

ESSEX REGIONAL RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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Financial Section



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Independent Auditor's Report

To the Honorable Essex Retirement Board
Essex Regional Retirement System
Danvers, Massachusetts

Report on the Financial Statements

We have audited the accompanying financial statements of the Essex Regional Retirement System (ERRS) as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Essex Regional Retirement System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Essex Regional Retirement System as of December 31, 2014 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2015, on our consideration of the Essex Regional Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Essex Regional Retirement System's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of Essex Regional Retirement System, the Public Employee Retirement Commission and all member units and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan LLC

August 14, 2015

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STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2014

Assets

Cash.....	\$	794,947
Investments:		
PRIT funds.....		337,417,002
Money market mutual funds.....		3,019,082
Pooled alternative investments.....		17,855,357
Pooled real estate funds.....		11,457,117
Fixed income investments.....		4,437
Total investments.....		<u>369,752,995</u>
Receivables:		
Members contributions.....		1,321,915
Intergovernmental.....		3,236
Interest/dividends due.....		117
Total receivables.....		<u>1,325,268</u>
Capital assets, net of accumulated depreciation.....		<u>219,799</u>
Total assets.....		<u><u>372,093,009</u></u>

Liabilities

Accounts payable.....	621,553
Abandoned property.....	<u>745</u>
Total liabilities.....	<u>622,298</u>

Net Position Restricted for Pensions	\$	<u><u>371,470,711</u></u>
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See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2014

Additions:

Contributions:

Member contributions.....	\$ 12,168,827
Member contributions - transfers from other systems.....	2,355,895
Retirement benefits - 3(8)c contributions from other systems.....	1,070,240
Employer contributions.....	26,066,222
Employer contributions - federal grant reimbursements.....	74,394
Retirement benefits - other.....	<u>30,758</u>

Total contributions..... 41,766,336

Net investment income (loss):

Total investment income (loss)..... 31,533,042

Less, investment expenses..... (2,210,181)

Net investment income (loss)..... 29,322,861

Retirement benefits - state COLA reimbursements..... 408,751

Total additions..... 71,497,948

Deductions:

Administration.....	936,725
Member contributions - transfers to other systems.....	3,000,312
Retirement benefits - 3(8)c contributions to other systems.....	2,728,684
Retirement benefits and refunds.....	<u>38,353,266</u>

Total deductions..... 45,018,987

Net increase (decrease) in fiduciary net position..... 26,478,961

Fiduciary net position at beginning of year..... 344,991,750

Fiduciary net position at end of year..... \$ 371,470,711

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

Essex Regional Retirement System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of governmental member units deemed eligible by the Essex Regional Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the Plan is mandatory immediately upon the commencement of employment for all non-teaching permanent, full time employees. The Plan is administered by the Essex Regional Retirement System (the System).

Originally instituted in 1937, as part of Essex County government, the Board served as the regional retirement system for Essex County upon the abolition of county government in 1996 and the current system structure was created by special legislation in July, 2010 (Chapter 34B, Section 19A of the Massachusetts General Laws). 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. Board members are appointed or elected as specified by MGL Ch. 34B, Section 19A for terms ranging from 3 to 5 years.

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 twice annually and is responsible for supervising and certifying the procedures involved in the election of members to the retirement board.

As of January 1, 2014, the System had 1,729 retirees and beneficiaries, 2,677 active participants and 1,110 inactive participants with a vested right to retirement benefits or to receive a refund of their contributions.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. The Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

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.

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.

Active members contribute between 5 and 11% of their gross regular compensation. 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 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. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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.

Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Essex Regional Retirement System have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

ERRS is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Real estate assets are reported at fair value utilizing an income approach to valuation along with independent appraisals and estimates by management.

Accounts Receivable

Accounts receivable consist of member deductions, pension fund appropriations, and federal grant reimbursements. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then. The ERRS did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (addition) until that time. The ERRS did not have any items that qualify for reporting in this category.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement. The first member shall be a chief executive or chief administrative officer of a member town, unit or district belonging to the Essex regional retirement system for a term of 3 years. This member shall be chosen by weighted vote of the chief executive or chief administrative officers of member towns, units or districts belonging to the Essex regional retirement system. The second member shall be a member of the regional retirement board advisory council, and shall be elected by a majority of those present and voting at a public meeting of the council and shall serve for a term of 3 years. The third and fourth members shall be elected by the members in or retired from service of the Essex county retirement system

from among persons retired under the system and shall serve for a term of 3 years. The fifth member, who shall not be an employee, retiree or official of the retirement system, or of any of its constituent governmental units, shall be chosen by the other 4 members and shall serve for a term of 5 years.

