

NORFOLK COUNTY

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*

WILLIAM T. KEEFE, *Executive Director*

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

September 1, 2026

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Norfolk County Retirement System conducted by the firms of Di Pesa & Company, Certified Public Accountants (D&C) and Clifton Larson Allen, LLP, Certified Public Accountants (CLA). D&C and CLA conducted these audits 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 CLA audit covered one year from January 1, 2024 to December 31, 2024. The D&C audits covered four years from January 1, 2020, to December 31, 2023.

We conducted an inspection of the work papers prepared by D&C and CLA. 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 D&C and CLA 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 investment contracts were procured in compliance with the provision of Section 23B of Chapter 32 and that fees paid were in accordance with contracts, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, 6) that required member documentation is maintained, and 7) that refunds issued by the system were correctly calculated.

To achieve these objectives, we inspected certain records of the Norfolk County Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, examined a sample of investment procurements and recalculated management fees charged. 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 and tested refunds issued for accuracy.

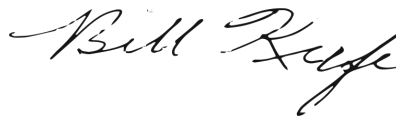
In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exception of those related to our supplemental work which are detailed in the findings presented in this report.

It should be noted that the financial statements included in this audit report were based on the work performed by D&C and CLA 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 Di Pesa & Company, and Clifton Larson Allen, LLP who conducted these examinations, and the PERAC examiners who conducted limited procedures to supplement the field work and express my appreciation to the Norfolk County Retirement Board and staff for their courtesy and cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read "Bill Keefe", written in a cursive style.

William T. Keefe
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Accidental Disability Retirement Allowance Calculations:

Six out of the eight accidental disability retirement allowances sampled from the audit period had errors in their salary calculations, because the Board relied on deduction reports rather than payroll registers for regular compensation. We requested and were provided with payroll registers for our testing.

Four retirees' last 52 weeks of regular compensation did not include a full year's worth of payments, resulting in underpayments ranging from about \$1,500 to \$4,000 per year. A fifth retiree's salary calculation was short by two full weeks, but also included more than a full year's worth of holiday payments, resulting in a net underpayment of \$1,600 per year.

One retiree's salary calculation included a clothing allowance in the last 52 weeks of regular compensation, resulting in an overpayment of \$1,200 per year. Clothing allowance is not regular compensation pursuant to 840 CMR 15.03 3(f).

None of the eight accidental disability retirement calculations annualized the rate of regular compensation as of the injury date correctly. Instead of annualizing the pay based on the paycheck containing the date of injury, the Board used the year of regular compensation leading up to the injury date.

COLA payments were incorrect for two retirees tested. Both were missing COLAs expected to have been paid as of December 31, 2024.

Recommendation: Payroll registers should be used for all retirement allowance calculations. Annual stipends and holidays should be reviewed to include only one year's worth in calculations. Deductions taken on clothing allowance should be returned to the member. The retirement allowances noted above should be reviewed, revised and resubmitted to PERAC's Actuarial Unit for approval letters. The Board should also review all other accidental disability retirement calculations which were not included in the audit testing.

Board Responses:

NCRS agrees with PERAC that payroll registers should be used for all retirement allowance calculations. In fact, NCRS requests payroll registers and the completion of a payroll report for every retirement calculation. Unfortunately, NCRS lacks authority to compel the employer units to provide requested information. As such, NCRS relies on the information at its disposal.

NCRS will hold an employer unit seminar, as it has done in the past, to express the importance of receiving payroll information. NCRS will continue to request payroll registers for each retirement calculation.

NCRS will review, revise and resubmit the calculations referenced above to PERAC's Actuarial Unit for updated approval letters.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

2. Superannuation Retirement Allowance Calculations:

We noted issues during the testing of 16 new superannuation retirements sampled from the audit period. Actual payroll registers were not used to support regular compensation in these allowance calculations. The Board requested that each unit complete a “green sheet” and attach payroll registers, but they were not provided by the units. We requested payrolls for testing and received payrolls for 10 out of the 16 retirements selected for testing.

We found three superannuation retirement allowances that were overpaid. One retiree’s creditable service was overstated due to including years that the position was paid under \$5,000. See PERAC Memo #8, 2017 for a full discussion of this issue. This retiree was overpaid by about \$800 per year. The second retirement calculation included clothing allowance and a temporary stipend paid for working during COVID, and the third retirement calculation included sick time buyback payments as regular compensation in error, resulting in overpayments of \$600 and \$300 per year, respectively.

Recommendation: The Board should correct the three superannuation retirements noted and resubmit calculations to PERAC’s Actuarial Unit for approval. The Board should request and use payroll reports to determine regular compensation for allowance calculations.

Board Response:

NCRS will review, revise and resubmit the calculations referenced above to PERAC’s Actuarial Unit for updated approval letters.

NCRS agrees with PERAC that payroll registers should be used for all retirement allowance calculations. In fact, NCRS requests payroll registers and the completion of a payroll report for every retirement calculation. Unfortunately, NCRS lacks authority to compel the employer units to provide requested information. As such, NCRS relies on the information at its disposal.

NCRS will hold an employer unit seminar, as it has done in the past, to express the importance of receiving payroll information. NCRS will continue to request payroll registers for each retirement calculation.

3. Pension Forfeiture:

PERAC’s Legal Unit sent an opinion letter in October 2020 notifying the Board that a 2015 superannuation retirement approval was rescinded because the member was not entitled to an allowance as he is subject to pension forfeiture pursuant to Chapter 32, Sections 15(4) and 15(6). The retiree is required to return the allowances paid and if there are any funds left in the annuity savings fund (ASF) account, it should be returned without interest.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

We reviewed this member and the member's beneficiary's allowances paid and found that the payment was not stopped by the Board. We estimated that about \$148,000 was overpaid over 10 years.

Recommendation: The retirement benefit should be stopped and overpayments should be collected. The Board has informed us that they plan to stop the retirement benefits as of May 2026, review the ASF and request a return of the overpayment.

Board Response:

NCRS provided notice to the above referenced beneficiary in May of 2026 and the matter will be addressed by the NCRB at its July 29, 2026 Board Meeting.

4. Regular Compensation:

We requested payroll registers from 19 units and received responses from 17 of those for testing. We found regular compensation issues in six units, as follows:

- Overtime pay was included as pensionable.
- Fringe Benefit payments for a voluntary retirement plan were included with regular compensation for four high ranking employees of one unit.
- Earnings for on-call pay for a Housing Authority where the work was required was excluded from regular compensation. We also noted two DPW workers with Standby pay which was excluded from regular compensation. This pay should be included in regular compensation if the work is required by the unit.
- A different Housing Authority had vacation payouts included in the base deductions but it was excluded for the additional 2% deductions. However, since these were payouts of unused vacation time there should be no deductions withheld.

Also, we noted pays for after school support and AP/PSAT testing were excluded from regular compensation. If these pays are for programs that are prescheduled and guaranteed, then they should be considered regular compensation.

Recommendation: Board should review 840 CMR 15.03 (3) with payroll departments and correct pay codes as needed. Deductions taken on non-pensionable pays should be returned to members.

Board Response:

NCRS will hold an employer unit seminar, as it has done in the past, to review regular compensation with the 42 employer units.

Deductions taken on non-pensionable earnings will be returned to the above referenced members.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

5. Cash Reconciliations:

In the prior audit, we found the Board's three bank accounts were reconciled by the Assistant Director instead of the County Treasurer. The Assistant Director has access to and records transactions to the General Ledger (GL) and should not prepare the cash reconciliations. This has not changed in the current audit.

In addition, the cash reconciliations were not signed or dated, but the Board provided a separate page with a list of financial reports provided at the meeting, and this page was signed by the Board members.

Recommendation: The County Treasurer should prepare monthly cash reconciliations for better internal controls over cash. The cash reconciliations should be signed and dated by the preparer and reviewer.

Board Response:

While it is accurate that the Assistant Executive Director has access to the General Ledger, it is the duty of the Financial Compliance Analyst to record transactions to the General Ledger. The Assistant Executive Director does not process cash receipts or cash disbursements allowing for a segregation of duties within NCRS staff. The trial balance provides the preparer's name and date at the top of the page.

6. 91A Overearnings:

In our prior audit, we found that the Board improperly waived payment of \$40,000 of 2020 excess earnings for one retiree. In our current audit, we found that the Board still has not set up a payment plan for this amount as recommended in our prior audit.

Recommendation: The Board must collect the \$40,000 that was previously waived and set up a payment plan.

Board Response:

NCRB acknowledges this audit finding.

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	\$48,813,725	3.2%
Fixed Income Securities	143,115,461	9.5%
Equities	272,364,588	18.1%
Pooled Domestic Equity Funds	311,505,770	20.7%
Pooled International Equity Funds	112,233,167	7.5%
Pooled Domestic Fixed Income Funds	79,017,922	5.2%
Pooled Global Fixed Income Funds	97,536,020	6.5%
Pooled Alternative Investment Funds	187,166,684	12.4%
Pooled Real Estate Funds	76,133,714	5.1%
Hedge Funds	<u>177,643,850</u>	<u>11.8%</u>
Grand Total	<u>\$1,505,530,900</u>	<u>100.0%</u>

For the year ending December 31, 2024, the rate of return for the investments of the Norfolk County Retirement System was 9.80%. For the ten-year period ending December 31, 2024, the rate of return for the investments of the Norfolk County Retirement System averaged 7.28%. 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 Norfolk County Retirement System was 8.45%.

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 County Treasurer who shall be a member ex-officio, a second member appointed by the County Commissioners, 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 Advisory Council.

Ex-officio Member: Michael G. Bellotti, Chairperson

Appointed Member: Lisa J. Sinkus Term Expires: 12/31/2027

Elected Member: Josephine E. Shea Term Expires: 12/31/2028

Elected Member: Edwin S. Little Term Expires: 12/31/2026

Appointed Member: Paul J. Connors Term Expires: 12/31/2027

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

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

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

BOARD REGULATIONS

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

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retirement in Past Years										
Superannuation	174	153	171	180	194	187	214	201	185	174
Ordinary Disability	0	0	0	0	0	0	1	0	2	0
Accidental Disability	15	3	5	8	20	11	9	8	9	10
Total Retirements	189	156	176	188	214	198	224	209	196	184
Total Retirees, Beneficiaries and Survivors	3,190	3,252	3,336	3,411	3,526	3,612	3,728	3,855	3,953	4,034
Total Active Members	5,198	5,191	5,446	5,351	5,651	5,963	6,685	6,902	7,119	6,150
Pension Payments										
Superannuation	\$48,007,309	\$51,185,742	\$53,775,754	\$56,601,992	\$61,280,106	\$64,488,591	\$67,710,970	\$72,292,549	\$76,629,936	\$80,812,253
Survivor/Beneficiary Payments	3,350,734	3,486,429	3,754,705	4,017,284	4,081,089	4,295,824	4,482,856	4,649,246	4,969,968	5,385,500
Ordinary Disability	731,620	734,154	738,353	742,938	734,577	750,410	792,954	760,660	814,325	826,224
Accidental Disability	10,292,729	10,462,354	10,551,374	10,780,953	10,946,881	11,957,808	12,504,184	12,833,006	13,706,782	14,520,747
Other	<u>6,107,724</u>	<u>6,309,489</u>	<u>7,669,341</u>	<u>8,522,979</u>	<u>8,675,119</u>	<u>6,984,623</u>	<u>9,228,515</u>	<u>9,541,628</u>	<u>10,953,199</u>	<u>9,852,511</u>
Total Payments for Year	<u>\$68,490,116</u>	<u>\$72,178,168</u>	<u>\$76,489,526</u>	<u>\$80,666,147</u>	<u>\$85,717,772</u>	<u>\$88,477,256</u>	<u>\$94,719,478</u>	<u>\$100,077,090</u>	<u>\$107,074,209</u>	<u>\$111,397,236</u>

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The Norfolk County Retirement Board leased approximately 3,000 square feet of space for its offices located at Building 15, 480 Neponset Street, Canton, MA. The initial lease was dated August 2, 1996. The fifth amendment to the lease was effective September 1, 2021. The landlord was 480 Neponset LLC.

This lease ended early in July 2025. The Board paid \$45,880 to terminate the lease at 480 Neponset Street.

The Norfolk County Retirement Board currently leases 7,684 square feet of space for its offices located at 720 University Avenue, Suite 120, in Norwood, MA. They signed a 148-month lease beginning January 1, 2025, to expire April 30, 2037. The landlord is 720 University Property, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2024:

<u>For the year ending:</u>	<u>Annual Rent</u>
2025	\$244,889
2026	246,444
2027	253,224
2028	260,184
2029	267,348
2030	274,692
2031	282,252
2032	290,016
2033	297,984
2034	306,180
2035	314,400
2036	314,400
2037 through April	<u>104,800</u>

Total future minimum lease payments required \$3,456,813

Note: A security deposit in the amount of \$3,000 held by the landlord at end of the audit period was used in 2025 when the lease was terminated at 480 Neponset Street.

NORFOLK COUNTY RETIREMENT SYSTEM
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2024 AND 2023



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

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 and *Government 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 GAAS and *Government 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.

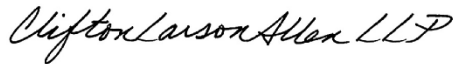
We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in employer net pension liability and related ratios, schedule of employer contributions and schedule of investment returns 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Boston, Massachusetts
October 30, 2025

**NORFOLK COUNTY RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2024 AND 2023**

The following discussion provides an overview and analysis of the fiduciary net position and changes in fiduciary net position of the Norfolk County Retirement System (the System or Plan) by management for the years ended December 31, 2024 and 2023. Please refer to the audited financial statements when reading this discussion.

Overview of the Financial Statements

The System's financial statements comprise the statements of fiduciary net position, statements of changes in fiduciary net position, notes to the financial statements and required supplementary information.

The Statements of Fiduciary Net Position present information on the System's assets and liabilities and the resulting net position restricted for pension benefits. These statements reflect the System's investments at fair value, as well as cash, receivables, and other assets and liabilities.

The Statements of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pension benefits changed during the years ended December 31, 2024 and 2023. They reflect in total the contributions by members and participating employers, along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income is also presented.

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

The Required Supplementary Information includes management's discussion and analysis, schedule of changes in net pension liability and related ratios, schedule of investment returns, schedule of employer contributions, and related notes.

Financial Highlights and Analysis

- The net position restricted for pension benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Net position restricted for pension benefits was \$1.5 billion at December 31, 2024 compared to \$1.4 billion at December 31, 2023. The increase in net position of \$124 million resulted primarily from an increase in the fair value of investments.

**NORFOLK COUNTY RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2024 AND 2023 (CONTINUED)**

The following tables present the current and prior year condensed data on the System's financial statements:

	2024	2023
FIDUCIARY NET POSITION		
ASSETS		
Cash and Cash Equivalents	\$ 48,813,726	\$ 22,130,436
Investments	1,456,717,176	1,359,240,762
Receivables	7,051,311	7,977,658
Total Assets	<u>1,512,582,213</u>	<u>1,389,348,856</u>
LIABILITIES		
Accounts Payable	<u>2,511,025</u>	<u>3,459,371</u>
NET POSITION		
Net Position Restricted for Pensions	<u>1,510,071,188</u>	<u>1,385,889,485</u>
CHANGES IN FIDUCIARY NET POSITION		
ADDITIONS		
Contributions	\$ 145,825,661	\$ 138,986,084
Net Investment Income	123,508,092	123,055,801
Other	3,787,317	3,790,053
Total Additions (Deductions)	<u>273,121,070</u>	<u>265,831,938</u>
DEDUCTIONS		
Benefits Paid	130,451,459	124,331,568
Other	18,487,908	16,262,207
Total Deductions	<u>148,939,367</u>	<u>140,593,775</u>
CHANGE IN NET POSITION	124,181,703	125,238,163
Net Position Restricted for Pension Benefits - Beginning of Year	<u>1,385,889,485</u>	<u>1,260,651,322</u>
NET POSITION RESTRICTED FOR PENSION BENEFITS END OF YEAR	<u>\$ 1,510,071,188</u>	<u>\$ 1,385,889,485</u>

**NORFOLK COUNTY RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2024 AND 2023 (CONTINUED)**

Norfolk County Retirement System 2024 Performance Summary

- The Norfolk County Retirement System (Norfolk) investment portfolio for 2024 had a net return of 8.8%. This performance underperformed the Primary Investment Policy Benchmark, which returned 9%.
- Domestic Equity managers represented 32.3% of the portfolio as of December 31, 2024. Approximately 46% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a net return of 16.11% for 2024 and underperformed the Russell 3000 index which returned 23.8%.
- International Equity managers represented 14.3% of the portfolio as of December 31, 2024. Approximately 68% of the international equity assets were allocated to developed markets and the remaining to emerging markets. The international equity portfolio returned 5.5%, which outperformed the MSCI AC World ex U.S. (NET) benchmark return, which returned 3.9 %.
- Domestic Fixed Income Managers represented 21.4% of the portfolio as of December 31, 2024. The overall net return for these managers was 4.6% for the year, which exceeded the return of the Barclays Aggregate Bond Index, which returned 1.3%.
- Real Estate investment managers experienced net loss of 11.7% in 2024 and represented 5% of the total portfolio as of year-end 2024. The System's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio underperformed the NCREIF Property Index which increased 0.5% in 2024.
- Private Equity had a net return of 8.2% in 2024 and represented 9.8% of the total portfolio as of year-end 2024. Norfolk's private equity portfolio outperformed the Cambridge Associates U.S. Private Equity index, which increased 6%.
- Hedge Funds had a net return of 13.1% in 2024, which outperformed the HFRI Hedge Fund-of-Funds Composite Index, which increased 9.2%. Hedge funds represented 11.8% of the System's assets as of December 31, 2024.
- Real Assets represented 2.6% of the portfolio as of December 31, 2024. Norfolk's real asset investment managers had a net return of 7.6% in 2023, which underperformed the Real Assets Index benchmark of 8.3%.

**NORFOLK COUNTY RETIREMENT SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
DECEMBER 31, 2024 AND 2023 (CONTINUED)**

Norfolk County Retirement System 2023 Performance Summary

- The Norfolk County Retirement System (Norfolk) investment portfolio for 2023 had a net return of 9.9%. This performance underperformed the Primary Investment Policy Benchmark, which returned 11.1%.
- Domestic Equity managers represented 33.2% of the portfolio as of December 31, 2023. Approximately 46% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a net return of 20.7% for 2023 and underperformed the Russell 3000 index which returned 26%.
- International Equity managers represented 14.9% of the portfolio as of December 31, 2023. Approximately 69% of the international equity assets were allocated to developed markets and the remaining to emerging markets. The international equity portfolio returned 12.7%, which underperformed the MSCI AC World ex U.S. (NET) benchmark return, which returned 14.3%.
- Domestic Fixed Income Managers represented 20.5% of the portfolio as of December 31, 2023. The overall net return for these managers was 8.7% for the year, which exceeded the return of the Barclays Aggregate Bond Index, which returned 5.5%.
- Real Estate investment managers had net return fell 21% in 2023 and represented 6% of the total portfolio as of year-end 2023. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio underperformed the NCREIF Property Index that fell 7.9% in 2023.
- Private Equity had a net return of 4.5% in 2023 and represented 10.3% of the total portfolio as of year-end 2023. Norfolk's private equity portfolio underperformed the Cambridge Associates U.S. Private Equity index, which increased 6.1%.
- Hedge Funds had a net return of 9.7% in 2023, which outperformed the HFRI Hedge Fund-of-Funds Composite Index, which increased 6.1%. Hedge funds represented 11.4% of the plan assets as of year-end 2023.
- Real Assets represented 2.6% of the portfolio as of December 31, 2023. Norfolk's real asset investment managers had a net return of 10.8% in 2023, which outperformed the Real Assets Index benchmark of 8.2%.

Other Information

This financial report is designed to provide a general overview of the System's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Norfolk County Retirement Board, 720 University Ave Suite 120, Norwood, MA 02062.

**NORFOLK COUNTY RETIREMENT SYSTEM
STATEMENTS OF FIDUCIARY NET POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
ASSETS		
Cash and Cash Equivalents	\$ 48,813,726	\$ 22,130,436
Total Cash and Cash Equivalents	48,813,726	22,130,436
Investments:		
Equities	272,364,588	219,718,366
Fixed Income	143,115,461	114,543,034
Pooled Funds:		
Equity	423,738,937	438,650,866
Fixed Income	176,553,942	167,081,581
Private Equity	187,166,684	178,087,633
Real Estate	76,133,714	83,524,896
Hedge	177,643,850	157,634,386
Total Investments at Fair Value	1,456,717,176	1,359,240,762
Receivables:		
Member Contributions	1,768,664	2,005,994
Intergovernmental	2,214,964	2,848,889
Interest and Dividend Income Due	2,300,221	1,760,868
Receivable for Investments Sold	762,661	1,358,907
Miscellaneous	4,801	3,000
Total Receivables	7,051,311	7,977,658
Total Assets	1,512,582,213	1,389,348,856
LIABILITIES		
Accounts Payable	1,046,728	788,973
Payable for Investments Purchased	1,464,297	2,670,398
Total Liabilities	\$ 2,511,025	\$ 3,459,371
NET POSITION RESTRICTED FOR PENSION BENEFITS	<u>\$ 1,510,071,188</u>	<u>\$ 1,385,889,485</u>

See accompanying Notes to Financial Statements.

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**NORFOLK COUNTY RETIREMENT SYSTEM
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION
DECEMBER 31, 2024 AND 2023**

	2024	2023
ADDITIONS		
Contributions:		
Employer	\$ 101,143,371	\$ 97,107,703
Member	44,682,290	41,878,381
Total Contributions	145,825,661	138,986,084
Investment Income		
Net Change in Fair Value of Investments	118,380,303	119,207,738
Interest and Dividends	14,962,487	12,826,044
Total Investment Expenses	133,342,790	132,033,782
Less: Investment Expenses	(9,834,698)	(8,977,981)
Net Investment Income	123,508,092	123,055,801
Other	3,787,317	3,790,053
Total Additions	273,121,070	265,831,938
DEDUCTIONS		
Benefits Paid	\$ 130,451,459	\$ 124,331,568
Refunds of Contributions	3,785,906	2,717,001
Transfers and Reimbursements to Other Systems	12,473,576	11,944,317
Administrative Expenses	2,228,426	1,600,889
Total Deductions	148,939,367	140,593,775
CHANGE IN NET POSITION	124,181,703	125,238,163
Net Position Restricted for Pension Benefits - Beginning of Year	1,385,889,485	1,260,651,322
NET POSITION RESTRICTED FOR PENSION BENEFITS END OF YEAR	\$ 1,510,071,188	\$ 1,385,889,485

See accompanying Notes to Financial Statements.

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**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 PLAN DESCRIPTION

The Norfolk County Retirement System (the System or Plan) was established in 1937 to provide retirement benefits to eligible employees of its member employers. The System is governed by a five-member retirement board who establishes the policies under which the System operates. Board members also approve all financial transactions of the System, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by an Executive Director. The legislative oversight body for the System is an Advisory Council consisting of full-time treasurers or other qualified officials of the member units. The Advisory Council meets at least twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

The System is a cost-sharing multiple-employer contributory defined benefit governmental pension plan established under Chapter 32 of the General Laws of the Commonwealth of Massachusetts (MGL) covering all employees of governmental member units deemed eligible by the Board. The System is a member of the Massachusetts Association of Contributory Retirement Systems and is governed by Chapter 32 of MGL. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for the regulation of the Commonwealth's public retirement systems.

Membership

Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent employees (excluding teachers) regularly scheduled to work 20 hours or more per week. The pensions of school department employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts Teachers' Retirement System.

As of December 31, 2024 and 2023, the System's membership was comprised as follows:

	<u>2024</u>	<u>2023</u>
Retirees and beneficiaries	3,958	3,953
Active members	6,206	7,119
Inactive members with vested benefits or entitlement to refund of their contributions.	3,164	3,799
Total	<u>13,328</u>	<u>14,871</u>
Member employers	42	42

Benefits

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

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 PLAN DESCRIPTION (CONTINUED)

Benefits (Continued)

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical, administrative, technical and not otherwise classified positions. Group 2 consists of positions that have been specified as hazardous. Group 4 consists of police officers, firefighters, and other hazardous positions.

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

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

Contributions

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

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 1 PLAN DESCRIPTION (CONTINUED)

Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System. The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment.

Administrative Expenses

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Cash and Cash Equivalents

Cash and cash equivalents are considered to cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, real estate, and hedge funds, for which fair values are estimated as detailed below.

