

NORFOLK COUNTY RETIREMENT SYSTEM

**SCHEDULES OF EMPLOYER ALLOCATIONS,
PENSION AMOUNTS BY EMPLOYER AND
AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS**

YEAR ENDED DECEMBER 31, 2019

NORFOLK COUNTY RETIREMENT SYSTEM

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

INDEPENDENT AUDITOR'S REPORT

To the Board of the Norfolk County
Retirement System
Canton, Massachusetts 02021

Report on Schedules

We have audited the accompanying schedule of employer allocations of the Norfolk County Retirement System (the System) as of and for the year ended December 31, 2019, and the related notes. We have also audited the totals for all entities of the columns titled ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense, total pension revenue, and total covered payroll (specified column totals) included in the accompanying schedule of pension amounts by employer of the System and the column totals included in the accompanying schedule of amortization of employers' deferred outflows/inflows as of and for the year ended December 31, 2019, 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.

Auditor's Responsibility

Our responsibility is to express an opinion 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 auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and 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 opinion.

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Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and ending net pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense, total pension revenue, total covered payroll and total amortization of deferred outflows/inflows for the total of all participating entities for the Norfolk County Retirement System as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Norfolk County Retirement System as of and for the years ended December 31, 2019 and 2018, and our report thereon, dated December 16, 2020, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

DI PESA & COMPANY

Di Pesa & Company

Certified Public Accountants
Quincy, Massachusetts
December 16, 2020

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

<u>Employer</u>	<u>Employer Contributions</u>	<u>Employer Allocation Percentage</u>
Town of Avon	\$ 1,326,058	1.7704%
Avon Housing Authority	12,894	0.0172%
Town of Bellingham	3,326,269	4.4410%
Bellingham Housing Authority	31,271	0.0418%
Town of Canton	5,635,051	7.5235%
Canton Housing Authority	91,654	0.1224%
Town of Cohasset	2,462,635	3.2879%
Cohasset Housing Authority	17,653	0.0236%
Norfolk County	3,910,135	5.2205%
Charles River Pollution Control	176,400	0.2355%
Town of Dover	1,421,027	1.8972%
Dover-Sherborn Regional High School	880,379	1.1754%
Town of Foxboro	4,844,077	6.4674%
Foxboro Housing Authority	82,115	0.1096%
Town of Franklin	5,765,354	7.6975%
Franklin Housing Authority	91,921	0.1227%
Town of Holbrook	2,140,930	2.8584%
Holbrook Housing Authority	42,315	0.0565%
King Philip Regional School District	751,063	1.0028%
Town of Medfield	2,774,283	3.7040%
Medfield Housing Authority	15,162	0.0202%
Town of Medway	2,628,086	3.5088%
Medway Housing Authority	90,396	0.1207%
Town of Millis	1,818,303	2.4277%
Millis Housing Authority	45,156	0.0603%
Town of Norfolk	2,260,845	3.0185%
Norfolk Housing Authority	34,836	0.0465%
Norfolk Mosquito Control	209,996	0.2804%
Town of Plainville	1,972,106	2.6330%
Town of Randolph	6,242,598	8.3346%
Randolph Housing Authority	100,000	0.1335%
Town of Sharon	4,434,384	5.9204%
Sharon Housing Authority	13,559	0.0181%
Town of Stoughton	5,889,570	7.8633%
Stoughton Housing Authority	83,283	0.1112%
Town of Walpole	5,089,078	6.7945%
Walpole Housing Authority	57,932	0.0773%
Town of Westwood	5,406,233	7.2180%
Town of Wrentham	2,146,064	2.8653%
Wrentham Housing Authority	28,867	0.0385%
Dedham Westwood Water District	549,590	0.7338%
	<u>\$ 74,899,528</u>	<u>100.0000%</u>

The Accompanying Notes are an Integral Part of the Schedule of Employer Allocations.