First Member	Ira S. Singer	Term Expires:	12/1/2017
Second Member	Kevin A. Merz	Term Expires:	12/1/2015
Third Member	Susan J. Yaskell	Term Expires:	12/1/2016
Fourth Member	H. Joseph Maney	Term Expires:	12/1/2016
Fifth Member	Vincent R. Malgeri	Term Expires:	12/13/2015

Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the System. The Board must annually file a financial statement of condition for the System with PERAC.

The ERRS Advisory Council consists of the full time treasurers, elected or appointed, for each town, unit or district within the System. The members of the Advisory Council elect the second member of the Board of Retirement as well as a Chair from among its members. The ERRS Advisory Council is required by statute to meet twice per year, typically in the spring and fall. All ERRS Advisory Council meetings are open, public meetings and are subject to the Commonwealth's Open Meeting Law.

The investment of the System's funds is the responsibility of the Board. Disability retirement allowances must be approved by the Retirement Board and are then submitted to the PERAC Actuary for verification prior to payment. Superannuation retirement allowances are not required to obtain PERAC's verification. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

ERRS board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. The MACRS program for ERRS provides \$50,000,000 fiduciary protection for Trustees and employees, as well as a \$1,000,000 fidelity policy for crime coverage.

NOTE 4 – CASH AND INVESTMENTSCustodial Credit Risk - Deposits

At December 31, 2014, the carrying amount of the System's deposits totaled \$794,947 and the bank balance totaled \$1,389,266 which was covered by Federal Depository Insurance.

Investments

The System's investments are as follows:

Investment Type	Fair Value	Maturity
		Over 10 Years
<u>Debt Securities:</u>		
Fixed Income.....	\$ 4,437	\$ <u>4,437</u>
<u>Other Investments:</u>		
PRIT Pooled Funds.....	337,417,002	
Money Market Mutual Funds.....	3,019,082	
Pooled Alternative Investments.....	17,855,357	
Pooled Real Estate Funds.....	<u>11,457,117</u>	
Total Investments.....	\$ <u>369,752,995</u>	

Approximately 91% of the Retirement System's investments are in PRIT Pooled Funds. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Approximately 8% of the System's funds are invested in pooled alternative investments and pooled real estate funds. The market values of assets in those funds are based on the quoted values obtained from each pool.

The Administration's annual money-weighted rate of return on pension plan investments was 8.48%. The money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

NOTE 5 – RECEIVABLES

At December 31, 2014, receivables for the System are as follows:

	Gross Amount	Allowance for Uncollectibles	Net Amount
<u>Receivables:</u>			
Member contributions.....	\$ 1,321,915	\$ -	\$ 1,321,915
Intergovernmental.....	3,236	-	3,236
Interest/dividends due.....	117	-	117
Total.....	<u>\$ 1,325,268</u>	<u>\$ -</u>	<u>\$ 1,325,268</u>

NOTE 6 – CAPITAL ASSETS

Capital assets are depreciated on a straight-line basis. The estimated useful lives of capital assets are 33 years for buildings and 5 to 20 years for equipment.

The majority of capital assets owned by the System consists of two condominiums in Danvers, Massachusetts that were purchased for the administrative offices of the System. Both units were purchased in fiscal year 2000 for a total of \$375,250. Total capital asset activity for the year ended December 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Capital assets being depreciated:</u>				
Buildings.....	\$ 375,250	\$ -	\$ -	\$ 375,250
Equipment.....	15,580	-	-	15,580
Total capital assets being depreciated.....	<u>390,830</u>	<u>-</u>	<u>-</u>	<u>390,830</u>
<u>Less accumulated depreciation for:</u>				
Buildings.....	(151,983)	(11,258)	-	(163,241)
Equipment.....	(4,674)	(3,116)	-	(7,790)
Total accumulated depreciation.....	<u>(156,657)</u>	<u>(14,374)</u>	<u>-</u>	<u>(171,031)</u>
Total capital assets being depreciated, net.....	<u>234,173</u>	<u>(14,374)</u>	<u>-</u>	<u>219,799</u>
Total governmental activities capital assets, net.....	<u>\$ 234,173</u>	<u>\$ (14,374)</u>	<u>\$ -</u>	<u>\$ 219,799</u>

NOTE 7 – MEMBERSHIP

The following table represents the System's membership at January 1, 2014:

Active members.....	2,677
Inactive members entitled to a return of contributions.....	1,110
Inactive employees or beneficiaries currently receiving benefits.....	<u>1,729</u>
Total.....	<u>5,516</u>

NOTE 8 – ACTUARIAL VALUATION

The total pension liability was determined by an actuarial valuation as of January 1, 2014, using the following actuarial assumptions, applied to all periods included in the measurement that was updated to December 31, 2014:

Valuation date.....	January 1, 2014
Actuarial cost method.....	Entry Age Normal Cost Method.
Amortization method.....	Closed - Approximate level percent of payroll.
Remaining amortization period.....	20 years for the fresh start base
Asset valuation method.....	Market value adjusted by accounts payable and receivables adjusted to phase in over 5 years investment gains or losses above or below the expected rate of investment return. The actuarial value of assets must be no less than 90% of the adjusted market value nor more than 110% of the adjusted market value.
Projected salary increases.....	Select and Ultimate. 7.50% year one, 6.5% year two, 6.00% year three, 5.50% year four, 5.00% year five, 3.75% ultimate rate.
Cost of living adjustments.....	3.0% of the first \$13,000 of a members retirement allowance is assumed to be granted every year.
Rates of retirement.....	Varies based upon age for general employees, police and fire employees.
Rates of disability.....	Disability is assumed to be 45% ordinary and 55% accidental for Group 1 and 2 and 10% ordinary and 90% accidental for Group 4.
Mortality Rates:	
Pre-Retirement.....	The RP-2000 mortality table (sex-distinct) projected with scale BB and Generational Mortality. During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used.
Disabled Retiree.....	The RP-2000 mortality table for healthy annuitants (sex-distinct) projected with scale BB and Generational Mortality set-forward by 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.
Investment rate of return/Discount rate.....	8.00% per year

Components of the net pension liability as of December 31, 2014 were as follows:

Total pension liability.....	\$	710,732,903
The pension plan's fiduciary net position.....		<u>371,470,711</u>
The net pension liability.....	\$	<u><u>339,262,192</u></u>
The pension plan's fiduciary net position as a percentage of the total pension liability.....		52.27%

Investment policy: The pension plan's policy in regard to the allocation of invested assets is established by PRIT and the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

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. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Long-Term Expected Asset Allocation</u>
Core Bonds.....	0.97%	13.00%
Value-Added Bonds.....	3.80%	10.00%
Large Cap Equities.....	4.61%	14.50%
Mid/Small Cap Equities.....	4.85%	3.50%
International Equities.....	5.10%	16.00%
Emerging Market Equities.....	6.31%	6.00%
Private Equity.....	6.55%	10.00%
Real Estate.....	3.40%	10.00%
Timber/Natural Resources.....	3.64%	4.00%
Hedge Funds.....	3.64%	9.00%
Cash/Portfolio Completion.....	0.00%	4.00%

Discount rate: The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net position liability to changes in the discount rate. The following presents the net position liability, calculated using the discount rate of 8.00%, as well as what the net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7.00%) or 1-percentage-point higher (9.00%) than the current rate.

	1. % Decrease (7.00%)	Current Discount Rate (8.00%)	1. % Increase (9.00%)
Essex Regional Retirement System's net pension liability as of December 31, 2014..... \$	\$ 418,609,943	\$ 339,262,192	\$ 275,390,892

Contributions: Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The pension fund appropriations are allocated amongst employers based on covered payroll.

NOTE 9 – ESSEX AGRICULTURAL AND TECHNICAL HIGH SCHOOL

Chapter 463 of the Acts of 2004 created the Essex North Shore Agricultural and Technical School District (Essex Tech). This legislation established Essex Tech as the successor agency to both the Essex Agricultural and Technical High School and the North Shore Vocational Regional School. Prior to July 1, 2014, the non-teacher employees of the Essex Agricultural and Technical High School were members of ERRS. The legislation required that all active and inactive members be transferred to the Salem Contributory Retirement System. Accordingly, as of June 30, 2014, all active and inactive members of ERRS have been transferred to the Salem Contributory Retirement System. The December 31, 2014 net pension liability has been updated to reflect the transition.

Required Supplementary Information

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS**

	2014
Total pension liability:	
Service cost.....	\$ 14,800,758
Interest.....	54,243,222
Changes in benefit terms.....	-
Differences between expected and actual experience.....	-
Changes in assumptions.....	-
Benefit payments, including refunds or member contributions.....	<u>(42,572,513)</u>
Net change in total pension liability.....	26,471,467
Total pension liability, beginning.....	<u>684,261,436</u>
Total pension liability, ending (a)	<u><u>\$ 710,732,903</u></u>
Plan fiduciary net position:	
Member contributions.....	\$ 14,524,722
Employer contributions.....	26,140,616
Net investment income (loss).....	29,322,861
Retirement benefits and refunds.....	(42,572,513)
Administrative expenses.....	<u>(936,725)</u>
Net increase (decrease) in fiduciary net position.....	26,478,961
Fiduciary net position at beginning of year.....	<u>344,991,750</u>
Fiduciary net position at end of year (b)	<u><u>\$ 371,470,711</u></u>
Net pension liability - ending (a) - (b)	<u><u>\$ 339,262,192</u></u>
Plan fiduciary net position as a percentage of the total pension liability.....	52.27%
Covered-employee payroll (*).....	123,190,220
Net pension liability as a percentage of covered-employee payroll.....	275.40%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those years for
which information is available.