Pooled Equity and Fixed Income Funds – The fair value of shares in managed investment pools is based on unit values reported by the managers of those respective funds.

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

Pooled Private Equity Funds – Pooled private equity funds include holdings through equity interests in various limited partnerships. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

Pooled Real Estate Funds – Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on net asset values of the entities, which are estimated using third- party appraisals and other information provided by the property managers.

Pooled Hedge Funds – The fair value of shares in managed hedge funds is based on unit values reported by the managers of those respective funds.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year-end. Liabilities for investments purchased represent amounts due to brokers for unsettled purchases at year-end.

Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Investment income is recognized when earned.

Benefit Payments and Refunds of Contributions

Benefits and refunds to Plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the Plan.

Intergovernmental, Reimbursements and Transfers to/from Other Systems

When members transfer to or from other Massachusetts public retirement systems, their cumulative contributions are transferred from the prior employer to the respective Massachusetts public retirement system, and are recognized as receipts or expenses when paid.

Net Position

Net position is typically comprised of three components: net investment in capital assets, restricted, and unrestricted. *Restricted net position* is reported when there are limitations imposed on use either through enabling legislation or through external restrictions imposed by creditors, grants, laws or regulations of other governments. The System's net position is reported as *restricted for pension benefits* in accordance with MGL Ch. 32.

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States (U.S. GAAP), requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from estimates. Fair values of real estate, alternative investment and hedge fund holdings are generally estimated absent readily available market values, and such estimates may be materially different from values that would have been used if a ready market existed.

NOTE 3 CUSTODIAL CREDIT RISK – DEPOSITS

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are insured by FDIC insurance up to \$250,000 per financial institution. The System evaluates each financial institution and assesses the level of risk of each institution and only uses those institutions with an acceptable level of risk. As of December 31, 2024, the System's bank balance of deposits of \$7,816,220 was not exposed to custodial credit risk. At December 31, 2024, the System's carrying value of deposits was \$6,440,035.

NOTE 4 INVESTMENTS

Investment Policy

The provisions of M.G.L. Chapter 32 § 23 (2) and the System's investment policy govern its investment practice. The retirement board retains an investment consultant to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies. The System invests in stocks (domestic and foreign), fixed income securities (domestic and foreign), private equity, real estate and hedge funds.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or securities.

All of the System's securities are held by the System's custodial bank in the System's name, except for investments in pooled funds, which by their nature, do not have securities that are used as evidence of the investment.

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2024 and 2023:

INVESTMENT TYPE	2024				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Agencies	\$ 70,274	\$ -	\$ 3,431	\$ 3,583	\$ 63,260
Corporate Bonds	72,841	-	23,198	14,517	35,126
Equities	272,365	272,365	-	-	-
Pooled Funds	1,041,237	1,041,237	-	-	-
Total	<u>\$ 1,456,717</u>	<u>\$ 1,313,602</u>	<u>\$ 26,629</u>	<u>\$ 18,100</u>	<u>\$ 98,386</u>

INVESTMENT TYPE	2023				
	Fair Value	Less than 1	1 - 5	6 - 10	More than 10
U.S. Agencies	\$ 57,634	\$ -	\$ 7,365	\$ 4,586	\$ 45,683
Corporate Bonds	56,909	1,266	15,804	12,000	27,839
Equities	219,718	219,718	-	-	-
Pooled Funds	1,024,980	1,024,980	-	-	-
Total	<u>\$ 1,359,241</u>	<u>\$ 1,245,964</u>	<u>\$ 23,169</u>	<u>\$ 16,586</u>	<u>\$ 73,522</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio are responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2024 and 2023 and their the ratings are presented below (in thousands) using the Standard & Poor's, a nationally recognized statistical rating organization, rating scale:

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

Credit Risk (Continued)

Investments in Debt Securities - 2024			
Credit Rating	U.S. Agencies	Corporate Bonds	Pooled Funds
AAA	\$ 70,274	\$ 6,043	\$ -
AA	-	51	-
A	-	6,194	-
BBB	-	30,862	-
BB	-	5,543	-
B	-	231	-
CC to D	-	-	-
Not Rated	-	23,917	176,554
Fair Value	<u>\$ 70,274</u>	<u>\$ 72,841</u>	<u>\$ 176,554</u>
Investments in Debt Securities - 2023			
Credit Rating	U.S. Agencies	Corporate Bonds	Pooled Funds
AAA	\$ 57,634	\$ 3,189	\$ -
AA	-	492	-
A	-	8,139	-
BBB	-	26,318	-
BB	-	4,435	-
B	-	289	-
CC to D	-	272	-
Not Rated	-	13,775	167,082
Fair Value	<u>\$ 57,634</u>	<u>\$ 56,909</u>	<u>\$ 167,082</u>

Concentration Risk

The System adheres to the provisions of MGL Chapter 32 § 23, the rules and regulations of PERAC, and its investment policy when managing concentration risk. The System was not subject to concentration of credit risk as of December 31, 2024 nor 2023 as no applicable investment within a single issuer exceeded 5% of the System's total investments.

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk as of December 31, 2024 and 2023 is presented on the following tables (in thousands):

		2024				
		Cash and Cash Equivalents	Equity	Fixed Income	Pooled Funds	Total
CURRENCY						
British Pound Sterling	\$	-	\$ 14,009	\$ -	\$ -	\$ 14,009
Canadian Dollar	-	-	2,329	-	-	2,329
Danish Kroner	-	-	2,792	-	-	2,792
Euro Currency	-	-	41,066	-	-	41,066
Hong Kong Dollar	-	-	1,542	-	-	1,542
Japanese Yen	-	-	18,319	-	-	18,319
Singapore Dollar	-	-	1,844	-	-	1,844
Swiss Franc	-	-	15,051	-	-	15,051
Total Securities Subject to Foreign Currency Risk	\$	-	\$ 96,952	\$ -	\$ -	\$ 96,952

		2023				
		Cash and Cash Equivalents	Equity	Fixed Income	Pooled Funds	Total
CURRENCY						
Australian Dollar	\$	-	\$ -	\$ -	\$ 16	\$ 16
Brazilian Real	-	-	-	-	130	130
British Pound Sterling	-	-	16,277	-	1,721	17,998
Canadian Dollar	-	-	5,153	-	115	5,268
Danish Kroner	-	-	507	-	-	507
Euro Currency	-	-	34,581	-	26,987	61,568
Hong Kong Dollar	-	-	1,619	-	-	1,619
Japanese Yen	-	-	19,465	-	39	19,504
Singapore Dollar	-	-	1,157	-	-	1,157
South Korean Won	-	-	-	-	22	22
Swedish Krona	-	-	-	-	9	9
Swiss Franc	-	-	13,498	-	-	13,498
Total Securities Subject to Foreign Currency Risk	\$	-	\$ 92,257	\$ -	\$ 29,039	\$ 121,296

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS

Fair Value Disclosures

The System's investments are measured and reported at fair value. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.

Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.

Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs.

In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

The following tables present a summary of the fair value hierarchy of investments and short-term holdings that are measured at fair value on a recurring basis at December 31, 2024 and 2023 (in thousands):

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

		2024		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total				
Investments by Fair Value Level:				
Equities:				
Equity Securities	\$ 272,365	\$ 272,365	\$ -	\$ -
Fixed Income:				
Corporate bonds	72,841	-	72,841	-
Government Issues	70,274	25,997	44,277	-
Total Fixed Income	143,115	25,997	117,118	-
Total Investments by Fair Value Level	415,480	\$ 298,362	\$ 117,118	\$ -
Investments Measured at Net Asset Value (NAV):				
Pooled Equity Funds	\$ 423,739			
Pooled Fixed Income Funds	176,554			
Pooled Private Equity Funds	187,167			
Pooled Real Estate Funds	76,134			
Pooled Hedge Funds	177,644			
Total Investments Measured at NAV	1,041,238			
Short-Term Investment Funds	42,325			
Total Investments Measured at Fair Value	\$ 1,499,043			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period (Days)
Pooled Equity Funds	\$ 423,739	\$ -	Daily	1
Pooled Fixed Income Funds	176,554	-	Daily	1
Pooled Private Equity Funds	187,167	78,788	(1)	(1)
Pooled Real Estate Funds	76,134	11,129	(2)	(2)
Pooled Hedge Funds	177,644	488	(3)	(3)
Total Investments Measured at NAV	\$ 1,041,238			

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

- (1) *Private Equity* – This investment type includes investments in twenty-two (22) private equity funds that invest primarily in private domestic and international companies of diversified industries. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 21% of the investments consist of one fund that can be redeemed as soon as practicable after the net asset value of the units as of the withdrawal date has been determined. The remainder of the investments cannot be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the fund will be liquidated over the next 1 to 12 years.
- (2) *Real Estate* – This investment type consists of twelve (12) funds that invest in real estate. The fair value measurements of this type have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. Approximately 22% of the investments consist of one fund that can be redeemed monthly with three business days' notice before the end of the month. The remainder of the investments cannot be redeemed from the funds. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 1 to 10 years.
- (3) *Hedge Funds* – This investment type includes investments in four funds that invest in highly attractive, select investment opportunities by maintaining investments through private investment entities and/or separately managed accounts. Approximately 94% of the investments consist of two funds that can be redeemed on a quarterly basis; subject to gated redemption structures unique to each investment. The remainder of the investments cannot be redeemed. Distributions from the funds will be received as the underlying investments of the funds are liquidated. It is expected the funds will be liquidated over the next 5 years.

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 4 INVESTMENTS (CONTINUED)

2023				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level:				
Equities:				
Equity Securities	\$ 219,718	\$ 219,718	\$ -	\$ -
Fixed Income:				
Corporate bonds	56,909	-	56,909	-
Government Issues	57,634	12,340	45,294	-
Total Fixed Income	114,543	12,340	102,203	-
Total Investments by Fair Value Level	334,261	\$ 232,058	\$ 102,203	\$ -
Investments Measured at Net Asset Value (NAV):				
Pooled Equity Funds	\$ 438,651			
Pooled Fixed Income Funds	167,082			
Pooled Private Equity Funds	178,088			
Pooled Real Estate Funds	83,525			
Pooled Hedge Funds	157,634			
Total Investments Measured at NAV	1,024,980			
Short-Term Investment Funds	16,792			
Total Investments Measured at Fair Value	\$ 1,376,033			

Reconciliation of Total Investments Measured at Fair Value (listed above) to the Statement of Fiduciary Net Position (in thousands):

	2024	2023
Total Investments Measured at Fair Value per FVM	\$ 1,499,043	\$ 1,376,033
Short-Term Investment Funds Classified as Cash and Cash Equivalents on Statement of Fiduciary Net Position	(42,325)	(16,792)
Total Investments on Statement of Fiduciary Net Position	\$ 1,456,718	\$ 1,359,241

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 5 FUNDING POLICY

Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

The participating employers' budgeted contributions to the System for the employer fiscal years ended June 30, 2025 and 2024 were as follows (in thousands):

	2025	2024
Town of Avon	\$ 1,998	\$ 1,881
Avon Housing Authority	12	14
Town of Bellingham	4,411	4,240
Bellingham Housing Authority	31	25
Town of Canton	7,707	7,456
Canton Housing Authority	137	129
Town of Cohasset	3,647	3,542
Cohasset Housing Authority	4	3
Norfolk County	5,515	4,829
Charles River Pollution Control	172	183
Town of Dover	1,799	1,730
Dover-Sherborn Regional High School	962	956
Town of Foxboro	6,565	6,227
Foxboro Housing Authority	109	123
Town of Franklin	8,037	7,642
Franklin Housing Authority	129	124
Town of Holbrook	3,230	3,047
Holbrook Housing Authority	49	52
King Philip Regional School District	1,044	1,063

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 5 FUNDING POLICY (CONTINUED)

	2025	2024
Town of Medfield	\$ 3,499	\$ 3,358
Medfield Housing Authority	5	2
Town of Medway	3,804	3,778
Medway Housing Authority	121	114
Metacomet Emergency Communication	394	468
Town of Millis	2,734	2,763
Millis Housing Authority	69	66
Town of Norfolk	3,209	3,137
Norfolk Housing Authority	42	36
Norfolk Mosquito Control	229	236
Town of Plainville	2,413	2,297
Town of Randolph	8,396	7,980
Randolph Housing Authority	110	107
Town of Sharon	6,013	5,596
Sharon Housing Authority	40	43
Town of Stoughton	8,592	8,106
Stoughton Housing Authority	127	131
Town of Walpole	7,040	6,847
Walpole Housing Authority	80	73
Town of Westwood	6,846	6,806
Town of Wrentham	2,999	2,943
Wrentham Housing Authority	35	32
Dedham Westwood Water District	589	629
Total	<u>\$ 104,969</u>	<u>\$ 98,814</u>

NOTE 6 NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2024 and 2023, are as follows:

	2024	2023
Total Pension Liability	\$ 2,152,078,731	\$ 2,081,210,309
Fiduciary Net Position	(1,510,071,188)	(1,385,889,485)
System's Net Pension Liability	<u>\$ 642,007,543</u>	<u>\$ 695,320,824</u>
Fiduciary Net Position as a Percentage of Total Pension Liability	70.17%	66.59%

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 NET PENSION LIABILITY (CONTINUED)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2024. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Open-Level Percent of Payroll
Asset Valuation Method	Market Value
Investment Rate of Return	7.625 %
Projected Salary Increases	3.5% - 8.0%
Inflation	2.750 %
Cost of Living Increases	3.00% of first \$20,000 of Retirement Income.
Mortality Table	Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries dated January 2019; amount-weighted and projected generationally with Scale MP-2021.

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

ASSET CLASS	Target Allocation		Long-Term Expected Real Rate of Return	
	2024	2023	2024	2023
Domestic Equity	30.5 %	30.5 %	7.3 %	7.3 %
International Equities	15.5	15.5	8.0	7.9
Fixed Income	20.5	20.5	4.9	4.9
Real Estate	9.5	9.5	7.0	7.0
Private Equity	10.0	10.0	10.2	10.2
Hedge Funds	11.5	11.5	8.6	8.6
Real Assets	2.5	2.5	8.9	8.9
Total	100.0 %	100.0 %		

The annual money-weighted rate of return on investments, net of investment expense was 8.91% and 9.90% for the years ended December 31, 2024 and 2023, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024 AND 2023**

NOTE 6 NET PENSION LIABILITY (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2024 and 2023 was 7.625%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by 2040.

Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of December 31, 2024 and 2023. For 2024 and 2023, the net pension liability was calculated using the discount rate of 7.625%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower or one-percentage point higher than the current rate.

	2024		
	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
System's Net Pension Liability	\$ 869,874,461	\$ 642,007,543	\$ 448,398,263
	2023		
	1% Decrease (6.625%)	Current Discount Rate (7.625%)	1% Increase (8.625%)
System's Net Pension Liability	\$ 916,433,023	\$ 695,320,824	\$ 507,450,952

NOTE 7 RISK MANAGEMENT

The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System carries commercial insurance for all such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS

	2024	2023	2022	2021	2020
TOTAL PENSION LIABILITY					
Service Cost	\$ 44,796,091	\$ 41,192,753	\$ 39,418,902	\$ 38,807,940	\$ 37,495,594
Interest on Liability and Service Cost	156,617,380	140,425,062	137,049,010	131,012,909	127,157,996
Difference Between Actual and Expected Experience	-	51,808,503	-	33,610,962	-
Assumption Changes	-	147,833,624	-	-	-
Change in Plan Provisions	16,165,892	-	-	-	-
Benefit Payments, Including Refunds of Contributions	(146,710,941)	(138,992,886)	(130,524,733)	(121,950,438)	(110,709,576)
NET CHANGE IN TOTAL PENSION LIABILITY					
Total Pension Liability - Beginning of Year	70,868,422	242,267,056	45,943,179	81,481,373	53,944,014
	2,081,210,309	1,838,943,253	1,793,000,074	1,711,518,701	1,657,574,687
TOTAL PENSION LIABILITY - END OF YEAR (a)	2,152,078,731	2,081,210,309	1,838,943,253	1,793,000,074	1,711,518,701
CHANGE IN FIDUCIARY NET POSITION					
Contributions - Employer	101,143,371	97,107,703	91,885,045	85,675,573	80,090,560
Contributions - Member	44,682,290	41,878,381	38,149,245	36,368,122	33,847,164
Net Investment Income	123,508,092	123,055,801	(166,125,779)	222,203,572	124,093,043
Benefit Payments, Including Refunds of Contributions	(146,710,941)	(138,992,886)	(130,524,733)	(121,950,438)	(110,709,576)
Administrative Expenses	(2,228,426)	(1,600,889)	(1,513,129)	(1,422,126)	(1,165,174)
Other	3,787,317	3,790,053	4,323,693	3,818,150	4,146,800
NET CHANGE IN FIDUCIARY NET POSITION	124,181,703	125,238,163	(163,805,658)	223,692,853	130,302,817
Fiduciary Net Position - Beginning of Year	1,385,889,485	1,260,651,322	1,424,456,980	1,200,764,127	1,070,461,310
	1,510,071,188	1,385,889,485	1,260,651,322	1,424,456,980	1,200,764,127
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 642,007,543	\$ 695,320,824	\$ 578,291,931	\$ 368,543,094	\$ 510,754,574
NET PENSION LIABILITY - END OF YEAR (a) (b)					
FIDUCIARY NET POSITION as a PERCENTAGE of TOTAL PENSION LIABILITY					
	70.2 %	66.6 %	68.6 %	79.4 %	70.2 %
COVERED EMPLOYEE PAYROLL					
	\$ 385,245,433	\$ 356,820,710	\$ 351,456,210	\$ 339,571,217	\$ 322,391,403
NET PENSION LIABILITY as a PERCENTAGE of COVERED EMPLOYEE PAYROLL					
	175.8 %	194.9 %	164.5 %	108.5 %	158.4 %

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**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN YEARS (CONTINUED)**

	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY					
Service Cost	\$ 36,227,627	\$ 33,120,792	\$ 34,738,004	\$ 33,401,927	\$ 31,963,567
Interest on Liability and Service Cost	119,795,961	116,162,593	107,709,293	103,990,120	106,603,992
Difference Between Actual and Expected Experience	41,916,868	-	61,837,812	-	13,828,826
Assumption Changes	-	-	36,207,214	-	(57,518,820)
Change in Plan Provisions	5,395,128	-	12,205,895	-	-
Benefit Payments, Including Refunds of Contributions	(108,549,848)	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)
NET CHANGE IN TOTAL PENSION LIABILITY	94,785,736	46,705,764	158,033,029	47,488,720	9,989,206
Total Pension Liability - Beginning of Year	1,562,788,951	1,516,083,187	1,358,050,158	1,310,561,438	1,300,572,232
TOTAL PENSION LIABILITY - END OF YEAR (a)	1,657,574,687	1,562,788,951	1,516,083,187	1,358,050,158	1,310,561,438
CHANGE IN FIDUCIARY NET POSITION					
Contributions - Employer	74,899,528	69,957,756	64,009,904	58,539,478	53,201,068
Contributions - Member	33,722,562	32,290,608	29,351,605	29,448,483	26,920,012
Net Investment Income	156,013,794	(63,017,332)	125,637,080	68,848,066	(11,363,452)
Benefit Payments, Including Refunds of Contributions	(108,549,848)	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)
Administrative Expenses	(1,233,819)	(1,215,116)	(1,215,601)	(1,193,583)	(1,158,971)
Other	3,760,532	3,331,428	3,933,503	2,939,696	2,711,397
NET CHANGE IN FIDUCIARY NET POSITION	158,612,749	(51,230,277)	127,051,302	68,678,813	(14,598,305)
Fiduciary Net Position - Beginning of Year	911,848,561	963,078,838	836,027,536	767,348,723	781,947,028
FIDUCIARY NET POSITION - END OF YEAR (b)	1,070,461,310	911,848,561	963,078,838	836,027,536	767,348,723
NET PENSION LIABILITY - END OF YEAR (a) (b)	\$ 587,113,377	\$ 650,940,390	\$ 553,004,349	\$ 522,022,622	\$ 543,212,715
FIDUCIARY NET POSITION as a PERCENTAGE of TOTAL PENSION LIABILITY					
	64.6 %	58.3 %	63.5 %	61.6 %	58.6 %
COVERED EMPLOYEE PAYROLL					
	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,486,744	\$ 267,454,300
NET PENSION LIABILITY as a PERCENTAGE of COVERED EMPLOYEE PAYROLL					
	188.5 %	217.5 %	191.3 %	186.8 %	203.1 %

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**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST TEN YEARS**

<u>Year Ending December 31,</u>	<u>Annual Money-Weighted Rate of Return</u>
2024	8.91 %
2023	9.90
2022	(11.82)
2021	18.52
2020	11.93
2019	16.28
2018	(4.54)
2017	14.81
2016	8.59
2015	(0.75)

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information
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**NORFOLK COUNTY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN YEARS**

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially Determined Contribution	\$ 101,143,371	\$ 98,814,000	\$ 93,536,000	\$ 87,239,000	\$ 81,552,000	\$ 76,217,000	\$ 71,227,000	\$ 66,170,000	\$ 59,628,000	\$ 54,208,000
Actual Contributions in Relation to Actuarially Determined Contribution	(101,143,371)	(98,814,000)	(93,536,000)	(87,239,000)	(81,552,000)	(76,217,000)	(71,227,000)	(66,170,000)	(59,628,000)	(54,208,000)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 365,245,433	\$ 356,820,710	\$ 351,456,210	\$ 339,581,217	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,469,744	\$ 267,454,300
Contributions as a Percentage of Covered-Employee Payroll	27.7%	27.7 %	26.6 %	25.7 %	25.3 %	24.5 %	23.8 %	22.5 %	21.3 %	20.3 %

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information (29)

**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024 AND 2023**

NOTE 1 SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The total pension liability presented in the schedule were provided by the System's actuarial consultant, Gallagher. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The related ratios show Plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

NOTE 2 SCHEDULE OF INVESTMENT RETURN

The annual money-weighted rate of return is calculated as the internal rate of return on Plan investments, net of Plan investment expense. A money-weighted rate of return expresses investment performance, net of Plan investment expense, adjusted for changing amounts actually invested.

NOTE 3 SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution amount in the schedule of contributions was calculated as of January 1, 2022 (for 2024 and 2023); January 1, 2020 (for 2022 and 2021); January 1, 2018 (for 2020 and 2019); January 1, 2016 (for 2018 and 2017) and as of January 1, 2015 for 2015 and 2016. The following actuarial methods and assumptions were used to determine the contribution amount reported in that schedule:

Actuarial Cost Method	Individual entry age normal actuarial cost method
Amortization Method	Open - Level percent of payroll Payroll assumed to grow: 3.5% - 5.5% per year (January 1, 2022, 2020, 2018, 2016); and 4% per year (January 1, 2015)
Asset Valuation Method	Market value as reported to PERAC
Inflation	3.0% (January 1, 2022 and 2020) 4.0% (January 1, 2018, 2016) 4.5% (January 1, 2015)

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**NORFOLK COUNTY RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2024 AND 2023**

Investment Rate of Return	7.75% (January 1, 2022, 2020 and 2018) 8.0% (January 1, 2016) 8.25% (January 1, 2015)
Cost of Living Adjustments	3% of first \$18,000 (January 1, 2022 and 2020) and 3% of first \$17,000 (January 1, 2018) and 3% of first \$15,000 (January 1, 2016 and 2015) of retirement income.
Mortality Table	RP-2014 Blue Collar Mortality Table with Scale with MP-2014 (January 1, 2022, 2020, 2018 and 2016) RP-2000 Mortality Table adjusted with Scale AA (January 1, 2015)



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NORFOLK COUNTY RETIREMENT SYSTEM

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022**

NORFOLK COUNTY RETIREMENT SYSTEM

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Dorothy F. Di Pesa, CPA
John F. Oteri, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

Opinions

We have audited the accompanying financial statements of Norfolk County Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2023 and 2022 and the related statements of changes in fiduciary net position for the years then ended, 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 Norfolk County Retirement System as of December 31, 2023 and 2022, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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CERTIFIED PUBLIC ACCOUNTANTS SINCE 1923

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 on pages 3 through 7 and the supplementary Schedule of Changes in Net Pension Liability and Related Ratios, Investment Return, and Contributions, and the notes to the required supplementary information on pages 28 through 33 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2024 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting and compliance.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
December 3, 2024

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2023 AND 2022

The following discussion provides an overview and analysis of the fiduciary net position and changes in fiduciary net position of the Norfolk County Retirement System (the System or Plan) by management for the years ended December 31, 2023 and 2022. Please refer to the audited financial statements when reading this discussion.

