

Hampshire County Retirement System

**Independent Auditors' Report and
Management's Schedule of
Employer Allocations and
Schedule of Pension Amounts
By Employer**

December 31, 2015

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

HAMPSHIRE COUNTY RETIREMENT SYSTEM

DECEMBER 31, 2015

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INDEPENDENT AUDITORS' REPORT

To the Administrator of
Hampshire County Retirement System
Northampton, Massachusetts

Report on the Schedules

We have audited the accompanying schedule of employer allocations of Hampshire County Retirement System as of and for the year ended December 31, 2015, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of Hampshire County Retirement System as of and for the year ended December 31, 2015, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

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

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

evaluating the appropriateness of accounting polices used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for Hampshire County Retirement System, as of and for the years ended December 31, 2015, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Hampshire County Retirement System as of and for the year ended December 31, 2015, and our report thereon, dated November 09, 2016, expressed an unmodified opinion on those financial statements.

Restriction of Use

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

Ron L. Beaulieu & Co.

Portland, Maine
November 09, 2016

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
AS OF AND YEARS ENDED DECEMBER 31,**

<u>Employer</u>	2015	
	Actual	Employer
	Employer Contributions	Allocation Percentage
Hampshire Council of Governments	\$ 200,292	1.07529%
Town of Amherst	5,056,483	27.14635%
Amherst Housing Authority	147,963	0.79436%
Amherst-Pelham Regional School District	1,099,155	5.90095%
Town of Belchertown	2,345,461	12.59191%
Belchertown Housing Authority	29,440	0.15805%
Belchertown Water District	34,284	0.18406%
Town of Chesterfield	64,959	0.34874%
Chesterfield/Goshen Regional School District	72,177	0.38749%
Town of Cummington	37,893	0.20343%
Foothills Health District	9,022	0.04844%
Gateway Regional School District	523,284	2.80932%
Town of Goshen	54,132	0.29061%
Town of Granby	830,059	4.45628%
Granby Housing Authority	23,458	0.12594%
Town of Hadley	917,931	4.92803%
Hadley Housing Authority	7,217	0.03875%
Hampshire County Regional Housing Authority	5,413	0.02906%
Hampshire County Regional School District	420,774	2.25898%
Town of Hatfield	445,693	2.39276%
Hatfield Housing Authority	9,022	0.04844%
Town of Huntington	102,963	0.55277%
Town of Middlefield	37,893	0.20343%
Town of Pelham	169,616	0.91061%
Town of Plainfield	54,132	0.29061%
Quabbin Health District	47,490	0.25496%
South Hadley Fire District #1	481,782	2.58651%
South Hadley Fire District #2	187,660	1.00748%
Town of South Hadley	2,503,500	13.44036%
South Hadley Housing Authority	43,306	0.23249%
So Hadley-Granby-Easthampton Veterans District	12,631	0.06781%
Town of Southampton	607,900	3.26359%
Town of Ware	1,546,510	8.30264%
Ware Housing Authority	43,239	0.23213%
Town of Westhampton	171,421	0.92030%
Town of Williamsburg	218,612	1.17365%
Town of Worthington	63,968	0.34342%
Total	<u>\$ 18,626,735</u>	<u>100.00000%</u>

See Independent Auditors' Report and management's notes to schedules.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
AS OF AND YEARS ENDED DECEMBER 31,**

