

**NORFOLK COUNTY RETIREMENT SYSTEM**

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**SCHEDULES OF EMPLOYER ALLOCATIONS  
AND PENSION AMOUNTS BY EMPLOYER**

**YEAR ENDED DECEMBER 31, 2014**

# NORFOLK COUNTY RETIREMENT SYSTEM

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## 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, 2014, and the related notes. We have also audited the total 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 as of and for the year ended December 31, 2014 and the beginning net pension liability, as of and for the year ended December 31, 2013 (specified column total) included in the accompanying schedule of pension amounts by employer of the System 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 and total covered payroll for the total of all participating entities for the Norfolk County Retirement System as of and for the year ended December 31, 2014 and the beginning net pension liability for the total of all participating entities for the Norfolk County Retirement System as of and for the year ended December 31, 2013, 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, the financial statements of the Norfolk County Retirement System as of and for the year ended December 31, 2014, and our report thereon, dated October 28, 2015, 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.

Respectfully submitted,

DI PESA & COMPANY

*Di Pesa & Company*

Certified Public Accountants  
Quincy, Massachusetts  
November 25, 2015

**NORFOLK COUNTY RETIREMENT SYSTEM**

**SCHEDULE OF EMPLOYER ALLOCATIONS**

**FOR THE YEAR ENDED DECEMBER 31, 2014**

<u>Employer</u>	<u>Employer Contributions</u>	<u>Employer Allocation Percentage</u>
Town of Avon	\$ 941,204	1.945298%
Avon Housing Authority	17,150	0.035446%
Town of Bellingham	2,128,834	4.399913%
Bellingham Housing Authority	30,388	0.062806%
Town of Canton	3,659,554	7.563632%
Canton Housing Authority	85,047	0.175777%
Town of Cohasset	1,596,747	3.300186%
Cohasset Housing Authority	12,817	0.026490%
Norfolk County	1,794,248	3.708385%
Charles River Pollution Control	116,537	0.240861%
Town of Dover	952,149	1.967919%
Dover-Sherborn Regional High School	527,073	1.089364%
Town of Foxboro	3,103,684	6.414751%
Foxboro Housing Authority	48,172	0.099562%
Town of Franklin	3,752,769	7.756292%
Franklin Housing Authority	58,645	0.121209%
Town of Holbrook	1,528,629	3.159399%
Holbrook Housing Authority	27,295	0.056413%
King Philip Regional School District	527,840	1.090949%
Town of Medfield	1,728,929	3.573382%
Medfield Housing Authority	17,671	0.036523%
Town of Medway	1,603,982	3.315140%
Medway Housing Authority	66,178	0.136777%
Town of Millis	1,293,722	2.673889%
Millis Housing Authority	16,804	0.034730%
Town of Norfolk	1,492,803	3.085352%
Norfolk Housing Authority	16,503	0.034109%
Norfolk Mosquito Control	131,112	0.270985%
Town of Plainville	1,186,472	2.452222%
Town of Randolph	3,967,665	8.200442%
Randolph Housing Authority	69,948	0.144570%
Town of Sharon	3,098,701	6.404452%
Sharon Housing Authority	18,609	0.038461%
Town of Stoughton	3,872,235	8.003205%
Stoughton Housing Authority	76,634	0.158388%
Town of Walpole	3,665,756	7.576451%
Walpole Housing Authority	48,556	0.100357%
Town of Westwood	3,303,348	6.827420%
Town of Wrentham	1,361,510	2.813995%
Wrentham Housing Authority	20,013	0.041362%
Dedham Westwood Water District	417,616	0.863137%
	<u>\$ 48,383,549</u>	<u>100.000000%</u>

