30, 2024

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2023

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Maynard	\$ 3,015	96.8%
Maynard Housing Authority	101	3.2%
Total	\$ 3,116	100.0%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2023

Dollar amounts are in thousands

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	<u>\$ 13,743</u>	<u>\$ 454</u>	<u>\$ 14,197</u>
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 615	\$ 20	\$ 635
Net difference between projected and actual investment earnings on pension plan investments	1,685	56	1,741
Changes of assumptions	1,032	34	1,066
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>19</u>	<u>-</u>	<u>19</u>
Total deferred outflows of resources	<u>\$ 3,351</u>	<u>\$ 110</u>	<u>\$ 3,461</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 218	\$ 7	\$ 225
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>19</u>	<u>19</u>
Total deferred inflows of resources	<u>\$ 218</u>	<u>\$ 26</u>	<u>\$ 244</u>
Pension expense:			
Proportionate share of plan pension expense	\$ 2,143	\$ 71	\$ 2,214
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(28)</u>	<u>28</u>	<u>-</u>
Total employer pension expense	<u>\$ 2,115</u>	<u>\$ 99</u>	<u>\$ 2,214</u>

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

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023**

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2023.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31,	Town of Maynard	Maynard Housing Authority	Total
2024	\$ 587	\$ 24	\$ 611
2025	1,100	33	1,133
2026	1,954	54	2,008
2027	(508)	(27)	(535)
	<u>\$ 3,133</u>	<u>\$ 84</u>	<u>\$ 3,217</u>

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



**MAYNARD CONTRIBUTORY
RETIREMENT SYSTEM**
(a Component Unit of the
Town of Maynard, Massachusetts)

Basic Financial Statements and
Supplementary Information

Year Ended December 31, 2022

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying financial statements the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the respective changes in 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
April 27, 2023

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2022. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 76% funded at December 31, 2022.

The System's fiduciary net position decreased over \$8.5 million in 2022 to approximately \$56.3 million. Included in 2022 additions was a net investment loss of nearly \$8.2 million. The System's 2022 net investment return was approximately -12.4% versus 17.3% in 2021 and 13.1% in 2020.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the year. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Fiduciary Net Position for the two most recent years are as follows:

	<u>December 31,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2022</u>	<u>2021</u>		
Assets:				
Cash and cash equivalents	\$ 1,247,899	\$ 1,175,538	\$ 72,361	6%
Investments, at fair value	55,060,251	63,765,434	(8,705,183)	-14%
Receivables and other assets	<u>104,303</u>	<u>50,808</u>	<u>53,495</u>	105%
Total Assets	<u>56,412,453</u>	<u>64,991,780</u>	<u>(8,579,327)</u>	-13%
Liabilities	<u>74,590</u>	<u>114,019</u>	<u>(39,429)</u>	-35%
Fiduciary Net Position	<u>\$ 56,337,863</u>	<u>\$ 64,877,761</u>	<u>\$ (8,539,898)</u>	-13%

Total assets at December 31, 2022 exceeded \$56.4 million and principally consisted of investments recorded at fair value. Total assets decreased by nearly \$8.6 million in 2022, which was due primarily to a negative investment return of over 12.4%.

Receivables and liabilities are not material to the System at either December 31, 2022 or 2021.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	<u>Year Ended December 31,</u>		<u>Dollar</u>	<u>Percent</u>
	<u>2022</u>	<u>2021</u>		
Additions:				
Contributions	\$ 4,596,773	\$ 4,147,920	\$ 448,853	11%
Investment income (loss), net	<u>(8,157,006)</u>	<u>9,430,930</u>	<u>(17,587,936)</u>	-186%
Total Additions	<u>(3,560,233)</u>	<u>13,578,850</u>	<u>(17,139,083)</u>	-126%
Deductions:				
Benefits and refunds to Plan members	4,859,618	4,576,235	283,383	6%
Administrative and other expenses	<u>120,047</u>	<u>111,112</u>	<u>8,935</u>	8%
Total Deductions	<u>4,979,665</u>	<u>4,687,347</u>	<u>292,318</u>	6%
Change in Fiduciary Net Position	<u>\$ (8,539,898)</u>	<u>\$ 8,891,503</u>	<u>\$ (17,431,401)</u>	-196%

Fiduciary net position decreased over \$8.5 million in 2022, which was primarily the result of a net investment loss of nearly \$8.2 million.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions increased approximately \$449,000, or 11%, year-over-year.

Employer contributions represent the largest source of System contributions. In 2022, employer contributions totaled approximately \$2.9 million, or 64% of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately \$1.1 million in 2022, which was approximately \$166,000 greater than the prior year.

Other contributions of approximately \$573,000 in 2022 were approximately \$223,000 greater than the prior year. A significant portion of other contributions pertains to membership transfers from other Massachusetts public pension systems, which is a function of timing and employment trends/movements.

Investment income is presented net of associated investment management expenses. In 2022, the System reported a net investment loss of nearly \$8.2 million versus net investment income of over \$9.4 million in 2021. The System's money-weighted rates of return for 2022 and 2021 were approximately -12.4% and 17.3%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2022 were approximately \$292,000 greater than the prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 81% and 85% of total 2022 and 2021 deductions, respectively. Pension benefits to members and beneficiaries increased approximately \$43,000 in 2022. This increase was due primarily to normal annual cost-of-living adjustments paid by the System.

In addition to the increase in pension benefits to members and beneficiaries, member refunds, transfers and reimbursements to other Massachusetts public pension systems increased nearly \$240,000, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's independent actuary estimates that the System is approximately 76% funded at December 31, 2022, which is a significant decrease from the prior year's estimate of 91%.

The System, like virtually all public and private pension systems, reported a net investment loss in 2022. Equity markets in the United States of America, as measured by the performance of the S&P 500, declined over 18% in 2022. Bonds, as measured by the Vanguard Total Bond Index, declined nearly 14% in 2022. The System's 2022 reported net investment return was -12.4%. This negative investment return was the primary contributor to the approximate \$8.5 million decrease in fiduciary net position in 2022.