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	December 31, 2019 Net Pension Liability	Deferred Outflows of Resources				
		Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Town of Avon	\$ 10,394,255	\$ 890,589	\$ 1,356,724	\$ 190,655	\$ 6,591	\$ 2,444,559
Avon Housing Authority	100,984	8,653	13,182	1,852	274	23,961
Town of Bellingham	26,073,705	2,234,039	3,403,332	478,246	146,313	6,261,930
Bellingham Housing Authority	245,413	21,027	32,034	4,501	-	57,562
Town of Canton	44,172,062	3,784,739	5,765,661	810,208	188,613	10,549,221
Canton Housing Authority	718,627	61,573	93,801	13,181	-	168,555
Town of Cohasset	19,303,701	1,653,974	2,519,661	354,071	309,810	4,837,516
Cohasset Housing Authority	138,559	11,872	18,087	2,541	-	32,500
Norfolk County	30,650,254	2,626,167	4,000,695	562,190	3,275,481	10,464,533
Charles River Pollution Control	1,382,652	118,468	180,474	25,361	15,731	340,034
Town of Dover	11,138,715	954,384	1,453,908	204,307	20,094	2,632,693
Dover-Sherborn Regional High School	6,900,931	591,285	900,759	126,577	302,165	1,920,786
Town of Foxboro	37,970,971	3,253,418	4,956,249	696,467	834,133	9,740,267
Foxboro Housing Authority	643,476	55,133	83,991	11,802	105,035	255,961
Town of Franklin	45,193,052	3,872,218	5,898,927	828,935	1,006,381	11,606,461
Franklin Housing Authority	720,388	61,724	94,029	13,213	4,998	173,964
Town of Holbrook	16,782,049	1,437,915	2,190,516	307,818	8,114	3,944,363
Holbrook Housing Authority	331,719	28,422	43,299	6,085	13,928	91,734
King Philip Regional School District	5,887,573	504,458	768,489	107,991	30,694	1,411,632
Town of Medfield	21,746,679	1,863,293	2,838,537	398,879	484,286	5,584,995
Medfield Housing Authority	118,597	10,161	15,480	2,175	9	27,825
Town of Medway	20,600,634	1,765,098	2,688,945	377,859	276,135	5,108,037
Medway Housing Authority	708,646	60,719	92,499	12,998	806	167,022
Town of Millis	14,253,351	1,221,252	1,860,453	261,436	13,793	3,356,934
Millis Housing Authority	354,029	30,334	46,212	6,494	39,272	122,312

The Accompanying Notes are an Integral Part of the Schedule of Pension Amounts by Employer.

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	Deferred Outflows of Resources					
	December 31, 2019 Net Pension Liability	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Town of Norfolk	17,722,017	1,518,453	2,313,207	325,059	11,191	4,167,910
Norfolk Housing Authority	273,008	23,391	35,634	5,008	14,408	78,441
Norfolk Mosquito Control	1,646,266	141,055	214,884	30,196	14,995	401,130
Town of Plainville	15,458,695	1,324,527	2,017,782	283,545	210,472	3,836,326
Town of Randolph	48,933,552	4,192,711	6,387,165	897,543	1,022,387	12,499,806
Randolph Housing Authority	783,796	67,157	102,306	14,376	169,129	352,968
Town of Sharon	34,759,460	2,978,251	4,537,059	637,562	230,106	8,382,978
Sharon Housing Authority	106,268	9,105	13,872	1,949	2,149	27,075
Town of Stoughton	46,166,486	3,955,624	6,025,989	846,790	631,502	11,459,905
Stoughton Housing Authority	652,870	55,939	85,218	11,975	23,614	176,746
Town of Walpole	39,891,418	3,417,965	5,206,920	731,693	15,951	9,372,529
Walpole Housing Authority	453,839	38,887	59,238	8,325	533	106,983
Town of Westwood	42,377,844	3,631,006	5,531,466	777,299	484,378	10,424,149
Town of Wrentham	16,822,560	1,441,387	2,195,805	308,561	383,338	4,329,091
Wrentham Housing Authority	226,039	19,367	29,505	4,146	6,194	59,212
Dedham Westwood Water District	4,308,238	369,136	562,344	79,022	5,102	1,015,604
	<u>\$ 587,113,377</u>	<u>\$ 50,304,876</u>	<u>\$ 76,634,338</u>	<u>\$ 10,768,891</u>	<u>\$ 10,308,105</u>	<u>\$ 148,016,210</u>