Employer	December 31, 2015 Net Pension Liability	2015 Deferred Outflows of Resources				2015 Deferred Inflows of Resources				2015 Pension Expense			
		Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Proportion and Share of Contributions	Differences Between Expected and Actual Experience	Changes of Assumptions	Proportion and Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportion	Total Employer Pension Expense	
Hampshire Council of Governments	\$ 2,233,072	\$ -	\$ 231,316	\$ -	\$ -	\$ -	\$ 453,011	\$ 453,011	\$ -	\$ (44,522)	\$ 215,244		
Town of Amherst	56,375,185	5,839,645	5,839,645	-	-	446,264	446,264	-	6,557,892	(49,355)	6,508,539		
Amherst Housing Authority	1,049,668	170,860	237,717	86,837	237,717	-	-	154,227	1,811,898	9,016	200,916		
Amherst-Peñham Regional School District	12,254,583	1,269,395	1,269,395	-	-	397,575	397,575	-	3,041,897	(15,990)	1,408,535		
Town of Becherowen	26,149,791	2,708,736	2,708,736	-	-	-	-	-	38,181	(36,626)	3,005,271		
Beichertown Housing Authority	328,225	33,999	116,628	82,629	116,628	-	-	-	-	6,549	44,730		
Beichertown Water District	382,240	39,594	54,462	14,868	54,462	-	-	-	44,464	1,512	45,976		
Town of Chesterfield	724,233	75,020	75,020	-	-	110,967	110,967	-	84,247	(10,406)	73,841		
Chesterfield/Goshen Regional School District	804,706	83,356	114,713	31,357	114,713	-	-	-	93,608	3,037	96,645		
Town of Cummington	422,466	43,761	43,761	-	-	15,469	15,469	-	49,144	(1,464)	47,680		
Foothills Health District	100,596	10,420	28,516	16,096	28,516	-	-	-	11,702	1,501	13,203		
Gateway Regional School District	5,834,153	604,333	604,333	-	-	391,012	391,012	-	678,663	(38,320)	640,343		
Town of Goshen	603,514	62,515	62,515	-	-	15,255	15,255	-	70,204	(1,452)	68,752		
Town of Granby	9,254,417	958,622	958,622	-	-	317,756	317,756	-	1,076,528	(30,599)	1,045,929		
Granby Housing Authority	261,541	27,092	85,019	57,927	85,019	-	-	-	30,424	5,958	36,382		
Town of Hadley	10,234,107	1,060,104	1,060,104	442,965	1,060,104	-	-	-	1,190,491	42,802	1,233,293		
Hadley Housing Authority	80,473	8,336	8,336	-	-	62,058	62,058	-	9,361	(6,390)	2,971		
Hampshire County Regional Housing Authority	60,349	6,251	6,251	64	6,251	-	-	-	7,020	3	7,023		
Hampshire County Regional School District	4,691,255	485,945	511,718	25,773	511,718	-	-	-	545,714	1,856	547,570		
Town of Hatfield	4,969,077	514,724	514,724	-	-	3,181	3,181	-	578,032	(1,967)	576,065		
Hatfield Housing Authority	100,596	10,420	10,549	129	10,549	-	-	-	11,710	8	11,718		
Town of Huntington	1,147,945	118,910	142,373	23,463	142,373	-	-	-	133,536	1,640	135,176		
Town of Middlefield	422,466	43,761	43,761	-	-	1,063	1,063	-	49,144	21	49,165		
Town of Peabody	1,891,076	195,888	771,545	575,657	771,545	-	-	-	219,981	65,928	285,909		
Town of Plainfield	603,514	62,515	143,115	80,600	143,115	-	-	-	70,204	7,512	77,716		
Quabbin Health District	529,479	54,846	54,846	-	-	6,547	6,547	-	61,592	(689)	60,903		
South Hadley Fire District #1	5,371,441	556,403	556,403	-	-	83,046	83,046	-	624,637	(6,536)	618,101		
South Hadley Fire District #2	2,092,247	216,726	216,726	-	-	17,931	17,931	-	243,382	32	243,414		
Town of South Hadley	27,911,779	2,891,252	4,216,063	1,324,811	4,216,063	-	-	-	3,246,861	121,108	3,367,969		
South Hadley Housing Authority	482,815	50,013	50,013	-	-	15,408	15,408	-	96,164	(1,461)	94,703		
So Hadley-Granby-Easthampton Veterans District	140,822	14,587	14,587	165	14,587	-	-	-	16,381	10	16,391		
Town of Southampton	6,777,542	702,054	946,019	243,965	946,019	-	-	-	788,403	25,487	813,890		
Town of Ware	17,242,205	1,786,040	1,786,040	-	-	501,789	501,789	-	2,005,714	(47,282)	1,958,432		
Ware Housing Authority	482,068	49,835	94,086	44,151	94,086	-	-	-	56,077	5,164	61,241		
Town of Westhampton	1,911,200	197,872	305,851	107,879	305,851	-	-	-	222,322	10,561	232,883		
Town of Williamsburg	2,437,335	252,472	252,472	-	-	96,473	96,473	-	283,525	(7,905)	275,620		
Town of Worthington	713,185	73,876	73,876	-	-	70,082	70,082	-	82,962	(6,763)	76,199		
Total	\$ 207,671,366	\$ -	\$ 21,511,714	\$ -	\$ 3,159,336	\$ -	\$ 3,159,336	\$ 24,671,050	\$ 24,157,548	\$ -	\$ 24,157,548		

See Independent Auditors' Report and management's notes to schedules.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Hampshire County Retirement System (the Plan), a cost sharing multiemployer plan serving 37 employers, provides only general information. Participants should refer to the Plan agreement for a complete description of the Plan's provisions.

General

The Plan is a defined benefit plan covering all member unit employees deemed eligible by the retirement board, with the exception of the school department employees who serve in a teaching capacity.

Plan Amendments

The Plan did not adopt any significant plan amendments during 2015.

Administration of the Plan

The Plan is administered by a five person Board of Retirement consisting of the Chairperson who shall be appointed by the other four board members, a second member appointed by the Advisory Council, a third and fourth member who shall be elected by the members in or retired from the service of the Plan, and a fifth member, who shall not be a member of the Plan, appointed by the other four board members. The Board of Retirement has the authority to amend or establish policies that are not governed by Massachusetts Law or the Public Employee Retirement Administration Commission.