Overview of the Financial Statements

The System's financial statements comprise the statements of fiduciary net position, statements of changes in fiduciary net position, notes to the financial statements and required supplementary information.

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

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pension benefits changed during the years ended December 31, 2023 and 2022. It reflects in total the contributions by members and participating employers, along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income from investing and securities lending activities is also presented.

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

The Required Supplementary Information includes management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedule of investment return, schedules of contributions and related notes.

Financial Highlights and Analysis

- The net position restricted for pension benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Net position restricted for pension benefits was \$1.4 billion at December 31, 2023 compared to \$1.3 billion at December 31, 2022. The increase in net position of \$125 million resulted primarily from an increase in the fair value of portfolio investments.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2023 AND 2022

The following tables present the current and prior year condensed data on the System's financial statements.

Fiduciary Net Position

	<u>2023</u>	<u>2022</u>
Assets		
Cash and cash equivalents	\$ 22,130,436	\$ 62,633,683
Investments	1,359,240,762	1,197,469,774
Receivables	<u>7,977,658</u>	<u>3,843,200</u>
Total assets	1,389,348,856	1,263,946,657
Liabilities		
Accounts payable	<u>3,459,371</u>	<u>3,295,335</u>
Net Position		
Net position restricted for pensions	<u>\$1,385,889,485</u>	<u>\$1,260,651,322</u>

Changes in Fiduciary Net Position

Additions

Contributions	\$ 138,986,084	\$ 130,034,290
Net investment income	123,055,801	(166,125,779)
Other	<u>3,790,053</u>	<u>4,323,693</u>
Total additions (deductions)	265,831,938	(31,767,796)

Deductions

Benefits paid	136,275,885	127,789,178
Other	<u>4,317,890</u>	<u>4,248,684</u>
Total deductions	<u>140,593,775</u>	<u>132,037,862</u>

Change in net position	125,238,163	(163,805,658)
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Net position restricted for pension benefits – beginning of year	<u>1,260,651,322</u>	<u>1,424,456,980</u>
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Net position restricted for pension benefits – end of year	<u>\$1,385,889,485</u>	<u>\$1,260,651,322</u>
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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2023 AND 2022

Norfolk County Retirement System 2023 Performance Summary

- The Norfolk County Retirement System ("Norfolk") investment portfolio for 2023 had a net return of 9.9%. This performance underperformed the Primary Investment Policy Benchmark, which returned 11.1%.
- Domestic Equity managers represented 33.2% of the portfolio as of December 31, 2023. Approximately 46% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a net return of 20.7% for 2023 and underperformed the Russell 3000 index which returned 26%.
- International Equity managers represented 14.9% of the portfolio as of December 31, 2023. Approximately 69% of the international equity assets were allocated to developed markets and the remaining to emerging markets. The international equity portfolio returned 12.7%, which underperformed the MSCI AC World ex US (NET) benchmark return, which returned 14.3%.
- Domestic Fixed Income Managers represented 20.5% of the portfolio as of December 31, 2023. The overall net return for these managers was 8.7% for the year, which exceeded the return of the Barclays Aggregate Bond Index, which returned 5.5%.
- Real Estate investment managers had net return fell 21% in 2023 and represented 6% of the total portfolio as of year-end 2023. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio underperformed the NCREIF Property Index that fell 7.9% in 2023.
- Private Equity had a net return of 4.5% in 2023 and represented 10.3% of the total portfolio as of year-end 2023. Norfolk's private equity portfolio underperformed the Cambridge Associates U.S. Private Equity index, which increased 6.1%.
- Hedge Funds had a net return of 9.7% in 2023, which outperformed the HFRI Hedge Fund-of- Funds Composite Index, which increased 6.1%. Hedge funds represented 11.4% of the plan assets as of year-end 2023.
- Real Assets represented 2.6% of the portfolio as of December 31, 2023. Norfolk's real asset investment managers had a net return of 10.8% in 2023, which outperformed the Real Assets Index benchmark of 8.2%.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2023 AND 2022

Norfolk County Retirement System 2022 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2022 fell 11.8%. This performance was the same as the Primary Investment Policy Benchmark.
- Domestic Equity managers represented 30.2% of the portfolio as of December 31, 2022. Approximately 46% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities fell 18.7% for 2022 22.6% and outperformed the Russell 3000 index which was down 22.8%.
- International Equity managers represented 13.8% of the portfolio as of December 31, 2022. Approximately 71% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity portfolio fell 18.4%, which underperformed the MSCI AC World ex US (NET) benchmark return, which fell 17.7%
- Domestic Fixed Income Managers represented 19.3% of the portfolio as of December 31, 2022. The overall net return for these managers fell 12.1% for the year, which exceeded the return of the Barclays Aggregate Bond Index, which fell 13.5%.
- Real estate investment managers had a net return of 7.4% in 2022 and represented 8.4% of the total portfolio as of year-end 2022. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio outperformed the NCREIF Property Index that returned 2.2% in 2022.
- Private equity had a net return which fell of 4.8% in 2022 and represented 10.7% of the total portfolio as of year-end 2022. Norfolk's private equity portfolio outperformed the Cambridge Associates U.S. Private Equity Index, which fell 5.5%.
- Hedge funds had a net return which fell 2.9% in 2022, which outperformed the HFRI Hedge Fund-of- Funds Composite Index, which fell 5.5%. Hedge funds represented 10.7% of the plan assets as of year-end 2022.
- Real Assets represented 2.6% of the portfolio as of December 31, 2022. Norfolk's Real Asset investment managers had a net return of 3.5% in 2022, which underperformed the Real Assets Index benchmark of 4.3%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2023 AND 2022

Other Information

This financial report is designed to provide a general overview of the System's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Norfolk County Retirement Board, 480 Neponset Street #15, Canton, MA 02021.

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2023 AND 2022

	<u>ASSETS</u>	<u>2023</u>	<u>2022</u>
<u>CASH AND CASH EQUIVALENTS</u>		\$ 22,130,436	\$ 62,633,683
<u>INVESTMENTS, AT FAIR VALUE:</u>			
Equities		219,718,366	185,128,801
Fixed Income		114,543,034	95,695,505
Pooled Funds:			
Equity		438,650,866	364,246,509
Fixed Income		167,081,581	144,826,796
Private Equity		178,087,633	167,746,933
Real Estate		83,524,896	105,287,094
Hedge		157,634,386	134,538,136
<u>TOTAL INVESTMENTS, AT FAIR VALUE</u>		1,359,240,762	1,197,469,774
<u>RECEIVABLES:</u>			
Member Contributions		2,005,994	1,834,249
Intergovernmental		2,848,889	131,042
Interest and Dividend Income Due		1,760,868	1,450,972
Receivable for Investments Sold		1,358,907	423,937
Miscellaneous		3,000	3,000
<u>TOTAL RECEIVABLES</u>		7,977,658	3,843,200
<u>TOTAL ASSETS</u>		1,389,348,856	1,263,946,657
	<u>LIABILITIES</u>		
<u>LIABILITIES:</u>			
Accounts Payable		788,973	783,380
Payable for Investments Purchased		2,670,398	2,511,955
<u>TOTAL LIABILITIES</u>		3,459,371	3,295,335
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>		\$ 1,385,889,485	\$ 1,260,651,322

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

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer	\$ 97,107,703	\$ 91,885,045
Member	<u>41,878,381</u>	<u>38,149,245</u>
Total Contributions	<u>138,986,084</u>	<u>130,034,290</u>
Investment Income:		
Net Change in Fair Value of Investments	119,207,738	(169,007,664)
Interest and Dividends	<u>12,826,044</u>	<u>11,515,505</u>
Total Investment Income	<u>132,033,782</u>	<u>(157,492,159)</u>
Less Investment Expenses	<u>8,977,981</u>	<u>8,633,620</u>
Net Investment Income	<u>123,055,801</u>	<u>(166,125,779)</u>
Other	<u>3,790,053</u>	<u>4,323,693</u>
<u>TOTAL ADDITIONS</u>	<u>265,831,938</u>	<u>(31,767,796)</u>
<u>DEDUCTIONS:</u>		
Benefits Paid	136,275,885	127,789,178
Refunds of Contributions	2,717,001	2,735,555
Administrative Expenses	<u>1,600,889</u>	<u>1,513,129</u>
<u>TOTAL DEDUCTIONS</u>	<u>140,593,775</u>	<u>132,037,862</u>
<u>CHANGE IN NET POSITION</u>	<u>125,238,163</u>	<u>(163,805,658)</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS:</u>		
<u>BEGINNING OF YEAR</u>	<u>1,260,651,322</u>	<u>1,424,456,980</u>
<u>END OF YEAR</u>	<u>\$ 1,385,889,485</u>	<u>\$ 1,260,651,322</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 – PLAN DESCRIPTION

The Norfolk County Retirement System (the System or the Plan) is a cost-sharing multiple-employer contributory defined benefit governmental pension plan established under Chapter 32 of the Massachusetts General Laws ("MGL") covering all employees of governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees.

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

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of full-time treasurers or other qualified officials of the member units. The Advisory Council meets at least twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2023 and 2022, the Plan's membership consisted of:

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries	3,953	3,855
Active participants	7,119	6,902
Inactive with a vested right to benefits or to receive refund of their contributions.	3,799	3,399

The number of participating employers was 42 for both 2023 and 2022.

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

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 – PLAN DESCRIPTION (Continued)

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical, administrative, technical and all other employees not otherwise classified positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

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

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

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

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The System was established to provide retirement benefits to eligible employees of its member employers and their beneficiaries.

Cash and Cash Equivalents

Cash and cash equivalents are considered to cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, real estate, and hedge funds, for which fair values are estimated as detailed below.

Pooled Equity and Fixed Income Funds – The fair value of shares in managed investment pools is based on unit values reported by the managers of those respective funds.

Pooled Private Equity Funds – Pooled private equity funds include holdings through equity interests in various limited partnerships. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

Pooled Real Estate Funds – Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on net asset values of the entities, which are estimated using third-party appraisals and other information provided by the property managers.

Pooled Hedge Funds – The fair value of shares in managed hedge funds is based on unit values reported by the managers of those respective funds.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year end. Liabilities for investments purchased represent amounts due to brokers for unsettled purchases at year end.

Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Investment income is recognized when earned.

Benefit Payments and Refunds of Contributions

Benefits and refunds to Plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the Plan.

Intergovernmental, Reimbursements and Transfers to Other Systems

When members transfer to or from other Massachusetts public retirement systems, their cumulative contributions are transferred from the prior employer to the respective Massachusetts public retirement system, and are recognized as receipts or expenses when paid.

Leases

The System leases office space as described in Note 9. Accounting for this lease under GASB No. 87 was determined to be immaterial to the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from estimates. Fair values of real estate, alternative investment and hedge fund holdings are generally estimated absent readily available market values, and such estimates may be materially different from values that would have been used if a ready market existed.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement. Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with PERAC.

The Advisory Council consists of the full time treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement as well as a Chair from among its members. The Advisory Council is required by statute to meet twice per year.

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

Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for the System provides \$50,000,000 fiduciary protection for Trustees and employees, as well as a \$1,000,000 fidelity policy for crime coverage.

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS

The System's investments are measured and reported at fair value. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs.

In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following tables present a summary of the fair value hierarchy of investments and short-term holdings that are measured at fair value on a recurring basis at December 31, 2023 and 2022 (in thousands):

2023

		Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>Investments by Fair Value</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Level				
Short-Term Investment Funds	\$ 16,792	\$ -	\$ 16,792	\$ -
Equities:				
Common Stock	219,718	219,718	-	-
Total Equities	219,718	219,718	-	-
Fixed Income:				
Corporate Bonds	56,909	25,523	30,995	391
Government Issues	37,772	57,596	-	38
Total Fixed Income	114,543	83,119	30,995	429
Pooled Funds:				
Equity	438,651	-	-	438,651
Fixed Income	167,082	-	-	167,082
Private Equity	-	-	-	-
Real Estate	83,525	-	-	83,525
Hedge	-	-	-	-
Total Pooled Funds	689,258	-	-	689,258
Total Investments by Fair Value				
Level	\$ 1,040,311	\$ 302,837	\$ 47,787	\$ 689,687
Investments Measured at Net Asset Value (NAV):				
Pooled Fixed Income Funds	\$ -			
Pooled Private Equity Funds	178,088			
Pooled Real Estate Funds	-			
Pooled Hedge Funds	157,634			
Total Investments Measured at NAV	335,722			
Total Investments Measure at Fair Value	\$ 1,376,033			

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

2022

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term Investment Funds	\$ 56,070	\$ -	\$ 56,070	\$ -
Equities:				
Common Stock	185,129	185,129	-	-
Total Equities	185,129	185,129	-	-
Fixed Income:				
Corporate Bonds	57,761	-	57,761	-
Government Issues	37,772	12,340	25,432	-
Municipals	162	-	162	-
Total Fixed Income	95,695	12,340	83,355	-
Pooled Funds:				
Equity	364,247	-	-	364,247
Fixed Income	104,760	-	-	104,760
Private Equity	-	-	-	-
Real Estate	51,744	-	-	51,744
Hedge	-	-	-	-
Total Pooled Funds	520,751	-	-	520,751
Total Investments by Fair Value Level	<u>\$ 857,645</u>	<u>\$ 197,469</u>	<u>\$ 139,425</u>	<u>\$ 520,751</u>
Investments Measured at Net Asset Value (NAV):				
Pooled Fixed Income Funds	\$ 40,067			
Pooled Private Equity Funds	167,747			
Pooled Real Estate Funds	53,543			
Pooled Hedge Funds	134,538			
Total Investments Measured at NAV	<u>395,895</u>			
Total Investments Measure at Fair Value	<u>\$ 1,253,540</u>			

Reconciliation of Total Investments Measured at Fair Value (listed above) to the Statement of Fiduciary Net Position (in thousands):

	2023	2022
Total Investments Measured at Fair Value per above	\$ 1,376,033	\$ 1,253,540
Short-Term Investment Funds classified as Cash and Cash Equivalents on Statement of Fiduciary Net Position	(16,792)	(56,070)
Total Investments on Statement of Fiduciary Net Position	<u>\$ 1,359,241</u>	<u>\$ 1,197,470</u>

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

The following disclosures represent essential risk information about the System's deposits and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are insured by FDIC insurance up to \$250,000 per financial institution. The System evaluates each financial institution and assesses the level of risk of each institution and only uses those institutions with an acceptable level of risk. The System had cash balances at its primary financial institution in excess of FDIC limits of approximately \$6,362,000 at both December 31, 2023 and 2022.

Investment Policy

The provisions of M.G.L. Chapter 32 § 23 (2) and the Plan's own investment policy govern the System's investment practice. The Board retains an investment consultant to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies. The System invests in stocks (domestic and foreign), fixed income securities (domestic and foreign), private equity, real estate and hedge funds.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or securities. The System's investments are held by the System's custodian and registered in the System's name. All of the System's securities are held by the System's custodial bank in the System's name, except for investments in pooled funds, which by their nature, do not have securities that are used as evidence of the investment.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2023 and 2022:

2023

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 57,634	\$ -	\$ 7,365	\$ 4,586	\$45,683
Domestic Corporate	<u>56,909</u>	<u>1,266</u>	<u>15,804</u>	<u>12,000</u>	<u>27,839</u>
	<u>\$114,543</u>	<u>\$ 1,266</u>	<u>\$23,169</u>	<u>\$16,586</u>	<u>\$73,522</u>

2022

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 37,772	\$ 5,027	\$ 527	\$ 1,265	\$30,953
Domestic Corporate	<u>57,761</u>	<u>1,422</u>	<u>16,043</u>	<u>8,249</u>	<u>32,047</u>
Domestic Government	<u>162</u>	<u>-</u>	<u>-</u>	<u>162</u>	<u>-</u>
	<u>\$ 95,695</u>	<u>\$ 6,449</u>	<u>\$ 16,570</u>	<u>\$ 9,676</u>	<u>\$63,000</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio are responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2023 and 2022 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the Standard & Poor's rating scale:

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Credit Risk (Continued)

2023

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 57,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 57,634
Domestic									
Corporate	56,909	3,189	492	8,139	26,314	4,435	289	272	13,779
Pooled Funds	167,082	-	-	-	-	-	-	-	167,082
	<u>\$ 281,625</u>	<u>\$ 3,189</u>	<u>\$ 492</u>	<u>\$ 8,139</u>	<u>\$ 26,314</u>	<u>\$ 4,435</u>	<u>\$ 289</u>	<u>\$ 272</u>	<u>\$ 238,495</u>

2022

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 37,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,772
Domestic									
Corporate	57,761	3,752	754	7,537	25,382	3,422	284	323	16,307
Domestic									
Government	162	-	162	-	-	-	-	-	-
Pooled Funds	144,827	-	-	-	-	-	-	-	144,827
	<u>\$ 240,522</u>	<u>\$ 3,752</u>	<u>\$ 916</u>	<u>\$ 7,537</u>	<u>\$ 25,382</u>	<u>\$ 3,422</u>	<u>\$ 284</u>	<u>\$ 323</u>	<u>\$ 198,906</u>

Concentration Risk

Other than investments in two and four pooled funds, respectively, the System has no individual investment at fair value that exceeds 5% of total investments at December 31, 2023 and 2022. The System adheres to the provisions of MGL Chapter 32 § 23, the rules and regulations of PERAC, and the Plan's own investment policy when managing concentration risk.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk as of December 31, 2023 and 2022 is presented on the following tables (in thousands):

2023

<u>Currency</u>	<u>Cash and Cash Equiva lents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Australian Dollar	\$ -	\$ -	\$ -	\$ 16	\$ 16
Brazilian Real	-	-	-	130	130
British Pound Sterling	-	16,277	-	1,721	17,998
Canadian Dollar	-	5,153	-	115	5,268
Danish Kroner	-	507	-	-	507
Euro Currency	-	34,581	-	26,987	61,568
Hong Kong Dollar	-	1,619	-	-	1,619
Japanese Yen	-	19,465	-	39	19,504
Singapore Dollar	-	1,157	-	-	1,157
South Korean Won	-	-	-	22	22
Swedish Krona	-	-	-	9	9
Swiss Franc	-	<u>13,498</u>	-	-	- <u>13,498</u>
Total Securities Subject to Foreign Currency Risk	<u>\$ -</u>	<u>\$78,936</u>	<u>\$ -</u>	<u>\$29,039</u>	<u>\$121,296</u>

2022

<u>Currency</u>	<u>Cash and Cash Equiva lents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Australian Dollar	\$ -	\$ -	\$ -	\$ 3,156	\$ 3,156
Bermudian Dollar	-	-	-	239	239
Brazilian Real	-	-	-	3,280	3,280
British Pound Sterling	-	10,518	-	10,489	21,007
Canadian Dollar	-	1,846	-	522	2,368
Cayman Islands Dollar	-	-	-	542	542
Chinese Yuan Renminbi	-	-	-	19,506	19,506
Czech Koruna	-	-	-	445	445
Danish Kroner	-	2,685	-	165	2,850
Egyptian Pound	-	-	-	102	102
Euro Currency	-	34,960	-	33,007	67,967

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023 AND 2022**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2022 (Continued)

<u>Currency</u>	<u>Cash and Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Hong Kong Dollar	-	2,104	-	1,590	3,694
Indian Rupee	-	-	-	6,195	6,195
Indonesian Rupiah	-	-	-	1,656	1,656
Israeli Shekel	-	-	-	85	85
Japanese Yen	-	11,544	-	12,692	24,236
Jordanian Dinar	-	-	-	92	92
Kenyan Shilling	-	-	-	266	266
Mexican Peso	-	-	-	429	429
Mongolian Tugrik	-	-	-	266	266
New Russian Ruble	-	-	-	82	82
Norwegian Krone	-	-	-	1,101	1,101
Philippine Peso	-	-	-	746	746
Saudi Riyal	-	-	-	557	557
Singapore Dollar	-	1,388	-	666	2,054
South African Rand	-	-	-	1,344	1,344
South Korean Won	-	-	-	3,458	3,458
Swedish Krona	-	-	-	991	991
Swiss Franc	-	13,891	-	1,113	15,004
Thai Baht	-	-	-	1,845	1,845
Taiwan New Dollar	-	-	-	5,558	5,558
UAE Emirati Dirham	-	-	-	296	296
Total Securities Subject to Foreign Currency Risk	\$ -	\$78,936	\$ -	\$112,481	\$191,417

NOTE 6 – LEGALLY REQUIRED RESERVES

The System's legally required reserves are all funded at levels required by state statute and were as follows as of December 31:

	<u>2023</u>	<u>2022</u>
Annuity Savings Fund	\$ 333,519,248	\$ 321,628,998
Annuity Reserve Fund	94,544,722	93,239,704
Military Service Fund	38,105	38,067
Pension Fund	2,798,899	8,975,700
Pension Reserve Fund	954,988,511	836,788,853
Expense Fund	-	-
	<u>\$1,385,889,485</u>	<u>\$1,260,651,322</u>

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 6 – LEGALLY REQUIRED RESERVES (Continued)

The *Annuity Savings Fund* is the fund in which member's contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of 10 years of inactivity.

The *Annuity Reserve Fund* is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Military Service Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The *Military Service Fund* contains contributions and interest for members while on military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund.

The *Pension Fund* contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The *Pension Reserve Fund* contains the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Special Military Credit Service Fund and Expense Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 7 – FUNDING POLICY

Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

The participating employers' budgeted contributions to the System for the employer fiscal years ended June 30, 2024 and 2023 were as follows (in thousands):

	<u>2024</u>	<u>2023</u>
Town of Avon	\$ 1,881	\$ 1,705
Avon Housing Authority	14	16
Town of Bellingham	4,240	3,601
Bellingham Housing Authority	25	55
Town of Canton	7,456	7,058
Canton Housing Authority	129	121
Town of Cohasset	3,542	3,493
Cohasset Housing Authority	3	21
Norfolk County	4,829	4,558
Charles River Pollution Control	183	184
Town of Dover	1,730	1,615
Dover-Sherborn Regional High School	956	895
Town of Foxboro	6,227	5,981
Foxboro Housing Authority	123	124
Town of Franklin	7,642	7,317
Franklin Housing Authority	124	115
Town of Holbrook	3,047	2,622
Holbrook Housing Authority	52	62
King Philip Regional School District	1,063	959
Town of Medfield	3,358	3,394
Medfield Housing Authority	2	19
Town of Medway	3,778	3,576
Medway Housing Authority	114	87
Metacomet Emergency Communication	468	398
Town of Millis	2,763	2,408
Millis Housing Authority	66	62
Town of Norfolk	3,137	2,823
Norfolk Housing Authority	36	42
Norfolk Mosquito Control	236	264
Town of Plainville	2,297	2,616
Town of Randolph	7,980	7,688
Randolph Housing Authority	107	125

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 7 – FUNDING POLICY (Continued)

Town of Sharon	5,596	5,395
Sharon Housing Authority	43	44
Town of Stoughton	8,106	7,326
Stoughton Housing Authority	131	123
Town of Walpole	6,847	6,525
Walpole Housing Authority	73	74
Town of Westwood	6,806	6,696
Town of Wrentham	2,934	2,632
Wrentham Housing Authority	32	34
Dedham Westwood Water District	629	683
	<u>\$98,814</u>	<u>\$93,536</u>

NOTE 8 – NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2023 and 2022, are as follows:

	<u>2023</u>	<u>2022</u>
Total Pension Liability	\$2,081,210,309	\$1,838,943,253
Fiduciary Net Position	<u>1,385,889,485</u>	<u>1,260,651,322</u>
System's Net Pension Liability	<u>\$ 695,320,824</u>	<u>\$ 578,291,931</u>

Fiduciary Net Position as a percentage of total pension liability	66.6%	68.6%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2024. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method	Open-Level percent of payroll
Asset valuation method	Market value
Investment rate of return	7.625%
Projected salary increases	4.0% - 5.5%
Inflation	2.75%
Cost of living increases	2.75% of first \$18,000
Mortality:	Pub-2010 Public Retirement Plans Mortality Tables Report from the Society of Actuaries dated January 2019 with Scale MP-2021

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 8 – NET PENSION LIABILITY (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Domestic Equity	30.5%	30.5%	7.3%	7.0%
International Equities	15.5	15.5	7.9%	7.7%
Fixed Income	20.5	20.5	4.9%	4.3%
Real Estate	9.5	9.5	7.0%	6.9%
Private Equity	10.0	10.0	10.2%	9.4%
Hedge Funds	11.5	11.5	8.6%	8.6%
Real Assets	<u>2.5</u>	<u>2.5</u>	8.9%	8.9%
Total	<u>100.0%</u>	<u>100.0%</u>		

The annual money-weighted rate of return on investments, net of investment expense was 9.9% and -11.82% for the years ended December 31, 2023 and 2022, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The above was the Board's adopted asset allocation policy and best estimates of real rates of return for each major asset class as of December 31, 2023 and 2022.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2023 and 2022 was 7.625% and 7.75%, respectively. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by 2040. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of December 31, 2023 and 2022. For 2023 and 2022, the net pension liability was calculated using the discount rate of 7.625% and 7.75%, respectively, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.625% for 2023 and 6.75% for 2022) or one-percentage point higher (8.625% for 2023 and 8.75% for 2022) than the current rate.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 8 – NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

<u>2023</u>			
	<u>1% Decrease (6.625%)</u>	<u>Current Discount Rate (7.625%)</u>	<u>1% Increase (8.625%)</u>
System's Net Pension Liability	\$916,433,023	\$695,320,824	\$507,450,952

<u>2022</u>			
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$768,213,463	\$578,291,931	\$416,834,744

NOTE 9 – LEASE COMMITMENTS

The System leases office space in Canton, MA under an operating lease through August 2026. In May 2024, the System entered into an operating lease for new office space in Norwood, MA. The Norwood, MA lease runs through October 2035 and rent commenced November 2024. The System expects to relocate their office in December 2024. The leases also provides for the payment of common area costs, real estate taxes and utilities. Future minimum lease payments under both leases are as follows:

<u>Year</u>	<u>Amount</u>
2024	\$ 295,400
2025	303,584
2026	293,204
2027	263,766
2028	271,020
Later Years	<u>2,047,378</u>
Total	<u>\$ 3,474,352</u>

Rent expense for the years ended December 31, 2023 and 2022 was \$67,260 and \$63,843, respectively.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2023 AND 2022

NOTE 10 – UNCERTAINTIES

The System is, from time to time, involved in legal matters arising in the normal course of its administration of member benefits that, in the opinion of management, will not have a material effect on the net assets of the System.

