

**CITY OF MANCHESTER EMPLOYEES'  
CONTRIBUTORY RETIREMENT SYSTEM  
2021**



*Keeping Your Retirement on Track*

**ANNUAL COMPREHENSIVE FINANCIAL REPORT  
For The Year Ended December 31, 2021**



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CITY OF  
MANCHESTER  
EMPLOYEES'  
CONTRIBUTORY  
RETIREMENT  
SYSTEM

1045 ELM STREET • SUITE 403  
MANCHESTER, NH 03101-1824  
PHONE (603) 624-6506  
FAX (603) 624-6342



As Chairman of the Board of Trustees, I am pleased to present the 2021 Annual Report for the Manchester Employees' Contributory Retirement System, (MECRS or the Retirement System). This report includes Financial and Actuarial Valuation summaries for calendar year 2021, as well as a description of the Retirement System benefits. The report also includes management's discussion and analysis of the events of the past year.

The MECRS is a defined benefit plan supported by contributions made by the membership, in conjunction with supporting contributions made by the employer. The Board of Trustees (the Board) maintains a watchful eye on state and national events affecting public retirement plans and engages the services of actuaries, financial advisors, auditors and legal consultants to assess the condition of the Retirement System and to assist in policy and management decisions.

As it had in 2020, the COVID-19 pandemic continued to create challenges well into 2021. Despite the conditions, the Retirement System's staff continued to provide reliable service to its members. In addition, investment experience for 2021 was a gain of 10.3%, which was above its target assumption of 6.75%. Further, in recognition of the effects of inflation on pensioner annuities, the Board elected to grant a 1% Cost of Living Adjustment to retirees in 2021.

At the outset of 2020, the Board began certain legislative initiatives designed to improve the sustainability of the Plan for future participants. Though efforts continued into 2021, ultimately no changes were sustained. The Retirement System continued to make strategic changes to its investment portfolio, as recommended by its investment advisor, but no modifications were made to actuarial assumptions.

As Chairman, I would like to thank my fellow members on the Retirement System's Board, the retirement system staff, and all of the active and retired members for their support and interest in the Board's activities throughout the year. In 2021, Mathew Ciechon and Thomas Bozoian joined the Board, and Donald Pinard was reelected to the Board beginning in 2022. I would also like to take this opportunity to thank departing member Harry Ntapolis for contributing his time and talents to our organization to ensure that the issues and challenges of the future will be managed to the benefit of all stakeholders. I extend sincere appreciation and best wishes to Executive Assistant, Sandi Aboshar, and Executive Director, Gerard Fleury, both of whom retired in 2021. Together they served over 47 years with MECRS, providing service and reliability for which the organization has become known.

Lastly, it gives me great pleasure to welcome our two new employees, Kimberly Barrett, Executive Assistant and Melanie Murray, Executive Director. I am confident they will be valuable assets to our MECRS team and continue to serve our members with a high degree of proficiency and professionalism.

Sincerely,

Richard E. Molan  
Chairman, Board of Trustees  
City of Manchester Employees' Contributory Retirement System

## Board of Trustees



**RICHARD MOLAN**  
Chairman  
Aldermanic Appointee  
*Term expires January 1, 2024*



**SHARON WICKENS**  
City Director of Finance  
Ex Officio Member



**MAYOR  
JOYCE CRAIG**  
Ex Officio Member



**THOMAS BOZOIAN**  
Employee Representative  
*Term expires January 1, 2023*



**RICHARD BUNKER**  
Mayoral Appointment  
*Term expires January 1, 2023*



**MATHEW CIECHON**  
Employee Representative  
*Term expires January 1, 2024*



**DONALD PINARD**  
Citizen Representative  
*Term expires January 1, 2025*

## Administrative Staff



**MELANIE MURRAY**  
Executive Director



**KIMBERLY BARRETT**  
Executive Assistant



**SUZANNE WILSON**  
Administrative Assistant



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MANCHESTER, NH 03101-1824  
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FAX (603) 624-6342



Dear Retirement System Participant:

As your new Executive Director, I am pleased to present this Annual Report of the Manchester Employees' Contributory Retirement System (MECRS or the Retirement System) for the year ended December 31, 2021. This report is submitted in compliance with Chapter 218:6, II, Laws of 1973, as amended, is intended to satisfy public pension plan financial

reporting requirements, and to assure members of the Retirement System that the Board of Trustees (the Board), is responsibly managing fund assets. The MECRS Annual Report is prepared each year to conform to the most current Governmental Accounting Standards Board pronouncements.