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

NORFOLK COUNTY RETIREMENT SYSTEM

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2014

Employer	Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings	Deferred Outflows of Resources		
					Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Town of Avon	\$ 9,624,243	\$ 10,088,806	\$ -	\$ 416,617	\$ -	\$ -	\$ 416,617
Avon Housing Authority	175,368	183,833	-	7,591	-	-	7,591
Town of Bellingham	21,768,298	22,819,057	-	942,312	-	-	942,312
Bellingham Housing Authority	310,728	325,727	-	13,451	-	-	13,451
Town of Canton	37,420,606	39,226,904	-	1,619,874	-	-	1,619,874
Canton Housing Authority	869,648	911,626	-	37,646	-	-	37,646
Town of Cohasset	16,327,466	17,115,595	-	706,788	-	-	706,788
Cohasset Housing Authority	131,058	137,384	-	5,673	-	-	5,673
Norfolk County	18,347,005	19,232,617	-	794,211	-	-	794,211
Charles River Pollution Control	1,191,644	1,249,165	-	51,584	-	-	51,584
Town of Dover	9,736,157	10,206,123	-	421,462	-	-	421,462
Dover-Sherborn Regional High School	5,389,559	5,649,714	-	233,305	-	-	233,305
Town of Foxboro	31,736,585	33,268,514	-	1,373,823	-	-	1,373,823
Foxboro Housing Authority	492,576	516,353	-	21,323	-	-	21,323
Town of Franklin	38,373,779	40,226,086	-	1,661,135	-	-	1,661,135
Franklin Housing Authority	599,673	628,619	-	25,959	-	-	25,959
Town of Holbrook	15,630,930	16,385,437	-	676,636	-	-	676,636
Holbrook Housing Authority	279,099	292,571	-	12,082	-	-	12,082
King Philip Regional School District	5,397,405	5,657,938	-	233,644	-	-	233,644
Town of Medfield	17,679,088	18,532,460	-	765,298	-	-	765,298
Medfield Housing Authority	180,694	189,416	-	7,822	-	-	7,822
Town of Medway	16,401,452	17,193,152	-	709,991	-	-	709,991
Medway Housing Authority	676,697	709,361	-	29,293	-	-	29,293
Town of Millis	13,228,899	13,867,460	-	572,656	-	-	572,656
Millis Housing Authority	171,826	180,120	-	7,438	-	-	7,438

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

FOR THE YEAR ENDED DECEMBER 31, 2014

Employer	Beginning Net Pension Liability	Ending Net Pension Liability	Difference Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings	Deferred Outflows of Resources		
					Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Town of Norfolk	15,264,591	16,001,415	-	660,778	-	-	660,778
Norfolk Housing Authority	168,753	176,899	-	7,305	-	-	7,305
Norfolk Mosquito Control	1,340,684	1,405,399	-	58,036	-	-	58,036
Town of Plainville	12,132,216	12,717,840	-	525,183	-	-	525,183
Town of Randolph	40,571,185	42,529,561	-	1,756,257	-	-	1,756,257
Randolph Housing Authority	715,253	749,778	-	30,962	-	-	30,962
Town of Sharon	31,685,632	33,215,102	-	1,371,617	-	-	1,371,617
Sharon Housing Authority	190,284	199,469	-	8,237	-	-	8,237
Town of Stoughton	39,595,365	41,506,638	-	1,714,016	-	-	1,714,016
Stoughton Housing Authority	783,616	821,441	-	33,921	-	-	33,921
Town of Walpole	37,484,025	39,293,384	-	1,622,619	-	-	1,622,619
Walpole Housing Authority	496,508	520,475	-	21,493	-	-	21,493
Town of Westwood	33,778,240	35,408,720	-	1,462,202	-	-	1,462,202
Town of Wrentham	13,922,065	14,594,085	-	602,662	-	-	602,662
Wrentham Housing Authority	204,637	214,515	-	8,858	-	-	8,858
Dedham Westwood Water District	4,270,316	4,476,445	-	184,855	-	-	184,855
	<u>\$ 494,743,853</u>	<u>\$ 518,625,204</u>	<u>\$ -</u>	<u>\$ 21,416,617</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,416,617</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

