

**Hampshire County Retirement System**

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

**December 31, 2020**

**Ron L. Beaulieu & Company**

**CERTIFIED PUBLIC ACCOUNTANTS**

HAMPSHIRE COUNTY RETIREMENT SYSTEM

DECEMBER 31, 2020

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S SCHEDULES	
SCHEDULE OF EMPLOYER ALLOCATIONS	3
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER	4
NOTES TO SCHEDULES	5 - 11

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## INDEPENDENT AUDITORS' REPORT

To the Retirement Board of  
Hampshire County Retirement System  
Northampton, Massachusetts

We have audited the accompanying schedule of employer allocations of Hampshire County Retirement System as of and for the year ended December 31, 2020, and the related notes. We have also audited the total for all entities of the 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, 2020, and the related notes.

### **Management's Responsibility for the Schedules**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 auditors' 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 year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Hampshire County Retirement System as of and for the year ended December 31, 2020, and our report thereon, dated December 20, 2021, expressed an unmodified opinion on those financial statements.

### **Restriction on 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  
December 20, 2021

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

Employer	2020	
	Actual Employer Contributions	Employer Allocation Percentage
Hampshire County Group Insurance Trust	\$ 97,107	0.37185%
Town of Amherst	6,934,966	26.55620%
Amherst Housing Authority	222,325	0.85135%
Amherst-Pelham Regional School District	1,590,908	6.09209%
Town of Belchertown	3,511,513	13.44670%
Belchertown Housing Authority	20,444	0.07829%
Belchertown Water District	48,554	0.18593%
Town of Chesterfield	99,663	0.38164%
Chesterfield/Goshen Regional School District	99,663	0.38164%
Town of Cummington	58,776	0.22507%
Foothills Health District	15,333	0.05871%
Gateway Regional School District	595,421	2.28006%
Town of Goshen	58,776	0.22507%
Town of Granby	1,184,368	4.53532%
Granby Housing Authority	30,665	0.11743%
Town of Hadley	1,421,611	5.44380%
Hadley Housing Authority	10,222	0.03914%
Hampshire County Regional Housing Authority	10,222	0.03914%
Hampshire County Regional School District	537,679	2.05894%
Town of Hatfield	636,308	2.43663%
Hatfield Housing Authority	7,666	0.02936%
Town of Huntington	137,872	0.52796%
Town of Middlefield	49,426	0.18927%
Town of Pelham	222,325	0.85135%
Town of Plainfield	68,997	0.26421%
Quabbin Health District	70,053	0.26826%
South Hadley Fire District #1	618,420	2.36813%
South Hadley Fire District #2	278,545	1.06664%
Town of South Hadley	3,480,341	13.32734%
South Hadley Housing Authority	65,033	0.24903%
So Hadley-Granby-Easthampton Veterans District	15,333	0.05871%
Town of Southampton	880,868	3.37312%
Town of Ware	2,239,747	8.57671%
Ware Housing Authority	69,861	0.26752%
Town of Westhampton	217,213	0.83178%
Town of Williamsburg	307,852	1.17886%
Town of Worthington	200,228	0.76674%
Total	\$ 26,114,304	100.00000%

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



HAMPSHIRE COUNTY RETIREMENT SYSTEM  
 NOTES TO SCHEDULES  
 DECEMBER 31, 2020

NOTE 1 - DESCRIPTION OF PLAN

The following description of the Hampshire County Retirement System, a Massachusetts regional public employee pension plan, is provided for general information purposes only. Participants should refer to Chapter 32 of the Massachusetts General Laws for a more detailed description of the pension plan provisions.

General

The Hampshire County Retirement System (the Plan) is a cost-sharing, multiple-employer, defined benefit pension plan maintained to provide retirement, disability, and death benefits to all member unit employees and beneficiaries deemed eligible by the Retirement Board, with the exception of the school department employees who serve in a teaching capacity. The Plan has 37 participating employers. The Plan was established and is governed in accordance with Chapter 32 and Chapter 34B, Section 19 of the Massachusetts General Laws (M.G.L), and is further regulated by the Code of Massachusetts Regulations 840 CMR 1.00-27.00: Public Employee Retirement Administration (PERAC).

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 who shall be a member of the regional retirement board advisory council and is elected 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.

Plan Amendments

The Plan did not adopt any significant plan amendments during 2020.

Plan Membership

Participation in the plan is required for nearly all employees who are regularly employed on a full-time basis. 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.