The MECRS is a tax-qualified governmental retirement plan under sections 401(a) and 414(d) of the United States Internal Revenue Code, as amended, and was established under the provisions of New Hampshire Chapter 218, Laws of 1973, on January 1, 1974. Its purpose is to provide service and disability retirement benefits to those City of Manchester (the City) employees who are not Police Officers, Firefighters, or Teachers and who are not eligible to participate in the New Hampshire Retirement System.

The MECRS is administered by a seven-member Board, whose responsibilities include the formulation of policy and determination of employee eligibility for participation and benefits. The Board also oversees the daily administrative, fiscal, and investment operations of the Retirement System.

While the Pandemic continued to be a focus in 2021, the year also saw the retirement of Gerard Fleury, who served the MECRS well as its Executive Director for over 17 years. Sandi Aboshar, MECRS' dedicated Executive Assistant, also retired in 2021, after almost 30 years with the System. Much respect and appreciation are owed to both of them, as well as to Suzanne Wilson, who remains, serving over 23 years so far! Their wealth of knowledge has proven invaluable in facilitating the transition for myself and Kimberly Barrett, who also joined the MECRS in 2021.

For the nineteenth year in a row, MECRS received a compliance award from the Public Pension Coordinating Council, (PPCC) for having met professional standards for plan funding. In order to receive the award, Plans must meet requirements established by the PPCC.

In closing, on behalf of the Board of Trustees and Staff, I want to reiterate our commitment to stakeholders in the Retirement System and to prompt and accurate service to our constituent members.

Melanie Murray  
Executive Director



Public Pension Coordinating Council

***Recognition Award for Funding  
2021***

Presented to

***Manchester Employees' Contributory  
Retirement System***

In recognition of meeting professional standards for  
plan funding as  
set forth in the Public Pension Standards.

*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle  
Program Administrator

# Portfolio Managers, Advisors, and Service Providers

FOR THE YEAR ENDED DECEMBER 31, 2021

## INVESTMENT ADVISOR

NEPC, LLC

## ACTUARIAL CONSULTANT

Gabriel, Roeder, Smith & Company

## CUSTODIAN

State Street Bank & Trust Co.

## INDEPENDENT AUDITOR

Berry, Dunn, McNeil & Parker, LLC

## LEGAL ADVISOR

McLane Middleton,  
Professional Association

## DOMESTIC EQUITY

Aristotle Collective (Group Trust)  
Rothschild SMID Cap (Group Trust)  
Sands Large Cap Growth  
(Separate Account)  
Vanguard S&P 500 Index Fund  
(Group Trust)

## INTERNATIONAL EQUITY

Hardman Johnston  
(Group Trust)  
Kabouter International Opportunities II  
(Group Trust)  
Vanguard Total International Equity Fund  
(Group Trust)

## EMERGING MARKETS EQUITY

City of London (Group Trust)

## GLOBAL EQUITY

Arrowstreet Global (Group Trust)  
Loomis Sayles Global Growth  
(Group Trust)

## PRIVATE EQUITY

CarVal Credit Value Fund B IV & A V  
(Group Trust)  
Crescent Direct Lending (Group Trust)  
HarbourVest HIPEP Fund VIII  
(Group Trust)  
HarbourVest Co-Investment V  
(Group Trust)  
Lexington Partners VII & VIII  
(Group Trust)  
Newstone Partners II (Group Trust)  
Nexus Special Situations Fund III  
(Group Trust)  
Private Advisors VI, VIII & IX  
(Group Trust)  
Searchlight Fund III  
(Group Trust)

## FIXED INCOME

Income Research and Management  
(Group Trust)  
Loomis Sayles (Group Trust)  
Vanguard Inflation Protected  
Securities (Group Trust)

## REAL ESTATE

Blue Vista (Group Trust)  
Dalfen Last Mile Fund VI (Group Trust)  
DSF Multi Family Fund III & 2019  
(Group Trust)  
HarbourVest IV (Group Trust)  
Kayne Anderson Energy VI (Group Trust)  
Kayne Anderson Real Estate V  
(Group Trust)  
PRISA (Group Trust)  
TA Realty Associates X & XII (Group Trust)