Contributions

Participation in the plan is required for all full-time employees. There are three classes of membership:

Group 1:

General employees, including clerical, administrative, technical, and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Membership of each group as of December 31, 2015:

<u>Group</u>	Active members	Inactive (retired) members receiving benefits	Inactive (retired) members entitled to benefits but not yet receiving benefits	Total
Group 1	1,600	990	529	3,119
Group 2 & 4	392	214	143	749
	<u>1,992</u>	<u>1,204</u>	<u>672</u>	<u>3,868</u>

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of compensation
1975-1983:	7% of compensation
1984-6/30/96:	8% of compensation
7/1/96-present:	9% of compensation
1979 to present:	an additional 2% of compensation in excess of \$30,000

Upon termination, a member may withdraw their contributions plus statutory interest.

Employers were required to contribute \$18,626,735, for the years ended December 31, 2015.

Payment of Benefits

Once a member has met one of the conditions below, they are eligible to receive benefits:

Tier 1 (Membership prior to April 2, 2012):

- 1) Completion of 20 years of service, or
- 2) Reach age 55 if hired prior to 1978, or classified as Group 4, or
- 3) Reach age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 and 2, or
- 4) Disabled or death

Tier 2 (Membership on or after April 2, 2012):

- 1) If classified as Group 1, attain age 60 with 10 years of creditable service, or
- 2) If classified as Group 2, attain age 55 with 10 years creditable service, or
- 3) If classified as Group 4, attain age 55, or
- 4) Disabled or death

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2015**

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

The amount of benefit is determined by their benefit rate and cannot exceed 80% of the member's highest three year average compensation. The benefit amount may be adjusted for a cost of living adjustment by annual vote of the Retirement Board. Cost of Living adjustment may be granted in an amount determined by the Retirement Board up to a maximum of 3% on the first \$13,000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The schedules are prepared using the accrual method of accounting.

Basis of Allocation

The Schedule of Employer Allocations is prepared using the historical measure basis of actual contributions.

NOTE 3 - NET PENSION LIABILITY

The net pension liability is the actuarial total liability less the fiduciary net position. The components of the net pension liability are as follows:

	<u>2015</u>
Total pension liability	<u>\$464,531,742</u>
Plan fiduciary net position	<u>256,860,381</u>
Net pension liability (asset)	<u><u>\$207,671,361</u></u>

The following are significant assumptions used to measure the total pension liability and projected cash flows:

- 1) Discount rate is estimated to be 7.875% per year based on prior results
- 2) Inflation is estimated to be 3%
- 3) Asset allocation is estimated to be 23% cash, receivables, payables, and fixed income; and 77% equities, alternative investments, hedges, and real estate.
- 4) Increase in salaries will be 5.9% per year
- 5) Mortality was based upon the RP2000 Table project 19 years with scale BB
- 6) Cost of Living Allowance base was increased from \$12,000 to \$13,000.
- 7) Experience studies are based on data provided from Hampshire County Retirement Board as of December 31, 2013.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2015**

NOTE 4 – COMPONENTS OF SCHEDULES OF PENSION AMOUNTS BY EMPLOYER

Net Pension Liability

The Net Pension Liability is the product of the Total Net Pension Liability multiplied by the Employer Allocation Percentage for the years ended December 31, 2015.

Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments

The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.875% is amortized over a closed period of 5 years. The amount of the difference between projected and actual earnings for the years ended December 31, 2015 is \$27,241,492. The first year of amortization, \$5,747,779, is recognized as pension expense, and the remaining amount, \$21,511,713, is shown as a deferred outflow of resources. Each employer's proportionate share of this amount is the product of the Total Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments multiplied by the Employer's Allocation Percentage for the year ended December 31, 2015, as shown in the schedules of employer allocations.

Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions

The Changes in Proportion are the December 31, 2015 Net Liability multiplied by the December 31, 2014 Employer Allocation Percentage less the current year Net Pension Liability plus the December 31, 2015 Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments multiplied by the December 31, 2014 Employer Allocation Percentage less the current year Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments. The changes in proportion are amortized over the average expected remaining service life of members, which is 11.7 years in 2015. The first year is recognized as pension expense and the remaining years are shown as either deferred outflows of resources or deferred inflows of resources.

Pension Expense

Each employer's proportionate share of the collective pension expense is equal to the Total Pension Expense multiplied by the Employer's Allocation Percentage for the year ended December 31, 2015, as shown in the schedules of employer allocations.

Subsequent to the measurement date of the pension liability, there were adjustments made to the financial statements of the Plan.

Below is the reconciliation between the Actuarial Certification report and the Schedule of Pension Amounts by Employer:

Actuarial Certification Report	\$ 24,136,347
Year end accruals	<u>21,200</u>
Total Pension Expense	<u>\$ 24,157,547</u>

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2015**

NOTE 5 – FUTURE RECOGNITION OF DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense as follows:

<u>Total</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>Thereafter</u>
\$21,511,713	5,747,779	5,747,779	5,747,779	4,268,376	-	-

NOTE 6 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of November 09, 2016, the date the schedules were available to be issued. At that time, there were no material subsequent events.