

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

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February 10, 2025

Retirement Board
Hampshire County Retirement System
99 Industrial Drive
Northampton, Massachusetts 01060

We have audited the financial statements of the fiduciary fund of Hampshire County Retirement System for the year ended December 31, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 6, 2023. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Hampshire County Retirement System are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2023.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate affecting the Hampshire County Retirement System's financial statements was:

Management's estimate of the allowance for uncollectible accounts.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

Corrected Misstatements:

None

Uncorrected Misstatements:

The Schedule of Uncorrected Misstatements, attached to the below referenced management representation letter, summarizes uncorrected misstatements of the

financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The uncorrected misstatements or the matters underlying them could potentially cause future period financial statements to be materially misstated, even though, in our judgment, such uncorrected misstatements are immaterial to the financial statements under audit.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated January 27, 2025. A copy of management's written representations is attached to this letter.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to Hampshire County Retirement System's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Hampshire County Retirement System's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis and Post Employment Benefit Schedules which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

Meeting with Retirement Board

Our issuance of this written communication completes our responsibility under generally accepted auditing standards. However, we are available to schedule a consultation meeting with the full Board, Executive Committee, or Audit Committee to verbally discuss this letter, the audit process, and how the firm of Ron L. Beaulieu & Company can provide assistance to the Board in fulfilling its responsibilities to provide oversight and monitoring of the operations of the government unit. Please call us to discuss this further and to schedule a consultation meeting.

Retirement Board
Hampshire County Retirement System
February 10, 2025
Page 3

Restriction on Use

This information is intended solely for the information and use of the Retirement Board of Hampshire County Retirement System and is not intended to be, and should not be, used by anyone other than this specified party.

Sincerely,

Ron L. Beaulieu & Co.

Ron L. Beaulieu & Company

Hampshire County Retirement System
99 Industrial Drive
Northampton, Massachusetts 01060

January 27, 2025

Ron L. Beaulieu & Company
41 Bates Street
Portland, Maine 04103

This representation letter is provided in connection with your audit of the financial statements of Hampshire County Retirement System, which comprise the financial position of the fiduciary fund as of December 31, 2023, and the changes in fiduciary fund for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of January 27, 2025, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 6, 2023, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility 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.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.

Ron L. Beaulieu & Company
January 27, 2025
Page 2

- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole for each opinion unit. A list of the uncorrected misstatements is attached to the representation letter.
- 9) The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
- 10) Guarantees, whether written or oral, under which the entity is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 11) We have provided you with:
 - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b) Additional information that you have requested from us for the purpose of the audit.
 - c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Minutes of the meetings of the Retirement Board or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 12) All material transactions have been recorded in the accounting records and are reflected in the financial statements
- 13) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 14) We have no knowledge of any fraud or suspected fraud that affects the entity and involves
 - Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 15) We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements communicated by employees, former employees, regulators, or others.
- 16) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 17) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements and we have not consulted a lawyer concerning litigation, claims, or assessments.
- 18) We have disclosed to you the names of the entity's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific


- 19) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 20) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 21) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 22) The entity has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
- 23) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 24) We have appropriately identified, recorded, and disclosed all leases in accordance with GASBS No.87.
- 25) We have appropriately identified, recorded, and disclosed subscription-based information technology arrangements in accordance with GASBS No.96.
- 26) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.
- 27) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
- 28) In addition to your audit, you assisted with preparation of the financial statements and disclosures. We acknowledge our responsibility as it relates to those nonaudit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures
- 29) The entity has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 30) The entity has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
- 31) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
- 32) The financial statements include all fiduciary activities required by [GASBS No. 84](#) , as amended.
- 33) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#) , as amended.

Ron L. Beaulieu & Company
 January 27, 2025
 Page 4

- 34) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
- 35) Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.
- 36) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
- 37) Provisions for uncollectible receivables have been properly identified and recorded.
- 38) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
- 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
- 40) We have appropriately disclosed the entity's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
- 41) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 42) With respect to the Supplementary Information -
- a) We acknowledge our responsibility for presenting the supplementary information in accordance with accounting principles generally accepted in the United States of America, and we believe the supplementary information including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the supplementary information have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
 - b) If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditors' report thereon.

Signature: 

Title: Chair of Retirement Board
 Responsible for Operations

Signature: 

Title: Administrator
 Responsible for Financial Statements

Hampshire County Retirement System
 Schedule of Uncorrected Misstatements
 December 31, 2023

Current Year Item:	Assets	Liabilities	Revenues	Expenses
	Over <Under>	Over <Under>	Over <Under>	Over <Under>
	\$ -	\$ -	\$ -	\$ -
Total Current Year Misstatements	\$ -	\$ -	\$ -	\$ -
Effect of Previous Year misstatements				
Item:			\$ -	\$ -
Combined current year and prior year misstatements			\$ -	\$ -

Hampshire County Retirement System

**Independent Auditors' Report and
Management's Financial Statements**

December 31, 2023

Ron L. Beaulieu & Company

CERTIFIED PUBLIC ACCOUNTANTS

HAMPSHIRE COUNTY RETIREMENT SYSTEM

DECEMBER 31, 2023

CONTENTS

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3.1 - 3.7
MANAGEMENT'S FINANCIAL STATEMENTS	
STATEMENT OF FIDUCIARY NET POSITION	4
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	5
NOTES TO FINANCIAL STATEMENTS	6 – 15
MANAGEMENT'S REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF CHANGES IN NET PENSION LIABILITY – LAST TEN FISCAL YEARS	16
SCHEDULE OF NET PENSION LIABILITY – LAST TEN FISCAL YEARS	17
SCHEDULE OF CONTRIBUTIONS – LAST TEN FISCAL YEARS	18
SCHEDULE OF INVESTMENT RETURNS – LAST TEN FISCAL YEARS	19
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	20

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INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the accompanying financial statements of Hampshire County Retirement System, as of and for the year ended December 31, 2023, and the related notes to the 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 financial position of Hampshire County Retirement System, as of December 31, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Hampshire County Retirement 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 Hampshire County Retirement 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 3.1 through 3.7 and the post employment benefit schedules on pages 16 through 19 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Ron L. Beaulieu & Co.

