

STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
PENSION PLAN SCHEDULES
FOR THE YEAR ENDED DECEMBER 31, 2017

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INDEPENDENT AUDITORS' REPORT

To the Honorable Retirement Board
Stoneham Contributory Retirement System
Stoneham, Massachusetts

We have audited the accompanying schedule of employer allocations (schedule) of the Stoneham Contributory Retirement System as of and for the year ended December 31, 2017, and the related notes. We have also audited the total of the columns titled net pension liability at December 31, 2017, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the Stoneham Contributory Retirement System as of and for the year ended December 31, 2017, and the related notes.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

Our responsibility is to express opinions on the schedule and 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 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 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 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 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.

To the Honorable Retirement Board
Stoneham Contributory Retirement System

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 and specified column totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedule and specified column totals referred to above present fairly, in all material respects, the employer allocations, net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the Stoneham Contributory Retirement System as of and for the year ended December 31, 2017, 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 Town of Stoneham, Massachusetts as of and for the year ended June 30, 2018, and our reports thereon, dated June 6, 2019, expressed unmodified opinions on those financial statements. The Stoneham Contributory Retirement System is reported as a pension trust fund as of and for the year ended December 31, 2017, in the financial statements of the Town of Stoneham as of and for the year ended June 30, 2018.

Restriction on Use

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



CliftonLarsonAllen LLP

Boston, Massachusetts
June 6, 2019

**STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF EMPLOYER ALLOCATIONS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>Employer</i>	<i>Pension Fund Appropriation</i>	<i>Early Retirement Incentive</i>	<i>Total Appropriation</i>	<i>Employer Allocation Percentage</i>
Town of Stoneham	\$ 5,808,730	\$ 134,528	\$ 5,943,258	97.38%
Stoneham Housing Authority	156,306	-	156,306	2.62%
Total	<u>\$ 5,965,036</u>	<u>\$ 134,528</u>	<u>\$ 6,099,564</u>	<u>100.00%</u>

**STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017**

<i>Employer</i>	<i>Deferred Outflows of Resources</i>						<i>Deferred Inflows of Resources</i>					<i>Pension Expense</i>		
	<i>Net Pension Liability at December 31, 2017</i>	<i>Differences Between Expected and Actual Experience</i>	<i>Net Difference Between Projected and Actual Investment Earnings on Pension Plan</i>	<i>Changes of Assumptions</i>	<i>Changes in Proportion</i>	<i>Total Deferred Outflows of Resources</i>	<i>Differences Between Expected and Actual Experience</i>	<i>Net Difference Between Projected and Actual Investment Earnings on Pension Plan</i>	<i>Changes of Assumptions</i>	<i>Changes in Proportion</i>	<i>Total Deferred Inflows of Resources</i>	<i>Proportionate Share of Plan Pension Expense</i>	<i>Net Amortization of Deferred Amounts from Change in Proportion</i>	<i>Total Pension Expense</i>
Town of Stoneham	\$ 21,354,750	\$ -	\$ -	\$ 751,487	\$ 29,137	\$ 780,624	\$ 1,257,518	\$ 3,728,797	\$ -	\$ 62,436	\$ 5,048,751	\$ 2,470,288	\$ (31,198)	\$ 2,439,090
Stoneham Housing Authority	567,516	-	-	20,219	62,436	82,655	33,833	100,323	-	29,137	163,293	65,650	31,198	96,848
Total	<u>\$ 21,922,266</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 771,706</u>	<u>\$ 91,573</u>	<u>\$ 863,279</u>	<u>\$ 1,291,351</u>	<u>\$ 3,829,120</u>	<u>\$ -</u>	<u>\$ 91,573</u>	<u>\$ 5,212,044</u>	<u>\$ 2,535,938</u>	<u>\$ -</u>	<u>\$ 2,535,938</u>

STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2017

NOTE 1 REPORTING ENTITY

The Stoneham Contributory Retirement System (System) was established under Massachusetts General Laws (MGL), Chapter 32, and is regulated by the Massachusetts Public Employee Retirement Administration Commission (PERAC). The System provides retirement benefits to the Town of Stoneham and the Stoneham Housing Authority employees and their beneficiaries. The System is governed by a five-member board comprised of the Town Accountant (ex-officio), two members elected by the System's participants, one member appointed by the Town's Board of Selectmen and one member elected by the System's Board members.

The System is reported as a Pension Trust Fund in the Town of Stoneham, Massachusetts' annual audited financial statement. That report is publicly available and can be obtained by submitting a request to the Town Accountant at 35 Central Street, Stoneham, Massachusetts 02180.

Information that is available in the Town's audited financial statements and needed by employers to implement GASB 68 is not repeated in this document. Please refer to the Town's audited financial statements for those items.

NOTE 2 BASIS OF PRESENTATION

The schedule of employer allocations and schedule of pension amounts by employers (Schedules) are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the U.S. The Schedules present amounts that are elements of the System's financial statements or its participating employers. Accordingly, they do not purport to be a complete presentation of the System's financial statements.