The System maintains a large portion of its investments in pooled funds. Approximately 24% of investments are in private equity, hedge funds or real estate funds. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields it expects to be necessary to achieve fully funded status in the required time frame, the System, like so many other institutional investors, has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
 (A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022

Assets:	
Cash and cash equivalents	\$ 1,247,899
Investments, at fair value:	
Equity securities	25,202,193
PRIT	29,858,058
Receivables:	
Contributions	101,274
Other	<u>3,029</u>
Total Assets	<u>56,412,453</u>
Liabilities:	
Accounts payable and accrued expenses	65,087
Open trades	<u>9,503</u>
Total Liabilities	<u>74,590</u>
Net Position Restricted for Pensions	<u>\$ 56,337,863</u>

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2022

Additions:	
Employer contributions	\$ 2,939,274
Employee contributions	1,084,141
Other contributions	<u>573,128</u>
Total contributions	<u>4,596,543</u>
Investment income (loss):	
Interest and dividends	1,689,626
Net decline in fair value of investments	(9,489,615)
Less investment management fees	<u>(357,017)</u>
Total net investment loss	<u>(8,157,006)</u>
Other income	<u>230</u>
Total Additions	<u>(3,560,233)</u>
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	4,029,331
Member refunds	170,667
Transfers and reimbursements to other systems	659,620
Administrative expenses:	
Operations payroll and related personnel costs	66,146
Other	<u>53,901</u>
Total Deductions	<u>4,979,665</u>
Change in Net Position	(8,539,898)
Net Position Restricted for Pensions:	
Beginning of the year	<u>64,877,761</u>
End of the year	<u>\$ 56,337,863</u>

See accompanying notes to basic financial statements.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the “System”) is a cost-sharing, multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws (“MGL”), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the “Town”). The Town and the Maynard Housing Authority (“MHA”) contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2022, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	140
Active plan members	192
Inactive plan members	<u>99</u>
Total	<u>431</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants’ accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) Disability Retirements – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Vacant	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Mr. Patrick Hakey	April 1, 2026
Elected Member:	Mr. Clifford Wilson	April 1, 2024
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2025

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System’s funds is the responsibility of the Board. The Board adopted an investment policy, which was last updated in March 2022. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System’s ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System’s investment policy outlines a target allocation for its investments. Boston Advisors, the System’s external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System’s portfolio target weights at the broad asset class level were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity securities - large cap	30.0%
Domestic equity securities - small cap	5.0%
International equity securities	15.0%
Fixed income	30.0%
Alternative assets	10.0%
Real estate	10.0%

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. All of the System’s bank balances were fully insured at December 31, 2022.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2022, the System was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the System’s investments carried at fair value on a recurring basis at December 31, 2022:

Investments By Fair Value Level	December 31, 2022	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities	\$ 25,202,193	\$ 25,202,193	\$ -	\$ -
Total investments by fair value level	25,202,193	\$ 25,202,193	\$ -	\$ -
Investments measured at NAV:				
PRIT funds	29,858,058			
Total investments measured at fair value	\$ 55,060,251			

The PRIT funds are administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The System holds six separate PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days’ notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The System’s investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System’s total investment balance. The following investments in pooled funds held by the System at December 31, 2022 represent approximately 50.2% of the System’s total investments:

PRIT Core Fixed Income Fund	15.9%
PRIT Value Added Fixed Income Fund	14.3%
PRIT Core Real Estate Fund	12.5%
PRIT Hedge Fund	7.5%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not hold any debt securities at December 31, 2022.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody’s Investors Services and Standard and Poor’s Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. None of the System’s investments were subject to credit quality ratings from leading credit rating agencies.

At December 31, 2022, uninsured short-term investment funds with fair values of \$1,247,807 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2022 money-weighted rate of return was approximately -12.4%.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$2,939,274 in 2022.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2035.

The components of the System’s net pension liability at December 31, 2022 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 73,885
Plan fiduciary net position	<u>56,338</u>
Net pension liability	<u>\$ 17,547</u>
Plan fiduciary net position as a percentage of total pension liability	76.3%

The total pension liability was determined by an actuarial valuation as of January 1, 2021 and rolled forward to December 31, 2022. The significant actuarial assumptions used in the latest actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	12 years from July 1, 2023
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2022 was 6.5%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System’s investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System’s target asset allocation (see the discussion of the System’s investment policy in Note 4).

The following table summarizes these target benchmarks:

<u>Asset Class</u>	<u>Corresponding Benchmark</u>
Equity securities:	
Domestic - large cap	S&P 500 Index
Domestic - small cap	Russell 2000 Index
International	MSCI Emerging Markets Index or custom blend
Fixed income	Barclays Capital Aggregate Bond Index
Alternative assets	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index or custom blend

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2022 calculated using the current discount rate of 6.5%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>		
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>
6.5%	\$ 25,500	\$ 17,547	\$ 10,800

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2022 was comprised of the following legally required reserves:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 9,936,349	Active members' contribution balance
Annuity Reserve Fund	3,630,480	Retired members' contribution balance
Pension Fund	125,450	Amounts appropriated to fund future retirement
Military Service Fund	37,849	Members' contributions while on military leave
Pension Reserve Fund	<u>42,607,735</u>	Remaining net position
	<u>\$ 56,337,863</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar amounts are in thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:									
Service cost	\$ 1,948	\$ 1,864	\$ 1,872	\$ 1,791	\$ 1,770	\$ 1,694	\$ 1,507	\$ 1,442	\$ 1,209
Interest	4,640	4,384	4,398	4,174	4,147	3,842	3,925	3,618	3,561
Differences in expected and actual experience	-	458	-	(1,630)	-	(994)	-	(694)	-
Changes in assumptions	-	1,400	-	2,484	-	2,900	-	2,600	-
Benefit payments, including refunds	(4,291)	(4,208)	(3,737)	(3,421)	(3,265)	(3,068)	(3,067)	(2,802)	(2,627)
Net change in total pension liability	2,297	3,898	2,533	3,398	2,654	4,374	2,365	4,164	2,143
Total pension liability - beginning of year	71,588	67,690	65,157	61,759	59,105	54,731	52,366	48,202	46,059
Total pension liability - end of year (a)	\$ 73,885	\$ 71,588	\$ 67,690	\$ 65,157	\$ 61,759	\$ 59,105	\$ 54,731	\$ 52,366	\$ 48,202
Plan fiduciary net position:									
Contributions - employer	\$ 2,939	\$ 2,773	\$ 2,616	\$ 2,468	\$ 2,328	\$ 2,196	\$ 2,072	\$ 1,955	\$ 1,847
Contributions - employee	1,084	1,024	1,022	1,028	1,025	997	916	904	886
Contributions - nonemployee	573	359	547	545	327	327	273	199	240
Net investment income (loss)	(8,157)	9,431	6,534	7,328	(3,349)	6,496	2,823	(477)	3,211
Benefit payments, including refunds	(4,860)	(4,576)	(4,054)	(4,003)	(3,880)	(3,448)	(3,313)	(3,117)	(2,822)
Administrative expenses	(120)	(111)	(105)	(119)	(123)	(119)	(117)	(82)	(90)
Other	1	1	2	10	4	1	6	-	-
Net change in plan fiduciary net position	(8,540)	8,892	6,562	7,257	(3,668)	6,450	2,660	(1,888)	3,272
Plan fiduciary net position - beginning of year	64,878	55,986	49,424	42,167	45,835	39,385	36,725	36,913	33,611
Plan fiduciary net position - end of year (b)	\$ 56,338	\$ 64,878	\$ 55,986	\$ 49,424	\$ 42,167	\$ 45,835	\$ 39,385	\$ 36,725	\$ 36,913
Net pension liability - end of year (a) - (b)	\$ 17,547	\$ 6,710	\$ 11,704	\$ 15,733	\$ 19,592	\$ 13,270	\$ 15,346	\$ 15,641	\$ 11,289
Plan fiduciary net position as a percentage of the total pension liability	76.3%	90.6%	82.7%	75.9%	68.3%	77.5%	72.0%	70.1%	76.6%
Covered payroll	\$ 9,843	\$ 9,843	\$ 10,039	\$ 10,039	\$ 9,848	\$ 9,848	\$ 9,285	\$ 9,285	\$ 7,932
Net pension liability as a percentage of covered payroll	178.3%	68.2%	116.6%	156.7%	199.1%	134.9%	165.3%	168.5%	142.3%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2022	\$ 2,939	\$ 2,939	\$ -	\$ 9,833	29.9%
2021	2,773	2,773	-	9,833	28.2%
2020	2,616	2,616	-	10,039	26.1%
2019	2,468	2,468	-	10,039	24.6%
2018	2,328	2,328	-	9,838	23.7%
2017	2,196	2,196	-	9,838	22.3%
2016	2,072	2,072	-	9,285	22.3%
2015	1,955	1,955	-	9,285	21.1%
2014	1,865	1,865	-	7,932	23.5%