Portland, Maine
January 27, 2025

Management's Discussion and Analysis

Year ended December 31, 2023

As management of the Hampshire County Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2023. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

Financial Highlights

The System's net position for the year ended December 31, 2023 was \$474.04 million. Total Assets of the fund were \$474.14 million with outstanding liabilities of \$100,826

Total additions to the Fund were \$89.79 million including employer contributions of \$32.42 million; member contributions of \$10.10 million; and \$3.65 million received from other systems and non-employer entities. Gross investment gain was \$45.95 million with \$2.33 million in investment expense. Net investment gain was \$43.62 million. Total deductions from the Fund includes \$36.57 million retirement benefits paid; \$974,239 refunds paid to terminated members, and \$4.23 million transferred to other systems; \$850,023 in Administrative expenses. An additional deduction of \$227,254 was the uncollectable appropriation of the dissolved Hampshire Council of Governments. Total deductions from the fund was \$42.86 million.

Total Net position of the Fund was increased by \$46.93 million, an increase of 10.99% which was primarily due to investment gains.

Total pension liability is based on liabilities developed in the actuarial valuation of January 1, 2024. As of December 31, 2023, total pension liability was \$657.30 million with net pension liability of \$183.26 million.

For reporting purposes in accordance with the Government Accounting Standards Board (GASB), the Plan's fiduciary net position as a percentage of the total pension liability increased to 72.15%.

As of December 31, 2023, membership counts for active, inactive, retired, beneficiaries and survivors totaled 4,584.

The Plan's assets are reserved and held in trust to meet future benefit payments.

Overview of the Financial Statements

The basic financial statements consist of the: (1) Statements of Fiduciary Net Position; (2) Statements of Changes in Fiduciary Net Position; (3) Notes to the Financial Statements; and (4) Required Supplementary Information.

The Statements of Fiduciary Net Position report the Plan's assets, liabilities, and net position restricted for pensions at the end of the calendar year calculated using the following formula: $\text{Assets} - \text{Liabilities} = \text{Net position restricted for pensions}$.

The Statements of Fiduciary Net Position report the financial position of the Plan at a given point in time, in this case, December 31. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the Plan's financial health.

The Statements of Changes in Fiduciary Net Position report additions to and deductions from the Plan during the calendar year. The formula here is: $\text{Additions} - \text{Deductions} = \text{Net Increase (Decrease) in Plan Fiduciary Net Position}$. The Statements of Changes in Fiduciary Net Position report activity occurring over a specific period of time, in this case, the year beginning January 1 and ending December 31.

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the data provided in the Plan's financial statements.

The Required Supplementary Information following the Notes to the Financial Statements consists of the schedules of changes in net pension liability and related ratios, investment returns, contributions, and notes to schedule of contributions.

These statements and schedules are prepared in conformity with U.S. generally accepted accounting principles, including the new accounting and financial reporting requirements found in GASB Statement No. 67, 68 and 87.

Assets and Liabilities – Fiduciary Net Position

Total assets are comprised of cash and cash equivalents; investments at fair value; and receivables, comprised of contributions due from plan members and investments sold but not yet received and amortized value of right of use leases. Total Assets as of December 31, 2023 was \$474.14 million, a 10.68% increase of \$45.73 million from prior year.

Total liabilities as of December 31, 2023 was \$100,826 an overall decrease of \$1.20 million from prior year. Total liabilities are generally comprised of payables for benefits payments due, accrued employee payroll and accrued but unpaid compensated absences, right to use lease liability. The \$1.20 million decrease in liability was the payment to the State Retirement Board for the transfer of HCOG retirees and inactive members.

Fiduciary net position was the residual of the Plan's assets in excess of the Plan's liabilities as of the specific date, December 31, 2023 of the Statements of Fiduciary Net Position. Net Fiduciary Position was \$474.04 million. The fiduciary net position as a percentage of actuarial pension liability was 72.15% on December 31, 2023.

Assets and Liabilities – Fiduciary Net Position 2023				
	2023	2022	Total \$ Change	% Change
<u>Assets</u>				
Cash and cash equivalents	5,148,535	3,784,841	1,363,694	36.03%
Investments	467,658,220	423,470,826	44,187,394	10.43%
Receivables	1,311,610	1,082,194	229,416	21.20%
Lease Asset	19,870	66,498	(46,628)	100.00%
Total Assets	474,138,235	428,404,359	45,733,876	10.68%
<u>Liabilities</u>				
Payables	2,832	37	2,795	7553.65%
Accrued payroll	7,651	6,290	1,361	21.63%
Accrued compensated absences	70,474	66,300	4,174	6.29%
Asset transfer (c. 316 of Acts 2020)	0	1,162,601	(1,162,601)	-100.00%
Lease Liability - current	19,870	46,628	(26,758)	100.00%
Lease Liability - long term	0	19,870	(19,870)	100.00%
Total Liabilities	100,826	1,301,726	(1,200,900)	-92.25%
Fiduciary Net Position	474,037,409	427,102,633	46,934,776	10.99%

5 Year History Assets and Liabilities - Fiduciary Net Position					
	2023	2022	2021	2020	2019
<u>Assets</u>					
Cash and cash equivalents	5,148,535	3,784,841	4,672,747	13,151,977	3,982,274
Investments	467,658,220	423,470,826	470,900,409	388,380,921	354,497,946
Receivables	1,311,610	1,082,194	1,075,053	1,116,318	611,839
Lease Asset	19,870	66,498			
Total Assets	474,138,235	428,404,359	476,648,209	402,649,216	359,092,059