*Covered employee payroll as reported in the January 1, 2014 funding
valuation report.

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	2014
Actuarially determined contribution(a).....	\$ 26,066,222
Contributions in relation to the actuarially determined contribution.....	<u>(26,066,222)</u>
Contribution deficiency (excess).....	<u>\$ -</u>
Covered-employee payroll (*).....	\$ 123,190,220
Contributions as a percentage of covered- employee payroll.....	21.16%

Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

(a) Based on the results of the January 1, 2014 actuarial
valuation (including assumptions and methods) which
determined budgeted appropriations for fiscal 2015.

*Covered employee payroll as reported in the January 1, 2014
funding valuation report.

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN

2014

Annual money-weighted rate of return, net of investment expense.....	8.48%
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Note: this schedule is intended to present information for 10 years.
Until a 10-year trend is compiled, information is presented for those
years for which information is available.

See notes to required supplementary information.

NOTE A – CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the systems total pension liability, changes in the systems net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

Since the system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience and changes in assumptions as of December 31, 2014.

NOTE B – CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the system's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on covered payroll.

NOTE C – MONEY WEIGHTED RATE OF RETURN

The money weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money weighted rate of return calculation are determined monthly.

Audit of Specific Elements, Accounts and Items of Financial Statements



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Independent Auditor's Report

To the Honorable Essex Retirement Board
Essex Regional Retirement System
Danvers, Massachusetts

We have audited the accompanying schedule of employer allocations of the Essex Regional Retirement System (ERRS) 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 net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense included in the accompanying schedule of pension amounts by employer of the ERRS Pension Plan as of and for the year ended December 31, 2014, 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 opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the 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 the 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 the 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 the specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the Essex Regional Retirement System as of and for the year ended December 31, 2014, 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 Essex Regional Retirement System as of and for the year ended December 31, 2014, and our report thereon, dated August 14, 2015, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers & Sullivan LLC

August 14, 2015

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2014

Employer	2015 Pension Fund Appropriation	Additional Appropriation E.R.I.	FY2015 Total Appropriation	Share of Net Pension Liability	Percent of Total Net Pension Liability
Agricultural School Retirees.....	\$ 374,629	\$ -	\$ 374,629	\$ 4,103,556	1.210%
Retirement Board.....	93,657	-	93,657	1,214,284	0.358%
Town of Boxford.....	954,783	-	954,783	12,389,026	3.652%
Town of Essex.....	437,067	-	437,067	5,672,204	1.672%
Town of Georgetown.....	1,277,381	79,349	1,356,730	16,916,706	4.986%
Town of Groveland.....	603,569	6,863	610,432	7,906,594	2.331%
Town of Hamilton.....	718,039	-	718,039	9,315,057	2.746%
Town of Ipswich.....	2,827,928	-	2,827,928	36,691,344	10.815%
Town of Lynnfield.....	2,013,631	145,516	2,159,147	26,824,501	7.907%
Town of Manchester.....	837,712	-	837,712	10,868,675	3.204%
Town of Merrimac.....	611,374	45,935	657,309	8,126,535	2.395%
Town of Middleton.....	1,282,584	-	1,282,584	16,640,684	4.905%
Town of Nahant.....	621,780	-	621,780	8,067,505	2.378%
Town of Newbury.....	499,505	-	499,505	6,480,618	1.910%
Town of North Andover.....	3,832,142	-	3,832,142	49,719,115	14.655%
Town of Rockport.....	1,368,436	7,978	1,376,414	17,788,267	5.243%
Town of Rowley.....	699,828	-	699,828	9,078,854	2.676%
Town of Salisbury.....	923,564	102,456	1,026,020	12,408,280	3.657%
Town of Topsfield.....	884,541	-	884,541	11,477,481	3.383%
Town of Wenham.....	520,318	-	520,318	6,750,090	1.990%
Town of West Newbury.....	489,099	29,416	518,515	6,466,276	1.906%
East Essex Veterans District.....	26,016	-	26,016	336,007	0.099%
Byfield Water District.....	28,617	-	28,617	372,602	0.110%
Lynnfield Center Water District.....	83,251	-	83,251	1,081,212	0.319%
Lynnfield Water District.....	52,032	-	52,032	675,342	0.199%
NE Massachusetts Mosquito Control District.....	137,884	-	137,884	1,789,822	0.528%
Hamilton-Wenham Regional School.....	718,039	-	718,039	9,315,057	2.746%
Manchester-Essex Regional School.....	465,685	-	465,685	6,041,480	1.781%
Masconomet Regional School.....	478,692	-	478,692	6,211,147	1.831%
Pentucket Regional School.....	892,345	37,680	930,025	11,737,756	3.460%
Triton Regional School.....	801,290	30,710	832,000	10,523,695	3.102%
Essex Housing Authority.....	-	4,084	4,084	16,946	0.005%
Georgetown Housing Authority.....	39,024	-	39,024	505,675	0.149%
Groveland Housing Authority.....	26,016	-	26,016	336,007	0.099%
Hamilton Housing Authority.....	10,406	-	10,406	136,399	0.040%
Ipswich Housing Authority.....	88,454	27,045	115,499	1,259,967	0.371%
Lynnfield Housing Authority.....	18,211	-	18,211	236,203	0.070%
Manchester Housing Authority.....	20,813	-	20,813	269,471	0.079%
Middleton Housing Authority.....	20,813	-	20,813	269,471	0.079%
Nahant Housing Authority.....	7,805	7,389	15,194	180,867	0.053%
North Andover Housing Authority.....	117,071	13,573	130,644	1,585,558	0.467%
Rockport Housing Authority.....	41,625	-	41,625	538,943	0.159%
Rowley Housing Authority.....	10,406	-	10,406	136,399	0.040%
Salisbury Housing Authority.....	26,016	-	26,016	336,007	0.099%
Topsfield Housing Authority.....	13,008	-	13,008	169,667	0.050%
Wenham Housing Authority.....	18,211	6,114	24,325	261,572	0.077%
West Newbury Housing Authority.....	2,602	-	2,602	33,268	0.010%
Total.....	\$ 26,015,899	\$ 544,108	\$ 26,560,007	\$ 339,262,192	100.000%