FOR THE YEAR ENDED DECEMBER 31, 2014

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	Assumption Changes	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Proportionate Share of Plan Pension Expense	Net Amortization from Changes in Proportions			
Town of Avon	\$ -	\$ -	\$ -	\$ -	\$ 1,028,470	\$ -	\$ 1,028,470	\$ 39,320	\$ 4,532,858
Avon Housing Authority	-	-	-	-	18,740	-	18,740	716	90,240
Town of Bellingham	-	-	-	-	2,326,214	-	2,326,214	88,934	11,153,168
Bellingham Housing Authority	-	-	-	-	33,205	-	33,205	1,269	104,908
Town of Canton	-	-	-	-	3,998,858	-	3,998,858	152,881	19,140,326
Canton Housing Authority	-	-	-	-	92,933	-	92,933	3,553	393,264
Town of Cohasset	-	-	-	-	1,744,793	-	1,744,793	66,705	8,086,454
Cohasset Housing Authority	-	-	-	-	14,005	-	14,005	535	56,056
Norfolk County	-	-	-	-	1,960,606	-	1,960,606	74,956	8,225,942
Charles River Pollution Control	-	-	-	-	127,342	-	127,342	4,868	567,409
Town of Dover	-	-	-	-	1,040,430	-	1,040,430	39,777	4,971,794
Dover-Sherborn Regional High School	-	-	-	-	575,942	-	575,942	22,019	2,660,800
Town of Foxboro	-	-	-	-	3,391,449	-	3,391,449	129,659	15,653,875
Foxboro Housing Authority	-	-	-	-	52,638	-	52,638	2,012	155,028
Town of Franklin	-	-	-	-	4,100,716	-	4,100,716	156,775	19,038,422
Franklin Housing Authority	-	-	-	-	64,083	-	64,083	2,450	283,454
Town of Holbrook	-	-	-	-	1,670,360	-	1,670,360	63,860	7,937,661
Holbrook Housing Authority	-	-	-	-	29,825	-	29,825	1,140	106,090
King Philip Regional School District	-	-	-	-	576,780	-	576,780	22,051	2,916,020
Town of Medfield	-	-	-	-	1,889,231	-	1,889,231	72,227	9,226,088
Medfield Housing Authority	-	-	-	-	19,309	-	19,309	738	123,118
Town of Medway	-	-	-	-	1,752,699	-	1,752,699	67,008	9,196,377
Medway Housing Authority	-	-	-	-	72,314	-	72,314	2,765	336,142
Town of Millis	-	-	-	-	1,413,673	-	1,413,673	54,046	6,536,914
Millis Housing Authority	-	-	-	-	18,362	-	18,362	702	58,614

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

FOR THE YEAR ENDED DECEMBER 31, 2014

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	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	-	-	-	-	1,631,212	-	1,631,212	62,363	7,595,309
Norfolk Housing Authority	-	-	-	-	18,033	-	18,033	689	151,233
Norfolk Mosquito Control	-	-	-	-	143,269	-	143,269	5,477	665,719
Town of Plainville	-	-	-	-	1,296,478	-	1,296,478	49,566	5,818,810
Town of Randolph	-	-	-	-	4,335,536	-	4,335,536	165,752	20,147,439
Randolph Housing Authority	-	-	-	-	76,434	-	76,434	2,922	314,206
Town of Sharon	-	-	-	-	3,386,004	-	3,386,004	129,451	16,148,680
Sharon Housing Authority	-	-	-	-	20,334	-	20,334	777	95,172
Town of Stoughton	-	-	-	-	4,231,258	-	4,231,258	161,766	19,059,662
Stoughton Housing Authority	-	-	-	-	83,739	-	83,739	3,201	333,376
Town of Walpole	-	-	-	-	4,005,635	-	4,005,635	153,140	18,692,030
Walpole Housing Authority	-	-	-	-	53,058	-	53,058	2,028	210,145
Town of Westwood	-	-	-	-	3,609,626	-	3,609,626	138,000	16,856,918
Town of Wrentham	-	-	-	-	1,487,746	-	1,487,746	56,878	6,914,194
Wrentham Housing Authority	-	-	-	-	21,868	-	21,868	836	39,070
Dedham Westwood Water District	-	-	-	-	456,336	-	456,336	17,446	2,129,956
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,869,543</u>	<u>\$ -</u>	<u>\$ 52,869,543</u>	<u>\$ 2,021,260</u>	<u>\$ 246,722,941</u>