Liabilities					
Payables	2,832	37	55,815	6,846	4,663
Accrued payroll	7,651	6,290	6,029	5,802	2,844
Accrued compensated absences	70,474	66,300	62,183	101,187	91,803
Asset transfer (c. 316 of Acts 2020)	0	1,162,601	1,162,601		
Lease Liability - current	19,870	46,628			
Lease Liability - long term	0	19,870			
Total Liabilities	100,826	1,301,726	1,286,628	113,835	99,310
Fiduciary Net Position	474,037,409	427,102,633	475,361,581	402,535,381	358,992,749

Revenues - Additions to Plan Fiduciary Net Position

Revenue (Additions to the HCRS' fiduciary net position) includes contributions from active members, employers, non-employer entities, transfers in from other retirement systems and net investment income (gain). For plan year 2023 total revenues were \$89.80 million an increase of \$98.9 million from prior year.

Member contributions comprised of regular contributions and makeup/redeposit purchases of prior service, totaled \$10.10 million, an increase of \$706,980 from prior year. Member contributions generally increase annually due to salary increases and net gain from new members paying a higher percentage of salary replacing retiring members contributing at a lower percentage of salary. There were 415 new members enrolled in 2023. Withdrawals and transfers of active and inactive members totaled 284 comprised of 220 withdrawals/transfers, 4 active member deaths and 60 new retirements. Net gain of 131 active members.

Required employer contributions were determined by the biennial actuarial valuation that established a funding schedule with the target date to reach full funding in 2033. Total employer contributions for plan year 2023 was \$32.42 million, an increase of \$2.22 million. Total required employer contributions were distributed to unit employers based on aggregate salary data as of September 30 of prior year.

Non-employer contributions are comprised primarily of Commonwealth's COLA reimbursement for pre-1996 retirees but also includes worker's compensation offset settlements and recovery of 91A overearnings. The Commonwealth's COLA reimbursement decreases annually due to the declining population of pre-1996 retirees. Additions from worker's compensation offset settlements and recovery of 91A overearnings are variable from year to year. For the plan year 2023 non-employer contributions totaled \$136,939, an increase of \$9,718 from prior year.

Transfers from other systems are comprised of transfers of member annuity savings accounts for service with other Massachusetts retirement systems and 3(8)(c) reimbursements of pension payments for retirees with service liabilities in other Massachusetts retirement systems. Transfers from other systems varies annually depending on an increase or a decrease of employees/retirees who changed public employers. Transfers from other systems also varies by contribution levels and length of service of individual members transferred. Transfers from other systems totaled \$3.51 million, an increase of \$800,646 from the prior year.

The asset allocation of investments is well diversified among domestic and global fixed income, domestic and international equities, real estate, private debt and private equities. The Board has as its primary purpose to grow Plan assets at a rate sufficient to meet promised benefits to members while minimizing the risks associated with achieving that growth. For the plan year 2023 net investment earnings, comprised of the net change in fair value of investments and interest earned on investments minus investment expenses was \$43.62 million which was an increase of \$95.17 million from prior year loss.

Revenues - Additions to Plan Fiduciary Net Position 2023				
	2023	2022	Total \$ change	% change
Contributions				
Employer contributions	32,420,750	30,200,925	2,219,825	7.35%
Member contributions	10,102,122	9,395,142	706,980	7.52%
Non-employer entities	136,929	127,211	9,718	7.64%
Transfer from other systems	3,513,939	2,713,293	800,646	29.51%
Total Contributions	46,173,740	42,436,571	3,737,169	8.81%
Investment earnings				
Net increase(decrease) in fair value of investments	45,918,617	(49,218,425)	95,137,042	193.30%
Interest	31,626	5,593	26,033	465.45%
Gross investment earnings	45,950,243	(49,212,832)	95,163,075	193.37%
Less investment expenses	2,331,243	2,341,887	(10,644)	-0.45%
Net Investment Earnings	43,618,999	(51,554,719)	95,173,718	184.61%
Total Additions (Revenues)	89,792,739	(9,118,148)	98,910,887	-1084.77%

5 Year History – Contributions - Additions to Plan					
	2023	2022	2021	2020	2019
Contributions					
Employer contributions	32,420,750	30,200,925	28,089,796	26,114,304	24,294,506
Member contributions	10,102,122	9,395,142	8,788,574	8,632,409	8,422,814
Non-employer entities	136,929	127,211	142,871	193,587	163,506
Transfer from other systems	3,513,939	2,713,293	2,187,757	1,949,877	1,959,926
Total Contributions	46,173,740	42,436,571	39,208,998	36,890,177	34,840,752
Investment earnings					
Net increase(decrease) in fair value of investments	45,918,617	(49,218,425)	75,508,391	44,313,890	52,262,607
Interest	31,626	5,593	11,469	19,159	34,988
Gross investment earnings	45,950,243	(49,212,832)	75,519,859	44,333,049	52,297,595
Less investment expenses	2,331,243	2,341,887	2,604,622	2,129,137	2,168,313
Net Investment Earnings	43,618,999	(51,554,719)	72,915,237	42,203,912	50,129,282
Total Additions (Revenues)	89,792,739	(9,118,148)	112,124,235	79,094,089	84,970,034

Expenses – Deductions to Plan Fiduciary Net Position

Deductions to HCRS' fiduciary net position include benefits paid, refund of contributions to terminated members, transfers to other retirement systems and administrative expenses. Total Deductions for 2023 totaled \$42.86

million, an increase of \$3.72 million. \$1.39 million increase was relative to completion of asset transfer and the uncollectable 2019 appropriation due to the dissolution of Hampshire Council of Governments (HCOG) pursuant to Chapter. 316 of Acts 2020.