SCHEDULE OF INVESTMENT RETURNS

For Fiscal Year Ended June 30,	Annual Money- Weighted Rate of Return *
2022	-12.42%
2021	17.31%
2020	13.07%
2019	16.47%
2018	-2.39%
2017	16.70%
2016	7.93%
2015	-0.62%
2014	10.63%

* Net of investment expenses.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2022.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the most current actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	12 years from July 1, 2023
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS,
 ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS**

To the Maynard Retirement Board
 Maynard Contributory Retirement System
 Maynard, Massachusetts

Opinion

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2022 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of the System, and related notes thereto. Collectively, these are referred to as the Schedules.

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the System as of and for the year ended December 31, 2022, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Schedules

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

Auditors' Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 evaluating the overall presentation of the Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2022, and our report thereon, dated April 27, 2023, expressed an unmodified opinion on those financial statements.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
April 27, 2023

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2022

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Maynard	\$ 2,840	96.6%
Maynard Housing Authority	99	3.4%
Total	\$ 2,939	100.0%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2022

Dollar amounts are in thousands

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	\$ 16,950	\$ 597	\$ 17,547
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 272	\$ 10	\$ 282
Net difference between projected and actual investment earnings on pension plan investments	4,081	144	4,225
Changes of assumptions	1,623	57	1,680
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	32	32
Total deferred outflows of resources	\$ 5,976	\$ 243	\$ 6,219
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 504	\$ 18	\$ 522
Changes in proportion and differences between employer contributions and proportionate share of contributions	32	-	32
Total deferred inflows of resources	\$ 536	\$ 18	\$ 554
Pension expense:			
Proportionate share of plan pension expense	\$ 3,196	\$ 113	\$ 3,309
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(11)	11	-
Total employer pension expense	\$ 3,185	\$ 124	\$ 3,309

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

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2022**

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2022.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31,	Town of Maynard	Maynard Housing Authority	Total
2023	\$ 284	\$ 23	\$ 307
2024	1,095	51	1,146
2025	1,603	65	1,668
2026	2,458	86	2,544
	<u>\$ 5,440</u>	<u>\$ 225</u>	<u>\$ 5,665</u>

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



**MAYNARD CONTRIBUTORY
RETIREMENT SYSTEM**
(a Component Unit of the
Town of Maynard, Massachusetts)

Basic Financial Statements and
Supplementary Information

Year Ended December 31, 2021

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

Opinion

We have audited the accompanying financial statements the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the respective changes in 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. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 judgment made by a reasonable user based on the financial statements.

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

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

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

Required Supplementary Information

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



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 5, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2021. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 91% funded at December 31, 2021.

The System's fiduciary net position increased nearly \$8.9 million in 2021 to approximately \$64.9 million. Current year additions of approximately \$13.6 million exceeded deductions of approximately \$4.7 million. The current year increase in fiduciary net position was approximately \$2.3 million greater than the prior year. The System's investment performance for 2021, net of investment management fees, was over 17.3% versus 13.1% in 2020. The System's 2021 net investment return exceeded its long-term expected investment return, which is currently 6.5%.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Fiduciary Net Position for the two most recent years are as follows:

	December 31,		Dollar	Percent
	2021	2020	Change	Change
Assets:				
Cash and cash equivalents	\$ 1,175,538	\$ 902,112	\$ 273,426	30%
Investments, at fair value	63,765,434	55,075,234	8,690,200	16%
Receivables and other assets	50,808	77,824	(27,016)	-35%
Total Assets	<u>64,991,780</u>	<u>56,055,170</u>	<u>8,936,610</u>	16%
Liabilities	<u>114,019</u>	<u>68,912</u>	<u>45,107</u>	65%
Fiduciary Net Position	<u>\$ 64,877,761</u>	<u>\$ 55,986,258</u>	<u>\$ 8,891,503</u>	16%

Total assets at December 31, 2021 approached \$65.0 million and principally consisted of investments recorded at fair value. Total asset increased by approximately \$8.9 million in 2021, which was due primarily to a positive investment portfolio performance of over 17.3%. Receivables and liabilities are not material to the System at either December 31, 2021 or 2020.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31,		Dollar	Percent
	2021	2020	Change	Change
Additions:				
Contributions	\$ 4,147,920	\$ 4,187,732	\$ (39,812)	-1%
Investment income, net	9,430,930	6,533,827	2,897,103	44%
Total Additions	<u>13,578,850</u>	<u>10,721,559</u>	<u>2,857,291</u>	27%
Deductions:				
Benefits and refunds to Plan members	4,576,235	4,054,308	521,927	13%
Administrative and other expenses	111,112	104,530	6,582	6%
Total Deductions	<u>4,687,347</u>	<u>4,158,838</u>	<u>528,509</u>	13%
Change in Fiduciary Net Position	<u>\$ 8,891,503</u>	<u>\$ 6,562,721</u>	<u>\$ 2,328,782</u>	35%

Fiduciary net position increased nearly \$8.9 million in 2021, which was primarily the result of net investment earnings for the year.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions for 2021 were consistent with the prior year.