The Accompanying Notes are an Integral Part of the Schedule of Pension Amounts by Employer.

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	Deferred Inflows of Resources				Pension Expense				(Proportionate Share of Contributions from Nonemployer Entities)	Total Covered Payroll
	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization from Changes in Proportions	Total Pension Expense		
Town of Avon	\$ -	\$ 1,649,487	\$ -	\$ 450,825	\$ 2,100,312	\$ 1,653,609	\$ (197,751)	\$ 1,455,858	\$ 66,572	\$ 5,839,940
Avon Housing Authority	-	16,025	-	68,489	84,514	16,065	(19,019)	(2,954)	647	54,365
Town of Bellingham	-	4,137,701	-	248,210	4,385,911	4,148,032	10,549	4,158,581	167,005	12,224,092
Bellingham Housing Authority	-	38,944	-	24,251	63,195	39,043	(22,344)	16,699	1,572	189,497
Town of Canton	-	7,009,775	-	246,484	7,256,259	7,027,276	(85,421)	6,941,855	282,927	23,863,452
Canton Housing Authority	-	114,041	-	119,960	234,001	114,325	(54,575)	59,750	4,603	379,780
Town of Cohasset	-	3,063,352	-	1,398,855	4,462,207	3,071,001	(78,468)	2,992,533	123,643	11,976,075
Cohasset Housing Authority	-	21,989	-	4,008	25,997	22,043	(2,931)	19,112	887	65,940
Norfolk County	-	4,863,964	-	447,740	5,311,704	4,876,109	2,191,140	7,067,249	196,319	9,584,599
Charles River Pollution Control	-	219,416	-	12,693	232,109	219,964	(7,571)	212,393	8,856	621,988
Town of Dover	-	1,767,630	-	97,882	1,865,512	1,772,044	(81,482)	1,690,562	71,345	5,592,326
Dover-Sherborn Regional High School	-	1,095,127	-	36,487	1,131,614	1,097,860	78,440	1,176,300	44,201	3,099,883
Town of Foxboro	-	6,025,708	-	236,178	6,261,886	6,040,753	17,274	6,058,027	243,209	20,323,916
Foxboro Housing Authority	-	102,115	-	15,971	118,086	102,370	9,312	111,682	4,122	401,889
Town of Franklin	-	7,171,798	-	400,628	7,572,426	7,189,705	(106,037)	7,083,668	289,467	25,204,407
Franklin Housing Authority	-	114,320	-	13,184	127,504	114,606	8	114,614	4,614	378,720
Town of Holbrook	-	2,663,185	-	649,735	3,312,920	2,669,835	(316,360)	2,353,475	107,491	8,898,997
Holbrook Housing Authority	-	52,642	-	69,139	121,781	52,773	(2,201)	50,572	2,125	182,773
King Philip Regional School District	-	934,314	-	436,705	1,371,019	936,646	(99,035)	837,611	37,711	3,321,945
Town of Medfield	-	3,451,034	-	118,790	3,569,824	3,459,651	111,224	3,570,875	139,290	11,755,970
Medfield Housing Authority	-	18,820	-	21,692	40,512	18,867	(16,139)	2,728	760	64,354
Town of Medway	-	3,269,166	-	115,204	3,384,370	3,277,328	191,644	3,468,972	131,950	12,385,085
Medway Housing Authority	-	112,457	-	48,223	160,680	112,738	(17,732)	95,006	4,539	301,687
Town of Millis	-	2,261,899	-	405,222	2,667,121	2,267,547	(264,146)	2,003,401	91,294	8,338,887
Millis Housing Authority	-	56,182	-	675	56,857	56,322	25,887	82,209	2,268	197,774

The Accompanying Notes are an Integral Part of the Schedule of Pension Amounts by Employer.