Benefits paid totaled \$36.57 million, an increase of \$2.22 million from prior year. For plan year 2023, there were 60 new retirees and 44 retiree deaths, a net increase of 16 retired members. For the plan year 2023, membership changes included a decrease of 284 members due to 4 member deaths and 220 member withdrawals due to transfers to other systems or refunds of contributions. Net active membership increased by 95 members and net inactive membership increased by 36 members.

Refunds to members terminating employment and withdrawing contributions totaled \$974,239, an increase of \$341,207 from prior year. Refunds to withdrawing members include only the members' contributions and statutory interest based on creditable service years. Employer contributions for refunded members are retained by the System and pension liability for refunded members is terminated.

Transfers to other systems of annuity savings accounts of former members and 3(8)(c) reimbursement of benefit payments to former members retired from other retirement systems totaled \$4.24 million, an increase of 864,157 from prior year. Transfers to other systems includes transfer of assets attributed to former HCOG members to the State Retirement Board

Cost of living adjustment for retirees was granted at 3% on the first \$13,000 (maximum increase of \$390 per retiree).

Administrative expenses totaled \$850,023, an increase of \$61,589 from prior year. Increase in expenses included upgrades to computer hardware.

Bad debt expense of \$227,254 was the write-off of the uncollectable appropriation due to the dissolution of the Hampshire Council of Governments (HCOG)

Expenses – Deductions to Plan Fiduciary Net Position - 2023				
	2023	2022	Total \$ change	Total % change
Benefits Paid	36,567,767	34,344,808	2,222,959	6.47%
Refunds to terminated members	974,239	633,032	341,207	53.90%
Transfers to other systems	4,238,682	3,374,525	864,157	25.61%
Asset transfer (c. 316 of Acts 2020)	0	0	0	0.00%
Administrative expenses	850,023	788,434	61,589	7.81%
Bad Debt Expense	227,254	0	227,254	
Total Deductions (Expenses)	42,857,966	39,140,799	3,717,167	9.50%

5 Year History Expenses – Deductions to Plan Fiduciary Net Position					
	2023	2022	2021	2020	2019
Benefits Paid	36,567,767	34,344,808	33,090,814	31,618,423	29,700,339
Refunds to terminated members	974,239	633,032	725,346	683,575	1,271,210
Transfers to other systems	4,238,682	3,374,525	3,546,144	2,368,922	3,101,567
Asset transfer (c. 316 of Acts 2020)	0	0	1,162,601		
Administrative expenses	850,023	788,434	773,129	880,534	842,372
Bad Debt Expense	227,254	0	0	0	0
Total Deductions (Expenses)	42,857,966	39,140,799	39,298,034	35,551,454	34,915,488

Changes to Fiduciary Net Position – Summary

Changes in fiduciary net position as of December 31, 2023 was a net increase of \$46.93 million.

Changes to Fiduciary Net Position – Summary 2023				
	2023	2022	Total \$ change	% change
Total Additions (Revenues)	89,792,739	(9,118,148)	98,910,887	-1084.77%
Total Deductions (Expenses)	42,857,966	39,140,799	3,717,167	9.50%
Net Position Change	46,934,773	(48,258,947)	95,193,720	197.26%

5 Year History - Changes to Fiduciary Net Position					
	2023	2022	2021	2020	2019
Total Additions (Revenues)	89,792,739	(9,118,148)	112,124,235	79,094,089	84,970,034
Total Deductions (Expenses)	42,857,966	39,140,799	39,298,034	35,551,454	34,915,488
Net Position Change	46,934,773	(48,258,947)	72,826,201	43,542,635	50,054,546

TOTAL FUND BALANCE AT FAIR VALUE

As of December 31, 2023, the Total Fund Balance at Fair Value was \$474.04 million, a net increase of \$46.93 million from prior year

Total Fund Balance at Fair Value 2023				
	2023	2022	Total \$ change	Total % change
Beginning Fund Balance	427,102,633	475,361,581	(48,258,948)	-10.15%
Ending Fund Balance	474,037,409	427,102,633	46,934,776	10.99%

5 Year History - Total Fund Balance at Fair Value					
	2023	2022	2021	2020	2019
Beginning Fund Balance	427,102,633	475,361,581	402,535,381	358,992,749	308,938,203
Ending Fund Balance	474,037,409	427,102,633	475,361,581	402,535,381	358,992,749

OVERALL FINANCIAL POSITION

HCRS maintains a well-diversified portfolio of assets in domestic and global fixed income, domestic and international equities, real estate and alternative investments (private debt and private equity). The Board has as its primary purpose to grow Plan assets at a rate sufficient to meet promised benefits to members while minimizing the risks associated with achieving that growth. The Board maintains a relatively conservative asset allocation with an emphasis on protecting assets in down markets rather than capturing all up markets. The Board attempts to outperform actuarial assumptions to reduce the unfunded liability as soon as practicable. However, at no time is the Plan exposed to unreasonable risk levels.

In accordance with Massachusetts General Laws, Chapter 32, Section 22 (6a), the Plan performs actuarial

valuations biennially and adopts a funding schedules to achieve a 100% funding level prior to the year 2040. The Board has adopted the funding schedule with a full funding target date of 2032 with the long-term target rate of investment return of 6.8%. As of December 31, 2023, the funded ratio for the Plan was 72.15%.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2023**

ASSETS

Cash	\$ 5,148,535
Investments at fair value:	
External investment pools	461,538,813
Limited partnerships	6,119,406
Total investments at fair value	467,658,219
Receivables:	
Members receivable, net	1,311,610
Total receivables	1,311,610
Lease asset, net of amortization	19,870
TOTAL ASSETS	474,138,234

LIABILITIES

Accounts payable	2,831
Accrued payroll	7,651
Accrued transfer	-
Accrued compensated absences	70,474
Lease liability, current	19,870
Lease liability, long-term	-
TOTAL LIABILITIES	100,826

NET POSITION

Restricted for pension benefits	\$ 474,037,408
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See accompanying independent auditors' report and management's notes to financial statements.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2023**

