ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

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

Report on Examination of Basic Financial
Statements and Additional Information

Year Ended December 31, 2019

RCA
CPA

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, 2019, 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, 2019, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated May 21, 2020 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 21, 2020

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, 2019. 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, 2019.

The System's fiduciary net position increased nearly $7.3 million in 2019 to approximately $49.4 million. Current year additions of approximately $11.4 million exceeded deductions of approximately $4.1 million. The current year increase in fiduciary net position was far more favorable that the prior year's reported decrease of approximately $3.7 million. The System's investment performance for 2019, net of investment management fees, was nearly 16.5% versus -2.4% in 2018. The 2019 net investment return for the System exceeded its long-term expected discount rate, which is currently 6.75%.

The benchmark U.S. equity indices were down significantly in the first quarter of 2020. The volatility in U.S. markets is historic and primarily due to the COVID-19 pandemic, which sparked liquidations of equities and debt securities causing market prices of nearly all investment securities to plummet. Additionally, declining worldwide oil prices further exacerbated the situation. The System maintains approximately half of its investments in global equities, which were among the poorest performing investments during this period. However, the liquid nature of these investments permits the System to react quickly to market conditions. The System's next complete actuarial valuation will be based on the market value of its investments at December 31, 2020, which will include the first quarter of 2020's investment results. The System currently uses a 6.75% discount rate, which is lower than the average discount rate used by public pension systems in the Commonwealth and far lower than the System's five, ten and thirty-year average returns, as published by PERAC.

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 Net Position for the two most recent years are as follows:

	December 31, 2019	December 31, 2018	Dollar Change	Percent Change
Assets:				
Cash and cash equivalents	$ 482,558	$ 455,609	$ 26,949	6%
Investments, at fair value	48,945,461	41,647,603	7,297,858	18%
Receivables and other assets	156,901	155,760	1,141	1%
Total Assets	49,584,920	42,258,972	7,325,948	17%
Liabilities	161,383	91,897	69,486	76%
Fiduciary Net Position	$ 49,423,537	$ 42,167,075	$ 7,256,462	17%

Total assets at December 31, 2019 approximated $49.6 million and principally consisted of investments recorded at fair value. Total asset increased by approximately $7.3 million in 2019, which was due primarily to a positive investment portfolio performance of nearly 16.5%. Receivables and liabilities are not material to the System at either December 31, 2019 or 2018.

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

	Year Ended December 31, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
Additions:				
Contributions	$ 4,050,523	$ 3,683,634	$ 366,889	10%
Investment income, net	7,328,428	(3,348,638)	10,677,066	319%
Total Additions	11,378,951	334,996	11,043,955	3297%
Deductions:				
Benefits and refunds to Plan members	4,002,829	3,880,128	122,701	3%
Administrative and other expenses	119,660	122,616	(2,956)	-2%
Total Deductions	4,122,489	4,002,744	119,745	3%
Change in Fiduciary Net Position	$ 7,256,462	$ (3,667,748)	$ 10,924,210	298%

Fiduciary net position increased nearly $7.3 million in 2019, which was primarily as a 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 2019 totaled nearly $4.1 million versus $3.7 million in 2018.

Employer contributions represent the largest source of System contributions. In 2019, employer contributions totaled approximately $2.5 million, or 61%, in of total contributions. Employer contributions are actuarially determined. Employee contributions totaled approximately $1.0 million in 2019, which was consistent with the prior year.

Other contributions increased over $217,000 year-over-year. This increase was due primarily to an increase in 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 2019, the System reported over $7.3 million in net investment income versus a loss of approximately $3.3 million in 2018. The System's money-weighted rates of return for 2019 and 2018 were approximately 16.5% and -2.4%, 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 2019 were approximately 3% greater than total 2018 deductions.

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 80% and 76% of total 2019 and 2018 deductions, respectively. Pension benefits to members and beneficiaries increased approximately $232,000, or 8%, in 2019. 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 $109,000 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 2019 permitted it to maintain an approximate 76% funded ratio at December 31, 2019. 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% and 7.0% at December 31, 2019 and 2018, respectively). 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, 2019

Assets:		
Cash and cash equivalents	$	482,558
Investments, at fair value:		
Equity securities		24,614,981
PRIT		24,330,480
Receivables:		
Contributions		83,997
Open trades		72,252
Other		652
Total Assets		49,584,920
Liabilities:		
Accounts payable and accrued expenses		33,812
Open trades		127,571
Total Liabilities		161,383
Net Position Restricted for Pensions	$	49,423,537

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, 2019

Additions:	
Employer contributions	$ 2,467,800
Employee contributions	1,028,119
Other contributions	544,772
Total contributions	4,040,691
Investment income:	
Interest and dividends	1,207,018
Net appreciation in fair value of investments	6,375,257
Less investment management fees	(253,847)
Total net investment income	7,328,428
Other income	9,832
Total Additions	11,378,951
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,285,123
Member refunds	24,972
Transfers and reimbursements to other systems	692,734
Administrative expenses:	
Operations payroll and related personnel costs	61,080
Other	58,580
Total Deductions	4,122,489
Change in Net Position	7,256,462
Net Position Restricted for Pensions:	
Beginning of the year	42,167,075
End of the year	$ 49,423,537

See accompanying notes to basic financial statements.