NOTE 11 – SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through December 3, 2024, the date the basic financial statements were available to be issued.

In May 2024, the System entered into an operating lease for new office space in Norwood, MA. See Note 9 for additional information.

No other material events were identified by the System.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31, 2014 - 2023

	2023	2022	2021	2020	2019
<u>TOTAL PENSION LIABILITY:</u>					
Service Cost	\$ 41,192,753	\$ 39,418,902	\$ 38,807,940	\$ 37,495,594	\$ 36,227,627
Interest on Liability and Service Cost	140,425,062	137,049,010	131,012,909	127,157,996	119,795,961
Difference Between Actual and Expected Experience	51,808,503	-	33,610,962	-	41,916,868
Assumption Changes	147,833,624	-	-	-	-
Change in Plan Provisions	-	-	-	-	5,395,128
Benefit Payments, Including Refunds of Contributions	(138,992,886)	(130,524,733)	(121,950,438)	(110,709,576)	(108,549,848)
NET CHANGE IN TOTAL PENSION LIABILITY	242,267,056	45,943,179	81,481,373	53,944,014	94,785,736
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,838,943,253	1,793,000,074	1,711,518,701	1,657,574,687	1,562,788,951
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 2,081,210,309	\$ 1,838,943,253	\$ 1,793,000,074	\$ 1,711,518,701	\$ 1,657,574,687
<u>CHANGE IN FIDUCIARY NET POSITION</u>					
Contributions - Employer	97,107,703	91,885,045	85,675,573	80,090,560	74,899,528
Contributions - Member	41,878,381	38,149,245	35,368,122	33,847,164	33,722,562
Net Investment Income	123,055,801	(166,125,779)	222,203,572	124,093,043	156,013,794
Benefit Payments, Including Refunds of Contributions	(138,992,886)	(130,524,733)	(121,950,438)	(110,709,576)	(108,549,848)
Administrative Expenses	(1,600,889)	(1,513,129)	(1,422,126)	(1,165,174)	(1,233,819)
Other	3,790,053	4,323,693	3,818,150	4,146,800	3,760,532
NET CHANGE IN FIDUCIARY NET POSITION	125,238,163	(163,805,658)	223,692,853	130,302,817	158,612,749
FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,250,651,322	1,424,456,980	1,200,764,127	1,070,461,310	911,848,561
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 1,385,889,485	\$ 1,260,651,322	\$ 1,424,456,980	\$ 1,200,764,127	\$ 1,070,461,310
NET PENSION LIABILITY - END OF YEAR (a) - (b)	\$ 695,320,824	\$ 578,291,931	\$ 368,543,094	\$ 510,754,574	\$ 587,113,377
FIDUCIARY NET POSITION as a PERCENTAGE OF TOTAL PENSION LIABILITY	66.6%	68.6%	79.4%	70.2%	64.6%
COVERED EMPLOYEE PAYROLL					
NET PENSION LIABILITY as a PERCENTAGE OF COVERED EMPLOYEE PAYROLL	194.9%	164.5%	108.5%	158.4%	188.5%

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31, 2014 - 2023

	2018	2017	2016	2015	2014
<u>TOTAL PENSION LIABILITY:</u>					
Service Cost	\$ 33,120,792	\$ 34,738,004	\$ 33,401,927	\$ 31,963,567	\$ 31,799,628
Interest on Liability and Service Cost	116,162,593	107,709,293	103,990,120	106,603,992	102,271,303
Difference Between Actual and Expected Experience	-	61,837,812	-	13,828,826	-
Assumption Changes	-	36,207,214	-	(57,518,820)	-
Change in Plan Provisions	-	12,205,895	-	-	-
Benefit Payments, Including Refunds of Contributions	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)	(81,095,471)
NET CHANGE IN TOTAL PENSION LIABILITY	46,705,764	158,033,029	47,488,720	9,989,206	52,975,460
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,516,083,187	1,358,050,158	1,310,561,438	1,300,572,232	1,247,596,772
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 1,562,788,951	\$ 1,516,083,187	\$ 1,358,050,158	\$ 1,310,561,438	\$ 1,300,572,232
<u>CHANGE IN FIDUCIARY NET POSITION</u>					
Contributions - Employer	69,957,756	\$ 64,009,904	\$ 58,539,478	\$ 53,201,068	\$ 48,383,549
Contributions - Member	32,290,608	29,351,605	29,448,483	26,920,012	26,322,747
Net Investment Income	(53,017,332)	125,637,080	68,848,066	(11,383,452)	34,539,916
Benefit Payments, Including Refunds of Contributions	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)	(81,095,471)
Administrative Expenses	(1,215,116)	(1,215,601)	(1,193,583)	(1,158,971)	(1,077,892)
Other	3,331,428	3,933,503	2,939,696	2,711,397	2,021,260
NET CHANGE IN FIDUCIARY NET POSITION	(51,230,277)	127,051,302	68,678,813	(14,598,305)	29,094,109
FIDUCIARY NET POSITION - BEGINNING OF YEAR	963,078,838	836,027,536	767,348,723	781,947,028	752,852,919
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 911,848,561	\$ 963,078,838	\$ 836,027,536	\$ 767,348,723	\$ 781,947,028
NET PENSION LIABILITY - END OF YEAR (a) - (b)	\$ 650,940,390	\$ 553,004,349	\$ 522,022,622	\$ 543,212,715	\$ 518,625,204
FIDUCIARY NET POSITION as a PERCENTAGE OF TOTAL PENSION LIABILITY	58.3%	63.5%	61.6%	58.6%	60.1%
COVERED EMPLOYEE PAYROLL					
NET PENSION LIABILITY as a PERCENTAGE OF COVERED EMPLOYEE PAYROLL	217.5%	191.3%	186.8%	203.1%	210.2%

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURN

YEARS ENDED DECEMBER 31, 2014 - 2023

Annual Money-Weighted Rate of Return,
Net of Investment Expense:

2023	9.90%
2022	-11.82%
2021	18.52%
2020	11.93%
2019	16.28%
2018	-4.54%
2017	14.81%
2016	8.59%
2015	-0.75%
2014	5.07%

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CONTRIBUTIONS

YEARS ENDED DECEMBER 31, 2014 - 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 98,814,000	\$ 93,536,000	\$ 87,239,000	\$ 81,552,000	\$ 76,217,000	\$ 71,227,000	\$ 65,170,000	\$ 59,628,000	\$ 54,208,000	\$ 49,280,000
Actual Contributions in Relation to Actuarially Determined Contribution	98,814,000	93,536,000	87,239,000	81,552,000	76,217,000	71,227,000	65,170,000	59,628,000	54,208,000	49,280,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 356,820,710	\$ 351,456,210	\$ 339,571,217	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
Contributions as a Percentage of Covered-Employee Payroll	27.7%	26.6%	25.7%	25.3%	24.5%	23.8%	22.5%	21.3%	20.3%	20.0%

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The total pension liability presented in the schedule were provided by the System's actuarial consultant, Buck Global, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The related ratios show Plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

2. SCHEDULE OF INVESTMENT RETURN

The annual money-weighted rate of return is calculated as the internal rate of return on Plan investments, net of Plan investment expense. A money-weighted rate of return expresses investment performance, net of Plan investment expense, adjusted for changing amounts actually invested.

3. SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution amount in the schedule of contributions was calculated as of January 1, 2024 (for 2023); January 1, 2022 (for 2022 and 2021); January 1, 2020 (for 2020 and 2019); January 1, 2018 (for 2018 and 2017); January 1, 2016 (for 2016 and 2015) and as of January 1, 2015 for 2014. The following actuarial methods and assumptions were used to determine the contribution amount reported in that schedule:

Actuarial Cost Method	Individual entry age normal actuarial cost method
Amortization Method	Open – Level percent of payroll Payroll assumed to grow 4.0%-5.5% per year (January 1, 2024); 3.5%-5.5% per year (January 1, 2022, 2020, 2018 and 2016) and 4% per year (January 1, 2015)
Asset Valuation Method	Market value as reported to PERAC
Inflation	2.75% (January 1, 2024) 3.0% (January 1, 2022 and 2020) 4.0% (January 1, 2018 and 2016) 4.5% (January 1, 2015)
Investment Rate of Return	7.625% (January 1, 2024) 7.75% (January 1, 2022, 2020 and 2018) 8.0% (January 1, 2016) 8.25% (January 1, 2015)
Cost of Living Adjustments	2.75% of first \$18,000 (January 1, 2024) 3% of first \$18,000 (January 1, 2022 and 2020) and 3% of first \$17,000 (January 1, 2018) and 3% of first \$15,000 (January 1, 2016 and 2015) of retirement income

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2023 AND 2022

3. SCHEDULE OF CONTRIBUTIONS (Continued)

Mortality Table

Pub-2010 Public Retirement Plans Mortality Tables
Report from the Society of Actuaries dated January
2019 with Scale MP-2021 (January 1, 2024)
RP-2014 Blue Collar Mortality Table with Scale with
MP-2014 (January 1, 2022, 2020, 2018 and 2016)
RP-2000 Mortality Table adjusted with Scale AA
(January 1, 2015)

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

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

We have audited, in accordance with the 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 Norfolk County Retirement System, as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Norfolk County Retirement System's basic financial statements, and have issued our report thereon dated December 3, 2024.

Internal Control Over Financial Reporting

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

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

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

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C E R T I F I E D P U B L I C A C C O U N T A N T S S I N C E 1 9 2 3

Report on Compliance and Other Matters

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

Purpose of this Report

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

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts

December 3, 2024

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NORFOLK COUNTY RETIREMENT SYSTEM

FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

NORFOLK COUNTY RETIREMENT SYSTEM

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Dorothy F. Di Pesa, CPA
John F. Oteri, CPA

INDEPENDENT AUDITOR'S REPORT

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

Opinions

We have audited the accompanying financial statements of Norfolk County Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2022 and 2021 and the related statements of changes in fiduciary net position for the years then ended, 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 Norfolk County Retirement System as of December 31, 2022 and 2021, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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C E R T I F I E D P U B L I C A C C O U N T A N T S I N C E 1 9 1 3

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 on pages 3 through 7 and the supplementary Schedule of Changes in Net Pension Liability and Related Ratios, Investment Return, and Contributions, and the notes to the required supplementary information on pages 28 through 31 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 27, 2023 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control over financial reporting and compliance.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
September 27, 2023

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2022 AND 2021

The following discussion provides an overview and analysis of the fiduciary net position and changes in fiduciary net position of the Norfolk County Retirement System (the System or Plan) by management for the years ended December 31, 2022 and 2021. Please refer to the audited financial statements when reading this discussion.

Overview of the Financial Statements

The System's financial statements comprise the statements of fiduciary net position, statements of changes in fiduciary net position, notes to the financial statements and required supplementary information.

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

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pension benefits changed during the years ended December 31, 2022 and 2021. It reflects in total the contributions by members and participating employers, along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income from investing and securities lending activities is also presented.

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

The Required Supplementary Information includes management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedule of investment return, schedules of contributions and related notes.

Financial Highlights and Analysis

- The net position restricted for pension benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Net position restricted for pension benefits was \$1.3 billion at December 31, 2022 compared to \$1.4 billion at December 31, 2021. The decrease in net position of \$164 million resulted primarily from a decrease in the fair value of portfolio investments.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2022 AND 2021

The following tables present the current and prior year condensed data on the System's financial statements.

Fiduciary Net Position

	<u>2022</u>	<u>2021</u>
Assets		
Cash and cash equivalents	\$ 62,633,683	\$ 33,483,696
Investments	1,197,469,774	1,390,544,668
Receivables	<u>3,843,200</u>	<u>5,606,605</u>
Total assets	1,263,946,657	1,429,634,969
Liabilities		
Accounts payable	<u>3,295,335</u>	<u>5,177,989</u>
Net Position		
Net position restricted for pensions	<u>\$1,260,651,322</u>	<u>\$1,424,456,980</u>

Changes in Fiduciary Net Position

Additions		
Contributions	\$ 130,034,290	\$ 121,043,695
Net investment income	(166,125,779)	222,203,572
Other	<u>4,323,693</u>	<u>3,818,150</u>
Total additions (deductions)	<u>(31,767,796)</u>	<u>347,065,417</u>
Deductions		
Benefits paid	127,789,178	119,566,434
Other	<u>4,248,684</u>	<u>3,806,130</u>
Total deductions	<u>132,037,862</u>	<u>123,372,564</u>
Change in net position	(163,805,658)	223,692,853
Net position restricted for pension benefits – beginning of year	<u>1,424,456,980</u>	<u>1,200,764,127</u>
Net position restricted for pension benefits – end of year	<u>\$1,260,651,322</u>	<u>\$1,424,456,980</u>

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2022 AND 2021

Norfolk County Retirement System 2022 Performance Summary

- The Norfolk County Retirement System ("Norfolk") investment portfolio for 2022 fell 11.82%. This performance slightly underperformed the Primary Investment Policy Benchmarks, which fell 11.80%.
- Domestic Equity managers represented 30.2% of the portfolio as of December 31, 2022. Approximately 46% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities fell 18.66% for 2022 and outperformed the Russell 3000 index which was down 22.79%.
- International Equity managers represented 13.8% of the portfolio as of December 31, 2022. Approximately 71% of the international equity assets were allocated to developed markets and the remaining to emerging markets. The international equity portfolio fell 18.38%, which underperformed the MSCI AC World ex US (NET) benchmark return, which fell 17.67%.
- Domestic Fixed Income Managers represented 19.3% of the portfolio as of December 31, 2022. The overall net return for these managers fell 12.15% for the year, which exceeded the return of the Barclays Aggregate Bond Index, which fell 13.46%.
- Real Estate investment managers had a net return of 7.41% in 2022 and represented 8.4% of the total portfolio as of year-end 2022. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio outperformed the NCREIF Property Index that returned 2.22% in 2022.
- Private Equity had a net return which fell 4.83% in 2022 and represented 10.7% of the total portfolio as of year-end 2022. Norfolk's private equity portfolio outperformed the Cambridge Associates U.S. Private Equity index, which fell 5.54%.
- Hedge Funds had a net return which fell 2.94% in 2022, which outperformed the HFRI Hedge Fund-of- Funds Composite Index, which fell 5.50%. Hedge funds represented 10.7% of the plan assets as of year-end 2022.
- Real Assets represented 2.6% of the portfolio as of December 31, 2022. Norfolk's real asset investment managers had a net return of 3.47% in 2022, which underperformed the Real Assets Index benchmark of 4.29%.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2022 AND 2021

Norfolk County Retirement System 2021 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2021 was 18.52%. This performance exceeded the Primary Investment Policy Benchmarks, which returned 13.31%.
- Domestic Equity managers represented 33.8% of the portfolio as of December 31, 2021. Approximately 47% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a 2021 net return of 22.6% and underperformed the Russell 3000 index that returned 25.7%.
- International Equity managers represented 15.1% of the portfolio as of December 31, 2021. Approximately 68% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity managers' net return was 8.7%, which outperformed the MSCI AC World ex US (NET) benchmark return of 6.1%.
- Domestic Fixed Income Managers represented 20.4% of the portfolio as of December 31, 2021. The overall net return for these managers was 2.2% for the year, which exceeded the return of the Barclays Aggregate Bond Index of -1.5%.
- Real estate investment managers had a net return of 16.7% in 2021 and represented 7.3% of the total portfolio as of year-end 2021. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio underperformed the NCREIF Property Index that returned 17.7% in 2021.
- Private equity had a net return of 91.8% in 2021 and represented 10.0% of the total portfolio as of year-end 2021. Norfolk's private equity portfolio outperformed the Cambridge Associates U.S. Private Equity Index, which returned 32.8%.
- Hedge funds had a net return of 8.4% in 2021, which outperformed the 6.2% return of the HFRI Hedge Fund-of-Funds Composite Index. Hedge funds represented 9.9% of the plan assets as of year-end 2021.
- Real Assets represented 1.7% of the portfolio as of December 31, 2021. Norfolk's Real Asset investment managers had a net return of 9.4% in 2021, which outperformed the Real Assets Index benchmark of 3.2%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2022 AND 2021

Other Information

This financial report is designed to provide a general overview of the System's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Norfolk County Retirement Board, 480 Neponset Street #15, Canton, MA 02021.

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2022 AND 2021

	<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
<u>CASH AND CASH EQUIVALENTS</u>		<u>\$ 62,633,683</u>	<u>\$ 33,483,696</u>
<u>INVESTMENTS, AT FAIR VALUE:</u>			
Equities		185,128,801	214,745,141
Fixed Income		95,695,505	112,194,231
Pooled Funds:			
Equity		364,246,509	473,383,081
Fixed Income		144,826,796	177,894,534
Private Equity		167,746,933	167,299,450
Real Estate		105,287,094	104,383,044
Hedge		134,538,136	140,645,187
<u>TOTAL INVESTMENTS, AT FAIR VALUE</u>		<u>1,197,469,774</u>	<u>1,390,544,668</u>
<u>RECEIVABLES:</u>			
Member Contributions		1,834,249	2,603,890
Intergovernmental		131,042	1,928,797
Interest and Dividend Income Due		1,450,972	1,070,918
Receivable for Investments Sold		423,937	-
Miscellaneous		3,000	3,000
<u>TOTAL RECEIVABLES</u>		<u>3,843,200</u>	<u>5,606,605</u>
<u>TOTAL ASSETS</u>		<u>1,263,946,657</u>	<u>1,429,634,969</u>
	<u>LIABILITIES</u>		
<u>LIABILITIES:</u>			
Accounts Payable		783,380	1,052,100
Payable for Investments Purchased		2,511,955	4,125,889
<u>TOTAL LIABILITIES</u>		<u>3,295,335</u>	<u>5,177,989</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>		<u>\$ 1,260,651,322</u>	<u>\$ 1,424,456,980</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer	\$ 91,885,045	\$ 85,675,573
Member	<u>38,149,245</u>	<u>35,368,122</u>
Total Contributions	<u>130,034,290</u>	<u>121,043,695</u>
Investment Income:		
Net Change in Fair Value of Investments	(169,007,664)	219,897,315
Interest and Dividends	<u>11,515,505</u>	<u>11,041,605</u>
Total Investment Income	(157,492,159)	230,938,920
Less Investment Expenses	<u>8,633,620</u>	<u>8,735,348</u>
Net Investment Income	<u>(166,125,779)</u>	<u>222,203,572</u>
Other	<u>4,323,693</u>	<u>3,818,150</u>
<u>TOTAL ADDITIONS</u>	<u>(31,767,796)</u>	<u>347,065,417</u>
<u>DEDUCTIONS:</u>		
Benefits Paid	127,789,178	119,566,434
Refunds of Contributions	2,735,555	2,384,004
Administrative Expenses	<u>1,513,129</u>	<u>1,422,126</u>
<u>TOTAL DEDUCTIONS</u>	<u>132,037,862</u>	<u>123,372,564</u>
<u>CHANGE IN NET POSITION</u>	<u>(163,805,658)</u>	<u>223,692,853</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS:</u>		
<u>BEGINNING OF YEAR</u>	<u>1,424,456,980</u>	<u>1,200,764,127</u>
<u>END OF YEAR</u>	<u>\$ 1,260,651,322</u>	<u>\$ 1,424,456,980</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – PLAN DESCRIPTION

The Norfolk County Retirement System (the System or the Plan) is a cost-sharing multiple-employer contributory defined benefit governmental pension plan established under Chapter 32 of the Massachusetts General Laws ("MGL") covering all employees of governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees.

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

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of full-time treasurers or other qualified officials of the member units. The Advisory Council meets at least twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2022 and 2021, the Plan's membership consisted of:

	<u>2022</u>	<u>2021</u>
Retirees and beneficiaries	3,855	3,728
Active participants	6,902	6,685
Inactive with a vested right to benefits or to receive refund of their contributions.	3,399	3,098

The number of participating employers was 42 for both 2022 and 2021.

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

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – PLAN DESCRIPTION (Continued)

There are three classes of membership in the retirement system: group 1, group 2, and group 4. Group 1 consists of general employees which includes clerical, administrative, technical and all other employees not otherwise classified positions. Group 2 consists of positions that have been specified as hazardous. Lastly, group 4 consists of police officers, firefighters, and other hazardous positions.

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

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

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

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The System was established to provide retirement benefits to eligible employees of its member employers and their beneficiaries.

Cash and Cash Equivalents

Cash and cash equivalents are considered to cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, real estate, and hedge funds, for which fair values are estimated as detailed below.

Pooled Equity and Fixed Income Funds – The fair value of shares in managed investment pools is based on unit values reported by the managers of those respective funds.

Pooled Private Equity Funds – Pooled private equity funds include holdings through equity interests in various limited partnerships. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

Pooled Real Estate Funds – Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on net asset values of the entities, which are estimated using third-party appraisals and other information provided by the property managers.

Pooled Hedge Funds – The fair value of shares in managed hedge funds is based on unit values reported by the managers of those respective funds.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year end. Liabilities for investments purchased represent amounts due to brokers for unsettled purchases at year end.

Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Investment income is recognized when earned.

Benefit Payments and Refunds of Contributions

Benefits and refunds to Plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the Plan.

Intergovernmental, Reimbursements and Transfers to Other Systems

When members transfer to or from other Massachusetts public retirement systems, their cumulative contributions are transferred from the prior employer to the respective Massachusetts public retirement system, and are recognized as receipts or expenses when paid.

Leases

The System leases office space as described in Note 9. Accounting for this lease under GASB No. 87 was determined to be immaterial to the financial statements. The adoption of the standard had no effect on the financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from estimates. Fair values of real estate, alternative investment and hedge fund holdings are generally estimated absent readily available market values, and such estimates may be materially different from values that would have been used if a ready market existed.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement. Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with PERAC.

The Advisory Council consists of the full time treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement as well as a Chair from among its members. The Advisory Council is required by statute to meet twice per year.

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

Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for the System provides \$50,000,000 fiduciary protection for Trustees and employees, as well as a \$1,000,000 fidelity policy for crime coverage.

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS

The System's investments are measured and reported at fair value. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs.