See notes to other supplementary information.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2014

		Deferred Outflows of Resources				
Employer	Net Pension Liability	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Outflows of Resources
Agricultural School Retirees.....	\$ 4,103,556	\$ -	\$ -	\$ -	\$ -	-
Retirement Board.....	1,214,284	-	-	-	-	-
Town of Boxford.....	12,389,026	-	-	-	-	-
Town of Essex.....	5,672,204	-	-	-	-	-
Town of Georgetown.....	16,916,706	-	-	-	-	-
Town of Groveland.....	7,906,594	-	-	-	-	-
Town of Hamilton.....	9,315,057	-	-	-	-	-
Town of Ipswich.....	36,691,344	-	-	-	-	-
Town of Lynnfield.....	26,824,501	-	-	-	-	-
Town of Manchester.....	10,868,675	-	-	-	-	-
Town of Merrimac.....	8,126,535	-	-	-	-	-
Town of Middleton.....	16,640,684	-	-	-	-	-
Town of Nahant.....	8,067,505	-	-	-	-	-
Town of Newbury.....	6,480,618	-	-	-	-	-
Town of North Andover.....	49,719,115	-	-	-	-	-
Town of Rockport.....	17,788,267	-	-	-	-	-
Town of Rowley.....	9,078,854	-	-	-	-	-
Town of Salisbury.....	12,408,280	-	-	-	-	-
Town of Topsfield.....	11,477,481	-	-	-	-	-
Town of Wenham.....	6,750,090	-	-	-	-	-
Town of West Newbury.....	6,466,276	-	-	-	-	-
East Essex Veterans District.....	336,007	-	-	-	-	-
Byfield Water District.....	372,602	-	-	-	-	-
Lynnfield Center Water District.....	1,081,212	-	-	-	-	-
Lynnfield Water District.....	675,342	-	-	-	-	-
NE Massachusetts Mosquito Control.....	1,789,822	-	-	-	-	-
Hamilton-Wenham Regional School.....	9,315,057	-	-	-	-	-
Manchester-Essex Regional School.....	6,041,480	-	-	-	-	-
Masconomet Regional School.....	6,211,147	-	-	-	-	-
Pentucket Regional School.....	11,737,756	-	-	-	-	-
Triton Regional School.....	10,523,695	-	-	-	-	-
Essex Housing Authority.....	16,946	-	-	-	-	-
Georgetown Housing Authority.....	505,675	-	-	-	-	-
Groveland Housing Authority.....	336,007	-	-	-	-	-
Hamilton Housing Authority.....	136,399	-	-	-	-	-
Ipswich Housing Authority.....	1,259,967	-	-	-	-	-
Lynnfield Housing Authority.....	236,203	-	-	-	-	-
Manchester Housing Authority.....	269,471	-	-	-	-	-
Middleton Housing Authority.....	269,471	-	-	-	-	-
Nahant Housing Authority.....	180,867	-	-	-	-	-
North Andover Housing Authority.....	1,585,558	-	-	-	-	-
Rockport Housing Authority.....	538,943	-	-	-	-	-
Rowley Housing Authority.....	136,399	-	-	-	-	-
Salisbury Housing Authority.....	336,007	-	-	-	-	-
Topsfield Housing Authority.....	169,667	-	-	-	-	-
Wenham Housing Authority.....	261,572	-	-	-	-	-
West Newbury Housing Authority.....	33,268	-	-	-	-	-
Total for All Entities.....	\$ 339,262,192	\$ -	\$ -	\$ -	\$ -	-

See notes to other supplementary information.