Employer contributions represent the largest source of System contributions. In 2021, employer contributions totaled approximately \$2.8 million, or 67%, in of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately \$1.0 million in 2021, which was consistent with the prior year.

Other contributions of approximately \$350,000 in 2021 were approximately \$197,000 lower than the prior year. A significant portion of other contributions pertains to membership transfers from other Massachusetts public pension systems, which is a function of timing and employment trends/movements.

Investment income is presented net of associated investment management expenses. In 2021, the System reported over \$9.4 million in net investment income versus \$6.5 million in 2020. The System's money-weighted rates of return for 2021 and 2020 were approximately 17.3% and 13.1%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2021 were nearly \$529,000 greater than the prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 85% and 86% of total 2021 and 2020 deductions, respectively. Pension benefits to members and beneficiaries increased approximately \$399,000, or 11%, in 2021. This increase was due to a greater average number of beneficiaries paid year-over-year coupled with the normal annual cost-of-living adjustments paid by the System.

In addition to the increase in pension benefits to members and beneficiaries, member refunds, transfers and reimbursements to other Massachusetts public pension systems increased nearly \$123,000, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's positive investment performance in 2021 enabled it to maintain an approximate 91% funded ratio at December 31, 2021. The System's 30-year investment return as published by PERAC significantly exceeds the discount rate used by the System in its actuarial studies (6.5%). Provided the System continues to garner strong investment performances, it is possible that the System will achieve fully funded status on or before the expected date included in latest actuarial valuation of 2036.

The System maintains a large portion of its investments in pooled funds. Approximately 18% of these funds invest in private equity, hedge funds or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields necessary to achieve fully funded status in the required time frame, the System (like so many other institutional investors) has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

Assets:	
Cash and cash equivalents	\$ 1,175,538
Investments, at fair value:	
Equity securities	37,347,106
PRT	26,418,328
Receivables:	
Contributions	16,830
Open trades	<u>33,978</u>
Total Assets	<u>64,991,780</u>
Liabilities:	
Accounts payable and accrued expenses	46,930
Open trades	<u>67,089</u>
Total Liabilities	<u>114,019</u>
Net Position Restricted for Pensions	<u>\$ 64,877,761</u>

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

Additions:	
Employer contributions	\$ 2,772,900
Employee contributions	1,024,269
Other contributions	<u>350,045</u>
Total contributions	<u>4,147,214</u>
Investment income:	
Interest and dividends	1,278,798
Net appreciation in fair value of investments	8,493,030
Less investment management fees	<u>(340,898)</u>
Total net investment income	<u>9,430,930</u>
Other income	<u>706</u>
Total Additions	<u>13,578,850</u>
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,985,878
Member refunds	89,849
Transfers and reimbursements to other systems	500,508
Administrative expenses:	
Operations payroll and related personnel costs	64,413
Other	<u>46,699</u>
Total Deductions	<u>4,687,347</u>
Change in Net Position	8,891,503
Net Position Restricted for Pensions:	
Beginning of the year	<u>55,986,258</u>
End of the year	<u>\$ 64,877,761</u>

See accompanying notes to basic financial statements.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the “System”) is a cost-sharing, multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws (“MGL”), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the “Town”). The Town and the Maynard Housing Authority (“MHA”) contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2021, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	141
Active plan members	184
Inactive plan members	<u>108</u>
Total	<u>433</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants’ accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) **Normal Retirement** – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) **Disability Retirements** – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the System’s best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (“NAV”). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Ms. Lauri Plourde	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Mr. Patrick Hakey	April 1, 2023
Elected Member:	Mr. Clifford Wilson	April 1, 2024
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2025

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System’s funds is the responsibility of the Board. In 2021, the Board managed its investments using an investment policy that was last updated in December 2020. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System’s ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System’s investment policy outlines a target allocation for its investments. Boston Advisors, the System’s external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System’s portfolio target weights at the broad asset class level were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity securities - large cap	30.0%
Domestic equity securities - small cap	10.0%
International equity securities - developed markets	7.5%
International equity securities - emerging markets	7.5%
Fixed income	27.5%
Alternative assets	10.0%
Real estate	7.5%

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2021. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Custody of Investments – People’s United Bank (“PUB”) is the custodian of the System’s investment portfolio. PUB held all System investment securities at December 31, 2021 and provided investment transaction and reporting services throughout all 2021.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. All of the System’s bank balances were fully insured at December 31, 2021.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2021, the System was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the System’s investments carried at fair value on a recurring basis at December 31, 2021:

Investments By Fair Value Level	December 31, 2021	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Equity securities	\$ 37,347,106	\$ 37,347,106	\$ -	\$ -
Total investments by fair value level	<u>37,347,106</u>	<u>\$ 37,347,106</u>	<u>\$ -</u>	<u>\$ -</u>
Investments measured at NAV:				
PRIT funds	<u>26,418,328</u>			
Total investments measured at fair value	<u>\$ 63,765,434</u>			

The PRIT funds are administered by the Commonwealth of Massachusetts’ Pension Reserve Investment Management Board, or PRIM. The System holds six separate PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days’ notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The System’s investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System’s total investment balance. The following investments in pooled funds held by the System at December 31, 2021 represent approximately 36.5% of the System’s total investments:

PRIT Fixed Income Fund	10.2%
PRIT Value Added Fixed Income Fund	9.8%
PRIT Real Estate Fund	8.9%
PRIT Emerging Markets Fund	8.2%
PRIT Hedge Fund	7.0%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not hold any debt securities at December 31, 2021.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody’s Investors Services and Standard and Poor’s Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board’s discretion. None of the System’s investments were subject to credit quality ratings from leading credit rating agencies.

At December 31, 2021, uninsured short-term investment funds with fair values of \$1,084,794 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2021 money-weighted rate of return was approximately 17.3%.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$2,772,900 in 2021.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2036.

The components of the System’s net pension liability at December 31, 2021 (dollar amounts are in thousands) were as follows:

Total pension liability	\$ 71,588
Plan fiduciary net position	<u>64,878</u>
Net pension liability	<u>\$ 6,710</u>
Plan fiduciary net position as a percentage of total pension liability	90.6%

The total pension liability was determined by an actuarial valuation as of January 1, 2021 and updated to roll forward to December 31, 2021. The significant actuarial assumptions used in the latest actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	15 years from July 1, 2020
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum (previously 6.75%)
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	<p>Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).</p> <p>Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).</p> <p>For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct) and set forward one year.</p> <p>It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.</p>

Discount Rate – The discount rate used to measure the total pension liability at December 31, 2021 was 6.5%, which is a reduction from the previous discount rate of 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System’s investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System’s target asset allocation (see the discussion of the System’s investment policy in Note 4).