In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following tables present a summary of the fair value hierarchy of investments and short-term holdings that are measured at fair value on a recurring basis at December 31, 2022 and 2021 (in thousands):

2022

		Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets	Significant Other Observable Inputs	Significant Unobservable Inputs
<u>Investments by Fair Value</u>	<u>Total</u>	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>
Short-Term Investment Funds	\$ 56,070	\$ -	\$ 56,070	\$ -
Equities:				
Common Stock	185,129	185,129	-	-
Total Equities	185,129	185,129	-	-
Fixed Income:				
Corporate Bonds	57,761	-	57,761	-
Government Issues	37,772	12,340	25,432	-
Municipals	162	-	162	-
Total Fixed Income	95,695	12,340	83,355	-
Pooled Funds:				
Equity	364,247	-	-	364,247
Fixed Income	104,760	-	-	104,760
Private Equity	-	-	-	-
Real Estate	51,744	-	-	51,744
Hedge	-	-	-	-
Total Pooled Funds	520,751	-	-	520,751
Total Investments by Fair Value				
Level	\$ 857,645	\$ 197,469	\$ 139,425	\$ 520,751

Investments Measured at Net Asset Value (NAV):

Pooled Fixed Income Funds	\$ 40,067
Pooled Private Equity Funds	167,747
Pooled Real Estate Funds	53,543
Pooled Hedge Funds	134,538
Total Investments Measured at NAV	395,895
Total Investments Measured at Fair Value	\$ 1,253,540

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

2021

Investments by Fair Value Level	Total	Fair Value Measurements Using		
		Quoted Prices In Active Markets For Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Short-Term Investment Funds	\$ 24,697	\$ -	\$ 24,697	\$ -
Equities:				
Common Stock	214,745	88,165	82,051	44,529
Total Equities	214,745	88,165	82,051	44,529
Fixed Income:				
Corporate Bonds	63,839	33,778	29,415	646
Government Issues	48,022	47,964	-	58
Municipals	333	333	-	-
Total Fixed Income	112,194	82,075	29,415	704
Pooled Funds:				
Equity	473,383	-	-	473,383
Fixed Income	136,398	-	-	136,398
Private Equity	-	-	-	-
Real Estate	37,367	-	-	37,367
Hedge	-	-	-	-
Total Pooled Funds	647,148	-	-	647,148
Total Investments by Fair Value Level	<u>\$ 998,784</u>	<u>\$ 170,240</u>	<u>\$ 136,163</u>	<u>\$ 692,381</u>

Investments Measured at Net Asset Value (NAV):	
Pooled Fixed Income Funds	\$ 41,497
Pooled Private Equity Funds	167,300
Pooled Real Estate Funds	67,016
Pooled Hedge Funds	140,645
Total Investments Measured at NAV	<u>416,458</u>
Total Investments Measure at Fair Value	<u>\$ 1,415,242</u>

Reconciliation of Total Investments Measured at Fair Value (listed above) to the Statement of Fiduciary Net Position (in thousands):

	2022	2021
Total Investments Measured at Fair Value per above	\$ 1,253,540	\$ 1,415,242
Short-Term Investment Funds classified as Cash and Cash Equivalents on Statement of Fiduciary Net Position	(56,070)	(24,697)
Total Investments on Statement of Fiduciary Net Position	<u>\$ 1,197,470</u>	<u>\$ 1,390,545</u>

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

The following disclosures represent essential risk information about the System's deposits and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are insured by FDIC insurance up to \$250,000 per financial institution. The System evaluates each financial institution and assesses the level of risk of each institution and only uses those institutions with an acceptable level of risk. At December 31, 2022 and 2021, the System had cash balances at two financial institutions in excess of FDIC limits of approximately \$6,362,000 and \$10,164,000, respectively.

Investment Policy

The provisions of M.G.L. Chapter 32 § 23 (2) and the Plan's own investment policy govern the System's investment practice. The Board retains an investment consultant to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies. The System invests in stocks (domestic and foreign), fixed income securities (domestic and foreign), private equity, real estate and hedge funds.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or securities. The System's investments are held by the System's custodian and registered in the System's name. All of the System's securities are held by the System's custodial bank in the System's name, except for investments in pooled funds, which by their nature, do not have securities that are used as evidence of the investment.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2022 and 2021:

2022

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 37,772	\$ 5,027	\$ 527	\$ 1,265	\$30,953
Domestic Corporate	57,761	1,422	16,043	8,249	32,047
Domestic Government	162	-	-	162	-
	<u>\$ 95,695</u>	<u>\$ 6,449</u>	<u>\$16,570</u>	<u>\$ 9,676</u>	<u>\$63,000</u>

2021

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 48,022	\$ -	\$ 7,378	\$ 4,462	\$36,182
Domestic Corporate	63,839	1,060	16,580	7,447	38,752
Domestic Government	333	-	333	-	-
	<u>\$112,194</u>	<u>\$ 1,060</u>	<u>\$ 24,291</u>	<u>\$11,909</u>	<u>\$74,934</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio are responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2022 and 2021 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the Standard & Poor's rating scale:

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Credit Risk (Continued)

2022

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 37,772	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,772
Domestic									
Corporate	57,761	3,752	754	7,537	25,382	3,422	284	323	16,307
Domestic									
Government	162	-	162	-	-	-	-	-	-
Pooled Funds	144,827	-	-	-	-	-	-	-	144,827
	<u>\$ 240,522</u>	<u>\$ 3,752</u>	<u>\$ 916</u>	<u>\$ 7,537</u>	<u>\$ 25,382</u>	<u>\$ 3,422</u>	<u>\$ 284</u>	<u>\$ 323</u>	<u>\$ 198,906</u>

2021

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 48,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,022
Domestic									
Corporate	63,839	4,874	915	9,510	27,032	4,004	1,226	470	15,808
Domestic									
Government	333	-	-	-	333	-	-	-	-
Pooled Funds	177,894	-	-	-	-	-	-	-	177,894
	<u>\$ 290,088</u>	<u>\$ 4,874</u>	<u>\$ 915</u>	<u>\$ 9,510</u>	<u>\$ 27,365</u>	<u>\$ 4,004</u>	<u>\$ 1,226</u>	<u>\$ 470</u>	<u>\$ 241,724</u>

Concentration Risk

Other than investments in two and four pooled funds, respectively, the System has no individual investment at fair value that exceeds 5% of total investments at December 31, 2022 and 2021. The System adheres to the provisions of MGL Chapter 32 § 23, the rules and regulations of PERAC, and the Plan's own investment policy when managing concentration risk.

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk as of December 31, 2022 and 2021 is presented on the following tables (in thousands):

<u>2022</u>					
<u>Currency</u>	Cash and Cash <u>Equiva</u> <u>lents</u>	<u>Equity</u>	<u>Fixed</u> <u>Income</u>	<u>Pooled</u> <u>Funds</u>	<u>Total</u>
Australian Dollar	\$ -	\$ -	\$ -	\$ 3,156	\$ 3,156
Bermudian Dollar	-	-	-	239	239
Brazilian Real	-	-	-	3,280	3,280
British Pound Sterling	-	10,518	-	10,489	21,007
Canadian Dollar	-	1,846	-	522	2,368
Cayman Islands Dollar	-	-	-	542	542
Chinese Yuan Renminbi	-	-	-	19,506	19,506
Czech Koruna	-	-	-	445	445
Danish Kroner	-	2,685	-	165	2,850
Egyptian Pound	-	-	-	102	102
Euro Currency	-	34,960	-	33,007	67,967
Hong Kong Dollar	-	2,104	-	1,590	3,694
Indian Rupee	-	-	-	6,195	6,195
Indonesian Rupiah	-	-	-	1,656	1,656
Israeli Shekel	-	-	-	85	85
Japanese Yen	-	11,544	-	12,692	24,236
Jordanian Dinar	-	-	-	92	92
Kenyan Shilling	-	-	-	266	266
Mexican Peso	-	-	-	429	429
Mongolian Tughrik	-	-	-	266	266
New Russian Ruble	-	-	-	82	82
Norwegian Krone	-	-	-	1,101	1,101
Philippine Peso	-	-	-	746	746
Saudi Riyal	-	-	-	557	557
Singapore Dollar	-	1,388	-	666	2,054
South African Rand	-	-	-	1,344	1,344
South Korean Won	-	-	-	3,458	3,458
Swedish Krona	-	-	-	991	991

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2022 (Continued)

<u>Currency</u>	Cash and Cash <u>Equiva</u> <u>lents</u>	<u>Equity</u>	<u>Fixed</u> <u>Income</u>	<u>Pooled</u> <u>Funds</u>	<u>Total</u>
Swiss Franc	-	13,891	-	1,113	15,004
Thai Baht	-	-	-	1,845	1,845
Taiwan New Dollar	-	-	-	5,558	5,558
UAE Emirati Dirham	-	-	-	296	296
Total Securities Subject to Foreign Currency Risk	\$ -	\$78,936	\$ -	\$112,481	\$191,417

2021

<u>Currency</u>	Cash and Cash <u>Equiva</u> <u>lents</u>	<u>Equity</u>	<u>Fixed</u> <u>Income</u>	<u>Pooled</u> <u>Funds</u>	<u>Total</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 26	\$ 26
Australian Dollar	-	-	-	3,348	3,348
Bermudian Dollar	-	-	-	303	303
Brazilian Real	-	-	-	2,748	2,748
British Pound Sterling	-	16,552	-	11,215	27,767
Canadian Dollar	-	10,432	-	400	10,832
Cayman Islands Dollar	-	-	-	406	406
Chinese Yuan Renminbi	-	-	-	25,361	25,361
Czech Koruna	-	-	-	596	596
Danish Kroner	-	3,264	-	210	3,474
Euro Currency	-	40,244	-	41,762	82,006
Hong Kong Dollar	-	1,494	-	792	2,286
Indian Rupee	-	-	-	7,192	7,192
Indonesian Rupiah	-	-	-	1,659	1,659
Israeli Shekel	-	-	-	263	263
Japanese Yen	-	17,792	-	16,262	34,054
Jordanian Dinar	-	-	-	115	115
Kazakhstani Tenge	-	-	-	74	74
Kenyan Shilling	-	-	-	325	325
Macanase Pataca	-	-	-	508	508
Mexican Peso	-	-	-	378	378
New Russian Ruble	-	-	-	3,622	3,622

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 AND 2021**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2021 (Continued)

<u>Currency</u>	<u>Cash and Cash Equiva lents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Peruvian Sol	-	-	-	575	575
Philippine Peso	-	-	-	745	745
Singapore Dollar	-	313	-	-	313
South African Rand	-	-	-	2,166	2,166
South Korean Won	-	-	-	9,018	9,018
Swedish Krona	-	-	-	1,608	1,608
Swiss Franc	-	15,584	-	1,051	16,635
Tanzanian Shilling	-	-	-	274	274
Thai Baht	-	-	-	1,361	1,361
Taiwan New Dollar	-	-	-	9,296	9,296
Turkish Lira	-	-	-	521	521
Ukranian Hryvnia	-	-	-	88	88
Total Securities Subject to Foreign Currency Risk	\$ -	\$105,675	\$ -	\$144,268	\$249,943

NOTE 6 – LEGALLY REQUIRED RESERVES

The System's legally required reserves are all funded at levels required by state statute and were as follows as of December 31:

	<u>2022</u>	<u>2021</u>
Annuity Savings Fund	\$ 321,628,998	\$ 314,733,667
Annuity Reserve Fund	93,239,704	89,264,339
Military Service Fund	38,067	38,029
Pension Fund	8,975,700	12,717,120
Pension Reserve Fund	836,768,853	1,007,703,825
Expense Fund	-	-
	<u>\$1,260,651,322</u>	<u>\$1,424,456,980</u>

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 6 – LEGALLY REQUIRED RESERVES (Continued)

The *Annuity Savings Fund* is the fund in which member's contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of 10 years of inactivity.

The *Annuity Reserve Fund* is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Military Service Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The *Military Service Fund* contains contributions and interest for members while on military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund.

The *Pension Fund* contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The *Pension Reserve Fund* contains the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Special Military Credit Service Fund and Expense Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 7 – FUNDING POLICY

Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

The participating employers' budgeted contributions to the System for the employer fiscal years ended June 30, 2023 and 2022 were as follows (in thousands):

	<u>2023</u>	<u>2022</u>
Town of Avon	\$ 1,705	\$ 1,590
Avon Housing Authority	16	15
Town of Bellingham	3,601	3,338
Bellingham Housing Authority	55	51
Town of Canton	7,058	6,581
Canton Housing Authority	121	113
Town of Cohasset	3,493	3,274
Cohasset Housing Authority	21	20
Norfolk County	4,558	4,302
Charles River Pollution Control	184	172
Town of Dover	1,615	1,504
Dover-Sherborn Regional High School	895	834
Town of Foxboro	5,981	5,576
Foxboro Housing Authority	124	115
Town of Franklin	7,317	6,819
Franklin Housing Authority	115	107
Town of Holbrook	2,622	2,444
Holbrook Housing Authority	62	58
King Philip Regional School District	959	894
Town of Medfield	3,394	3,162
Medfield Housing Authority	19	17
Town of Medway	3,576	3,332
Medway Housing Authority	87	81
Metacomet Emergency Communication	398	371
Town of Millis	2,408	2,243
Millis Housing Authority	62	58
Town of Norfolk	2,823	2,633
Norfolk Housing Authority	42	39
Norfolk Mosquito Control	264	246
Town of Plainville	2,616	2,438
Town of Randolph	7,688	7,170
Randolph Housing Authority	125	117

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 7 – FUNDING POLICY (Continued)

Town of Sharon	5,395	5,027
Sharon Housing Authority	44	41
Town of Stoughton	7,326	6,829
Stoughton Housing Authority	123	114
Town of Walpole	6,525	6,083
Walpole Housing Authority	74	69
Town of Westwood	6,696	6,242
Town of Wrentham	2,632	2,452
Wrentham Housing Authority	34	32
Dedham Westwood Water District	683	636
	<u>\$93,536</u>	<u>\$87,239</u>

NOTE 8 – NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2022 and 2021, are as follows:

	<u>2022</u>	<u>2021</u>
Total Pension Liability	\$1,838,943,253	\$1,793,000,074
Fiduciary Net Position	<u>1,260,651,322</u>	<u>1,424,456,980</u>
System's Net Pension Liability	<u>\$ 578,291,931</u>	<u>\$ 368,543,094</u>

Fiduciary Net Position as a percentage of total pension liability	68.6%	79.4%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method	Open-Level percent of payroll
Asset valuation method	Market value
Investment rate of return	7.75%
Projected salary increases	3.5% - 5.5%
Inflation	3.0%
Cost of living increases	3.0% of first \$18,000
Mortality:	The RP-2014 Blue Collar Mortality Table with Scale with MP-2014

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 8 – NET PENSION LIABILITY (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return</u>	
	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>
Domestic Equity	30.5%	30.5%	7.0%	7.0%
International Equities	15.5	15.5	7.7%	7.7%
Fixed Income	20.5	20.5	4.3%	4.3%
Real Estate	9.5	9.5	6.9%	6.9%
Private Equity	10.0	10.0	9.4%	9.4%
Hedge Funds	11.5	11.5	8.6%	8.6%
Real Assets	<u>2.5</u>	<u>2.5</u>	8.9%	8.9%
Total	<u>100.0%</u>	<u>100.0%</u>		

The annual money-weighted rate of return on investments, net of investment expense was -11.82% and 18.52% for the years ended December 31, 2022 and 2021, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The above was the Board's adopted asset allocation policy and best estimates of real rates of return for each major asset class as of December 31, 2022 and 2021.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2022 and 2021 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by 2040. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of December 31, 2022 and 2021. For 2022 and 2021, the net pension liability was calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.75%) or one-percentage point higher (8.75%) than the current rate.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2022 AND 2021

NOTE 8 – NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

<u>2022</u>			
	<u>1% Decrease (6.75%)</u>	Current Discount <u>Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$768,213,463	\$578,291,931	\$416,834,744

<u>2021</u>			
	<u>1% Decrease (6.75%)</u>	Current Discount <u>Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$555,622,368	\$368,543,094	\$209,554,987

NOTE 9 – LEASE COMMITMENTS

The System leases office space under an operating lease through August 2026. The lease also provides for the payment of common area costs, real estate taxes and utilities. Future minimum lease payments under the lease is as follows:

<u>Year</u>	<u>Amount</u>
2023	\$ 50,750
2024	52,250
2025	53,750
2026	<u>36,500</u>
Total	<u>\$193,250</u>

Rent expense for the years ended December 31, 2022 and 2021 was \$63,843 and \$62,546, respectively.

NOTE 10 – UNCERTAINTIES

The System is, from time to time, involved in legal matters arising in the normal course of its administration of member benefits that, in the opinion of management, will not have a material effect on the net assets of the System.

NOTE 11 – SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through September 27, 2023, the date the basic financial statements were available to be issued. No material events were identified by the System.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31, 2014 - 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:									
Service Cost	39,418,802	\$ 38,807,940	\$ 37,495,594	\$ 36,227,627	\$ 33,120,792	\$ 34,738,004	\$ 33,401,927	\$ 31,963,567	\$ 31,799,628
Interest on Liability and Service Cost	137,049,010	131,012,909	127,157,956	119,795,961	116,162,593	107,709,293	103,990,120	106,603,962	102,271,303
Difference Between Actual and Expected Experience Assumption Changes	-	33,610,962	-	41,916,868	-	61,837,812	-	13,828,826	-
Change in Plan Provisions	-	-	-	-	-	36,207,214	-	(57,518,820)	-
Benefit Payments, Including Refunds of Contributions	(130,524,733)	(121,950,438)	(110,709,576)	(108,549,848)	(102,577,621)	(94,665,189)	(86,903,327)	(84,888,359)	(81,095,471)
NET CHANGE IN TOTAL PENSION LIABILITY	45,943,179	81,481,373	53,944,014	94,785,736	46,705,764	158,033,029	47,488,720	9,989,206	52,975,460
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,793,000,074	1,711,518,701	1,657,574,887	1,562,788,951	1,516,083,187	1,358,050,158	1,310,561,438	1,300,572,232	1,247,596,772
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 1,838,943,253	\$ 1,793,000,074	\$ 1,711,518,701	\$ 1,657,574,887	\$ 1,562,788,951	\$ 1,516,083,187	\$ 1,358,050,158	\$ 1,310,561,438	\$ 1,300,572,232
CHANGE IN FIDUCIARY NET POSITION									
Contributions - Employer	91,885,045	85,675,573	80,090,560	74,899,528	69,957,756	\$ 64,009,904	\$ 58,539,478	\$ 53,201,068	\$ 48,383,549
Contributions - Member	35,149,245	35,368,122	33,847,164	33,722,562	32,290,608	29,351,605	28,448,483	25,920,012	25,322,747
Net Investment Income	(166,125,779)	222,203,572	124,093,043	156,013,794	(53,077,332)	125,637,060	66,848,066	(11,383,452)	34,539,916
Benefit Payments, Including Refunds of Contributions	(130,524,733)	(121,950,438)	(110,709,576)	(108,549,848)	(102,577,621)	(94,665,189)	(86,903,327)	(84,888,359)	(81,095,471)
Administrative Expenses	(1,513,129)	(1,422,126)	(1,165,174)	(1,233,819)	(1,215,116)	(1,215,601)	(1,193,683)	(1,168,971)	(1,077,892)
Other	4,323,693	3,818,150	4,146,800	3,760,532	3,331,428	3,933,503	2,939,696	2,711,397	2,021,280
NET CHANGE IN FIDUCIARY NET POSITION	(163,805,658)	223,692,853	130,302,817	158,612,749	(51,230,277)	127,051,302	66,678,813	(14,598,305)	29,094,109
FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,424,456,980	1,200,764,127	1,070,461,310	911,848,561	963,078,838	836,027,536	767,348,723	781,947,028	752,852,919
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 1,260,651,322	\$ 1,424,456,980	\$ 1,200,764,127	\$ 1,070,461,310	\$ 911,848,561	\$ 963,078,838	\$ 836,027,536	\$ 767,348,723	\$ 781,947,028
NET PENSION LIABILITY - END OF YEAR (a) - (b)	\$ 578,291,931	\$ 368,543,094	\$ 510,754,574	\$ 587,113,377	\$ 650,940,390	\$ 553,004,349	\$ 522,022,622	\$ 543,212,715	\$ 518,625,204
FIDUCIARY NET POSITION as a PERCENTAGE OF TOTAL PENSION LIABILITY	68.6%	79.4%	70.2%	64.6%	58.3%	63.5%	61.6%	58.6%	60.1%
COVERED EMPLOYEE PAYROLL	351,456,210	\$ 339,571,217	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
NET PENSION LIABILITY as a PERCENTAGE OF COVERED EMPLOYEE PAYROLL	164.5%	108.5%	158.4%	188.5%	217.5%	191.3%	186.8%	203.1%	210.2%

This schedule is intended to present 10 years of data. Additional year will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURN

YEARS ENDED DECEMBER 31, 2014 - 2022

Annual Money-Weighted Rate of Return,
Net of Investment Expense:

2022	-11.82%
2021	18.52%
2020	11.93%
2019	16.28%
2018	-4.54%
2017	14.81%
2016	8.59%
2015	-0.75%
2014	5.07%

This schedule is intended to present 10 years of data. Additional year will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CONTRIBUTIONS

YEARS ENDED DECEMBER 31, 2014 - 2022

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 93,536,000	\$ 87,239,000	\$ 81,552,000	\$ 76,217,000	\$ 71,227,000	\$ 65,170,000	\$ 59,628,000	\$ 54,208,000	\$ 49,280,000
Actual Contributions in Relation to Actuarially Determined Contribution	93,536,000	87,239,000	81,552,000	76,217,000	71,227,000	65,170,000	59,628,000	54,208,000	49,280,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 351,456,210	\$ 339,571,217	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
Contributions as a Percentage of Covered-Employee Payroll	26.6%	25.7%	25.3%	24.5%	23.8%	22.5%	21.3%	20.3%	20.0%

This schedule is intended to present 10 years of data. Additional year will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2022 AND 2021

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The total pension liability presented in the schedule were provided by the System's actuarial consultant, Sherman Actuarial Services, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The related ratios show Plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

2. SCHEDULE OF INVESTMENT RETURN

The annual money-weighted rate of return is calculated as the internal rate of return on Plan investments, net of Plan investment expense. A money-weighted rate of return expresses investment performance, net of Plan investment expense, adjusted for changing amounts actually invested.

3. SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution amount in the schedule of contributions was calculated as of January 1, 2022 (for 2022 and 2021); January 1, 2020 (for 2020 and 2019); January 1, 2018 (for 2018 and 2017); January 1, 2016 (for 2016 and 2015) and as of January 1, 2015 for 2014. The following actuarial methods and assumptions were used to determine the contribution amount reported in that schedule:

Actuarial Cost Method	Individual entry age normal actuarial cost method
Amortization Method	Open – Level percent of payroll Payroll assumed to grow 3.5%-5.5% per year (January 1, 2022, 2020, 2018 and 2016) and 4% per year (January 1, 2015)
Asset Valuation Method	Market value as reported to PERAC
Inflation	3.0% (January 1, 2022 and 2020) 4.0% (January 1, 2018 and 2016) 4.5% (January 1, 2015)
Investment Rate of Return	7.75% (January 1, 2022, 2020 and 2018) 8.0% (January 1, 2016) 8.25% (January 1, 2015)
Cost of Living Adjustments	3.0% of first \$18,000 (January 1, 2022 and 2020) and 3% of first \$17,000 (January 1, 2018) and 3% of first \$15,000 (January 1, 2016 and 2015) of retirement income
Mortality Table	RP-2014 Blue Collar Mortality Table with Scale with MP-2014 (January 1, 2022, 2020, 2018 and 2016) RP-2000 Mortality Table adjusted with Scale AA (January 1, 2015)

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

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

We have audited, in accordance with the 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 Norfolk County Retirement System, as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Norfolk County Retirement System's basic financial statements, and have issued our report thereon dated September 27, 2023.

Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts

September 27, 2023

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NORFOLK COUNTY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

NORFOLK COUNTY RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

Opinions

We have audited the accompanying financial statements of Norfolk County Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2021 and 2020 and the related statements of changes in fiduciary net position for the years then ended, 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 Norfolk County Retirement System as of December 31, 2021 and 2020, and the changes in fiduciary net position for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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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 on pages 3 through 7 and the supplementary Schedule of Changes in Net Pension Liability and Related Ratios, Investment Return, and Contributions, and the notes to the required supplementary information on pages 28 through 31 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 19, 2022 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
October 19, 2022

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2021 AND 2020

The following discussion provides an overview and analysis of the fiduciary net position and changes in fiduciary net position of the Norfolk County Retirement System (the System or Plan) by management for the years ended December 31, 2021 and 2020. Please refer to the audited financial statements when reading this discussion.

Overview of the Financial Statements

The System's financial statements comprise the statements of fiduciary net position, statements of changes in fiduciary net position, notes to the financial statements and required supplementary information.

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

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pension benefits changed during the years ended December 31, 2021 and 2020. It reflects in total the contributions by members and participating employers, along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income from investing and securities lending activities is also presented.

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

The Required Supplementary Information includes management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedule of investment return, schedules of contributions and related notes.