At December 31, 2020, Plan membership consisted of the following:

Group	Inactive members receiving benefits	Inactive members entitled to benefits but not yet receiving benefits	Active Members	Total
Group 1	1,169	669	1,612	3,450
Group 2 & 4	237	105	364	706
	1,406	774	1,976	4,156

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
NOTES TO SCHEDULES  
DECEMBER 31, 2020

NOTE 1 - DESCRIPTION OF PLAN (CONTINUED)

Benefits Provided

Pursuant to M.G.L. Chapter 32, members are eligible to receive benefits once they have met one of the conditions below:

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

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

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

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

The annual amount of a member's retirement allowance is calculated as the member's highest 3-year (5-year for members hired after April 2, 2012) average annual rate of regular compensation multiplied by the member's creditable service and multiplied by a benefit rate. The benefit rate is based upon a member's age at retirement and group classification. The annual retirement allowance may not exceed 80% of the member's highest 3-year (or 5-year) average annual rate of regular compensation.

An annual cost of living adjustment may be voted on and granted by the Retirement Board. The amount of increase will be based upon the Consumer Price Index, limited to a maximum of 3% on the base amount of the first \$13,000 of a member's benefit.

Contributions

The contributions of plan members and participating employers are governed by Chapter 32 of M.G.L. Member contribution rates vary depending on the most recent date of membership as follows:

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
Group 1 members hired on or after April 2, 2012:	6% of compensation with 30 or more years of creditable service

Participating employer contributions are set by annual appropriations as determined by the Plan's actuary. For the year ended December 31, 2020, employers were required to contribute \$26,114,304. In addition to member and employer contributions, the Commonwealth of Massachusetts currently reimburses the Plan for cost of living adjustments granted to members after 1981 and prior to July 1, 1998.

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
 NOTES TO SCHEDULES  
 DECEMBER 31, 2020

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 OF THE PARTICIPATING EMPLOYERS

The net pension liability is the actuarial total liability less the fiduciary net position. The components of the collective net pension liability of the participating employers at December 31, 2020, were as follows:

	2020
Total pension liability	\$ 580,562,055
Plan fiduciary net position	402,535,381
Employer's net pension liability (asset)	\$ 178,026,674
 Plan fiduciary net position as a % of total pension liability	69.3%

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

Inflation	2.2 %
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Investment rate of return	7.15% of pension plan investment, net of expense, including inflation

Mortality rates were based on the RP-2014 Blue Collar Mortality Table with full generational mortality improvement using Scale MP-2018. For disabled lives, the mortality rates were based on the RP-2014 Blue Collar Mortality Table set forward one year with full generational mortality improvement using Scale MP-2018. Mortality assumptions reflect the PERAC local system retiree mortality study completed in 2019.

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

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
NOTES TO SCHEDULES  
DECEMBER 31, 2020

NOTE 3 - NET PENSION LIABILITY OF THE PARTICIPATING EMPLOYERS (CONTINUED)

Best estimates of geometric real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2020 (see the discussion of the pension plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Cash	2.0%	-0.30%
Domestic Equity	25.0%	4.30%
Non-US Developed Equity	13.5%	4.40%
Emerging Equity	7.0%	6.30%
Private Equity	11.0%	7.90%
Core Bonds	15.0%	0.30%
Value Add Fixed Income - Public	13.5%	2.70%
Real Estate	13.0%	4.20%
Total	100.0%	

*Discount rate.* The discount rate used to measure the total pension liability was 7.15%. The discount rate at the Plan's prior fiscal year end was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rates and that contributions from participating employers will be made in accordance with Sections 22D and 22F of Chapter 32 of the Massachusetts General Laws. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate used was 2.12%, based on the December 2020 Bond Buyer Index as published by the Federal Reserve.

*Sensitivity of the net pension liability to changes in the discount rate.* The following presents the net pension liability of the participating employers calculated using the discount rate of 7.15%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

	<u>1% Decrease (6.15%)</u>	<u>Current Discount Rate (7.15%)</u>	<u>1% Increase (8.15%)</u>
Employer's net pension liability (asset)	\$ 245,234,922	\$ 178,026,674	\$ 122,292,147

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
NOTES TO SCHEDULES  
DECEMBER 31, 2020

NOTE 4 – COMPONENTS OF SCHEDULE 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 year ended December 31, 2020.

*Difference between Expected and Actual Experience*

The difference between the projected total pension liability and accrued liability is the amount of the difference between expected and actual experience. Each employer's proportionate share of this amount is the product of the Difference between Expected and Actual Experience multiplied by the Employer's Allocation Percentage for the year ended December 31, 2020, as shown in the schedule of employer allocations.