The following table summarizes these target benchmarks:

<u>Asset Class</u>	<u>Corresponding Benchmark</u>
Equity securities:	
Domestic - large cap	S&P 500 Index
Domestic - small cap	Russell 2000 Index
International - developed markets	FTSE All World Ex-US Index/MSCI All World Ex-US Index
International - emerging markets	MSCI Emerging Markets Index or custom blend
Fixed income	Barclays Capital Aggregate Bond Index
Alternative assets	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index or custom blend

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2021 calculated using the current discount rate of 6.5%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>			
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>	
6.50%	\$ 14,419	\$ 6,710	\$ 166	

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2021 was comprised of the following legally required reserves:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 9,486,596	Active members' contribution balance
Annuity Reserve Fund	3,828,277	Retired members' contribution balance
Pension Fund	16,682	Amounts appropriated to fund future retirement
Military Service Fund	29,761	Members' contributions while on military leave
Pension Reserve Fund	<u>51,516,445</u>	Remaining net position
	<u>\$ 64,877,761</u>	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * *

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(Dollar amounts are in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 1,864	\$ 1,872	\$ 1,791	\$ 1,770	\$ 1,694	\$ 1,507	\$ 1,442	\$ 1,209
Interest	4,384	4,398	4,174	4,147	3,842	3,925	3,618	3,561
Differences between expected and actual experience	358	-	(1,630)	-	(994)	-	(694)	-
Changes in assumptions	1,400	-	2,484	-	2,900	-	2,600	-
Benefit payments, including refunds	(4,208)	(3,737)	(3,421)	(3,263)	(3,068)	(3,067)	(2,802)	(2,627)
Net change in total pension liability	3,898	2,533	3,398	2,654	4,374	2,365	4,164	2,143
Total pension liability - beginning of year	67,690	65,157	61,759	59,105	54,731	52,366	48,202	46,059
Total pension liability - end of year (a)	\$ 71,588	\$ 67,690	\$ 65,157	\$ 61,759	\$ 59,105	\$ 54,731	\$ 52,366	\$ 48,202
Plan fiduciary net position:								
Contributions - employer	\$ 2,773	\$ 2,616	\$ 2,468	\$ 2,328	\$ 2,196	\$ 2,072	\$ 1,955	\$ 1,847
Contributions - employee	1,024	1,022	1,028	1,025	997	916	904	886
Contributions - nonemployer contributing entities	350	547	545	327	327	273	199	240
Net investment income	9,431	6,534	7,328	(3,349)	6,496	2,823	(47)	3,211
Benefit payments, including refunds	(4,576)	(4,054)	(4,005)	(3,880)	(3,448)	(3,313)	(3,117)	(2,822)
Administrative expenses	(111)	(105)	(119)	(125)	(119)	(117)	(82)	(90)
Other	1	2	10	4	1	6	-	-
Net change in plan fiduciary net position	8,892	6,562	7,257	(3,668)	6,450	2,660	(188)	3,272
Plan fiduciary net position - beginning of year	55,986	49,424	42,167	45,835	39,385	36,725	36,913	33,641
Plan fiduciary net position - end of year (b)	\$ 64,878	\$ 55,986	\$ 49,424	\$ 42,167	\$ 45,835	\$ 39,385	\$ 36,725	\$ 36,913
Net pension liability - end of year (a) - (b)	\$ 6,710	\$ 11,704	\$ 15,733	\$ 19,592	\$ 13,270	\$ 15,346	\$ 15,641	\$ 11,289
Plan fiduciary net position as a percentage of the total pension liability	90.6%	82.7%	75.9%	68.3%	77.5%	72.0%	70.1%	76.6%
Covered payroll	\$ 9,833	\$ 10,039	\$ 10,039	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,932
Net pension liability as a percentage of covered payroll	68.2%	116.6%	156.7%	199.1%	134.9%	165.3%	168.5%	142.5%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	\$ 2,773	\$ 2,773	\$ -	\$ 9,833	28.2%
2020	2,616	2,616	-	10,039	26.1%
2019	2,468	2,468	-	10,039	24.6%
2018	2,328	2,328	-	9,838	23.7%
2017	2,196	2,196	-	9,838	22.3%
2016	2,072	2,072	-	9,285	22.3%
2015	1,955	1,955	-	9,285	21.1%
2014	1,865	1,865	-	7,932	23.5%

SCHEDULE OF INVESTMENT RETURNS

For Fiscal Year Ended June 30,	Annual Money- Weighted Rate of Return *
2021	17.31%
2020	13.07%
2019	16.47%
2018	-2.39%
2017	16.70%
2016	7.93%
2015	-0.62%
2014	10.63%

* Net of investment expenses.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2021.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the most current actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	15 years from July 1, 2020
Asset valuation method:	Market value
Investment rate of return:	6.5% per annum (previously 6.75%)
Projected salary increases:	Service based table with ultimate ranges of 4.25%, and 4.75% for groups 1 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

C. SIGNIFICANT CHANGES TO ACTUARIAL ASSUMPTIONS

The discount rate used in the current valuation decreased to 6.5% from 6.75%.



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**INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS,
 ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS**

To the Maynard Retirement Board
 Maynard Contributory Retirement System
 Maynard, Massachusetts

Opinion

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2021 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of the System, and related notes thereto. Collectively, these are referred to as the Schedules.

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities of the 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 responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Schedule section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Schedules

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

Auditors' Responsibilities for the Audit of the Schedules

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the Schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the Schedules.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 evaluating the overall presentation of the Schedules.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2021, and our report thereon, dated May 5, 2022, expressed an unmodified opinion on those financial statements.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 5, 2022

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2021

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Maynard	\$ 2,679	96.6%
Maynard Housing Authority	94	3.4%
Total	\$ 2,773	100.0%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2021

Dollar amounts are in thousands

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	<u>\$ 6,482</u>	<u>\$ 228</u>	<u>\$ 6,710</u>
Deferred outflows of resources:			
Differences between actual and expected experience	\$ 357	\$ 13	\$ 370
Changes of assumptions	2,756	97	2,853
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>-</u>	<u>44</u>	<u>44</u>
Total deferred outflows of resources	<u>\$ 3,113</u>	<u>\$ 154</u>	<u>\$ 3,267</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 933	\$ 33	\$ 966
Net difference between projected and actual investment earnings on pension plan investments	6,819	240	7,059
Changes in proportion and differences between employer contributions and proportionate share of contributions	<u>44</u>	<u>-</u>	<u>44</u>
Total deferred inflows of resources	<u>\$ 7,796</u>	<u>\$ 273</u>	<u>\$ 8,069</u>
Pension expense:			
Proportionate share of plan pension expense	\$ 393	\$ 11	\$ 404
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(3)</u>	<u>3</u>	<u>-</u>
Total employer pension expense	<u>\$ 390</u>	<u>\$ 14</u>	<u>\$ 404</u>

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

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021**

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2021.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income).