# Investment Objectives and Guidelines

**This statement of investment goals and objectives is set forth in keeping with the fiduciary requirements under existing state and federal laws. Its purpose is to set forth an appropriate set of goals and objectives for the Retirement System's assets and to define guidelines within which the investment managers may formulate and execute their investment decisions.**

1. Achieving a total return, consistent with prudent investment management, greater than the earnings assumption for the Plan in order to satisfy long term plan liabilities and maintaining an acceptable funded ratio is the primary goal of the Plan. The total return target is 6.75% net of fees compounded annually, which considers the actuarial rate of return of 6.75%. Total return, as used herein, includes income plus realized and unrealized gains and losses on Plan assets. In addition, assets of the Plan shall be invested to ensure that principal is preserved and enhanced over time.
2. The total return for the overall Plan shall meet or exceed the Plan's Policy Index (as described in Appendix I\*). As a secondary comparison, the Plan shall also be compared with comparable public pension funds as represented by the Consultants Public Pension Fund peer group universe (IF Universe), with the understanding that the Plan's funded status and overall investment risk profile may differ from the average public pension fund in that universe.
3. Total portfolio risk exposure and risk-adjusted returns will be regularly evaluated and compared with a universe of similar funds for the Plan and each investment manager. Total portfolio risk exposure should generally rank in the mid-range of comparable funds. Risk-adjusted returns are expected to consistently rank in the top-half of comparable funds.
4. The Retirement Board is aware that there may be deviations from these performance targets. Normally, results are evaluated over a three- to five-year time horizon, but shorter-term results will be regularly reviewed and earlier action taken if in the best interest of the Plan.

**Investment managers shall exceed the return of the designated benchmark index noted below and rank in the top-half of the appropriate asset class and style universe.**

<b>Asset Class</b>	<b>Benchmark</b>	<b>Asset Class Universe</b>	<b>Style Universe</b>
Global Equity	MSCI ACWI	Equity Funds	All Cap Equity
Domestic Large Cap Equity	S&P 500, Russell 1000 Growth or Value Index	Equity Funds	Large Core, Growth or Value
Domestic SMID Cap Equity	Russell 2500 Growth or Value Index	Equity Funds	SMID CAP Universe
Developed International Equity	MSCI EAFE Index	Developed Int'l Equity Funds	NA
International Small Cap Equity	MSCI EAFE Small Cap Index	NA	NA
Emerging International Equity	MSCI Emerging Markets Free	Emerging Int'l Equity Funds	NA
Domestic Fixed Income	BC Aggregate	Fixed Income Funds	Core Bonds, Core Plus Bonds
Real Estate	NCREIF	Real Estate Funds	NA
Private Equity	Cambridge Private Equity	NA	NA
Real Assets	TBD based on manager	NA	NA



# Investment Objectives and Guidelines

**ABBREVIATED INVESTMENT GUIDELINES: Full discretion within the parameters of the guidelines described herein, is granted to the investment managers regarding the asset allocation, the selection of securities, and the timing of transactions.**

1. Equity investments, i.e., common stocks, convertibles, warrants and rights are permitted; subject to the guidelines in Appendix I\*. Equity specialists may vary equity commitment from 90% to 100% of assets under management. The managers should determine that the securities to be purchased are of an investment grade suitable for this Plan. American Depositary Receipts (ADRs), which are dollar denominated foreign securities traded on the domestic U.S. stock exchanges, e.g., Reuters, Nestle, Sony, may be held by each domestic stock manager in proportions which each manager shall deem appropriate.
2. Domestic fixed income investments are permitted, subject to the guidelines in Appendix I\*, and may include U.S. Government and Agency obligations, mortgage backed securities; including non-agency mortgages and commercial mortgage-backed securities; asset-backed securities; corporate bonds; debentures; commercial paper; and taxable municipals.
3. The minimum quality rating of any fixed income issue held in an investment grade portfolio shall be B as rated by Moody's, or the equivalent as defined by Fitch or Standard & Poor's, and the overall weighted average quality shall be A or higher. The ratings in this Policy Statement are for guidance only; the investment managers are responsible for making an independent analysis of the credit worthiness of securities and their suitability as investments regardless of the classifications provided by rating agencies.
4. The average duration (interest rate sensitivity) of an actively managed fixed income portfolio shall be within +/- 30% of its benchmark index. Given the nature of their process, absolute return managers may have additional flexibility around this target.
5. Investment in Non-US Fixed Income, specifically global sovereign and emerging market debt local currency, securities is permissible. It is expected that investment in these securities will be via a commingled vehicle, therefore being managed under separate guidelines than the ones listed herein. However, as described below, commingled investment vehicles selected by the Board are exempt from the policies and restrictions specified herein.
6. Securities of an individual issuer, excepting the U.S. government, agencies and sovereign nations and their agencies, shall not constitute more than 5% of an investment manager's portfolio at any time, at market value.
7. Investment managers may maintain reserve and cash equivalent investments. However, these investments should be made on the basis of safety and liquidity, and only secondarily by yield available. Such securities shall carry the equivalent of Standard & Poor's A1 or A2 ratings.
8. The use of exchange traded funds (ETF's) is permitted in the portfolio, so long as it is within the parameters of the guidelines listed above. It is understood that an allocation to ETF's is meant to represent broad market exposure via an individual security, therefore, any allocation that falls outside of the parameters of these guidelines requires prior Board approval.