Financial Highlights and Analysis

- The net position restricted for pension benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Net position restricted for pension benefits was \$1.4 billion at December 31, 2021 compared to \$1.2 billion at December 31, 2020. The increase in net position of \$224 million resulted primarily from an increase in the fair value of portfolio investments.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2021 AND 2020

The following tables present the current and prior year condensed data on the System's financial statements.

Fiduciary Net Position

	<u>2021</u>	<u>2020</u>
Assets		
Cash and cash equivalents	\$ 33,483,696	\$ 31,454,138
Investments	1,390,544,668	1,170,755,871
Receivables	<u>5,606,605</u>	<u>4,410,098</u>
Total assets	1,429,634,969	1,206,620,107
Liabilities		
Accounts payable	<u>5,177,989</u>	<u>5,855,980</u>
Net Position		
Net position restricted for pensions	<u>\$1,424,456,980</u>	<u>\$1,200,764,127</u>

Changes in Fiduciary Net Position

Additions		
Contributions	\$ 121,043,695	\$ 113,937,724
Net investment income	222,203,572	124,093,043
Other	<u>3,818,150</u>	<u>4,146,800</u>
Total additions	<u>347,065,417</u>	<u>242,177,567</u>
Deductions		
Benefits paid	119,566,434	109,037,328
Other	<u>3,806,130</u>	<u>2,837,422</u>
Total deductions	<u>123,372,564</u>	<u>111,874,750</u>
Change in net position	223,692,853	130,302,817
Net position restricted for pension benefits – beginning of year	<u>1,200,764,127</u>	<u>1,070,461,310</u>
Net position restricted for pension benefits – end of year	<u>\$1,424,456,980</u>	<u>\$1,200,764,127</u>

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2021 AND 2020

Norfolk County Retirement System 2021 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2021 was 18.52%. This performance exceeded the Primary Investment Policy Benchmarks, which returned 13.31%.
- Domestic Equity managers represented 33.8% of the portfolio as of December 31, 2021. Approximately 47% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a 2021 net return of 22.6% and underperformed the Russell 3000 index that returned 25.7%.
- International Equity managers represented 15.1% of the portfolio as of December 31, 2021. Approximately 68% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity managers' net return was 8.7%, which outperformed the MSCI AC World ex US (NET) benchmark return of 6.1%.
- Domestic Fixed Income Managers represented 20.4% of the portfolio as of December 31, 2021. The overall net return for these managers was 2.2% for the year, which exceeded the return of the Barclays Aggregate Bond Index of -1.5%.
- Real Estate investment managers had a net return of 16.7% in 2021 and represented 7.3% of the total portfolio as of year-end 2021. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio underperformed the NCREIF Property Index that returned 17.7% in 2021.
- Private Equity had a net return of 91.8% in 2021 and represented 10.0% of the total portfolio as of year-end 2021. Norfolk's private equity portfolio outperformed the Cambridge Associates U.S. Private Equity index, which returned 32.8%.
- Hedge Funds had a net return of 8.4% in 2021, which outperformed the 6.2% return of the HFRI Hedge Fund-of- Funds Composite Index. Hedge funds represented 9.9% of the plan assets as of year-end 2021.
- Real Assets represented 1.7% of the portfolio as of December 31, 2021. Norfolk's real asset investment managers had a net return of 9.4% in 2021, which outperformed the Real Assets Index benchmark of 3.2%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2021 AND 2020

Norfolk County Retirement System 2020 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2020 was 11.93%. This performance was less than the Primary Investment Policy Benchmarks, which returned 13.18%.
- Domestic Equity managers represented 33.7% of the portfolio as of December 31, 2020. Approximately 44% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a 2020 net return of 19.26% and underperformed the Russell 3000 index that returned 20.89%.
- International Equity managers represented 16.1% of the portfolio as of December 31, 2020. Approximately 76% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity managers' net return was 14.29%, which outperformed the MSCI AC World ex US (NET) benchmark return of 11.77%.
- Domestic Fixed Income Managers represented 20.4% of the portfolio as of December 31, 2020. The overall net return for these managers was 8.32% for the year, which exceeded the return of the Barclays Aggregate Bond Index of 7.61%.
- Real estate investment managers had a net return of 3.25% in 2020 and represented 6.1% of the total portfolio as of year-end 2020. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio outperformed the NCREIF Property Index that returned 1.60% in 2020.
- Private equity had a net return of 23.75% in 2020 and represented 9.9% of the total portfolio as of year-end 2020. Norfolk's private equity portfolio underperformed the Cambridge Associates U.S. Private Equity Index, which returned 27.45%.
- Hedge funds had a net return of 1.73% in 2020, which underperformed the 10.88% return of the HFRI Hedge Fund-of-Funds Composite Index. Hedge funds represented 10.1% of the plan assets as of year-end 2020.
- Real Assets represented 2.0% of the portfolio as of December 31, 2020. Norfolk's Real Asset investment managers had a net return of 8.32% in 2020, which outperformed the Real Assets Index benchmark of 4.15%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2021 AND 2020

Other Information

This financial report is designed to provide a general overview of the System's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Norfolk County Retirement Board, 480 Neponset Street #15, Canton, MA 02021.

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2021 AND 2020

<u>ASSETS</u>	<u>2021</u>	<u>2020</u>
<u>CASH AND CASH EQUIVALENTS</u>	<u>\$ 33,483,696</u>	<u>\$ 31,454,138</u>
<u>INVESTMENTS, AT FAIR VALUE:</u>		
Equities	214,745,141	250,418,181
Fixed Income	112,194,231	97,971,682
Pooled Funds:		
Equity	473,383,081	349,134,152
Fixed Income	177,894,534	145,324,087
Private Equity	167,299,450	133,853,030
Real Estate	104,383,044	72,609,790
Hedge	140,645,187	121,444,949
<u>TOTAL INVESTMENTS, AT FAIR VALUE</u>	<u>1,390,544,668</u>	<u>1,170,755,871</u>
<u>RECEIVABLES:</u>		
Member Contributions	2,603,890	1,989,996
Intergovernmental	1,928,797	170,633
Interest and Dividend Income Due	1,070,918	1,010,587
Receivable for Investments Sold	-	1,233,778
Miscellaneous	3,000	5,104
<u>TOTAL RECEIVABLES</u>	<u>5,606,605</u>	<u>4,410,098</u>
<u>TOTAL ASSETS</u>	<u>1,429,634,969</u>	<u>1,206,620,107</u>
<u>LIABILITIES</u>		
<u>LIABILITIES:</u>		
Accounts Payable	1,052,100	937,234
Payable for Investments Purchased	4,125,889	4,918,746
<u>TOTAL LIABILITIES</u>	<u>5,177,989</u>	<u>5,855,980</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>	<u>\$ 1,424,456,980</u>	<u>\$ 1,200,764,127</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer	\$ 85,675,573	\$ 80,090,560
Member	<u>35,368,122</u>	<u>33,847,164</u>
Total Contributions	<u>121,043,695</u>	<u>113,937,724</u>
Investment Income:		
Net Change in Fair Value of Investments	219,897,315	121,089,451
Interest and Dividends	<u>11,041,605</u>	<u>10,199,240</u>
Total Investment Income	230,938,920	131,288,691
Less Investment Expenses	<u>8,735,348</u>	<u>7,195,648</u>
Net Investment Income	<u>222,203,572</u>	<u>124,093,043</u>
Other	<u>3,818,150</u>	<u>4,146,800</u>
<u>TOTAL ADDITIONS</u>	<u>347,065,417</u>	<u>242,177,567</u>
<u>DEDUCTIONS:</u>		
Benefits Paid	119,566,434	109,037,328
Refunds of Contributions	2,384,004	1,672,248
Administrative Expenses	<u>1,422,126</u>	<u>1,165,174</u>
<u>TOTAL DEDUCTIONS</u>	<u>123,372,564</u>	<u>111,874,750</u>
<u>CHANGE IN NET POSITION</u>	223,692,853	130,302,817
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS:</u>		
<u>BEGINNING OF YEAR</u>	<u>1,200,764,127</u>	<u>1,070,461,310</u>
<u>END OF YEAR</u>	<u>\$ 1,424,456,980</u>	<u>\$ 1,200,764,127</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 – PLAN DESCRIPTION

The Norfolk County Retirement System (the System or the Plan) is a cost-sharing multiple-employer contributory defined benefit governmental pension plan established under Chapter 32 of the Massachusetts General Laws ("MGL") covering all employees of governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees.

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

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of full-time treasurers or other qualified officials of the member units. The Advisory Council meets at least twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2021 and 2020, the Plan's membership consisted of:

	<u>2021</u>	<u>2020</u>
Retirees and beneficiaries	3,728	3,612
Active participants	6,685	5,963
Inactive with a vested right to benefits or to receive refund of their contributions	3,098	3,394

The number of participating employers was 42 and 41 for 2021 and 2020, respectively.

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

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

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

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

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The System was established to provide retirement benefits to eligible employees of its member employers and their beneficiaries.

Cash and Cash Equivalents

Cash and cash equivalents are considered to cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, real estate, and hedge funds, for which fair values are estimated as detailed below.

Pooled Equity and Fixed Income Funds – The fair value of shares in managed investment pools is based on unit values reported by the managers of those respective funds.

Pooled Private Equity Funds – Pooled private equity funds include holdings through equity interests in various limited partnerships. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

Pooled Real Estate Funds – Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on net asset values of the entities, which are estimated using third-party appraisals and other information provided by the property managers.

Pooled Hedge Funds – The fair value of shares in managed hedge funds is based on unit values reported by the managers of those respective funds.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year end. Liabilities for investments purchased represent amounts due to brokers for unsettled purchases at year end.

Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Investment income is recognized when earned.

Benefit Payments and Refunds of Contributions

Benefits and refunds to Plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the Plan.

Intergovernmental, Reimbursements and Transfers to Other Systems

When members transfer to or from other Massachusetts public retirement systems, their cumulative contributions are transferred from the prior employer to the respective Massachusetts public retirement system, and are recognized as receipts or expenses when paid.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from estimates. Fair values of real estate, alternative investment and hedge fund holdings are generally estimated absent readily available market values, and such estimates may be materially different from values that would have been used if a ready market existed.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement. Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with PERAC.

The Advisory Council consists of the full time treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement as well as a Chair from among its members. The Advisory Council is required by statute to meet twice per year.

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

Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for the System provides \$50,000,000 fiduciary protection for Trustees and employees, as well as a \$1,000,000 fidelity policy for crime coverage.

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS

The System's investments are measured and reported at fair value. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs.

In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following tables present a summary of the fair value hierarchy of investments and short-term holdings that are measured at fair value on a recurring basis at December 31, 2021 and 2020 (in thousands):

2021

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>	<u>Total</u>			
Short-Term Investment Funds	\$ 24,697	\$ -	\$ 24,697	\$ -
Equities:				
Common Stock	214,745	88,165	82,051	44,529
Total Equities	<u>214,745</u>	<u>88,165</u>	<u>82,051</u>	<u>44,529</u>
Fixed Income:				
Corporate Bonds	63,839	33,778	29,415	646
Government Issues	48,022	47,964	-	58
Municipals	333	333	-	-
Total Fixed Income	<u>112,194</u>	<u>82,075</u>	<u>29,415</u>	<u>704</u>
Pooled Funds:				
Equity	473,383	-	-	473,383
Fixed Income	136,398	-	-	136,398
Private Equity	-	-	-	-
Real Estate	37,367	-	-	37,367
Hedge	-	-	-	-
Total Pooled Funds	<u>647,148</u>	<u>-</u>	<u>-</u>	<u>647,148</u>
Total Investments by Fair Value Level	<u>\$ 998,784</u>	<u>\$ 170,240</u>	<u>\$ 136,163</u>	<u>\$ 692,381</u>
Investments Measured at Net Asset Value (NAV):				
Pooled Fixed Income Funds	\$ 41,497			
Pooled Private Equity Funds	167,300			
Pooled Real Estate Funds	67,016			
Pooled Hedge Funds	140,645			
Total Investments Measured at NAV	<u>\$ 416,458</u>			
Total Investments Measured at Fair Value	<u>\$ 1,415,242</u>			

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

2020

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>	<u>Total</u>			
Short-Term Investment Funds	\$ <u>20,855</u>	\$ <u>-</u>	\$ <u>20,855</u>	\$ <u>-</u>
Equities:				
Common Stock	247,529	247,529	-	-
Real Estate Investment Trusts	2,889	2,889	-	-
Total Equities	<u>250,418</u>	<u>250,418</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Collateralized Mortgage Obligations	4,207	-	4,207	-
Corporate Bonds	62,549	-	62,549	-
Government Issues	30,103	10,874	19,229	-
Municipals	1,113	-	1,113	-
Total Fixed Income	<u>97,972</u>	<u>10,874</u>	<u>87,098</u>	<u>-</u>
Pooled Funds:				
Equity	349,134	-	-	349,134
Fixed Income	107,834	-	-	107,834
Private Equity	22,997	-	-	22,997
Real Estate	46,623	-	-	46,623
Hedge	-	-	-	-
Total Pooled Funds	<u>526,588</u>	<u>-</u>	<u>-</u>	<u>526,588</u>
Total Investments by Fair Value Level	<u>\$ 895,833</u>	<u>\$ 261,292</u>	<u>\$ 107,953</u>	<u>\$ 526,588</u>
Investments Measured at Net Asset Value (NAV):				
Pooled Fixed Income Funds	\$ 37,490			
Pooled Private Equity Funds	110,856			
Pooled Real Estate Funds	25,987			
Pooled Hedge Funds	121,445			
Total Investments Measured at NAV	<u>\$ 295,778</u>			
Total Investments Measured at Fair Value	<u>\$ 1,191,611</u>			

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Reconciliation of Total Investments Measured at Fair Value (listed above) to the Statement of Fiduciary Net Position (in thousands):

	<u>2021</u>	<u>2020</u>
Total Investments Measured at Fair Value per above:	\$1,415,242	\$1,191,611
Short-Term Investment Funds classified as Cash and Cash Equivalents on Statement of Fiduciary Net Position	<u>(24,697)</u>	<u>(20,855)</u>
Total Investments on Statement of Fiduciary Net Position	<u>\$1,390,545</u>	<u>\$1,170,756</u>

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

The following disclosures represent essential risk information about the System's deposits and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are insured by FDIC insurance up to \$250,000 per financial institution. The System evaluates each financial institution and assesses the level of risk of each institution and only uses those institutions with an acceptable level of risk. At December 31, 2021 and 2020, the System had cash balances at two financial institutions in excess of FDIC limits of approximately \$10,164,000 and \$11,306,000, respectively.

Investment Policy

The provisions of M.G.L. Chapter 32 § 23 (2) and the Plan's own investment policy govern the System's investment practice. The Board retains an investment consultant to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies. The System invests in stocks (domestic and foreign), fixed income securities (domestic and foreign), private equity, real estate and hedge funds.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or securities. The System's investments are held by the System's custodian and registered in the System's name. All of the System's securities are held by the System's custodial bank in the System's name, except for investments in pooled funds, which by their nature, do not have securities that are used as evidence of the investment.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2021 and 2020:

2021

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 48,022	\$ -	\$ 7,378	\$ 4,462	\$36,182
Domestic Corporate	63,839	1,060	16,580	7,447	38,752
International Corporate	-	-	-	-	-
Domestic Government	333	-	333	-	-
	<u>\$112,194</u>	<u>\$ 1,060</u>	<u>\$24,291</u>	<u>\$11,909</u>	<u>\$74,934</u>

2020

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 30,104	\$ -	\$ 4,695	\$ 2,218	\$23,191
Domestic Corporate	58,714	2,405	13,119	4,740	38,450
International Corporate	8,041	-	4,965	1,934	1,142
Domestic Government	1,113	-	1,113	-	-
	<u>\$ 97,972</u>	<u>\$ 2,405</u>	<u>\$ 23,892</u>	<u>\$ 8,892</u>	<u>\$62,783</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio are responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2021 and 2020 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the Standard & Poor's rating scale:

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Credit Risk (Continued)

2021

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 48,022	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 48,022
Domestic									
Corporate	63,839	4,874	915	9,510	27,032	4,004	1,226	470	15,808
International									
Corporate	-	-	-	-	-	-	-	-	-
Domestic									
Government	333	-	-	-	333	-	-	-	-
Pooled Funds	177,894	-	-	-	-	-	-	-	177,894
	<u>\$ 290,088</u>	<u>\$ 4,874</u>	<u>\$ 915</u>	<u>\$ 9,510</u>	<u>\$ 27,365</u>	<u>\$ 4,004</u>	<u>\$ 1,226</u>	<u>\$ 470</u>	<u>\$ 241,724</u>

2020

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 30,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,104
Domestic									
Corporate	58,714	4,823	789	5,128	22,367	7,337	1,139	551	16,580
International									
Corporate	8,041	-	-	886	5,294	1,861	-	-	-
Domestic									
Government	1,113	-	655	-	458	-	-	-	-
Pooled Funds	145,324	-	-	-	-	-	-	-	145,324
	<u>\$ 243,296</u>	<u>\$ 4,823</u>	<u>\$ 1,444</u>	<u>\$ 6,014</u>	<u>\$ 28,119</u>	<u>\$ 9,198</u>	<u>\$ 1,139</u>	<u>\$ 551</u>	<u>\$ 192,008</u>

Concentration Risk

Other than investments in two and four pooled funds, respectively, the System has no individual investment at fair value that exceeds 5% of total investments at December 31, 2021 and 2020. The System adheres to the provisions of MGL Chapter 32 § 23, the rules and regulations of PERAC, and the Plan's own investment policy when managing concentration risk.

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk as of December 31, 2021 and 2020 is presented on the following tables (in thousands):

<u>2021</u>					
<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 26	\$ 26
Australian Dollar	-	-	-	3,348	3,348
Bermudian Dollar	-	-	-	303	303
Brazilian Real	-	-	-	2,748	2,748
British Pound Sterling	-	16,552	-	11,215	27,767
Canadian Dollar	-	10,432	-	400	10,832
Cayman Islands Dollar	-	-	-	406	406
Chinese Yuan Renminbi	-	-	-	25,361	25,361
Czech Koruna	-	-	-	596	596
Danish Kroner	-	3,264	-	210	3,474
Euro Currency	-	40,244	-	41,762	82,006
Hong Kong Dollar	-	1,494	-	792	2,286
Indian Rupee	-	-	-	7,192	7,192
Indonesian Rupiah	-	-	-	1,659	1,659
Israeli Shekel	-	-	-	263	263
Japanese Yen	-	17,792	-	16,262	34,054
Jordanian Dinar	-	-	-	115	115
Kazakhstani Tenge	-	-	-	74	74
Kenyan Shilling	-	-	-	325	325
Macanase Pataca	-	-	-	508	508
Mexican Peso	-	-	-	378	378
New Russian Ruble	-	-	-	3,622	3,622
Peruvian Sol	-	-	-	575	575
Philippine Peso	-	-	-	745	745
Singapore Dollar	-	313	-	-	313
South African Rand	-	-	-	2,166	2,166
South Korean Won	-	-	-	9,018	9,018
Swedish Krona	-	-	-	1,608	1,608

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2021 (Continued)

<u>Currency</u>	<u>Cash and Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Swiss Franc	-	15,584	-	1,051	16,635
Tanzanian Shilling	-	-	-	274	274
Thai Baht	-	-	-	1,361	1,361
Taiwan New Dollar	-	-	-	9,296	9,296
Turkish Lira	-	-	-	521	521
Ukrainian Hryvnia	-	-	-	88	88
Total Securities Subject to Foreign Currency Risk	<u>\$ -</u>	<u>\$105,675</u>	<u>\$ -</u>	<u>\$144,268</u>	<u>\$249,943</u>

2020

<u>Currency</u>	<u>Cash and Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 253	\$ 253
Australian Dollar	-	-	-	3,696	3,696
Bermudian Dollar	-	-	-	1,382	1,382
Brazilian Real	-	-	-	2,832	2,832
British Pound Sterling	-	9,365	-	9,122	18,487
Canadian Dollar	-	288	-	244	532
Cayman Islands Dollar	-	-	-	4,120	4,120
Chinese Yuan Renminbi	-	-	-	19,986	19,986
Czech Koruna	-	-	-	283	283
Danish Kroner	-	2,169	-	643	2,812
Euro Currency	-	35,227	-	28,224	63,451
Hong Kong Dollar	-	2,490	-	2,111	4,601
Indian Rupee	-	-	-	4,140	4,140
Indonesian Rupiah	-	-	-	747	747
Israeli Shekel	-	-	-	298	298
Japanese Yen	-	13,646	-	19,708	33,354
Kazakhstani Tenge	-	-	-	303	303
Kenyan Shilling	-	-	-	348	348
Mexican Peso	-	-	-	891	891
New Russian Ruble	-	-	-	1,480	1,480

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2020 (Continued)

<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Philippine Peso		-	-	238	238
Singapore Dollar	-	1,021	-	-	1,021
South African Rand	-	-	-	2,021	2,021
South Korean Won	-	-	-	5,954	5,954
Swedish Krona	-	634	-	1,497	2,131
Swiss Franc	-	13,461	-	553	14,014
Thai Baht	-	-	-	1,165	1,165
Taiwan New Dollar	-	-	-	10,298	10,298
Turkish Lira	-	-	-	496	496
Total Securities Subject to Foreign Currency Risk	\$ -	<u>\$78,301</u>	\$ -	<u>\$123,033</u>	<u>\$201,334</u>

NOTE 6 – LEGALLY REQUIRED RESERVES

The System's legally required reserves are all funded at levels required by state statute and were as follows as of December 31:

	<u>2021</u>	<u>2020</u>
Annuity Savings Fund	\$ 314,733,667	\$ 308,439,412
Annuity Reserve Fund	89,264,339	84,381,588
Military Service Fund	38,029	37,991
Pension Fund	12,717,120	17,946,471
Pension Reserve Fund	1,007,703,825	789,958,665
Expense Fund	-	-
	<u>\$1,424,456,980</u>	<u>\$1,200,764,127</u>

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 6 – LEGALLY REQUIRED RESERVES (Continued)

The *Annuity Savings Fund* is the fund in which member's contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of 10 years of inactivity.

The *Annuity Reserve Fund* is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Military Service Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The *Military Service Fund* contains contributions and interest for members while on military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund.

The *Pension Fund* contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The *Pension Reserve Fund* contains the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Special Military Credit Service Fund and Expense Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 7 – FUNDING POLICY

Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

The participating employers' budgeted contributions to the System for the employer fiscal years ended June 30, 2022 and 2021 were as follows (in thousands):

	<u>2022</u>	<u>2021</u>
Town of Avon	\$ 1,590	\$ 1,446
Avon Housing Authority	15	14
Town of Bellingham	3,338	3,628
Bellingham Housing Authority	51	34
Town of Canton	6,581	6,144
Canton Housing Authority	113	100
Town of Cohasset	3,274	2,686
Cohasset Housing Authority	20	19
Norfolk County	4,302	4,137
Charles River Pollution Control	172	192
Town of Dover	1,504	1,550
Dover-Sherborn Regional High School	834	961
Town of Foxboro	5,576	5,283
Foxboro Housing Authority	115	88
Town of Franklin	6,819	6,290
Franklin Housing Authority	107	100
Town of Holbrook	2,444	2,335
Holbrook Housing Authority	58	45
King Philip Regional School District	894	819
Town of Medfield	3,162	3,027
Medfield Housing Authority	17	16
Town of Medway	3,332	2,867
Medway Housing Authority	81	99
Metacomet Emergency Communication	371	-
Town of Millis	2,243	1,984
Millis Housing Authority	58	48
Town of Norfolk	2,633	2,464
Norfolk Housing Authority	39	37
Norfolk Mosquito Control	246	229
Town of Plainville	2,438	2,151
Town of Randolph	7,170	6,805
Randolph Housing Authority	117	109

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 7 – FUNDING POLICY (Continued)

Town of Sharon	5,027	4,838
Sharon Housing Authority	41	14
Town of Stoughton	6,829	6,423
Stoughton Housing Authority	114	89
Town of Walpole	6,083	5,549
Walpole Housing Authority	69	63
Town of Westwood	6,242	5,896
Town of Wrentham	2,452	2,342
Wrentham Housing Authority	32	31
Dedham Westwood Water District	636	600
	<u>\$87,239</u>	<u>\$81,552</u>

NOTE 8 – NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Total Pension Liability	\$1,793,000,074	\$1,711,518,701
Fiduciary Net Position	<u>1,424,456,980</u>	<u>1,200,764,127</u>
System's Net Pension Liability	<u>\$ 368,543,094</u>	<u>\$ 516,754,574</u>

Fiduciary Net Position as a percentage of total pension liability	79.4%	70.2%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method	Open-Level percent of payroll
Asset valuation method	Market value
Investment rate of return	7.75%
Projected salary increases	3.5% - 5.5%
Inflation	3.0%
Cost of living increases	3.0% of first \$18,000
Mortality:	The RP-2014 Blue Collar Mortality Table with Scale with MP-2014

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 8 – NET PENSION LIABILITY (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Domestic Equity	30.5%	30.5%	7.0%	6.6%
International Equities	15.5	15.5	7.7%	8.0%
Fixed Income	20.5	20.5	4.3%	3.8%
Real Estate	9.5	9.5	6.9%	8.2%
Private Equity	10.0	10.0	9.4%	9.9%
Hedge Funds	11.5	11.5	8.6%	7.2%
Real Assets	<u>2.5</u>	<u>2.5</u>	8.9%	8.2%
Total	<u>100.0%</u>	<u>100.0%</u>		

The annual money-weighted rate of return on investments, net of investment expense was 18.52% and 11.93% for the years ended December 31, 2021 and 2020, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The above was the Board's adopted asset allocation policy and best estimates of real rates of return for each major asset class as of December 31, 2021 and 2020.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2021 and 2020 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by 2040. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of December 31, 2021 and 2020. For 2021 and 2020, the net pension liability was calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.75%) or one-percentage point higher (8.75%) than the current rate.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2021 AND 2020

NOTE 8 – NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

	<u>2021</u>		
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$555,622,368	\$368,543,094	\$209,554,987
	<u>2020</u>		
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$687,611,099	\$510,754,574	\$357,870,076

NOTE 9 – LEASE COMMITMENTS

The System leases office space under an operating lease through August 2026. The lease also provides for the payment of common area costs, real estate taxes and utilities. Future minimum lease payments under the lease is as follows:

<u>Year</u>	<u>Amount</u>
2022	\$ 49,250
2023	50,750
2024	52,250
2025	53,750
2026	36,500
Total	<u>\$242,500</u>

Rent expense for the years ended December 31, 2021 and 2020 was \$62,546 and \$60,342, respectively.