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	Deferred Inflows of Resources				Pension Expense			(Proportionate Share of Contributions from Nonemployer Entities)	Total Pension Revenue	Total Covered Payroll
	Difference Between Expected and Actual Experience	Difference Between Projected and Actual Investment Earnings	Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Pension Expense	Net Amortization from Changes in Proportions			
Town of Norfolk	-	2,812,350	-	163,900	2,976,250	2,819,373	(82,263)	2,737,110	113,512	9,409,488
Norfolk Housing Authority	-	43,324	-	152	43,476	43,432	13,162	56,594	1,749	146,080
Norfolk Mosquito Control	-	261,250	-	19,340	280,590	261,902	6,504	268,406	10,545	893,688
Town of Plainville	-	2,453,178	-	175,719	2,628,897	2,459,304	138,058	2,597,362	99,015	8,900,483
Town of Randolph	-	7,765,387	-	266,755	8,032,142	7,784,776	95,739	7,880,515	313,425	25,641,470
Randolph Housing Authority	-	124,382	-	46,269	170,651	124,693	(6,822)	117,871	5,020	389,022
Town of Sharon	-	5,516,066	-	559,707	6,075,773	5,529,838	(495,413)	5,034,425	222,639	18,686,741
Sharon Housing Authority	-	16,864	-	80,967	97,831	16,906	(21,548)	(4,642)	681	152,579
Town of Stoughton	-	7,326,274	-	405,915	7,732,189	7,344,567	(205,574)	7,138,993	295,702	24,954,670
Stoughton Housing Authority	-	103,605	-	46,987	150,592	103,864	(46,158)	57,706	4,182	412,102
Town of Walpole	-	6,330,468	-	1,864,413	8,194,881	6,346,274	(827,682)	5,518,592	255,509	22,085,270
Walpole Housing Authority	-	72,021	-	29,486	101,507	72,201	(24,444)	47,757	2,907	255,494
Town of Westwood	-	6,725,044	-	339,284	7,064,328	6,741,837	312,792	7,054,629	271,435	22,715,203
Town of Wrentham	-	2,669,614	-	91,196	2,760,810	2,676,279	28,243	2,704,522	107,751	9,115,593
Wrentham Housing Authority	-	35,871	-	5,618	41,489	35,960	(4,228)	31,732	1,448	117,741
Dedham Westwood Water District	-	683,685	-	525,167	1,208,852	685,392	(144,632)	540,760	27,595	2,365,315
	<u>\$ -</u>	<u>\$ 93,170,474</u>	<u>\$ -</u>	<u>\$ 10,308,105</u>	<u>\$ 103,478,579</u>	<u>\$ 93,403,110</u>	<u>\$ -</u>	<u>\$ 93,403,110</u>	<u>\$ 3,760,532</u>	<u>\$ 311,489,280</u>

The Accompanying Notes are an Integral Part of the Schedule of Pension Amounts by Employer.