The preparation of the Schedules requires management to make estimates and assumptions related to the reported amounts. Actual results could vary from the estimates used.

NOTE 3 EMPLOYER ALLOCATIONS

Employers are required to pay an actuarially determined contribution annually, based on the results of biennial actuarial valuations of the System's assets by a certified actuary.

When an employer adopts an Early Retirement Incentive Program (ERIP) for its employees, PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. For employers who accept the ERIP, the increase in the liability attributable to each employer is amortized and separately identified in the System's actuarially determined funding schedule. The 2003 and 2004 ERIP are being amortized on a straight-line basis through 2020 and 2021, respectively.

**STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2017**

NOTE 3 EMPLOYER ALLOCATIONS (CONTINUED)

The employer contributions used in the schedule of employer allocations as of and for the year ended December 31, 2017 are equal to the total employer contributions presented in the System's financial statements for the corresponding period.

NOTE 4 DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The recognition period for amortizing the deferred outflows and inflows of resources is set forth by Governmental Accounting Standards Board Statement No. 68, paragraph 71. Depending on the type of deferral, the amortization periods are defined as either a fixed 5 year period or the Average Expected Remaining Service Life (AERSL) of all plan members, measured at the beginning of the measurement period. The amortization periods for each type of deferral are as follows:

Deferred Resource Type	Year	Recognition Period	Total Deferred Outflow (Inflow)	Amount recognized in expense through December 31, 2017	Balance at December 31, 2017	
					Deferred Outflows	Deferred Inflows
Changes in Assumptions	2017	4.6	\$ 1,365,326	\$ 593,620	\$ 771,706	
Difference between Actual and Expected Experience	2017	4.6	(2,284,697)	(993,346)	-	1,291,351
Net Difference between Projected and Actual Investment Earnings	2014	5.0	181,671	145,336	-	(36,335)
	2015	5.0	5,369,883	3,221,931	-	(2,147,952)
	2016	5.0	(770,317)	(308,126)	-	462,191
	2017	5.0	(6,939,020)	(1,387,804)	-	5,551,216
Changes in Proportion - By Employer						
Town of Stoneham	2015	4.6	(180,326)	(117,890)	-	62,436
Town of Stoneham	2016	4.6	84	37	47	-
Town of Stoneham	2017	4.6	37,170	8,080	29,090	-
Stoneham Housing Authority	2015	4.6	180,326	117,890	62,436	-
Stoneham Housing Authority	2016	4.6	(84)	(37)	-	47
Stoneham Housing Authority	2017	4.6	(37,170)	(8,080)	-	29,090
					<u>\$ 863,279</u>	<u>\$ 5,212,044</u>

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in the collective pension expense as follows:

Measurement Period Ending December 31	Amount
2018	\$ (631,420)
2019	(667,754)
2020	(1,661,785)
2021	(1,387,806)
	<u>\$ (4,348,765)</u>

STONEHAM CONTRIBUTORY RETIREMENT SYSTEM
NOTES TO SCHEDULES
DECEMBER 31, 2017

NOTE 5 COLLECTIVE NET PENSION LIABILITY

The components of the collective net pension liability of the System's participating employers at December 31, 2017, were as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Collective Total Pension Liability	\$ 114,474,273	\$ 111,691,230	\$ 109,499,392	\$ 106,127,378
Plan Fiduciary Net Position	<u>(92,552,007)</u>	<u>(79,897,736)</u>	<u>(73,843,252)</u>	<u>(73,815,564)</u>
Collective Net Pension Liability	<u>\$ 21,922,266</u>	<u>\$ 31,793,494</u>	<u>\$ 35,656,140</u>	<u>\$ 32,311,814</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u>80.85%</u>	<u>71.53%</u>	<u>67.44%</u>	<u>69.55%</u>

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

The following presents the collective net pension liability of the participating employers calculated using the discount rate of 7.75 percent, as well as what the participating employers net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Collective Net Pension Liability	\$ 34,126,172	\$ 21,922,266	\$ 13,530,467

NOTE 6 COLLECTIVE PENSION EXPENSE

The following table identifies the components of pension expense as of December 31, 2017 (measurement date):

Service Cost	\$ 2,047,568
Interest Cost on Total Pension Liability	8,513,364
Plan Member Contributions	(1,469,429)
Projected Earnings on Plan Investments	(6,174,287)
Recognized Portion of Difference in Projected and Actual Earnings on Investments	(431,557)
Recognized Portion of Assumption Change	296,810
Recognized Portion of Difference between Actual and Expected Experience	(496,673)
Administrative Expenses	<u>250,143</u>
Pension Expense	<u>\$ 2,535,938</u>

Each employer's proportionate share of the collective pension expense is equal to the collective pension expense multiplied by the 2017 employer proportionate share percentage identified in the schedule of employer allocations.