(Continued)

Deferred Inflows of Resources					Pension Expense		
Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Changes of Assumptions	Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	Total Deferred Inflows of Resources	Net Amortization of Deferred Amounts from Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions		
					Proportionate Share of Plan Pension Expense	Employer Contributions and Proportionate Share of Contributions	Total Employer Pension Expense
\$ -	\$ 18,032	\$ -	\$ -	\$ 18,032	\$ 309,449	\$ -	\$ 309,449
-	5,281	-	-	5,281	99,603	-	99,603
-	53,881	-	-	53,881	1,016,226	-	1,016,226
-	24,669	-	-	24,669	465,270	-	465,270
-	72,083	-	-	72,083	1,359,516	-	1,359,516
-	34,059	-	-	34,059	642,373	-	642,373
-	40,512	-	-	40,512	764,080	-	764,080
-	159,574	-	-	159,574	3,009,656	-	3,009,656
-	113,622	-	-	113,622	2,142,971	-	2,142,971
-	47,269	-	-	47,269	891,517	-	891,517
-	34,493	-	-	34,493	650,559	-	650,559
-	72,372	-	-	72,372	1,364,974	-	1,364,974
-	35,086	-	-	35,086	661,748	-	661,748
-	28,185	-	-	28,185	531,581	-	531,581
-	216,249	-	-	216,249	4,078,550	-	4,078,550
-	77,219	-	-	77,219	1,456,391	-	1,456,391
-	39,485	-	-	39,485	744,705	-	744,705
-	52,116	-	-	52,116	982,934	-	982,934
-	49,917	-	-	49,917	941,455	-	941,455
-	29,357	-	-	29,357	553,685	-	553,685
-	27,592	-	-	27,592	520,393	-	520,393
-	1,461	-	-	1,461	27,561	-	27,561
-	1,620	-	-	1,620	30,563	-	30,563
-	4,702	-	-	4,702	88,688	-	88,688
-	2,937	-	-	2,937	55,396	-	55,396
-	7,784	-	-	7,784	146,812	-	146,812
-	40,512	-	-	40,512	764,080	-	764,080
-	26,275	-	-	26,275	495,560	-	495,560
-	27,013	-	-	27,013	509,477	-	509,477
-	50,351	-	-	50,351	949,642	-	949,642
-	45,214	-	-	45,214	852,768	-	852,768
-	-	-	-	-	-	-	-
-	2,199	-	-	2,199	41,479	-	41,479
-	1,461	-	-	1,461	27,561	-	27,561
-	593	-	-	593	11,188	-	11,188
-	4,992	-	-	4,992	94,146	-	94,146
-	1,027	-	-	1,027	19,375	-	19,375
-	1,172	-	-	1,172	22,104	-	22,104
-	1,172	-	-	1,172	22,104	-	22,104
-	434	-	-	434	8,187	-	8,187
-	6,612	-	-	6,612	124,709	-	124,709
-	2,344	-	-	2,344	44,207	-	44,207
-	593	-	-	593	11,188	-	11,188
-	1,461	-	-	1,461	27,561	-	27,561
-	738	-	-	738	13,917	-	13,917
-	1,027	-	-	1,027	19,375	-	19,375
-	145	-	-	145	2,729	-	2,729
<u>\$ -</u>	<u>\$ 1,464,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,464,892</u>	<u>\$ 27,598,013</u>	<u>\$ -</u>	<u>\$ 27,598,013</u>

(Continued)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER (CONTINUED)