ADDITIONS TO NET POSITION ATTRIBUTED TO

Contributions:	
Employer	\$ 32,420,750
Plan member	10,102,122
Nonemployer entities	136,929
Transfers from other systems	3,513,939
Total contributions	<u>46,173,740</u>
Investment earnings	
Net increase (decrease) in fair value of investments	45,918,617
Interest	31,625
Total investment income	<u>45,950,242</u>
Less investment expenses	<u>(2,331,243)</u>
Net investment earnings	<u>43,618,999</u>
TOTAL ADDITIONS	<u><u>89,792,739</u></u>

DEDUCTIONS TO NET POSITION ATTRIBUTED TO

Benefits paid	36,567,767
Refunds of contributions	974,239
Transfers to other systems	4,238,682
Administrative expenses	850,023
Bad debt expense	227,254
TOTAL DEDUCTIONS	<u><u>42,857,965</u></u>

NET INCREASE (DECREASE) IN NET POSITION 46,934,774

NET POSITION RESTRICTED FOR PENSIONS - BEGINNING 427,102,634

NET POSITION RESTRICTED FOR PENSIONS - ENDING \$ 474,037,408

See accompanying independent auditors' report and management's notes to financial statements.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 2023.

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, 2023, Plan membership consisted of the following:

Group	Inactive members entitled to benefits but not yet receiving benefits	Inactive members receiving benefits	Active Members	Total
Group 1	861	1,203	1,774	3,838
Group 2 & 4	113	258	375	746
	974	1,461	2,149	4,584

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 5% 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, 2023, employers were required to contribute \$32,420,750. 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 FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements are prepared using the accrual method of accounting.

Investment Valuation and Income Recognition

Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Interest income is recorded on the accrual basis. Net appreciation (depreciation) includes the Plan's gains and losses on investments bought, sold, and held.

Payments of Benefits

Benefits are recorded when paid.

NOTE 3 - RISKS AND UNCERTAINTIES

Nature of Operations

The operations of the Plan are subject to the M.G.L and to the administrative directives, rules and regulations of state regulatory agencies, including, but not limited to the Public Employee Retirement Administration Commission (PERAC). Such laws and administrative directives, rules and regulations are subject to change by an act of Legislature and any administrative change mandated by PERAC. Such changes may occur with little notice or inadequate funding to pay for the related costs, including the additional administrative burden, to comply with a change.

Deposit and Investment Risk

Deposits

Custodial credit risk for deposits is the risk that in an event of a bank failure, deposits may not be recovered. The Plan does not have a deposit policy to manage custodial credit risk. At December 31, 2023, the Plan held deposits of \$5,599,271 at a local bank. The Federal Deposit Insurance Corporation (FDIC) insures \$250,000 of that balance. The remaining balance was collateralized by an irrevocable standby letter of credit.

Investments

The Plan invests in various financial instruments. Financial instruments are exposed to various risks such as credit risk, custodial credit risk, concentrations of credit risk, interest rate risk, and foreign currency risk. The Plan does not have an investment policy to manage these risks. Due to the level of risk associated with certain financial instruments, it is at least reasonably possible that changes in the values of financial instruments will occur in the near term and that such changes could materially affect the amounts reported in the statement of fiduciary net position.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 3 - RISKS AND UNCERTAINTIES (CONTINUED)

a). Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of the failure of a counterparty, the Plan will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Plan has \$0 in unit investment trusts that are held by the trust's agent.

b). Credit Risk. Credit risk exists when there is a possibility the issuer or other counterparty to an investment may be unable to fulfill its obligations. The Plan's investments as of December 31, 2023, if rated, are presented below using the Standard and Poor's rating scale:

<u>Investment Type</u>	<u>Fair Value</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>BB</u>	<u>B</u>	<u>Not Rated</u>
External Investment Pools	\$461,538,813	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$461,538,813
Total	<u>\$461,538,813</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$461,538,813</u>

c). Concentration of Credit Risk. The Plan does not have investments in any one issuer that represent 5% or more of total investments, excluding external investment pools.

d). Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Plan's exposure to interest rate risk is presented below at December 31, 2023:

<u>Investment Type</u>	<u>Fair Value</u>	<u>< 1 yr</u>	<u>1 to 5 yrs</u>	<u>6 to 10 yrs</u>	<u>> 10 yrs</u>	<u>Unknown</u>
External Investment Pools	\$ 105,783,676	\$ -	\$ -	\$ -	\$ -	\$ 105,783,676
Total	<u>\$ 105,783,676</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 105,783,676</u>

e). Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or deposit. The Plan's exposure to foreign currency risk is presented below at December 31, 2023:

Investment:	
PRIM International Equity (various currencies)	\$ 55,095,560
Total	<u>\$ 55,095,560</u>

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the plan administrator to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Significant Estimates

None of the estimates used in preparing the financial statements were significant.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 - INVESTMENTS

Investment policy. The provisions of M.G.L Chapter 32, section 23(2) generally govern the investment practices of the system. The Board establishes the Investment Policy and Asset Allocation of the Plan. The Board retains an investment consultant to advise them on developing and implementing the Policy, and to closely monitor the individual performance of investment managers and the performance of the overall investment strategy. Investment policy guidelines are reviewed annually by the Board after consideration of the advice and recommendation of the investment consultant. All modifications of investment policy guidelines are in writing and signed by each Board member. The following was the Retirement Board's adopted asset allocation policy as of December 31, 2023:

Asset Class	Target Allocation
Domestic Stocks - Large	15.5%
Domestic Stocks - Small/Mid	4.5%
International Stocks	16.5%
Emerging Markets Stocks	6.0%
Domestic Bonds	20.0%
Opportunistic Fixed Income	6.0%
Emerging Markets Debt (Local Currency)	6.0%
Real Estate (Equity)	12.0%
Alternative Investments	11.5%
Cash	2.0%
Total	100.0%

There were no significant investment policy changes during the reporting period.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 - INVESTMENTS (CONTINUED)

Investments are reported at their fair value at year end. Although the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at year end.