Measurement Period Ended December 31,	Town of Maynard	Maynard Housing Authority	Total
2022	\$ (571)	\$ (7)	\$ (578)
2023	(2,104)	(61)	(2,165)
2024	(1,294)	(32)	(1,326)
2025	(785)	(20)	(805)
2026	71	1	72
	<u>\$ (4,683)</u>	<u>\$ (119)</u>	<u>\$ (4,802)</u>

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants



**MAYNARD CONTRIBUTORY
RETIREMENT SYSTEM**
(a Component Unit of the
Town of Maynard, Massachusetts)

Basic Financial Statements and
Supplementary Information

Year Ended December 31, 2020

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

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INDEPENDENT AUDITORS' REPORT

To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the System as of December 31, 2020, and the changes in 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 the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 10, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Maynard Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar year ended December 31, 2020. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 83% funded at December 31, 2020.

The System's fiduciary net position increased nearly \$6.6 million in 2020 to approximately \$56.0 million. Current year additions of approximately \$10.7 million exceeded deductions of approximately \$4.2 million. The current year increase in fiduciary net position was approximately \$0.7 million lower than the prior year. The System's investment performance for 2020, net of investment management fees, was nearly 13.1% versus 16.5% in 2019. The System's 2020 net investment return exceeded its long-term expected investment return, which is currently 6.75%.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Fiduciary Net Position for the two most recent years are as follows:

	December 31,		Dollar	Percent
	2020	2019	Change	Change
Assets:				
Cash and cash equivalents	\$ 902,112	\$ 482,558	\$ 419,554	87%
Investments, at fair value	55,075,234	48,945,461	6,129,773	13%
Receivables and other assets	77,824	156,901	(79,077)	-50%
Total Assets	56,055,170	49,584,920	6,470,250	13%
Liabilities				
	68,912	161,383	(92,471)	-57%
Fiduciary Net Position	\$ 55,986,258	\$ 49,423,537	\$ 6,562,721	13%

Total assets at December 31, 2020 approached \$56.0 million and principally consisted of investments recorded at fair value. Total asset increased by approximately \$6.6 million in 2020, which was due primarily to a positive investment portfolio performance of nearly 13.1%. Receivables and liabilities are not material to the System at either December 31, 2020 or 2019.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31,		Dollar	Percent
	2020	2019	Change	Change
Additions:				
Contributions	\$ 4,187,732	\$ 4,050,523	\$ 137,209	3%
Investment income, net	6,533,827	7,328,428	(794,601)	-11%
Total Additions	10,721,559	11,378,951	(657,392)	-6%
Deductions:				
Benefits and refunds to Plan members	4,054,308	4,002,829	51,479	1%
Administrative and other expenses	104,530	119,660	(15,130)	-13%
Total Deductions	4,158,838	4,122,489	36,349	1%
Change in Fiduciary Net Position	\$ 6,562,721	\$ 7,256,462	\$ (693,741)	-10%

Fiduciary net position increased nearly \$6.6 million in 2020, which was primarily the result of net investment earnings for the year.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions for 2020 totaled nearly \$4.2 million versus \$4.1 million in 2019.

Employer contributions represent the largest source of System contributions. In 2020, employer contributions totaled approximately \$2.6 million, or 63%, in of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately \$1.0 million in 2020, which was consistent with the prior year.

Other contributions of approximately \$547,000 in 2020 remained consistent with the prior year. A significant portion of other contributions pertains to membership transfers from other Massachusetts public pension systems, which is a function of timing and employment trends/movements.

Investment income is presented net of associated investment management expenses. In 2020, the System reported over \$6.5 million in net investment income versus \$7.3 million in 2019. The System's money-weighted rates of return for 2020 and 2019 were approximately 13.1% and 16.5%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2020 were consistent with the prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 86% and 80% of total 2020 and 2019 deductions, respectively. Pension benefits to members and beneficiaries increased approximately \$302,000, or 9%, in 2020. This increase was due to a greater average number of beneficiaries paid year-over-year coupled with the normal annual cost-of-living adjustments paid by the System.

The increase in pension benefits to members and beneficiaries was offset by an approximate \$250,000 decrease in transfers and reimbursements to other Massachusetts public retirement systems, which is a function of timing and employment trends/movements.

Administrative expenses were relatively consistent year-over-year.

Overall Financial Position

The System's positive investment performance in 2020 enabled it to maintain an approximate 83% funded ratio at December 31, 2020. The System's 30-year investment return as published by PERAC significantly exceeds the discount rate used by the System in its actuarial studies (6.75%). Provided the System continues to garner strong investment performances, it is possible that the System will achieve fully funded status on or before the expected date included in latest actuarial valuation of 2036.

The System maintains a large portion of its investments in pooled funds. Approximately 16% of these funds invest in private equity, hedge funds or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields necessary to achieve fully funded status in the required time frame, the System (like so many other institutional investors) has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future, particularly as U.S. and global governments and markets address the COVID-19 pandemic. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Maynard Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Retirement Office at 195 Main Street, Maynard, Massachusetts 01754.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

Assets:	
Cash and cash equivalents	\$ 902,112
Investments, at fair value:	
Equity securities	30,772,102
PRIT	24,303,132
Receivables:	
Contributions	19,437
Open trades	<u>58,387</u>
Total Assets	<u>56,055,170</u>
Liabilities:	
Accounts payable and accrued expenses	38,295
Open trades	<u>30,617</u>
Total Liabilities	<u>68,912</u>
Net Position Restricted for Pensions	<u>\$ 55,986,258</u>

See accompanying notes to basic financial statements.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020

Additions:	
Employer contributions	\$ 2,615,900
Employee contributions	1,022,006
Other contributions	<u>546,832</u>
Total contributions	<u>4,184,738</u>
Investment income:	
Interest and dividends	1,107,373
Net appreciation in fair value of investments	5,672,573
Less investment management fees	<u>(246,119)</u>
Total net investment income	<u>6,533,827</u>
Other income	<u>2,994</u>
Total Additions	<u>10,721,559</u>
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,586,689
Member refunds	65,181
Transfers and reimbursements to other systems	402,438
Administrative expenses:	
Operations payroll and related personnel costs	62,714
Other	<u>41,816</u>
Total Deductions	<u>4,158,838</u>
Change in Net Position	6,562,721
Net Position Restricted for Pensions:	
Beginning of the year	<u>49,423,537</u>
End of the year	<u>\$ 55,986,258</u>

See accompanying notes to basic financial statements.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