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, 2019, membership in the System consisted of:

Retirees and beneficiaries currently receiving benefits	127
Active plan members	208
Inactive plan members	87
Total	422

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. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer is legally required to provide the contributions. 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 generally accepted accounting principles in the United States of America, or 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 **–** The carrying amounts of the System's investments approximates 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.

The following table presents the fair value of the System's investments by type as of December 31, 2019:

Investments By Fair Value Level	December 31, 2019	Fair Value Measurements Using Level 1	Level 2	Level 3
Equity securities	$ 24,614,981	$ 24,614,981	$ -	$ -
Total investments by fair value level	24,614,981	$ 24,614,981	$ -	$ -
Investments measured at NAV:				
PRIT funds	24,330,480			
Total investments measured at fair value	$ 48,945,461			

The PRIT funds are administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System holds five separate pooled 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.

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:

		Term Expires
Ex-Officio Member:	Mr. Michael Guzzo	No Specified Date
Appointed Member:	Mr. Kevin Petersen	No Specified Date
Elected Member:	Ms. Jean Ignachuck	April 1, 2020
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 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.

***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. At December 31, 2019, the System had bank deposits of $93,167 exposed to custodial credit risk because it was uninsured and uncollateralized.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board manages its investments using a September 2018 investment policy. 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:

Asset Class	Target Allocation
Equity securities	55.0%
Fixed income	30.0%
Non-traditional asset classes	7.5%
Real estate	7.5%

***Investment Management* –** Boston Advisors provided investment advisory services to the System throughout all of 2019. 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, 2019 and provided investment transaction and reporting services throughout all 2019.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2019 money-weighted rate of return was approximately 16.47%.

***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, 2019, the System was not exposed to custodial credit risk on its investments.

Foreign Currency Risk: Investments – Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not directly hold any investments denominated in foreign currency at December 31, 2019.

***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, 2019 represent approximately 49.8% of the System's total investments:

PRIT Fixed Income Fund	15.4%
PRIT Real Estate Fund	10.0%
PRIT Value Added Fixed Income Fund	8.9%
PRIT Hedge Fund	7.8%
PRIT Emerging Markets Fund	7.7%

***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.

Securities Credit Risk: Investments **–** In the case of investments, credit risk 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. The System does maintain a significant portion (approximately 99%) of its monetary assets as investment holdings.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2019, uninsured short-term investment funds with fair values of $473,729 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.

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 $2,467,800 in 2019.

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 before 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, 2019 (dollar amounts are in thousands) were as follows:

Total pension liability	$	65,157
Plan fiduciary net position		49,424
Net pension liability	$	15,733
Plan fiduciary net position as a percentage of total pension liability		75.9%

The total pension liability was determined by an actuarial valuation as of January 1, 2019 and updated to roll forward to December 31, 2019. 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 (formerly 7.0%)
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 in the January 1, 2019 actuarial valuation report was 6.75%, which is a reduction from the discount rate used in the previous actuarial valuation (7.0%). 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:

Asset Class	Corresponding Benchmark
Equity securities:	
Domestic	S&P 500/Russell 2000 blend
International	FTSE All World Ex-US Index/MSCI Emerging Markets Index blend
Fixed income	Barclays Capital Aggregate Bond Index
Non-traditional asset classes	HFRI Fund of Funds Composite Index
Real estate	FTSE NAREIT US Index

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2019 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):

Current	Net Pension Liability At		
Discount Rate	1% Decrease	Current Rate	1% Increase
6.75%	$ 23,059	$ 15,733	$ 9,525

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions at December 31, 2019 were comprised of the following legally required reserves:

Description	Amount	Purpose
Annuity Savings Fund	$ 9,314,681	Active members' contribution balance
Annuity Reserve Fund	3,094,087	Retired members' contribution balance
Pension Fund	421,444	Amounts appropriated to fund future retirement
Military Service Fund	33,363	Members' contributions while on military leave
Pension Reserve Fund	36,559,962	Remaining net assets
Total	$ 49,423,537	

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.

9. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the breakout of the novel coronavirus COVID-19 as a pandemic. Subsequent to this declaration, worldwide bond and equity markets experienced significant volatility. Substantial liquidation of investments caused market prices for virtually all investment classes to decline significantly. While the System expects this matter to negatively impact its Fiduciary Net Position, the ultimate financial impact cannot be reasonably estimated at this time.

* * * * * *

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)

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	$ 1,791	$ 1,770	$ 1,694	$ 1,507	$ 1,442	$ 1,209
Interest	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	(3,421)	(3,263)	(3,068)	(3,067)	(2,802)	(2,627)
Net change in total pension liability	3,398	2,654	4,374	2,365	4,164	2,143
Total pension liability - beginning of year	61,759	59,105	54,731	52,366	48,202	46,059
Total pension liability - end of year (a)	$ 65,157	$ 61,759	$ 59,105	$ 54,731	$ 52,366	$ 48,202
Plan fiduciary net position:						
Contributions - employer	$ 2,468	$ 2,328	$ 2,196	$ 2,072	$ 1,955	$ 1,847
Contributions - employee	1,028	1,025	997	916	904	886
Contributions - nonemployer contributing entities	545	327	327	273	199	240
Net investment income	7,328	(3,349)	6,496	2,823	(47)	3,211
Benefit payments, including refunds	(4,003)	(3,880)	(3,448)	(3,313)	(3,117)	(2,822)
Administrative expenses	(119)	(123)	(119)	(117)	(82)	(90)
Other	10	4	1	6	-	-
Net change in plan fiduciary net position	7,257	(3,668)	6,450	2,660	(188)	3,272
Plan fiduciary net position - beginning of year	42,167	45,835	39,385	36,725	36,913	33,641
Plan fiduciary net position - end of year (b)	$ 49,424	$ 42,167	$ 45,835	$ 39,385	$ 36,725	$ 36,913
Net pension liability - end of year (a) - (b)	$ 15,733	$ 19,592	$ 13,270	$ 15,346	$ 15,641	$ 11,289
Plan fiduciary net position as a percentage of the total pension liability	75.85%	68.28%	77.55%	71.96%	70.13%	76.58%
Covered payroll	$ 10,039	$ 9,838	$ 9,838	$ 9,285	$ 9,285	$ 7,932
Net pension liability as a percentage of covered payroll	156.72%	199.15%	134.89%	165.28%	168.45%	142.32%

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)

	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 2,468	$ 2,328	$ 2,196	$ 2,072	$ 1,955	$ 1,865
Contributions in relation to the actuarially-determined contribution	2,468	2,328	2,196	2,072	1,955	1,865
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 10,039	$ 9,838	$ 9,838	$ 9,285	$ 9,285	$ 7,932
Contribution as a percentage of covered payroll	24.58%	23.66%	22.32%	22.32%	21.06%	23.51%

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	16.47%	-2.39%	16.70%	7.93%	-0.62%	10.63%

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.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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 2019.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2019 report were as follows:

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 (formerly 7.0%)
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.

C. SIGNIFICANT CHANGES TO ACTUARIAL ASSUMPTIONS

The discount rate used in the current valuation decreased to 6.75% from 7.0%. In addition, the System changed the mortality tables used in the most current actuarial valuation report.

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2019, and the related notes to the financial statements which collectively comprise the System's basic financial statements and have issued our report thereon dated May 21, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 21, 2020

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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, 2019. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2019, 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, 2019, 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, 2019, and our report thereon, dated May 21, 2020 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
May 21, 2020

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

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2019

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Maynard	$ 2,393	96.9%
Maynard Housing Authority	75	3.1%
Total	$ 2,468	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, 2019

Dollar amounts are in thousands

	Town of Maynard	Maynard Housing Authority	Total
Net pension liability	$ 15,245	$ 488	$ 15,733
Deferred outflows of resources:			
Differences between actual and expected experience	$ -	$ -	$ -
Changes of assumptions	3,730	119	3,849
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	13	13
Total deferred outflows of resources	$ 3,730	$ 132	$ 3,862
Deferred inflows of resources:			
Differences between actual and expected experience	$ 1,879	$ 60	$ 1,939
Net difference between projected and actual investment earnings on pension plan investments	1,157	37	1,194
Changes of assumptions	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	13	-	13
Total deferred inflows of resources	$ 3,049	$ 97	$ 3,146
Pension expense (income):			
Proportionate share of plan pension expense	$ 3,153	$ 101	$ 3,254
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(9)	9	-
Total employer pension expense (income)	$ 3,144	$ 110	$ 3,254

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

NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

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, 2019.

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
2020	$ 313	$ 23	$ 336
2021	113	4	117
2022	839	27	866
2023	(699)	(22)	(721)
2024	115	3	118
	$ 681	$ 35	$ 716