*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 7.15% is amortized over a closed period of 5 years. Each employer's proportionate share of this amount is the product of the Total Difference Between Projected and Actual Investment Earnings on Pension Plan Investments multiplied by the Employer's Allocation Percentage for the year ended December 31, 2020, as shown in the schedule of employer allocations.

*Changes of Assumptions*

Each employer's proportionate share of this amount is the product of the Change of Assumptions multiplied by the Employer's Allocation Percentage for the year ended December 31, 2020, as shown in the schedule of employer allocations. The actuarial assumptions and methods used are the same as the last measurement date.

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

The Changes in Proportion are the December 31, 2020 Net Pension Liability multiplied by the December 31, 2019 Employer Allocation Percentage less the current year Net Pension Liability plus the December 31, 2020 Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments multiplied by the December 31, 2019 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. 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.

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
NOTES TO SCHEDULES  
DECEMBER 31, 2020

NOTE 4 – COMPONENTS OF SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

*Collective Deferred Outflows of Resources and Deferred Inflows of Resources*

The following table summarizes the changes in the collective deferred outflows and (deferred inflows) of resources (excluding employer specific amounts) as of December 31, 2020:

	Year of deferral	Amortization period	Balance January 1	Additions	Deletions	Balance December 31
Deferred outflows of resources:						
Difference between projected and actual investments earnings						
	2015	5 years	\$ -	\$ -	\$ -	\$ -
	2016	5 years	46,364	-	(46,364)	-
	2018	5 years	20,031,528	-	(6,677,176)	13,354,352
			<u>\$ 20,077,892</u>	<u>\$ -</u>	<u>\$ (6,723,540)</u>	<u>\$ 13,354,352</u>
Changes in assumptions						
	2016	5.1 years	\$ 3,582,567	\$ -	\$ (3,256,881)	\$ 325,686
	2019	7.2 years	17,611,209	-	(2,877,649)	14,733,560
			<u>\$ 21,193,776</u>	<u>\$ -</u>	<u>\$ (6,134,530)</u>	<u>\$ 15,059,246</u>
Deferred inflows of resources:						
Differences between expected and actual experience						
	2016	5.1 years	\$ (937,963)	\$ -	\$ 852,693	\$ (85,270)
	2017	6.79 years	(242,736)	-	64,046	(178,690)
	2019	7.12 years	(5,690,474)	-	929,816	(4,760,658)
			<u>\$ (6,871,173)</u>	<u>\$ -</u>	<u>\$ 1,846,555</u>	<u>\$ (5,024,618)</u>
Difference between projected and actual investments earnings						
	2017	5 years	\$ (9,025,994)	\$ -	\$ 4,512,997	\$ (4,512,997)
	2019	5 years	(21,580,282)	-	5,395,071	(16,185,211)
	2020	5 years	-	(16,005,403)	3,201,081	(12,804,322)
			<u>\$ (30,606,276)</u>	<u>\$ (16,005,403)</u>	<u>\$ 13,109,149</u>	<u>\$ (33,502,530)</u>
Changes in assumptions						
	2017	6.79 years	\$ (5,579,979)	\$ -	\$ 1,472,290	\$ (4,107,689)

HAMPSHIRE COUNTY RETIREMENT SYSTEM  
NOTES TO SCHEDULES  
DECEMBER 31, 2020

NOTE 4 – COMPONENTS OF SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

*Collective 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, 2020.

Service cost	\$ 14,261,729
Interest cost	39,817,266
Employee contributions	(8,376,499)
Projected earnings on pension plan investments	(25,614,181)
Administrative expenses	868,192
Recognition of deferred outflows and deferred inflows of resources:	
Differences between expected and actual experience	(1,846,555)
Changes of assumptions	4,662,240
Differences between projected and actual earnings on plan investments	<u>(6,385,609)</u>
Pension Expense per Actuarial Certification Report	<u>\$ 17,386,583</u>

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	\$ 17,386,583
Year end accruals	<u>(580,552)</u>
Total Pension Expense	<u>\$ 16,806,031</u>

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 collective pension expense as follows:

<u>Total</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Thereafter</u>
\$ (14,221,239)	(5,780,060)	(1,507,478)	(7,862,024)	(1,253,247)	1,947,833	233,737

NOTE 6 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of December 20, 2021, the date the schedules were available to be issued. At that time, there were no material subsequent events.