FOR THE YEAR ENDED DECEMBER 31, 2014

Deferred Inflows/Outflows Recognized in Future Pension Expense					
Employer	June 30, 2016	June 30, 2017	June 30, 2018	June 30, 2019	Covered Employer Payroll
Agricultural School Retirees.....	\$ 4,508	\$ 4,508	\$ 4,508	\$ 4,508	\$ -
Retirement Board.....	1,320	1,320	1,320	1,320	482,832
Town of Boxford.....	13,470	13,470	13,470	13,470	4,880,552
Town of Essex.....	6,167	6,167	6,167	6,167	2,146,894
Town of Georgetown.....	18,021	18,021	18,021	18,021	6,238,036
Town of Groveland.....	8,515	8,515	8,515	8,515	2,557,548
Town of Hamilton.....	10,128	10,128	10,128	10,128	3,333,273
Town of Ipswich.....	39,894	39,894	39,894	39,894	13,158,332
Town of Lynnfield.....	28,406	28,406	28,406	28,406	9,568,326
Town of Manchester.....	11,817	11,817	11,817	11,817	4,218,767
Town of Merrimac.....	8,623	8,623	8,623	8,623	2,947,906
Town of Middleton.....	18,093	18,093	18,093	18,093	6,044,677
Town of Nahant.....	8,772	8,772	8,772	8,772	2,940,837
Town of Newbury.....	7,046	7,046	7,046	7,046	2,232,466
Town of North Andover.....	54,062	54,062	54,062	54,062	18,809,056
Town of Rockport.....	19,305	19,305	19,305	19,305	6,448,595
Town of Rowley.....	9,871	9,871	9,871	9,871	3,164,379
Town of Salisbury.....	13,029	13,029	13,029	13,029	4,576,194
Town of Topsfield.....	12,479	12,479	12,479	12,479	4,311,416
Town of Wenham.....	7,339	7,339	7,339	7,339	2,472,907
Town of West Newbury.....	6,898	6,898	6,898	6,898	2,287,885
East Essex Veterans District.....	365	365	365	365	114,517
Byfield Water District.....	405	405	405	405	129,723
Lynnfield Center Water District.....	1,176	1,176	1,176	1,176	413,901
Lynnfield Water District.....	734	734	734	734	246,744
NE Massachusetts Mosquito Control District.....	1,946	1,946	1,946	1,946	639,746
Hamilton-Wenham Regional School.....	10,128	10,128	10,128	10,128	3,502,758
Manchester-Essex Regional School.....	6,569	6,569	6,569	6,569	2,375,119
Masconomet Regional School.....	6,753	6,753	6,753	6,753	2,249,066
Pentucket Regional School.....	12,588	12,588	12,588	12,588	4,325,867
Triton Regional School.....	11,304	11,304	11,304	11,304	4,163,346
Essex Housing Authority.....	-	-	-	-	56,190
Georgetown Housing Authority.....	550	550	550	550	202,041
Groveland Housing Authority.....	365	365	365	365	119,577
Hamilton Housing Authority.....	148	148	148	148	48,340
Ipswich Housing Authority.....	1,248	1,248	1,248	1,248	421,549
Lynnfield Housing Authority.....	257	257	257	257	89,260
Manchester Housing Authority.....	293	293	293	293	90,882
Middleton Housing Authority.....	293	293	293	293	79,950
Nahant Housing Authority.....	109	109	109	109	42,478
North Andover Housing Authority.....	1,653	1,653	1,653	1,653	559,802
Rockport Housing Authority.....	586	586	586	586	171,236
Rowley Housing Authority.....	148	148	148	148	49,460
Salisbury Housing Authority.....	365	365	365	365	127,849
Topsfield Housing Authority.....	184	184	184	184	57,685
Wenham Housing Authority.....	257	257	257	257	92,256
West Newbury Housing Authority.....	36	36	36	36	-
Total for All Entities.....	\$ 366,223	\$ 366,223	\$ 366,223	\$ 366,223	\$ 123,190,220

See notes to other supplementary information.

(Continued)