The fair value measurement establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are described below.

Level 1 Fair Value Measurements

The fair value of commingled domestic and international investments is based on quoted prices of the funds held by the Plan at year-end.

Level 2 Fair Value Measurements

Investments in certain preferred stocks are valued on the market approach using the quoted market price of the issuer's unrestricted common stock less an appropriate discount.

Level 3 Fair Value Measurements

The fair value of certain investments is not actively traded and significant other observable inputs are not available. In this case, management decides what the best valuation technique to use is.

The investments of the Plan consisted of the following as of:

Investment Type	Fair Value	December 31, 2023		
		Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant un- observable inputs (Level 3)
Investments measured by input level:				
Limited partnerships	\$ 6,119,406	\$ -	\$ -	\$ 6,119,406
Total investments by input level	6,119,406	-	-	6,119,406
Investments measured by NAV:				
External investment pools	461,538,813	n/a	n/a	n/a
Total investments by NAV	461,538,813	-	-	-
Total investments	\$ 467,658,219	\$ -	\$ -	\$ 6,119,406

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 4 - INVESTMENTS (CONTINUED)

The following table presents the unfunded commitments, redemption terms, and fair value of the investments measured at NAV:

	Investments measured at NAV			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)	Redemption Notice Period
External investment pools	\$ 461,538,813	\$ 34,172,602	Monthly	n/a
Total	<u>\$ 461,538,813</u>	<u>\$ 34,172,602</u>		

External Investment Pools. This type includes investment in the Pension Reserves Investment Trust (PRIT) fund that invests in 1). private equity and alternative debt, with managers representing various investment styles and concentrating on a variety of industries and locations 2). opportunities that offer long-term growth of capital, primarily through a diversified portfolio of non-US equity securities 3). domestic high quality, and substantially leased properties typically in the following property types: apartment, office, retail, industrial and R& D office 4). bonds, short-term fixed income, long duration treasury, and inflation-linked bonds. The PRIT fund is an external investment pool, as defined by GASB, and it is not registered with the Securities and Exchange Commission, but is subject to oversight by the Pension Reserves Investment Management Board (the PRIM Board). The PRIT fund issues separate audited financial statements that may be obtained on their website. The fair value of the position in the pool is the same as the value of pool shares.

Concentrations. The following investments represent 5% or more of fiduciary net position:

PRIM Domestic Equity	\$ 115,514,411
PRIM Emerging Markets	32,224,588
PRIM International Equity	55,095,560
PRIM Value-Added Fixed Income	56,494,672
PRIM Core Fixed Income	49,289,004
PRIM Core Real Estate	78,113,846

Rate of return. For the year ended December 31, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 9.98%. This money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changed amounts actually invested.

NOTE 5 - PARTICIPANT CONTRIBUTIONS RECEIVABLE

Participant contributions receivable are stated at the amount the administrator expects to collect from balances outstanding at year-end. Balances that are still outstanding after the administrator has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to participant contributions receivable. The allowance for uncollectible accounts was estimated to be \$0 at December 31, 2023.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 6 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities:

	Balance 1/1/23	Additions	Deletions	Balance 12/31/2023	Current Portion
Accrued Vacation	\$ 22,535	\$ 29,820	\$ 28,957	\$ 23,398	\$ 23,398
Accrued Sick	43,765	4,339	1,028	47,076	47,076
Premise Lease	66,498	-	46,628	19,870	19,870
Totals	<u>\$ 132,798</u>	<u>\$ 34,159</u>	<u>\$ 76,613</u>	<u>\$ 90,344</u>	<u>\$ 90,344</u>

NOTE 7 - NET PENSION LIABILITY OF THE PARTICIPATING EMPLOYERS

The net pension liability is the actuarial total liability less the plan fiduciary net position. The components of the net pension liability of the participating employers at December 31, 2023, were as follows:

	<u>2023</u>
Total pension liability	\$ 657,299,209
Plan fiduciary net position	474,037,408
Employer's net pension liability (asset)	<u>\$ 183,261,801</u>

Plan fiduciary net position as a % of total pension liability 72.1%

Actuarial assumptions. The total pension liability as of the December 31, 2023 measurement date was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 %
Salary increases	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Investment rate of return	6.8% 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-2021. 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-2021.

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 FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 7 - 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, 2023 (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	3.0%	0.00%
Domestic Equity	26.0%	4.40%
Non-US Developed Equity	11.0%	4.10%
Emerging Equity	6.0%	6.70%
Private Equity	16.0%	7.70%
Core Bonds	12.0%	2.40%
Value Add Fixed Income - Public	12.0%	5.30%
Real Estate	14.0%	4.10%
Total	100.0%	

Discount rate. The discount rate used to measure the total pension liability is 6.8%. The discount rate at the Plan's prior fiscal year end was 6.9%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate 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 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 3.26%, based on the December 2023 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 6.8%, 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 (5.8%) or 1-percentage-point higher (7.8%) than the current rate:

	<u>1% Decrease (5.8%)</u>	<u>Current Discount Rate (6.8%)</u>	<u>1% Increase (7.8%)</u>
Employer's net pension liability (asset)	\$ 258,225,509	\$ 183,261,801	\$ 119,516,224

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

NOTE 8 – LEGALLY REQUIRED FUNDS

The balances in the Plan’s legally required funds per M.G.L. Chapter 32, Section 22 at December 31, 2023:

	<u>2023</u>	<u>Purpose</u>
Annuity Savings Fund	\$ 92,943,483	Active members' contribution balance
Special Fund for Military Service Credit	53,882	Members' contribution while on military leave
Annuity Reserve Fund	28,689,709	Retired members' contribution account
Pension Fund	7,863,265	To fund current pension benefits
Pension Reserve Fund	344,487,069	To fund future pension benefits
	<u>\$474,037,408</u>	

NOTE 9 – COMMITMENTS

As of December 31, 2023, the Plan had unfunded capital commitments on its limited partnerships totaling \$3,113,782 and unfunded capital commitments on its external investment pools totaling \$34,172,602.