1. DESCRIPTION OF THE PLAN

General – The Maynard Contributory Retirement System (the “System”) is a cost-sharing, multi-employer defined benefit pension plan established and administered by the Maynard Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws (“MGL”), as amended, to provide pension benefits for participants. The System is a component unit of the Town of Maynard (the “Town”). The Town and the Maynard Housing Authority (“MHA”) contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the MHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

At December 31, 2020, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	140
Active plan members	188
Inactive plan members	<u>97</u>
Total	<u>425</u>

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive three-year average annual rate of regular compensation. For those employees who began their service after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant’s highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant’s age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants’ accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

- 1) **Normal Retirement** – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.
- 2) **Disability Retirements** – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Maynard Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Maynard Retirement Board, 195 Main Street, Maynard, Massachusetts 01754.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – Investments are reported at fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument’s anticipated life.
- *Level 3* – Inputs reflect the System’s best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value (“NAV”). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners’ capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members who are elected by the participants in or retired from the service of the System, one member appointed by the Town, and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		<u>Term Expires</u>
Ex-Officio Member:	Ms. Laurie Plourde	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Mr. Patrick Hakey	April 1, 2023
Elected Member:	Mr. Clifford Wilson	April 1, 2021
Board Appointed Member:	Mr. Christopher Connolly, Sr.	April 1, 2022

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System’s funds is the responsibility of the Board. The Board manages its investments using an investment policy that was last updated in December 2020. The investment objective is to pursue return and manage risk by adopting a broad-based approach to asset class diversification. The Board believes that applied prudently this plan will provide sufficient flexibility to adapt to changing global investment dynamics and maximize the System’s ability to meet its long-term objectives. Furthermore, the investment policy establishes benchmarks by asset class to compare its actual performance against.

The System’s investment policy outlines a target allocation for its investments. Boston Advisors, the System’s external investment advisor, monitors target allocations and reports these metrics to the Board quarterly. The investment policy requires that asset classes that fall out of compliance with the target allocations must be cured within sixty days.

The System’s portfolio target weights at the broad asset class level were as follows:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic equity securities - large cap	30.0%
Domestic equity securities - small cap	10.0%
International equity securities - developed markets	7.5%
International equity securities - emerging markets	7.5%
Fixed income	27.5%
Alternative assets	10.0%
Real estate	7.5%

Investment Management – Boston Advisors provided investment advisory services to the System throughout all of 2020. The System may terminate this service agreement for various reasons including, but not limited to, certain breaches of contract.

Custody of Investments – People’s United Bank (“PUB”) is the custodian of the System’s investment portfolio. PUB held all System investment securities at December 31, 2020 and provided investment transaction and reporting services throughout all 2020.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System’s policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation insurance coverage for the first \$250,000 of deposits held at each financial institution. All of the System’s bank balances were fully insured at December 31, 2020.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System’s policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2020, the System was not exposed to custodial credit risk on its investments.

Fair Value Measurements: Investments – The following table presents the System's investments carried at fair value on a recurring basis at December 31, 2020:

Investments By Fair Value Level	December 31,	Fair Value Measurements Using		
	2020	Level 1	Level 2	Level 3
Equity securities	\$ 30,772,102	\$ 30,772,102	\$ -	\$ -
Total investments by fair value level	30,772,102	\$ 30,772,102	\$ -	\$ -
Investments measured at NAV:				
PRIT funds	24,303,132			
Total investments measured at fair value	\$ 55,075,234			

The PRIT funds are administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System holds five separate PRIT funds, each of which consists of a diverse set of investments that includes private equity, distressed debt, derivatives, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are generally more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investments in the PRIT funds at any time with less than thirty days' notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Concentration of Credit Risk: Investments – The System's investment policy prohibits its ownership of any domestic or international equity holding whose value exceeds 5% of the System's total investment balance. The following investments in pooled funds held by the System at December 31, 2020 represent approximately 44.1% of the System's total investments:

PRIT Fixed Income Fund	10.2%
PRIT Value Added Fixed Income Fund	9.8%
PRIT Real Estate Fund	8.9%
PRIT Emerging Markets Fund	8.2%
PRIT Hedge Fund	7.0%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The System does not hold any debt securities at December 31, 2020.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. As previously noted, MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by nationally recognized credit rating agencies like Moody's Investors Services and Standard and Poor's Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. None of the System's investments were subject to credit quality ratings from leading credit rating agencies.

At December 31, 2020, uninsured short-term investment funds with fair values of \$812,157 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2020 money-weighted rate of return was approximately 13.07%.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled \$2,615,900 in 2020.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired on or after January 1, 1979 contribute an additional 2% of their regular gross compensation over \$30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first \$15,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2036.

The components of the System’s net pension liability at December 31, 2020 (dollar amounts are in thousands) were as follows:

Total pension liability	\$	67,690
Plan fiduciary net position		<u>55,986</u>
Net pension liability	\$	<u>11,704</u>
Plan fiduciary net position as a percentage of total pension liability		82.7%

The total pension liability was determined by an actuarial valuation as of January 1, 2019 and updated to roll forward to December 31, 2020. The significant actuarial assumptions used in the actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	15 years from July 1, 2020
Asset valuation method:	Market value
Investment rate of return:	6.75% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System’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.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The System’s investment policy sets long-term expected rates of returns using a representative benchmark index for each major asset class in the System’s target asset allocation (see the discussion of the System’s investment policy in Note 4).

The following table summarizes these target benchmarks:

<u>Asset Class</u>	<u>Corresponding Benchmark</u>
Equity securities:	
Domestic - large cap	S&P 500 Index
Domestic - small cap	Russell 2000 Index
International - developed markets	FTSE All World Ex-US Index/MSCI All World Ex-US Index
International - emerging markets	MSCI Emerging Markets Index or custom blend
Fixed income	Barclays Capital Aggregate Bond Index
Alternative assets	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index or custom blend

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2020 calculated using the current discount rate of 6.75%, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

<u>Current Discount Rate</u>	<u>Net Pension Liability At</u>			
	<u>1% Decrease</u>	<u>Current Rate</u>	<u>1% Increase</u>	
6.75%	\$ 19,315	\$ 11,704	\$ 5,268	

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2020 was comprised of the following legally required reserves:

<u>Description</u>	<u>Amount</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 9,140,742	Active members' contribution balance
Annuity Reserve Fund	3,904,258	Retired members' contribution balance
Pension Fund	28,280	Amounts appropriated to fund future retirement
Military Service Fund	29,731	Members' contributions while on military leave
Pension Reserve Fund	<u>42,883,247</u>	Remaining net position
	<u>\$ 55,986,258</u>	

8. COMMITMENTS AND CONTINGENCIES

General – The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System’s financial position or its results of operations, these matters are subject to inherent uncertainties and management’s views of these matters may change in the future.