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

## NORFOLK COUNTY RETIREMENT SYSTEM

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### NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER DECEMBER 31, 2014

#### **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, 2014, which is available through the System's website at [www.norfolkcountyretirement.org](http://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

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### NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER DECEMBER 31, 2014

#### **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, 50 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

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### NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER DECEMBER 31, 2014

#### **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, 2014. The following actuarial assumptions were applied to all periods included in the measurement that was updated to December 31, 2014:

Actuarial cost method:	Entry Age Normal Cost Method
Asset valuation method	Market value
Investment rate of return	8.25%
Projected salary increases	4.0%
Inflation	4.5%
Cost of living increases	3.0% of first \$15,000 of retirement income
Mortality:	The RP-2000 Mortality Table adjusted with Scale AA

#### **NOTE 3 – NET PENSION LIABILITY**

The components of the net pension liability of the System as of December 31, 2014, is as follows:

Total Pension Liability	\$1,300,572,232
Fiduciary Net Position	<u>781,947,028</u>
System's Net Pension Liability	\$ <u>518,625,204</u>
Fiduciary Net Position as a percentage of total pension liability	60.1%

**NORFOLK COUNTY RETIREMENT SYSTEM**

**NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND  
PENSION AMOUNTS BY EMPLOYER  
DECEMBER 31, 2014**

**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, 2014 was 8.25%. 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	32.0%	7.7%
International Equities	17.5	6.4
Fixed Income	19.0	1.9
Real Estate	9.0	5.2
Private Equity	8.5	11.9
Hedge Funds	9.0	5.5
Real Assets	<u>5.0</u>	5.5
Total	<u>100.0%</u>	

**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, 2014, calculated using the discount rate of 8.25%, 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 (7.25%) or one-percentage point higher (9.25%) than the current rate:

	<u>1% Decrease (7.25%)</u>	<u>Current Discount Rate (8.25%)</u>	<u>1% Increase (9.25%)</u>
System’s Net Pension Liability	\$650,851,798	\$518,625,204	\$404,984,119

## NORFOLK COUNTY RETIREMENT SYSTEM

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### NOTES TO SCHEDULES OF EMPLOYER ALLOCATIONS AND PENSION AMOUNTS BY EMPLOYER DECEMBER 31, 2014

#### NOTE 4 – DEFERRED OUTFLOW OF RESOURCES

The following schedule reflects the amortization of the balance of deferred outflows of resources for the net difference between projected and actual investment earnings at December 31, 2014:

<u>Measurement Period Ending December 31:</u>	<u>Amount</u>
2015	\$ 5,354,154
2016	5,354,154
2017	5,354,154
2018	5,354,155
Thereafter	<u>                  -</u>
Balance of Deferred Outflows	<u>\$21,416,617</u>

#### NOTE 5 – EMPLOYER CONTRIBUTIONS

Employers' proportionate shares were calculated on the basis of actual employer contributions for the year ended December 31, 2014. Although GASB Statement No. 68 encourages the use of the employer's projected long-term contribution effort to the System, allocating on the basis of historical employer contributions is considered acceptable.

#### NOTE 6 – 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 year ended December 31, 2014. 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 year ended December 31, 2014. A copy may be obtained by submitting a request to the System's Executive Director at 480 Neponset Street, Building #15, Canton, MA 02021.