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS

FOR THE YEAR ENDED DECEMBER 31, 2019

Employer	FOR THE YEARS ENDING DECEMBER 31					
	2020	2021	2022	2023	Thereafter	Total
Town of Avon	\$ 288,830	\$ 117,075	\$ 225,975	\$ (287,633)	\$ -	\$ 344,247
Avon Housing Authority	(18,028)	(18,435)	(17,540)	(6,550)	-	(60,553)
Town of Bellingham	1,243,413	519,754	791,657	(678,805)	-	1,876,019
Bellingham Housing Authority	(8,736)	3,354	6,308	(6,559)	-	(5,633)
Town of Canton	2,037,319	962,303	1,426,757	(1,133,417)	-	3,292,962
Canton Housing Authority	(22,718)	(13,488)	(5,397)	(23,843)	-	(65,446)
Town of Cohasset	737,112	4,480	208,074	(574,357)	-	375,309
Cohasset Housing Authority	3,867	2,485	3,829	(3,678)	-	6,503
Norfolk County	3,691,678	1,257,100	984,481	(780,430)	-	5,152,829
Charles River Pollution Control	60,407	33,896	48,391	(34,769)	-	107,925
Town of Dover	458,579	240,273	355,172	(286,843)	-	767,181
Dover-Sherborn Regional High School	422,522	229,136	300,022	(162,508)	-	789,172
Town of Foxboro	1,896,844	1,057,917	1,454,657	(931,037)	-	3,478,381
Foxboro Housing Authority	48,404	46,711	53,106	(10,346)	-	137,875
Town of Franklin	2,144,234	1,265,368	1,732,644	(1,108,211)	-	4,034,035
Franklin Housing Authority	33,538	12,141	19,894	(19,113)	-	46,460
Town of Holbrook	477,287	218,200	394,637	(458,681)	-	631,443
Holbrook Housing Authority	7,993	(14,474)	(10,964)	(12,602)	-	(30,047)
King Philip Regional School District	156,459	(686)	60,615	(175,775)	-	40,613
Town of Medfield	1,169,591	580,288	804,241	(538,949)	-	2,015,171
Medfield Housing Authority	(9,633)	(280)	837	(3,611)	-	(12,687)
Town of Medway	1,155,865	443,000	655,555	(530,753)	-	1,723,667
Medway Housing Authority	14,352	2,641	9,993	(20,644)	-	6,342
Town of Millis	426,187	247,354	394,686	(378,414)	-	689,813
Millis Housing Authority	42,049	13,897	17,438	(7,929)	-	65,455
Town of Norfolk	764,574	349,857	538,308	(461,079)	-	1,191,660
Norfolk Housing Authority	25,227	7,042	9,563	(6,867)	-	34,965
Norfolk Mosquito Control	83,421	31,442	48,759	(43,082)	-	120,540
Town of Plainville	853,230	298,141	460,194	(404,136)	-	1,207,429
Town of Randolph	2,501,944	1,326,145	1,844,623	(1,205,048)	-	4,467,664
Randolph Housing Authority	45,969	68,974	77,525	(10,151)	-	182,317
Town of Sharon	1,228,766	802,525	1,161,012	(885,098)	-	2,307,205
Sharon Housing Authority	(21,082)	(21,431)	(20,852)	(7,391)	-	(70,756)
Town of Stoughton	2,068,615	1,166,072	1,648,010	(1,154,981)	-	3,727,716
Stoughton Housing Authority	(8,121)	21,740	27,975	(15,440)	-	26,154
Town of Walpole	1,037,635	414,359	835,380	(1,109,726)	-	1,177,648
Walpole Housing Authority	(1,096)	7,054	11,729	(12,211)	-	5,476
Town of Westwood	2,292,240	861,260	1,305,775	(1,099,454)	-	3,359,821
Town of Wrentham	859,694	473,843	646,942	(412,198)	-	1,568,281
Wrentham Housing Authority	7,490	6,700	9,011	(5,478)	-	17,723
Dedham Westwood Water District	31,670	(64,583)	(19,556)	(140,779)	-	(193,248)
	<u>\$ 28,227,591</u>	<u>\$ 12,959,150</u>	<u>\$ 18,499,466</u>	<u>\$ (15,148,576)</u>	<u>\$ -</u>	<u>\$ 44,537,631</u>

The Accompanying Notes are an Integral Part of the Schedule of Amortization of Employers' Deferred Outflows/Inflows.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 1 – DESCRIPTION OF THE ENTITY

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

The System issued a publicly available audited financial statement for the year ended December 31, 2019, which is available through the System's website at www.norfolkcountyretirement.org, or a copy may be obtained by submitting a request to the System's Executive Director at 480 Neponset Street, Building #15, Canton, MA 02021.