NOTE 10 - TAX STATUS

The Plan is a qualified plan under the Internal Revenue Code of 1986, as amended and, therefore, is exempt from federal income taxes. The Plan administrator believes the Plan is designed and is currently being operated in substantial compliance with the applicable requirements of the Internal Revenues Code and will retain its status as a qualified plan.

NOTE 11 – LEASE COMMITMENTS

The Plan has entered into a lease commitment for space. At December 31, 2023, the total lease asset was \$217,604 and accumulated amortization was \$195,844. The annual lease / rent expense for the leased facilities was \$47,732 for the year ended December 31, 2023. The lease expires in 2024. The discount rate used in the valuation of the lease asset and liability was 2.60%.

The future minimum lease payments on the above lease for the year ending December 31, 2023 are as follows:

2024	\$ 20,000
2025	-
2026	-
2027	-
2028	-
Less: Imputed Interest	<u>(130)</u>
Total	\$ 19,870

NOTE 12 - MANAGEMENT REVIEW

Management has reviewed subsequent events as of January 27, 2025, the date the financial statements were available to be issued. At that time, there were no material subsequent events.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY - LAST TEN FISCAL YEARS
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019
Total pension liability					
Service cost	\$ 16,441,231	\$ 15,923,710	\$ 14,760,890	\$ 14,261,729	\$ 13,282,271
Interest	43,174,553	41,712,622	41,320,681	39,817,266	38,884,736
Changes of benefit terms	-	-	(13,562,414)	-	-
Differences between expected and actual experience	520,990	-	5,606,152	-	(6,620,290)
Changes of assumptions	8,305,147	-	11,289,119	-	20,488,858
Benefit payments, including refunds	(38,514,082)	(35,418,801)	(34,822,644)	(32,280,113)	(31,865,798)
Net change in total pension liability	\$ 29,927,839	\$ 22,217,531	\$ 24,591,784	\$ 21,798,882	\$ 34,169,777
Total pension liability - beginning	627,371,370	605,153,839	580,562,055	558,763,173	524,593,396
Total pension liability - ending	\$ 657,299,209	\$ 627,371,370	\$ 605,153,839	\$ 580,562,055	\$ 558,763,173

Fiduciary net position					
Contributions - employer	\$ 32,420,750	\$ 30,200,925	\$ 28,089,796	\$ 26,114,304	\$ 24,294,506
Contributions - member	10,102,122	9,395,142	8,788,574	8,632,409	8,422,814
Contributions - nonemployer	136,929	127,211	142,871	193,587	163,506
Transfers from other systems	3,513,939	2,713,293	2,187,757	1,949,877	1,959,926
Net investment income	43,618,999	(51,554,719)	72,915,237	42,203,912	50,129,282
Benefits paid	(36,567,767)	(34,344,808)	(33,090,814)	(31,618,423)	(29,700,339)
Refunds of contributions	(974,239)	(633,032)	(725,346)	(683,575)	(1,271,210)
Transfers to other systems	(4,238,682)	(3,374,525)	(4,708,745)	(2,368,922)	(3,101,567)
Administrative expenses	(850,023)	(788,434)	(773,129)	(880,534)	(842,372)
Bad debt expense	(227,254)	-	-	-	-
Net change in fiduciary net position	\$ 46,934,774	\$ (48,258,947)	\$ 72,826,201	\$ 43,542,635	\$ 50,054,546
Fiduciary net position - beginning	427,102,634	475,361,582	402,535,380	358,992,746	308,938,200
Fiduciary net position - ending	\$ 474,037,408	\$ 427,102,635	\$ 475,361,581	\$ 402,535,381	\$ 358,992,746
Net pension liability (asset) - ending	\$ 183,261,801	\$ 200,268,735	\$ 129,792,258	\$ 178,026,674	\$ 199,770,427

	2018	2017	2016	2015	2014
Total pension liability					
Service cost	\$ 12,771,414	\$ 11,029,438	\$ 10,605,229	\$ 10,269,070	\$ 9,850,427
Interest	37,396,643	36,888,260	34,627,268	34,842,587	33,371,689
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	-	(434,874)	(4,348,736)	-	-
Changes of assumptions	-	(9,996,849)	16,610,092	-	-
Benefit payments, including refunds	(29,543,223)	(28,662,890)	(26,880,118)	(25,512,793)	(24,412,587)
Net change in total pension liability	\$ 20,624,834	\$ 8,823,085	\$ 30,613,735	\$ 19,598,864	\$ 18,809,529
Total pension liability - beginning	503,968,562	495,145,477	464,531,742	444,932,878	426,123,349
Total pension liability - ending	\$ 524,593,396	\$ 503,968,562	\$ 495,145,477	\$ 464,531,742	\$ 444,932,878

Fiduciary net position					
Contributions - employer	\$ 22,597,993	\$ 21,331,218	\$ 19,693,436	\$ 18,626,735	\$ 17,436,197
Contributions - member	8,103,147	7,792,063	7,446,905	7,322,347	7,177,431
Contributions - nonemployer	259,558	124,318	331,313	135,964	227,088
Transfers from other systems	2,170,184	1,618,180	1,268,799	1,247,378	1,067,545
Net investment income	(9,856,143)	43,357,379	19,035,979	(1,104,522)	11,959,239
Benefits paid	(28,249,381)	(26,616,377)	(24,973,457)	(23,410,439)	(22,164,495)
Refunds of contributions	(538,578)	(911,881)	(741,840)	(946,870)	(801,315)
Transfers to other systems	(2,903,327)	(2,979,750)	(2,787,216)	(2,561,166)	(2,382,307)
Administrative expenses	(879,770)	(814,052)	(800,877)	(835,479)	(754,997)
Bad debt expense	-	-	-	-	-
Net change in fiduciary net position	\$ (9,296,317)	\$ 42,901,098	\$ 18,473,042	\$ (1,526,052)	\$ 11,764,386
Fiduciary net position - beginning	318,234,520	275,333,422	256,860,381	258,386,433	246,622,046
Fiduciary net position - ending	\$ 308,938,203	\$ 318,234,520	\$ 275,333,423	\$ 256,860,381	\$ 258,386,432
Net pension liability (asset) - ending	\$ 215,655,193	\$ 185,734,042	\$ 219,812,054	\$ 207,671,361	\$ 186,546,446