COVID-19 – The COVID-19 pandemic has resulted in global economic slowdowns and disruptions that have and could continue to affect U.S. and global markets and economies. The System’s ability to meet its long-term investment return projections and targets is highly dependent on these markets and economies. The global response to the COVID-19 pandemic is beyond the System’s control and the likelihood and extent of further market volatility cannot be predicted.

* * * * *

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 1,872	\$ 1,791	\$ 1,770	\$ 1,694	\$ 1,507	\$ 1,442	\$ 1,209
Interest	4,398	4,174	4,147	3,842	3,925	3,618	3,561
Differences between expected and actual experience	-	(1,630)	-	(994)	-	(694)	-
Changes in assumptions	-	2,484	-	2,900	-	2,600	-
Benefit payments, including refunds	(3,737)	(3,421)	(3,263)	(3,068)	(3,067)	(2,802)	(2,627)
Net change in total pension liability	2,533	3,398	2,654	4,374	2,365	4,164	2,143
Total pension liability - beginning of year	65,157	61,759	59,105	54,731	52,466	48,202	46,059
Total pension liability - end of year (a)	\$ 67,690	\$ 65,157	\$ 61,759	\$ 59,105	\$ 54,731	\$ 52,366	\$ 48,202
Plan fiduciary net position:							
Contributions - employer	\$ 2,616	\$ 2,468	\$ 2,328	\$ 2,196	\$ 2,072	\$ 1,955	\$ 1,847
Contributions - employee	1,022	1,028	1,025	997	916	904	886
Contributions - nonemployer contributing entities	547	545	327	327	275	199	240
Net investment income	6,534	7,328	(3,349)	6,496	2,823	(47)	3,211
Benefit payments, including refunds	(4,054)	(4,093)	(3,880)	(3,448)	(3,313)	(3,117)	(2,822)
Administrative expenses	(105)	(119)	(125)	(119)	(117)	(82)	(90)
Other	2	10	4	1	6	-	-
Net change in plan fiduciary net position	6,562	7,257	(3,668)	6,450	2,660	(188)	3,272
Plan fiduciary net position - beginning of year	49,424	42,167	45,835	39,385	36,725	36,913	33,641
Plan fiduciary net position - end of year (b)	\$ 55,986	\$ 49,424	\$ 42,167	\$ 45,835	\$ 39,385	\$ 36,725	\$ 36,913
Net pension liability - end of year (a) - (b)	\$ 11,704	\$ 15,733	\$ 19,592	\$ 13,270	\$ 15,346	\$ 15,641	\$ 11,289
Plan fiduciary net position as a percentage of the total pension liability	82.71%	75.85%	68.28%	77.55%	71.96%	70.13%	76.58%
Covered payroll	\$ 10,039	\$ 10,039	\$ 9,838	\$ 9,838	\$ 9,285	\$ 9,285	\$ 7,942
Net pension liability as a percentage of covered payroll	116.59%	156.72%	199.15%	134.89%	165.28%	168.45%	143.32%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
		Actuarially Determined Contribution	Contribution			
2020	\$ 2,616	\$ 2,616	\$ -	\$ 10,039	26.1%	
2019	2,468	2,468	-	10,039	24.6%	
2018	2,328	2,328	-	9,838	23.7%	
2017	2,196	2,196	-	9,838	22.3%	
2016	2,072	2,072	-	9,285	22.3%	
2015	1,955	1,955	-	9,285	21.1%	
2014	1,865	1,865	-	7,932	23.5%	

SCHEDULE OF INVESTMENT RETURNS

For Fiscal Year Ended June 30,	Annual Money- Weighted Rate of Return *
2020	13.07%
2019	16.47%
2018	-2.39%
2017	16.70%
2016	7.93%
2015	-0.62%
2014	10.63%

* Net of investment expenses.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2020.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the most current actuarial valuation report included:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increasing 6.0% until fiscal year 2034, with a final amortization in fiscal year 2035
Remaining amortization period:	15 years from July 1, 2020
Asset valuation method:	Market value
Investment rate of return:	6.75% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first \$15,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, the mortality rate is assumed to be in accordance with RP-2014 Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct) and set forward one year. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.



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To the Maynard Retirement Board
Maynard Contributory Retirement System
Maynard, Massachusetts

We have audited the accompanying schedule of employer allocations of the Maynard Contributory Retirement System (the "System"), a component unit of the Town of Maynard, Massachusetts, as of and for the year ended December 31, 2020. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2020, and the related notes thereto.

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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit 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 schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2020, and our report thereon, dated May 10, 2021 expressed an unmodified opinion on those financial statements.



Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 10, 2021

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
 (A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2020

Dollar amounts are in thousands

<u>Employer</u>	<u>Actual Employer Contributions</u>	<u>Employer Allocation Percentage</u>
Town of Maynard	\$ 2,533	96.8%
Maynard Housing Authority	83	3.2%
Total	\$ 2,616	100.0%

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

MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2020

Dollar amounts are in thousands.

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	\$ 11,329	\$ 375	\$ 11,704
Deferred outflows of resources:			
Changes of assumptions	\$ 2,542	\$ 84	\$ 2,626
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	18	18
Total deferred outflows of resources	<u>\$ 2,542</u>	<u>\$ 102</u>	<u>\$ 2,644</u>
Deferred inflows of resources:			
Differences between actual and expected experience	\$ 1,365	\$ 45	\$ 1,410
Net difference between projected and actual investment earnings on pension plan investments	3,284	109	3,393
Changes in proportion and differences between employer contributions and proportionate share of contributions	18	-	18
Total deferred inflows of resources	<u>\$ 4,667</u>	<u>\$ 154</u>	<u>\$ 4,821</u>
Pension expense (income):			
Proportionate share of plan pension expense	\$ 1,433	\$ 47	\$ 1,480
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	<u>(10)</u>	<u>10</u>	<u>-</u>
Total employer pension expense (income)	<u>\$ 1,423</u>	<u>\$ 57</u>	<u>\$ 1,480</u>

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

**MAYNARD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Maynard, Massachusetts)**

**NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2020**

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Maynard Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2020.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table (dollar amounts are in thousands) summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense.

Measurement Period Ended December 31:	Town of Maynard	Maynard Housing Authority	Total
2021	\$ (510)	\$ (12)	\$ (522)
2022	214	12	226
2023	(1,322)	(39)	(1,361)
2024	(508)	(12)	(520)
2025	1	(1)	-
	<u>\$ (2,125)</u>	<u>\$ (52)</u>	<u>\$ (2,177)</u>



COMMONWEALTH OF MASSACHUSETTS

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