NOTE 10 – UNCERTAINTIES

The System is, from time to time, involved in legal matters arising in the normal course of its administration of member benefits that, in the opinion of management, will not have a material effect on the net assets of the System.

NOTE 11 – SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through October 19, 2022, the date the basic financial statements were available to be issued. No material events were identified by the System.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

YEARS ENDED DECEMBER 31, 2014 - 2021

	2021	2020	2019	2018	2017	2016	2015	2014
TOTAL PENSION LIABILITY:								
Service Cost	38,807,940	\$ 37,495,594	\$ 36,227,627	\$ 33,120,792	\$ 34,738,004	\$ 33,401,927	\$ 31,963,567	\$ 31,799,628
Interest on Liability and Service Cost	131,012,909	127,157,996	119,795,961	116,162,593	107,709,293	103,990,120	106,603,992	102,271,303
Difference Between Actual and Expected Experience	33,610,962	-	41,916,868	-	61,837,812	-	13,828,826	-
Assumption Changes	-	-	-	-	36,207,214	-	(57,518,820)	-
Change in Plan Provisions	(121,950,438)	(110,709,576)	(108,549,646)	(102,577,621)	(94,685,189)	(89,903,327)	(84,888,359)	(81,095,471)
Benefit Payments, Including Refunds of Contributions	81,481,373	53,944,014	94,785,736	46,705,764	158,033,029	47,488,720	9,989,206	52,975,460
NET CHANGE IN TOTAL PENSION LIABILITY	1,711,518,701	1,657,574,687	1,562,786,951	1,516,083,187	1,358,050,158	1,310,561,438	1,300,572,232	1,247,596,172
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	\$ 1,793,000,074	\$ 1,711,518,701	\$ 1,657,574,687	\$ 1,562,786,951	\$ 1,516,083,187	\$ 1,358,050,158	\$ 1,310,561,438	\$ 1,300,572,232
TOTAL PENSION LIABILITY - END OF YEAR (a)								
CHANGE IN FIDUCIARY NET POSITION								
Contributions - Employer	85,675,573	80,090,560	74,899,528	69,957,756	\$ 64,009,904	\$ 58,539,478	\$ 53,201,088	\$ 48,383,549
Contributions - Member	35,368,122	33,847,164	33,722,562	32,290,608	29,351,605	29,448,483	26,920,012	26,322,747
Net Investment Income	222,203,572	124,083,043	156,013,794	(53,017,332)	125,637,080	68,848,066	(11,383,452)	34,539,916
Benefit Payments, Including Refunds of Contributions	(121,950,438)	(110,709,576)	(108,549,848)	(102,577,621)	(94,685,189)	(89,903,327)	(84,888,359)	(81,095,471)
Administrative Expenses	(1,422,126)	(1,165,174)	(1,233,819)	(1,215,116)	(1,215,601)	(1,193,583)	(1,158,971)	(1,077,892)
Other	3,818,150	4,146,800	3,760,532	3,331,428	3,933,503	2,939,696	2,711,397	2,021,260
NET CHANGE IN FIDUCIARY NET POSITION	223,692,853	130,302,817	158,612,749	(51,230,277)	127,051,302	68,678,813	(14,598,305)	29,094,109
FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,200,764,127	1,070,461,310	911,845,561	963,078,838	836,027,536	767,348,723	781,947,028	752,852,919
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 1,424,456,980	\$ 1,200,764,127	\$ 1,070,461,310	\$ 911,845,561	\$ 963,078,838	\$ 836,027,536	\$ 767,348,723	\$ 781,947,028
NET PENSION LIABILITY - END OF YEAR (a) - (b)	\$ 368,543,094	\$ 510,754,574	\$ 587,113,377	\$ 650,940,390	\$ 553,004,349	\$ 522,022,622	\$ 543,212,715	\$ 518,625,204
FIDUCIARY NET POSITION as a PERCENTAGE OF TOTAL PENSION LIABILITY	79.4%	70.2%	64.6%	58.3%	63.5%	61.6%	58.6%	60.1%
COVERED EMPLOYEE PAYROLL								
NET PENSION LIABILITY as a PERCENTAGE OF COVERED EMPLOYEE PAYROLL	108.5%	158.4%	188.5%	217.5%	191.3%	186.8%	203.1%	210.2%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURN

YEARS ENDED DECEMBER 31, 2014 - 2021

Annual Money-Weighted Rate of Return,
Net of Investment Expense:

2021	18.52%
2020	11.93%
2019	16.28%
2018	-4.54%
2017	14.81%
2016	8.59%
2015	-0.75%
2014	5.07%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CONTRIBUTIONS

YEARS ENDED DECEMBER 31, 2014 - 2021

	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 87,239,000	\$ 81,552,000	\$ 76,217,000	\$ 71,227,000	\$ 65,170,000	\$ 59,628,000	\$ 54,208,000	\$ 49,280,000
Actual Contributions in Relation to Actuarially Determined Contribution	87,239,000	81,552,000	76,217,000	71,227,000	65,170,000	59,628,000	54,208,000	49,280,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 339,571,217	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
Contributions as a Percentage of Covered-Employee Payroll	25.7%	25.3%	24.5%	23.8%	22.5%	21.3%	20.3%	20.0%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2021 AND 2020

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The total pension liability presented in the schedule were provided by the System's actuarial consultant, Sherman Actuarial Services, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The related ratios show Plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

2. SCHEDULE OF INVESTMENT RETURN

The annual money-weighted rate of return is calculated as the internal rate of return on Plan investments, net of Plan investment expense. A money-weighted rate of return expresses investment performance, net of Plan investment expense, adjusted for changing amounts actually invested.

3. SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution amount in the schedule of contributions was calculated as of January 1, 2022 for 2021; January 1, 2020 (for 2020 and 2019); January 1, 2018 (for 2018 and 2017); January 1, 2016 (for 2016 and 2015) and as of January 1, 2015 for 2014. The following actuarial methods and assumptions were used to determine the contribution amount reported in that schedule:

Actuarial Cost Method	Individual entry age normal actuarial cost method
Amortization Method	Open – Level percent of payroll Payroll assumed to grow 3.5%-5.5% per year (January 1, 2022, 2020, 2018 and 2016) and 4% per year (January 1, 2015)
Asset Valuation Method	Market value as reported to PERAC
Inflation	3.0% (January 1, 2022 and 2020) 4.0% (January 1, 2018 and 2016) 4.5% (January 1, 2015)
Investment Rate of Return	7.75% (January 1, 2022, 2020 and 2018) 8.0% (January 1, 2016) 8.25% (January 1, 2015)
Cost of Living Adjustments	3.0% of first \$18,000 (January 1, 2022 and 2020) and 3% of first \$17,000 (January 1, 2018) and 3% of first \$15,000 (January 1, 2016 and 2015) of retirement income
Mortality Table	RP-2014 Blue Collar Mortality Table with Scale with MP-2014 (January 1, 2022, 2020, 2018 and 2016) RP-2000 Mortality Table adjusted with Scale AA (January 1, 2015)

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

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

We have audited, in accordance with the 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 Norfolk County Retirement System, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Norfolk County Retirement System's basic financial statements, and have issued our report thereon dated October 19, 2022.

Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

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

Purpose of this Report

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

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts

October 19, 2022

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NORFOLK COUNTY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2020 AND 2019

NORFOLK COUNTY RETIREMENT SYSTEM

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INDEPENDENT AUDITOR'S REPORT

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

Report on Financial Statements

We have audited the accompanying financial statements of Norfolk County Retirement System (the System), which comprise the statements of fiduciary net position as of December 31, 2020 and 2019 and the related statements of changes in fiduciary net position for the years then ended, 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits 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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of Norfolk County Retirement System as of December 31, 2020 and 2019, and the changes in fiduciary net position for the years 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 on pages 3 through 7 and the supplementary Schedule of Changes in Net Pension Liability and Related Ratios, Investment Return, and Contributions, and the notes to the required supplementary information on pages 28 through 31 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 our report dated October 27, 2021 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
October 27, 2021

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

DECEMBER 31, 2020 AND 2019

The following discussion provides an overview and analysis of the fiduciary net position and changes in fiduciary net position of the Norfolk County Retirement System (the System or Plan) by management for the years ended December 31, 2020 and 2019. Please refer to the audited financial statements when reading this discussion.

Overview of the Financial Statements

The System's financial statements comprise a statements of fiduciary net position, statements of changes in fiduciary net position, notes to the financial statements and required supplementary information.

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

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pension benefits changed during the years ended December 31, 2020 and 2019. It reflects in total the contributions by members and participating employers, along with deductions for retirement benefits, refunds and withdrawals, and administrative expenses. Investment income from investing and securities lending activities is also presented.

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

The Required Supplementary Information includes management's discussion and analysis, schedules of changes in net pension liability and related ratios, schedule of investment return, schedules of contributions and related notes.

Financial Highlights and Analysis

- The net position restricted for pension benefits is available for payment of monthly retirement benefits and other qualified distributions to the System's participants. Net position restricted for pension benefits was \$1.2 billion at December 31, 2020 compared to \$1.1 billion at December 31, 2019. The increase in net position of \$130 million resulted primarily from an increase in the fair value of portfolio investments.

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NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2020 AND 2019

The following tables present the current and prior year condensed data on the System's financial statements.

Fiduciary Net Position

	<u>2020</u>	<u>2019</u>
Assets		
Cash and cash equivalents	\$ 31,454,138	\$ 20,538,918
Investments	1,170,755,871	945,625,482
Receivables	<u>4,410,098</u>	<u>150,128,495</u>
Total assets	1,206,620,107	1,116,292,895
Liabilities		
Accounts payable	<u>5,855,980</u>	<u>45,831,585</u>
Net Position		
Net position restricted for pensions	<u>\$1,200,764,127</u>	<u>\$1,070,461,310</u>

Changes in Fiduciary Net Position

Additions		
Contributions	\$ 113,937,724	\$ 108,622,090
Net investment income	124,093,043	156,013,794
Other	<u>4,146,800</u>	<u>3,760,532</u>
Total additions	<u>242,177,567</u>	<u>268,396,416</u>
Deductions		
Benefits paid	109,037,328	106,471,795
Other	<u>2,837,422</u>	<u>3,311,872</u>
Total deductions	<u>111,874,750</u>	<u>109,783,667</u>
Change in net position	130,302,817	158,612,749
Net position restricted for pension benefits – beginning of year	<u>1,070,461,310</u>	<u>911,848,561</u>
Net position restricted for pension benefits – end of year	<u>\$1,200,764,127</u>	<u>\$1,070,461,310</u>

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2020 AND 2019

Norfolk County Retirement System 2020 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2020 was 11.93%. This performance was less than the Primary Investment Policy Benchmarks, which returned 13.18%.
- Domestic Equity managers represented 33.7% of the portfolio as of December 31, 2020. Approximately 44% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a 2020 net return of 19.26% and underperformed the Russell 3000 index that returned 20.89%.
- International Equity managers represented 16.1% of the portfolio as of December 31, 2020. Approximately 76% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity managers' net return was 14.29%, which outperformed the MSCI AC World ex US (NET) benchmark return of 11.77%.
- Domestic Fixed Income Managers represented 20.4% of the portfolio as of December 31, 2020. The overall net return for these managers was 8.32% for the year, which exceeded the return of the Barclays Aggregate Bond Index of 7.61%.
- Real Estate investment managers had a net return of 3.25% in 2020 and represented 6.1% of the total portfolio as of year-end 2020. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio outperformed the NCREIF Property Index that returned 1.60% in 2020.
- Private Equity had a net return of 23.75% in 2020 and represented 9.9% of the total portfolio as of year-end 2020. Norfolk's private equity portfolio underperformed the Cambridge Associates U.S. Private Equity index, which returned 27.45%.
- Hedge Funds had a net return of 1.73% in 2020, which underperformed the 10.88% return of the HFRI Hedge Fund-of- Funds Composite Index. Hedge funds represented 10.1% of the plan assets as of year-end 2020.
- Real Assets represented 2.0% of the portfolio as of December 31, 2020. Norfolk's real asset investment managers had a net return of 8.32% in 2020, which outperformed the Real Assets Index benchmark of 4.15%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2020 AND 2019

Norfolk County Retirement System 2019 Performance Summary

- The net performance for the Norfolk County Retirement System ("Norfolk") for 2019 was 16.28%. This performance was less than the Primary Investment Policy Benchmarks, which returned 17.53%.
- Domestic Equity managers represented 22.8% of the portfolio as of December 31, 2019. Approximately 49% of the domestic equity assets were allocated to large capitalization equity mandates and the remaining assets were allocated to mid and small capitalization managers. Domestic equities had a 2019 net return of 27.05% and underperformed the Russell 3000 index that returned 31.02%.
- International Equity managers represented 18.7% of the portfolio as of December 31, 2019. Approximately 66% of the international equity assets were allocated to developed markets and the remaining to emerging markets. International equity managers' net return was 23.40%, which outperformed the MSCI AC World ex US (NET) benchmark return of 22.01%.
- Domestic Fixed Income Managers represented 20.2% of the portfolio as of December 31, 2019. The overall net return for these managers was 10.27% for the year, which exceeded the return of the Barclays Aggregate Bond Index of 8.72%.
- Real estate investment managers had a net return of 9.22% in 2019 and represented 8.8% of the total portfolio as of year-end 2019. Norfolk's real estate exposure is comprised of core, value-add and opportunistic investment strategies. The real estate portfolio outperformed the NCREIF Property Index that returned 6.42% in 2019.
- Private equity had a net return of 6.73% in 2019 and represented 9.3% of the total portfolio as of year-end 2019. Norfolk's private equity portfolio underperformed the Cambridge Associates U.S. Private Equity Index, which returned 13.00%.
- Hedge funds had a net return of 3.92% in 2019, which underperformed the 8.42% return of the HFRI Hedge Fund-of-Funds Composite Index. Hedge funds represented 8.8% of the plan assets as of year-end 2019.
- Real Assets represented 0.3% of the portfolio as of December 31, 2019. Norfolk's Real Asset investment managers had a net return of -12.14% in 2019, which was behind the Real Assets Index benchmark of 5.72%.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) (Continued)

DECEMBER 31, 2020 AND 2019

Other Information

This financial report is designed to provide a general overview of the System's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Norfolk County Retirement Board, 480 Neponset Street #15, Canton, MA 02021.

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF FIDUCIARY NET POSITION

DECEMBER 31, 2020 AND 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
<u>CASH AND CASH EQUIVALENTS</u>	<u>\$ 31,454,138</u>	<u>\$ 20,538,918</u>
<u>INVESTMENTS, AT FAIR VALUE:</u>		
Equities	250,418,181	240,029,672
Fixed Income	97,971,682	78,745,577
Pooled Funds:		
Equity	349,134,152	220,501,031
Fixed Income	145,324,087	133,242,529
Private Equity	133,853,030	82,858,175
Real Estate	72,609,790	96,007,863
Hedge	121,444,949	94,240,635
<u>TOTAL INVESTMENTS, AT FAIR VALUE</u>	<u>1,170,755,871</u>	<u>945,625,482</u>
<u>RECEIVABLES:</u>		
Member Contributions	1,989,996	2,169,698
Intergovernmental	170,633	2,394,903
Interest and Dividend Income Due	1,010,587	725,901
Receivable for Investments Sold	1,233,778	144,833,910
Miscellaneous	5,104	4,083
<u>TOTAL RECEIVABLES</u>	<u>4,410,098</u>	<u>150,128,495</u>
<u>TOTAL ASSETS</u>	<u>1,206,620,107</u>	<u>1,116,292,895</u>
<u>LIABILITIES</u>		
<u>LIABILITIES:</u>		
Accounts Payable	937,234	1,073,633
Payable for Investments Purchased	4,918,746	44,757,952
<u>TOTAL LIABILITIES</u>	<u>5,855,980</u>	<u>45,831,585</u>
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS</u>	<u>\$ 1,200,764,127</u>	<u>\$ 1,070,461,310</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
<u>ADDITIONS:</u>		
Contributions:		
Employer	\$ 80,090,560	\$ 74,899,528
Member	<u>33,847,164</u>	<u>33,722,562</u>
Total Contributions	<u>113,937,724</u>	<u>108,622,090</u>
Investment Income:		
Net Change in Fair Value of Investments	121,089,451	152,235,864
Interest and Dividends	<u>10,199,240</u>	<u>11,423,957</u>
Total Investment Income	131,288,691	163,659,821
Less Investment Expenses	<u>7,195,648</u>	<u>7,646,027</u>
Net Investment Income	<u>124,093,043</u>	<u>156,013,794</u>
Other	<u>4,146,800</u>	<u>3,760,532</u>
<u>TOTAL ADDITIONS</u>	<u>242,177,567</u>	<u>268,396,416</u>
<u>DEDUCTIONS:</u>		
Benefits Paid	109,037,328	106,471,795
Refunds of Contributions	1,672,248	2,078,053
Administrative Expenses	<u>1,165,174</u>	<u>1,233,819</u>
<u>TOTAL DEDUCTIONS</u>	<u>111,874,750</u>	<u>109,783,667</u>
<u>CHANGE IN NET POSITION</u>	130,302,817	158,612,749
<u>NET POSITION RESTRICTED FOR PENSION BENEFITS:</u>		
<u>BEGINNING OF YEAR</u>	<u>1,070,461,310</u>	<u>911,848,561</u>
<u>END OF YEAR</u>	<u>\$ 1,200,764,127</u>	<u>\$ 1,070,461,310</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION

The Norfolk County Retirement System (the System or the Plan) is a cost-sharing multiple-employer contributory defined benefit governmental pension plan established under Chapter 32 of the Massachusetts General Laws ("MGL") covering all employees of governmental member units deemed eligible by the Norfolk County Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees.

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

The day-to-day operations of the System are managed by the Executive Director. The legislative body for the System is an Advisory Council consisting of full-time treasurers or other qualified officials of the member units. The Advisory Council meets at least twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of December 31, 2020 and 2019, the Plan's membership consisted of:

	<u>2020</u>	<u>2019</u>
Retirees and beneficiaries	3,612	3,526
Active participants	5,963	5,651
Inactive with a vested right to benefits or to receive refund of their contributions	3,394	3,419

The number of participating employers was 41 for both 2020 and 2019.

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

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

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

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

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 1 – PLAN DESCRIPTION (Continued)

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, with at least ten years of creditable service, such employees are entitled to receive one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Financial Statement Presentation

The financial statements have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting policies are described herein.

Reporting Entity

The System was established to provide retirement benefits to eligible employees of its member employers and their beneficiaries.

Cash and Cash Equivalents

Cash and cash equivalents are considered to cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition.

Investments

Investments are reported at fair value. Fair values of securities held directly are based on quotations from national securities exchanges, except for pooled funds, alternative investments, real estate, and hedge funds, for which fair values are estimated as detailed below.

Pooled Equity and Fixed Income Funds – The fair value of shares in managed investment pools is based on unit values reported by the managers of those respective funds.

Pooled Private Equity Funds – Pooled private equity funds include holdings through equity interests in various limited partnerships. These investments are carried at the limited partnership interest or redemption value, the equivalent of net asset value, which approximates fair value. Values assigned to such investments are based on available information and do not necessarily represent amounts

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NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments (Continued)

that may ultimately be realized in liquidation. Liquidation values depend largely on future circumstances, including marketability, and frequently cannot reasonably be estimated until at, or near, the liquidation date.

Pooled Real Estate Funds – Real estate investments consist of interests in commercial properties held by various partnerships and other limited liability entities, some of which utilize debt financing. Fair values of such holdings are reported based on net asset values of the entities, which are estimated using third-party appraisals and other information provided by the property managers.

Pooled Hedge Funds – The fair value of shares in managed hedge funds is based on unit values reported by the managers of those respective funds.

Investments Sold and Investments Purchased

Receivables for investments sold represent amounts due from brokers for unsettled security sales transactions at year end. Liabilities for investments purchased represent amounts due to brokers for unsettled purchases at year end.

Revenue Recognition

Contributions are recognized as additions in the period when they become due pursuant to formal statutory obligations. Investment income is recognized when earned.

Benefit Payments and Refunds of Contributions

Benefits and refunds to Plan members and beneficiaries are recognized as expenses when due and payable in accordance with the terms of the Plan.

Intergovernmental, Reimbursements and Transfers to Other Systems

When members transfer to or from other Massachusetts public retirement systems, their cumulative contributions are transferred from the prior employer to the respective Massachusetts public retirement system, and are recognized as receipts or expenses when paid.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from estimates. Fair values of real estate, alternative investment and hedge fund holdings are generally estimated absent readily available market values, and such estimates may be materially different from values that would have been used if a ready market existed.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement. Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with PERAC.

The Advisory Council consists of the full time treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement as well as a Chair from among its members. The Advisory Council is required by statute to meet twice per year.

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

Board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for the System provides \$50,000,000 fiduciary protection for Trustees and employees, as well as a \$1,000,000 fidelity policy for crime coverage.

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS

The System's investments are measured and reported at fair value. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets that can be accessed at the measurement date.
- Level 2 - Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 - Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest to Level 3 inputs.

In certain instances, where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Fair value of certain investments that do not have a readily determinable fair value is established using net asset value (or its equivalent) as a practical expedient. These investments are not categorized according to the fair value hierarchy.