Plan Description

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

Membership

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

Benefits

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 1 – DESCRIPTION OF THE ENTITY (Continued)

Benefits (Continued)

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

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

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

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

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

Contributions

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

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 1 – DESCRIPTION OF THE ENTITY (Continued)

Contributions (Continued)

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

NOTE 2 – ACTUARIAL ASSUMPTIONS AND METHODS

The total pension liability was determined by an actuarial valuation as of January 1, 2020. The following actuarial assumptions were applied to all periods included in the measurement that was rolled forward to December 31, 2019:

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

NOTE 3 – NET PENSION LIABILITY

The components of the net pension liability of the System as of December 31, 2019, is as follows:

Total Pension Liability	\$1,657,574,687
Fiduciary Net Position	<u>1,070,461,310</u>
System's Net Pension Liability	\$ <u>587,113,377</u>
Fiduciary Net Position as a percentage of total pension liability	64.6%

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 3 – NET PENSION LIABILITY (Continued)

The total pension liability is calculated by the System's actuary and plan fiduciary net position is reported in the System's financial statements. The net pension liability is disclosed in accordance with the requirements of Governmental Accounting Standards Board (GASB) Statement No. 67 in the System's notes to financial statements and required supplementary information.

Discount Rate

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

Long-Term Expected Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	30.5%	6.6%
International Equities	15.5	8.0%
Fixed Income	20.5	3.8%
Real Estate	9.5	8.2%
Private Equity	10.0	9.1%
Hedge Funds	11.5	7.2%
Real Assets	<u>2.5</u>	9.9%
Total	<u>100.0%</u>	

The System's policy in regard to the allocation of invested Plan assets is established and may be amended by the Board. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the Plan.

The annual money-weighted rate of return on investments, net of investment expense was 16.28% for the year ended December 31, 2019. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 3 – NET PENSION LIABILITY (Continued)

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

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

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

NOTE 4 – BASIS OF PRESENTATION

The Schedule of Employer Allocations, Schedule of Pension Amounts by Employer, and Schedule of Amortization of Employers' Deferred Outflows/Inflows present amounts that are elements of the financial statements of the System or of its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of either the System or its participating employers. The amounts presented in the schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the System to make a number of estimates and assumptions relating to the reported amounts. Due to inherent nature of these estimates, actual results may differ from those estimates.

NOTE 5 – PENSION EXPENSE

System pension expense for the year ended December 31, 2019 is as follows:

Service Cost	\$ 36,227,627
Interest Cost	119,795,961
Expected Return on Assets	(70,767,095)
Member Contributions	(33,722,562)
Current Year Amortization of Difference Between Expected and Actual Experience	27,025,941
Current Year Amortization of Assumption Changes	(2,085,239)
Current Year Amortization of Difference Between Projected and Actual Investment Earnings	10,299,530
Change in Plan Provisions	5,395,128
Administrative Expenses	<u>1,233,819</u>
Total	\$ <u>93,403,110</u>

The System pension expense is based on the January 1, 2020 valuation. The employers' allocation of the pension expense is shown in the Schedule of Pension Amounts by Employer. The difference between expected and actual experience and the effect of assumption changes are amortized over the average expected remaining service lives of active and inactive members as of January 1, 2020 (4.19 years). The difference between projected and actual investment earnings is amortized over 5 years.