Discount Rate Sensitivity			Schedule of Contributions			
1% decrease (7.00%)	Current discount rate (8.00%)	1% increase (9.00%)	Statutory Required Contribution	Contribution in Relation to the Statutory Required Contribution	Contributions Deficiency/ (Excess)	Contributions as a Percentage of Covered Employee Payroll
\$ 4,931,638	\$ 4,103,556	\$ 3,407,202	\$ 374,629	\$ (374,629)	\$ -	\$ NA
1,500,869	1,214,284	983,684	91,872	(91,872)	-	19.03%
15,312,974	12,389,026	10,036,267	936,588	(936,588)	-	19.19%
7,010,908	5,672,204	4,595,015	428,738	(428,738)	-	19.97%
20,828,390	16,916,706	13,769,164	1,330,876	(1,330,876)	-	21.33%
9,754,869	7,906,594	6,419,378	598,799	(598,799)	-	23.41%
11,513,514	9,315,057	7,546,065	704,356	(704,356)	-	21.13%
45,350,911	36,691,344	29,723,412	2,774,038	(2,774,038)	-	21.08%
32,990,389	26,824,501	21,863,111	2,118,002	(2,118,002)	-	22.14%
13,433,804	10,868,675	8,804,641	821,748	(821,748)	-	19.48%
9,998,364	8,126,535	6,620,365	644,783	(644,783)	-	21.87%
20,568,071	16,640,684	13,480,507	1,258,143	(1,258,143)	-	20.81%
9,971,526	8,067,505	6,535,432	609,931	(609,931)	-	20.74%
8,010,116	6,480,618	5,249,905	489,986	(489,986)	-	21.95%
61,457,493	49,719,115	40,279,815	3,759,115	(3,759,115)	-	19.99%
21,978,684	17,788,267	14,416,442	1,350,185	(1,350,185)	-	20.94%
11,221,565	9,078,854	7,354,719	686,492	(686,492)	-	21.69%
15,236,439	12,408,280	10,132,599	1,006,468	(1,006,468)	-	21.99%
14,186,295	11,477,481	9,297,830	867,685	(867,685)	-	20.13%
8,343,186	6,750,090	5,468,202	510,403	(510,403)	-	20.64%
7,963,583	6,466,276	5,261,466	508,634	(508,634)	-	22.23%
415,309	336,007	272,197	26,016	(26,016)	-	22.72%
460,541	372,602	301,843	28,072	(28,072)	-	21.64%
1,336,390	1,081,212	875,883	81,665	(81,665)	-	19.73%
834,730	675,342	547,090	51,040	(51,040)	-	20.69%
2,212,240	1,789,822	1,449,923	135,256	(135,256)	-	21.14%
11,513,514	9,315,057	7,546,065	704,356	(704,356)	-	20.11%
7,467,337	6,041,480	4,894,162	456,811	(456,811)	-	19.23%
7,677,047	6,211,147	5,031,609	469,570	(469,570)	-	20.88%
14,470,125	11,737,756	9,539,152	912,302	(912,302)	-	21.09%
12,977,331	10,523,695	8,549,374	816,145	(816,145)	-	19.60%
16,946	16,946	16,946	4,084	(4,084)	-	7.27%
625,019	505,675	409,644	39,024	(39,024)	-	19.31%
415,309	336,007	272,197	25,520	(25,520)	-	21.34%
168,591	136,399	110,496	10,406	(10,406)	-	21.53%
1,530,848	1,259,967	1,042,002	115,499	(115,499)	-	27.40%
291,950	236,203	191,347	17,864	(17,864)	-	20.01%
333,070	269,471	218,297	20,416	(20,416)	-	22.46%
333,070	269,471	218,297	20,416	(20,416)	-	25.54%
204,422	180,867	161,914	15,194	(15,194)	-	35.77%
1,944,378	1,585,558	1,296,834	128,154	(128,154)	-	22.89%
666,139	538,943	436,594	40,832	(40,832)	-	23.85%
168,591	136,399	110,496	10,208	(10,208)	-	20.64%
415,309	336,007	272,197	26,016	(26,016)	-	20.35%
209,710	169,667	137,446	13,008	(13,008)	-	22.55%
317,319	261,572	216,716	24,325	(24,325)	-	26.37%
41,120	33,268	26,950	2,552	(2,552)	-	NA
<u>\$ 418,609,943</u>	<u>\$ 339,262,192</u>	<u>\$ 275,390,892</u>	<u>\$ 26,066,222</u>	<u>\$ (26,066,222)</u>	<u>\$ -</u>	<u>21.16%</u>

(Concluded)

NOTE I – Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. For the first time, employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

GASB Statement #68 requires the allocation of the collective pension amounts be consistent with the manner in which contributions to the plan are determined. As permissible under GASB Statement #68, The Schedule of Employer Allocations is used to demonstrate the allocation of Essex Regional Retirement System's collective pension amounts.

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2013 were applied to allocate the System's fiscal year 2015 pension fund appropriation by member unit.

The December 31, 2014 net pension liability has been updated to reflect the transfer of the active and inactive members of the Essex Agricultural and Technical School (the school) by excluding any members who were employed by the school at the end of the measurement period and were later transferred to the Salem Contributory Retirement System. The net pension liability for the school's retired, disabled, or beneficiary members was allocated directly to the school, and the school's proportionate share of the total actuarial accrued liability was used to determine the school's portion of the fiduciary net position, net 3(8)c liability, administrative expense, and benefits paid during the measurement period. The pension expense, net pension liability, and difference between projected and actual earnings on pension plan investments were developed individually for the school and subtracted from the collective totals, with the remainder being allocated to all of the other employers in the system according to their proportionate share of contributions in the FY15 appropriation.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP, and is separately identified in the system's funding schedule. The 2002 ERIP amortization is straight line ending in fiscal 2019, except Nahant Housing which is increasing at 4.5% per year ending in 2028 and Essex Regional Retirement Board which was straight line and ended in fiscal 2012. The 2003 ERI amortization is straight line ending in fiscal 2020, except for Groveland which is increasing at 4.5% per year ending in 2028 and Essex Regional Retirement Board which was straight line and ended in fiscal 2012.

The allocation percentage of the total net pension liability is a blended rate of the following three items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2015 pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP. (3) The direct amortization of the actuarial determined net pension liability for the retirees and beneficiaries of the former Essex Agricultural and Technical School since they no longer have active covered payroll.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Since the system performs an actuarial valuation bi-annually, there are not reported differences between expected and actual experience or a change of assumptions as of December 31, 2014. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are not presented in the initial year of reporting in accordance with GASB Statements 67, 68 and 71.