The following tables present a summary of the fair value hierarchy of investments and short-term holdings that are measured at fair value on a recurring basis at December 31, 2020 and 2019 (in thousands):

2020

		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>	<u>Total</u>			
Short-Term Investment Funds	\$ 20,855	\$ -	\$ 20,855	\$ -
Equities:				
Common Stock	247,529	247,529	-	-
Real Estate Investment Trusts	2,889	2,889	-	-
Total Equities	<u>250,418</u>	<u>250,418</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Collateralized Mortgage Obligations	4,207	-	4,207	-
Corporate Bonds	62,549	-	62,549	-
Government Issues	30,103	10,874	19,229	-
Municipals	1,113	-	1,113	-
Total Fixed Income	<u>97,972</u>	<u>10,874</u>	<u>87,098</u>	<u>-</u>
Pooled Funds:				
Equity	349,134	-	-	349,134
Fixed Income	107,834	-	-	107,834
Private Equity	22,997	-	-	22,997
Real Estate	46,623	-	-	46,623
Hedge	-	-	-	-
Total Pooled Funds	<u>526,588</u>	<u>-</u>	<u>-</u>	<u>526,588</u>
Total Investments by Fair Value Level	<u>\$ 895,833</u>	<u>\$ 261,292</u>	<u>\$ 107,953</u>	<u>\$ 526,588</u>
Investments Measured at Net Asset Value (NAV):				
Pooled Fixed Income Funds	\$ 37,490			
Pooled Private Equity Funds	110,856			
Pooled Real Estate Funds	25,987			
Pooled Hedge Funds	121,445			
Total Investments Measured at NAV	<u>\$ 295,778</u>			
Total Investments Measured at Fair Value	<u>\$ 1,191,611</u>			

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

		2019		
		Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level	Total			
Short-Term Investment Funds	\$ 18,664	\$ -	\$ 18,664	\$ -
Equities:				
Common Stock	237,168	237,168	-	-
Real Estate Investment Trusts	2,862	2,862	-	-
Total Equities	<u>240,030</u>	<u>240,030</u>	<u>-</u>	<u>-</u>
Fixed Income:				
Collateralized Mortgage Obligations	8,205	-	8,205	-
Corporate Bonds	47,856	-	47,856	-
Government Issues	22,110	5,582	16,528	-
Municipals	574	-	574	-
Total Fixed Income	<u>78,745</u>	<u>5,582</u>	<u>73,163</u>	<u>-</u>
Pooled Funds:				
Equity	215,194	-	-	215,194
Fixed Income	98,461	-	-	98,461
Private Equity	13,791	-	-	13,791
Real Estate	68,625	-	-	68,625
Hedge	-	-	-	-
Total Pooled Funds	<u>396,071</u>	<u>-</u>	<u>-</u>	<u>396,071</u>
Total Investments by Fair Value Level	<u>\$ 733,510</u>	<u>\$ 245,612</u>	<u>\$ 91,827</u>	<u>\$ 396,071</u>
Investments Measured at Net Asset Value (NAV):				
Pooled Equity Funds	\$ 5,307			
Pooled Fixed Income Funds	34,781			
Pooled Private Equity Funds	69,067			
Pooled Real Estate Funds	27,383			
Pooled Hedge Funds	94,241			
Total Investments Measured at NAV	\$ 230,779			
Total Investments Measured at Fair Value	\$ 964,289			

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 4 – FAIR VALUE MEASUREMENTS OF INVESTMENTS (Continued)

Reconciliation of Total Investments Measured at Fair Value (listed above) to the Statement of Fiduciary Net Position (in thousands):

	<u>2020</u>	<u>2019</u>
Total Investments Measured at Fair Value per above:	\$1,191,611	\$964,289
Short-Term Investment Funds classified as Cash and Cash Equivalents on Statement of Fiduciary Net Position	<u>(20,855)</u>	<u>(18,664)</u>
Total Investments on Statement of Fiduciary Net Position	<u>\$1,170,756</u>	<u>\$945,625</u>

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES

The following disclosures represent essential risk information about the System's deposits and investments.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of bank failure, the System's deposits may not be returned. The System carries deposits that are insured by FDIC insurance up to \$250,000 per financial institution. The System evaluates each financial institution and assesses the level of risk of each institution and only uses those institutions with an acceptable level of risk. At December 31, 2020 and 2019, the System had cash balances at two financial institutions in excess of FDIC limits of approximately \$11,306,000 and \$2,890,000, respectively.

Investment Policy

The provisions of M.G.L. Chapter 32 § 23 (2) and the Plan's own investment policy govern the System's investment practice. The Board retains an investment consultant to assure that strategic investment diversification is attained, to employ investment managers with expertise in their respective asset classes, and to closely monitor the implementation and performance of the respective investment strategies. The System invests in stocks (domestic and foreign), fixed income securities (domestic and foreign), private equity, real estate and hedge funds.

Custodial Credit Risk - Investments

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the System would not be able to recover the value of investment or securities. The System's investments are held by the System's custodian and registered in the System's name. All of the System's securities are held by the System's custodial bank in the System's name, except for investments in pooled funds, which by their nature, do not have securities that are used as evidence of the investment.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Interest Rate Risk

The following is a listing of the System's fixed income investments (in thousands) and related maturity schedule (in years) as of December 31, 2020 and 2019:

2020

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 30,104	\$ -	\$ 4,695	\$ 2,218	\$23,191
Domestic Corporate	58,714	2,405	13,119	4,740	38,450
International Corporate	8,041	-	4,965	1,934	1,142
Domestic Government	1,113	-	1,113	-	-
	<u>\$ 97,972</u>	<u>\$ 2,405</u>	<u>\$23,892</u>	<u>\$ 8,892</u>	<u>\$62,783</u>

2019

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1</u>	<u>1 – 5</u>	<u>6 – 10</u>	<u>More than 10</u>
U.S. Agencies	\$ 22,111	\$ -	\$ -	\$ 247	\$21,864
Domestic Corporate	49,925	2,014	14,402	4,992	28,517
International Corporate	6,135	923	3,791	994	427
Domestic Government	574	-	574	-	-
	<u>\$ 78,745</u>	<u>\$ 2,937</u>	<u>\$ 18,767</u>	<u>\$ 6,233</u>	<u>\$50,808</u>

The System's guidelines do not specifically address limits on maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The managers of each fixed income portfolio are responsible for determining the maturity and commensurate returns of their portfolio.

Credit Risk

The System allows investment managers to apply discretion under the Prudent Person rule. Investments are made, as a prudent person would be expected to act with discretion and intelligence, to seek reasonable income, preserve capital and, in general, avoid speculative investments.

The System's fixed income investments as of December 31, 2020 and 2019 were rated by Standard & Poor's and/or an equivalent national rating organization and the ratings are presented below (in thousands) using the Standard & Poor's rating scale:

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Credit Risk (Continued)

2020

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 30,104	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,104
Domestic									
Corporate	58,714	4,823	789	5,128	22,367	7,337	1,139	551	16,580
International									
Corporate	8,041	-	-	886	5,294	1,861	-	-	-
Domestic									
Government	1,113	-	655	-	458	-	-	-	-
Pooled Funds	145,324	-	-	-	-	-	-	-	145,324
	<u>\$ 243,296</u>	<u>\$ 4,823</u>	<u>\$ 1,444</u>	<u>\$ 6,014</u>	<u>\$ 28,119</u>	<u>\$ 9,198</u>	<u>\$ 1,139</u>	<u>\$ 551</u>	<u>\$ 192,008</u>

2019

Investment Type	Fair Value	AAA	AA	A	BBB	BB	B	CC to D	Not Rated
U.S. Agencies	\$ 22,111	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,111
Domestic									
Corporate	49,925	4,468	696	5,023	25,803	5,470	30	633	7,802
International									
Corporate	6,135	-	-	961	4,664	510	-	-	-
Domestic									
Government	574	-	-	-	574	-	-	-	-
Pooled Funds	133,242	-	-	-	-	-	-	-	133,242
	<u>\$ 211,987</u>	<u>\$ 4,468</u>	<u>\$ 696</u>	<u>\$ 5,984</u>	<u>\$ 31,041</u>	<u>\$ 5,980</u>	<u>\$ 30</u>	<u>\$ 633</u>	<u>\$ 163,155</u>

Concentration Risk

Other than investments in two and four pooled funds, respectively, the System has no individual investment at fair value that exceeds 5% of total investments at December 31, 2020 and 2019. The System adheres to the provisions of MGL Chapter 32 § 23, the rules and regulations of PERAC, and the Plan's own investment policy when managing concentration risk.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Similar to the investments in domestic equities, the System employs or encourages its investment advisor to employ diversification, asset allocation, and quality strategies. Risk of loss arises from changes in currency exchange rates. The System's exposure to foreign currency risk as of December 31, 2020 and 2019 is presented on the following tables (in thousands):

	<u>2020</u>				
<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 253	\$ 253
Australian Dollar	-	-	-	3,696	3,696
Bermudian Dollar	-	-	-	1,382	1,382
Brazilian Real	-	-	-	2,832	2,832
British Pound Sterling	-	9,365	-	9,122	18,487
Canadian Dollar	-	288	-	244	532
Cayman Islands Dollar	-	-	-	4,120	4,120
Chinese Yuan Renminbi	-	-	-	19,986	19,986
Czech Koruna	-	-	-	283	283
Danish Kroner	-	2,169	-	643	2,812
Euro Currency	-	35,227	-	28,224	63,451
Hong Kong Dollar	-	2,490	-	2,111	4,601
Indian Rupee	-	-	-	4,140	4,140
Indonesian Rupiah	-	-	-	747	747
Israeli Shekel	-	-	-	298	298
Japanese Yen	-	13,646	-	19,708	33,354
Kazakhstani Tenge	-	-	-	303	303
Kenyan Shilling	-	-	-	348	348
Mexican Peso	-	-	-	891	891
New Russian Ruble	-	-	-	1,480	1,480
Philippine Peso	-	-	-	238	238
Singapore Dollar	-	1,021	-	-	1,021
South African Rand	-	-	-	2,021	2,021
South Korean Won	-	-	-	5,954	5,954
Swedish Krona	-	634	-	1,497	2,131

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2020 (Continued)

<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Swiss Franc	-	13,461	-	553	14,014
Thai Baht	-	-	-	1,165	1,165
Taiwan New Dollar	-	-	-	10,298	10,298
Turkish Lira	-	-	-	496	496
Total Securities Subject to Foreign Currency Risk	\$ -	\$78,301	\$ -	\$123,033	\$201,334

2019

<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Argentine Peso	\$ -	\$ -	\$ -	\$ 872	\$ 872
Australian Dollar	-	375	-	2,373	2,748
Bermudian Dollar	-	-	-	745	745
Brazilian Real	-	-	-	5,266	5,266
British Pound Sterling	-	13,257	-	6,888	20,145
Canadian Dollar	-	1,077	-	64	1,141
Cayman Islands Dollar	-	-	-	13,734	13,734
Chinese Yuan Renminbi	-	-	-	8,328	8,328
Czech Koruna	-	-	-	413	413
Danish Kroner	-	2,355	-	159	2,514
Euro Currency	-	37,711	-	22,719	60,430
Hong Kong Dollar	-	2,614	-	2,747	5,361
Indian Rupee	-	-	-	1,393	1,393
Indonesian Rupiah	-	-	-	1,732	1,732
Israeli Shekel	-	-	-	343	343
Japanese Yen	-	13,009	-	17,977	30,986
Kazakhstani Tenge	-	-	-	291	291
Kenyan Shilling	-	-	-	365	365
Malaysian Ringgit	-	-	-	822	822
Mexican Peso	-	-	-	988	988
New Russian Ruble	-	-	-	1,969	1,969
Norwegian Krone	-	-	-	907	907

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2020 AND 2019**

NOTE 5 – DEPOSIT AND INVESTMENT RISK DISCLOSURES (Continued)

Foreign Currency Risk (Continued)

2019 (Continued)

<u>Currency</u>	<u>Cash and Cash Equivalents</u>	<u>Equity</u>	<u>Fixed Income</u>	<u>Pooled Funds</u>	<u>Total</u>
Philippine Peso		-	-	345	345
Singapore Dollar	-	1,272	-	-	1,272
South African Rand	-	-	-	3,443	3,443
South Korean Won	-	-	-	4,357	4,357
Swedish Krona	-	778	-	1,235	2,013
Swiss Franc	-	15,015	-	763	15,778
Thai Baht	-	-	-	1,224	1,224
Taiwan New Dollar	-	-	-	6,136	6,136
Turkish Lira	-	-	-	47	47
Total Securities Subject to Foreign Currency Risk	\$ -	\$87,463	\$ -	\$108,645	\$196,108

NOTE 6 – LEGALLY REQUIRED RESERVES

The System's legally required reserves are all funded at levels required by state statute and were as follows as of December 31:

	<u>2020</u>	<u>2019</u>
Annuity Savings Fund	\$ 308,439,412	\$ 296,098,905
Annuity Reserve Fund	84,381,588	82,242,071
Military Service Fund	37,991	37,953
Pension Fund	17,946,471	2,247,864
Pension Reserve Fund	789,958,665	689,834,517
Expense Fund	-	-
	<u>\$1,200,764,127</u>	<u>\$1,070,461,310</u>

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 6 – LEGALLY REQUIRED RESERVES (Continued)

The *Annuity Savings Fund* is the fund in which member's contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of 10 years of inactivity.

The *Annuity Reserve Fund* is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and the Military Service Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The *Military Service Fund* contains contributions and interest for members while on military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military. Upon retirement, a member's contributions and interest are transferred to the Annuity Reserve Fund.

The *Pension Fund* contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The *Pension Reserve Fund* contains the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Special Military Credit Service Fund and Expense Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 7 – FUNDING POLICY

Participating employers are required to pay into the System their share of the remaining actuarially determined contribution and plan administration costs, which are apportioned among the participating employers based on an actuarial computation.

The participating employers' budgeted contributions to the System for the employer fiscal years ended June 30, 2021 and 2020 were as follows (in thousands):

	<u>2021</u>	<u>2020</u>
Town of Avon	\$ 1,446	\$ 1,351
Avon Housing Authority	14	13
Town of Bellingham	3,628	3,388
Bellingham Housing Authority	34	32
Town of Canton	6,144	5,740
Canton Housing Authority	100	93
Town of Cohasset	2,686	2,509
Cohasset Housing Authority	19	18
Norfolk County	4,137	3,910
Charles River Pollution Control	192	180
Town of Dover	1,550	1,448
Dover-Sherborn Regional High School	961	897
Town of Foxboro	5,283	4,934
Foxboro Housing Authority	88	82
Town of Franklin	6,290	5,873
Franklin Housing Authority	100	94
Town of Holbrook	2,335	2,181
Holbrook Housing Authority	45	42
King Philip Regional School District	819	765
Town of Medfield	3,027	2,826
Medfield Housing Authority	16	15
Town of Medway	2,867	2,677
Medway Housing Authority	99	92
Town of Millis	1,984	1,852
Millis Housing Authority	48	45
Town of Norfolk	2,464	2,303
Norfolk Housing Authority	37	35
Norfolk Mosquito Control	229	214
Town of Plainville	2,151	2,009
Town of Randolph	6,805	6,359
Randolph Housing Authority	109	102

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 7 – FUNDING POLICY (Continued)

Town of Sharon	4,838	4,517
Sharon Housing Authority	14	14
Town of Stoughton	6,423	5,999
Stoughton Housing Authority	89	83
Town of Walpole	5,549	5,184
Walpole Housing Authority	63	59
Town of Westwood	5,896	5,507
Town of Wrentham	2,342	2,186
Wrentham Housing Authority	31	29
Dedham Westwood Water District	600	560
	<u>\$81,552</u>	<u>\$76,217</u>

NOTE 8 – NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2020 and 2019, are as follows:

	<u>2020</u>	<u>2019</u>
Total Pension Liability	\$1,711,518,701	\$1,657,574,687
Fiduciary Net Position	<u>1,200,764,127</u>	<u>1,070,461,310</u>
System's Net Pension Liability	\$ <u>510,754,574</u>	\$ <u>587,113,377</u>

Fiduciary Net Position as a percentage of total pension liability	70.2%	64.6%
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Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2020. The following actuarial assumptions were applied to all periods included in the measurement:

Actuarial cost method:	Entry Age Normal Cost Method
Amortization method	Open-Level percent of payroll
Asset valuation method	Market value
Investment rate of return	7.75%
Projected salary increases	3.5% - 5.5%
Inflation	3.0%
Cost of living increases	3.0% of first \$18,000
Mortality:	The RP-2014 Blue Collar Mortality Table with Scale with MP-2014

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 8 – NET PENSION LIABILITY (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>		<u>Long-term Expected Real Rate of Return</u>	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
Domestic Equity	30.5%	30.5%	6.6%	6.6%
International Equities	15.5	15.5	8.0%	8.0%
Fixed Income	20.5	20.5	3.8%	3.8%
Real Estate	9.5	9.5	8.2%	8.2%
Private Equity	10.0	10.0	9.9%	9.9%
Hedge Funds	11.5	11.5	7.2%	7.2%
Real Assets	<u>2.5</u>	<u>2.5</u>	8.2%	8.2%
Total	<u>100.0%</u>	<u>100.0%</u>		

The annual money-weighted rate of return on investments, net of investment expense was 11.93% and 16.28% for the years ended December 31, 2020 and 2019, respectively. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The above was the Board's adopted asset allocation policy and best estimates of real rates of return for each major asset class as of December 31, 2020 and 2019.

Discount Rate

The discount rate used to measure the total pension liability as of December 31, 2020 and 2019 was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at contractually required rates, actuarially determined. Under Chapter 32 of the MGL, employers are required to make the necessary contributions such that the Plan reaches full funding status by 2040. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System as of December 31, 2020 and 2019. For 2020 and 2019, the net pension liability was calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is one-percentage point lower (6.75%) or one-percentage point higher (8.75%) than the current rate.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO FINANCIAL STATEMENTS DECEMBER 31, 2020 AND 2019

NOTE 8 – NET PENSION LIABILITY (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate (Continued)

<u>2020</u>			
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$687,611,099	\$510,754,574	\$357,870,076

<u>2019</u>			
	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
System's Net Pension Liability	\$762,545,338	\$587,113,377	\$438,049,042

NOTE 9 – LEASE COMMITMENTS

The System leases office space under an operating through August 2026. The lease also provides for the payment of common area costs, real estate taxes and utilities. Future minimum lease payments under the lease is as follows:

<u>Year</u>	<u>Amount</u>
2021	\$ 48,250
2022	49,250
2023	50,750
2024	52,250
2025	53,750
2026	<u>36,500</u>
Total	<u>\$290,750</u>

Rent expense for the years ended December 31, 2020 and 2019 was \$60,342 and \$59,728, respectively.

NOTE 10 – UNCERTAINTIES

The System is, from time to time, involved in legal matters arising in the normal course of its administration of member benefits that, in the opinion of management, will not have a material effect on the net assets of the System.

NOTE 11 – SUBSEQUENT EVENTS

The System has performed an evaluation of subsequent events through October 27, 2021, the date the basic financial statements were available to be issued. No material events were identified by the System.

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
YEARS ENDED DECEMBER 31, 2014 - 2020

	2020	2019	2018	2017	2016	2015	2014
<u>TOTAL PENSION LIABILITY:</u>							
Service Cost	\$ 37,495,594	\$ 36,227,627	\$ 33,120,792	\$ 34,738,004	\$ 33,401,927	\$ 31,963,567	\$ 31,799,628
Interest on Liability and Service Cost	127,157,996	119,795,961	116,162,593	107,709,293	103,990,120	106,603,992	102,271,303
Difference Between Actual and Expected Experience	-	41,916,968	-	61,837,812	-	13,828,826	-
Assumption Changes	-	-	-	36,207,214	-	(57,518,820)	-
Change in Plan Provisions	-	5,395,128	-	12,205,695	-	-	-
Benefit Payments, Including Refunds of Contributions	(110,709,576)	(108,549,848)	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)	(81,095,471)
NET CHANGE IN TOTAL PENSION LIABILITY	53,944,014	94,785,736	46,705,764	158,033,029	47,488,720	9,989,206	52,975,460
TOTAL PENSION LIABILITY - BEGINNING OF YEAR	1,657,574,687	1,562,788,951	1,516,083,187	1,358,050,158	1,310,561,438	1,300,572,232	1,247,596,772
TOTAL PENSION LIABILITY - END OF YEAR (a)	\$ 1,711,518,701	\$ 1,657,574,687	\$ 1,562,788,951	\$ 1,516,083,187	\$ 1,358,050,158	\$ 1,310,561,438	\$ 1,300,572,232
CHANGE IN FIDUCIARY NET POSITION							
Contributions - Employer	80,090,560	74,899,528	69,957,766	\$ 64,009,904	\$ 58,539,478	\$ 53,201,068	\$ 48,383,549
Contributions - Member	33,847,164	33,722,562	32,290,608	29,351,605	29,448,483	26,920,012	26,322,747
Net Investment Income	124,093,043	156,013,794	(53,017,332)	125,637,080	68,848,066	(11,383,452)	34,539,916
Benefit Payments, Including Refunds of Contributions	(110,709,576)	(108,549,848)	(102,577,621)	(94,665,189)	(89,903,327)	(84,888,359)	(81,095,471)
Administrative Expenses	(1,165,174)	(1,233,819)	(1,215,116)	(1,215,601)	(1,193,583)	(1,158,971)	(1,077,892)
Other	4,146,800	3,760,532	3,331,428	3,933,503	2,939,696	2,711,397	2,021,260
NET CHANGE IN FIDUCIARY NET POSITION	130,302,817	158,612,749	(51,230,277)	127,051,302	68,678,813	(14,598,305)	29,094,109
FIDUCIARY NET POSITION - BEGINNING OF YEAR	1,070,461,310	911,848,561	963,078,838	836,027,536	767,348,723	781,947,028	752,852,919
FIDUCIARY NET POSITION - END OF YEAR (b)	\$ 1,200,764,127	\$ 1,070,461,310	\$ 911,848,561	\$ 963,078,838	\$ 836,027,536	\$ 767,348,723	\$ 781,947,028
NET PENSION LIABILITY - END OF YEAR (a) - (b)	\$ 510,754,574	\$ 587,113,377	\$ 650,940,390	\$ 553,004,349	\$ 522,022,622	\$ 543,212,715	\$ 518,625,204
FIDUCIARY NET POSITION as a PERCENTAGE OF TOTAL PENSION LIABILITY	70.2%	64.6%	58.3%	63.5%	61.6%	58.6%	60.1%
COVERED EMPLOYEE PAYROLL							
NET PENSION LIABILITY as a PERCENTAGE OF COVERED EMPLOYEE PAYROLL	322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
	159.4%	188.5%	217.5%	191.3%	186.8%	203.1%	210.2%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF INVESTMENT RETURN

YEARS ENDED DECEMBER 31, 2014 - 2020

Annual Money-Weighted Rate of Return,
Net of Investment Expense:

2020	11.93%
2019	16.28%
2018	-4.54%
2017	14.81%
2016	8.59%
2015	-0.75%
2014	5.07%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF CONTRIBUTIONS

YEARS ENDED DECEMBER 31, 2014 - 2020

	2020	2019	2018	2017	2016	2015	2014
Actuarially Determined Contribution	\$ 81,552,000	\$ 76,217,000	\$ 71,227,000	\$ 65,170,000	\$ 59,628,000	\$ 54,208,000	\$ 49,280,000
Actual Contributions in Relation to Actuarially Determined Contribution	81,552,000	76,217,000	71,227,000	65,170,000	59,628,000	54,208,000	49,280,000
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-Employee Payroll	\$ 322,391,403	\$ 311,489,280	\$ 299,245,268	\$ 289,125,863	\$ 279,489,744	\$ 267,454,300	\$ 246,722,941
Contributions as a Percentage of Covered-Employee Payroll	25.3%	24.5%	23.8%	22.5%	21.3%	20.3%	20.0%

This schedule is intended to present 10 years of data. Additional years will be presented when available.

See Accompanying Independent Auditors' Report and Notes to Required Supplementary Information

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020 AND 2019

1. SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

The total pension liability presented in the schedule were provided by the System's actuarial consultant, Sherman Actuarial Services, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System. The related ratios show Plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

2. SCHEDULE OF INVESTMENT RETURN

The annual money-weighted rate of return is calculated as the internal rate of return on Plan investments, net of Plan investment expense. A money-weighted rate of return expresses investment performance, net of Plan investment expense, adjusted for changing amounts actually invested.

3. SCHEDULE OF CONTRIBUTIONS

The actuarially determined contribution amount in the schedule of contributions was calculated as of January 1, 2020 (for 2020 and 2019); January 1, 2018 (for 2018 and 2017); January 1, 2016 (for 2016 and 2015) and as of January 1, 2015 for 2014. The following actuarial methods and assumptions were used to determine the contribution amount reported in that schedule:

Actuarial Cost Method	Individual entry age normal actuarial cost method
Amortization Method	Open – Level percent of payroll Payroll assumed to grow 3.5%-5.5% per year (January 1, 2020, 2018 and 2016) and 4% per year (January 1, 2015)
Asset Valuation Method	Market value as reported to PERAC
Inflation	3.0% (January 1, 2020) 4.0% (January 1, 2018 and 2016) 4.5% (January 1, 2015)
Investment Rate of Return	7.75% (January 1, 2020 and 2018) 8.0% (January 1, 2016) 8.25% (January 1, 2015)
Cost of Living Adjustments	3.0% of first \$18,000 (January 1, 2020) and 3% of of first \$17,000 (January 1, 2018) and 3% of first \$15,000 (January 1, 2016 and 2015) of retirement income
Mortality Table	RP-2014 Blue Collar Mortality Table with Scale with MP-2014 (January 1, 2020, 2018 and 2016) RP-2000 Mortality Table adjusted with Scale AA (January 1, 2015)

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

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts

We have audited, in accordance with the 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 Norfolk County Retirement System, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Norfolk County Retirement System's basic financial statements, and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts

October 27, 2021

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COMMONWEALTH OF MASSACHUSETTS

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