NORFOLK COUNTY RETIREMENT SYSTEM

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS,
PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF
EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS
DECEMBER 31, 2019**

NOTE 6 – DEFERRED INFLOWS OF RESOURCES AND DEFERRED OUTFLOWS OF RESOURCES

Annual changes to the net pension liability resulting from differences between expected and actual experience and from changes in assumptions are deferred and amortized over a closed period equal to the average of the expected service lives of all members determined for the period during which the changes occurred. Differences between projected and actual earnings are amortized over a closed 5 year period. The following presents a summary of the changes in the collective deferred outflows of resources and deferred inflows of resources for the year ended December 31, 2019:

Year	Amortization Period	Original Amount	Accumulated Amortization	Beginning of year Balance	Current Year Deferrals	Current Year Amortizations	End of Year Balance
<u>Deferred Outflows of Resources</u>							
Different Between Expected and Actual Experience							
2015	4.9	\$ 13,828,826	\$ 11,288,837	\$ 2,539,989	\$ -	\$ 2,539,989	\$ -
2017	4.27	61,837,812	28,963,852	32,873,960	-	14,481,926	18,392,034
2019	4.19	-	-	-	41,916,868	10,004,026	31,912,842
Difference Between Projected and Actual Investment Earnings							
2015	5	75,186,656	60,149,324	15,037,332	-	15,037,332	-
2018	5	127,723,896	25,544,779	102,179,117	-	25,544,779	76,634,338
Difference from Assumption Changes							
2017	4.27	36,207,214	16,958,882	19,248,332	-	8,479,441	10,768,891
<u>Deferred Inflows of Resources</u>							
Difference Between Projected and Actual Investment Earnings							
2016	5	(7,466,805)	(4,480,083)	(2,986,722)	-	(1,493,361)	(1,493,361)
2017	5	(58,699,395)	(23,479,762)	(35,219,633)	-	(11,739,880)	(23,479,753)
2019	5	-	-	-	(85,246,700)	(17,049,340)	(68,197,360)
Difference from Assumption Changes							
2015	4.9	(57,518,820)	(46,954,140)	(10,564,680)	-	(10,564,680)	-
Total Deferred Outflows/Inflows of Resources							<u>\$ 44,537,631</u>

The following schedule reflects the amortization of the balance of deferred outflows of resources and deferred inflows of resources at December 31, 2019:

<u>Measurement Period Ending December 31:</u>	<u>Amount</u>
2020	\$ 28,227,591
2021	12,959,150
2022	18,499,466
2023	(15,148,576)
Thereafter	-
Total	<u>\$ 44,537,631</u>

NORFOLK COUNTY RETIREMENT SYSTEM

NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS, PENSION AMOUNTS BY EMPLOYER AND AMORTIZATION OF EMPLOYERS' DEFERRED OUTFLOWS/INFLOWS DECEMBER 31, 2019

NOTE 7 – PROPORTIONATE SHARE ALLOCATION METHODOLOGY AND EMPLOYER ALLOCATIONS

GASB Statement No. 68 requires employers in the Plan to recognize their proportionate share of the collective net pension liability. Employers' proportionate shares were calculated on the basis of actual employer contributions for the year ended December 31, 2019. The Schedule of Employer Allocations display the proportionate allocation used to allocate the Difference Between Expected and Actual Experience; Difference Between Projected and Actual Investment Earnings; Proportionate Share of Plan Pension Expense; and Proportionate Share of Contributions from Nonemployer Entities.

NOTE 8 – ADDITIONAL FINANCIAL AND ACTUARIAL INFORMATION

Information contained in these Notes to Schedules of Employer Allocations and Pension Amounts by Employer (the Schedules) was extracted from the audited financial statements of the System for the years ended December 31, 2019 and 2018. Additional financial information supporting the preparation of the Schedules (including the unqualified audit opinion on the financial statements and required supplementary information) is located in the audited financial statements of the System for the years ended December 31, 2019 and 2018. A copy may be obtained by submitting a request to the System's Executive Director at 480 Neponset Street, Building #15, Canton, MA 02021.