See accompanying independent auditors' report and management's notes to required supplementary information.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF NET PENSION LIABILITY - LAST TEN FISCAL YEARS
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019
Total pension liability	\$ 657,299,209	\$ 627,371,370	\$ 605,153,839	\$ 580,562,055	\$ 558,763,173
Fiduciary net position	474,037,408	427,102,635	475,361,581	402,535,381	358,992,749
Net pension liability (asset)	<u>\$ 183,261,801</u>	<u>\$ 200,268,735</u>	<u>\$ 129,792,258</u>	<u>\$ 178,026,674</u>	<u>\$ 199,770,424</u>

Fiduciary net position as a percentage of the total pension liability	72.1%	68.1%	78.6%	69.3%	64.2%
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Covered payroll	\$ 102,054,966	\$ 96,766,143	\$ 90,501,248	\$ 87,719,692	\$ 85,426,619
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Net pension liability (asset) as a percentage of covered payroll	179.6%	207.0%	143.4%	202.9%	233.9%
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	2018	2017	2016	2015	2014
Total pension liability	\$ 524,593,396	\$ 503,968,562	\$ 495,145,477	\$ 464,531,742	\$ 444,932,878
Fiduciary net position	308,938,203	318,234,520	275,333,423	256,860,381	258,386,432
Net pension liability (asset)	<u>\$ 215,655,193</u>	<u>\$ 185,734,042</u>	<u>\$ 219,812,054</u>	<u>\$ 207,671,361</u>	<u>\$ 186,546,446</u>

Fiduciary net position as a percentage of the total pension liability	58.9%	63.1%	55.6%	55.3%	58.1%
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Covered payroll	\$ 84,192,999	\$ 76,767,518	\$ 78,914,925	\$ 80,914,245	\$ 77,139,934
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Net pension liability (asset) as a percentage of covered payroll	256.1%	241.9%	278.5%	256.7%	241.8%
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See accompanying independent auditors' report and management's notes to required supplementary information.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS - LAST TEN FISCAL YEARS
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019
Actuarially determined contribution	\$ 32,420,750	\$ 30,200,925	\$ 28,089,796	\$ 26,114,304	\$ 24,294,506
Contributions in relation to the actuarially determined contribution	32,420,750	30,200,925	28,089,796	26,114,304	24,294,506
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 102,054,966	\$ 96,766,143	\$ 90,501,248	\$ 87,719,692	\$ 85,426,619
Contributions as a percentage of covered payroll	31.8%	31.2%	31.0%	29.8%	28.4%

	2018	2017	2016	2015	2014
Actuarially determined contribution	\$ 22,597,993	\$ 21,331,218	\$ 19,693,436	\$ 18,620,753	\$ 17,349,877
Contributions in relation to the actuarially determined contribution	22,597,993	21,331,218	19,693,436	18,620,753	17,349,877
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 84,192,999	\$ 76,767,518	\$ 78,914,925	\$ 80,914,245	\$ 79,029,000
Contributions as a percentage of covered payroll	26.8%	27.8%	25.0%	23.0%	22.0%

See accompanying independent auditors' report and management's notes to required supplementary information.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS - LAST TEN FISCAL YEARS
DECEMBER 31, 2023**

	2023	2022	2021	2020	2019
Annual money-weighted rate of return, net of investment expenses	9.98%	-10.78%	18.36%	11.64%	16.30%
	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses	-3.02%	15.77%	7.43%	-0.68%	4.84%

See accompanying independent auditors' report and management's notes to required supplementary information.

**HAMPSHIRE COUNTY RETIREMENT SYSTEM
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2023**

NOTE 1 – METHODS AND ASSUMPTIONS USED IN CALCULATIONS OF ACTUARIALLY DETERMINED CONTRIBUTIONS

The actuarially determined contributions in the schedule of employers' contributions were calculated as of July 1 of the fiscal year in which contributions were reported. The following actuarial methods and assumptions were used to determine contributions reported in that schedule:

Actuarial cost method:	Entry Age Normal
Amortization method:	Increasing dollar amount at 4.00%
Remaining amortization period:	10 years
Asset valuation method:	The Actuarial Value of Assets is the market value of assets as of the valuation date reduced by the sum of: a). 80% of gains & losses of the prior year, b). 60% of gains & losses of the second prior year, c). 40% of gains & losses of the third prior year, d). 20% of gains & losses of the fourth prior year. Investment gains and losses are determined by the excess or deficiency of the expected return over the actual return on the market value. The actuarial valuation of assets is further constrained to be not less than 80% or more than 120% of market value.
Inflation:	2.5% per year
Salary increases:	Group 1: 6% - 4.25%, based on service Group 4: 7% - 4.75%, based on service
Payroll growth:	3.25% per year
Investment rate of return:	6.8%, net of pension plan investment expense including inflation

NOTE 2 – FACTORS THAT SIGNIFICANTLY AFFECT TRENDS IN THE AMOUNTS REPORTED ON THE SCHEDULES

Some actuarial assumptions and methods used in the valuation changed from the last valuation, including decreasing the investment rate of return from 6.9% to 6.8% and updating the mortality improvement rates.