*\*Appendix I is not included in this report.*

**INELIGIBLE INVESTMENTS: Unless specifically approved by the Retirement System, certain securities, strategies and investments are ineligible for inclusion within separately managed accounts in the Retirement System's asset base. Among these are:**

- Derivative instruments except as permitted in the Derivatives Policy or specifically provided for in individual manager guidelines.
- Privately-placed or other non-marketable debt, except securities issued under Rule 144a.
- Lettered, legend or other so-called restricted stock.
- Commodities – Except by a manager investment in Real Assets.
- Straight preferred stocks and non-taxable municipal securities should not normally be held unless pricing anomalies in the marketplace suggest the likelihood of near-term capital gains when normal spread relationships resume.
- Short sales – Except by GTAA manager in a 130/30 scenario.
- Direct investments in private placements, real estate, oil and gas and venture capital.
- Any transaction prohibited by Employee Retirement Income Security Act (ERISA).

**An unabridged version of the Investment Guidelines can be obtained on the MECRS website at <https://ManchesterRetirement.org/wp-content/uploads/Investment-Guidelines-12.pdf>**

## Summary Plan Description

This document has been prepared in compliance with Chapter 218:6, II, Laws of 1974 as amended and is intended to provide the reader, especially new entrants to the Retirement System, (the Retirement System, MECRS, or the Plan) with a summary of important plan provisions. Information contained in this summary plan description is only intended to provide the membership of the City of Manchester Employees' Contributory Retirement System and other interested parties with a general overview of the Retirement System. While every effort is and will be made to keep information in this description as accurate and up-to-date as possible, no retirement or financial decisions should be made based solely on information contained herein. Questions on matters of entitlement or process should be addressed in writing to the Retirement System's administrative office at the address shown below and in matters of conflict between this document and chapter law, the matter shall default to chapter law.

**Type of Plan...** The City of Manchester Employees' Contributory Retirement System, is a "defined benefit" plan and operates pursuant to Section 8.09 of the City Charter of Manchester, New Hampshire, in accordance with the State of New Hampshire Laws of 1973, Chapter 218 as amended, and is intended to create a tax-qualified governmental retirement plan under sections 401(a) and 414(d) of the Internal Revenue Code as amended. This defined benefit plan is superior to defined contribution plans in that it calculates the retirement benefit based upon average final earnings, creditable service, and age at retirement as opposed to simply the total accumulation of dollars in the Retirement System. The Retirement System is governed by a seven-member board in accordance with Articles I and II of its Bylaws and operates in accordance with Administrative Rules established for that purpose. Relevant financial and demographic information about the Retirement System is contained in this report and on a website maintained by the Retirement System at [www.ManchesterRetirement.org](http://www.ManchesterRetirement.org). That information is also available in hard copy upon request from the Retirement System's administrative offices. The Retirement System exists for the benefit of its membership and maintains administrative offices in Suite 403 of the Chase Building at 1045 Elm Street in Manchester, New Hampshire. *The Retirement System may be contacted through its Executive Director by any of the methods listed below:*

**By phone at:** (603) 624-6506

**By fax at:** (603) 624-6342

**By email at:** [MMurray@ManchesterRetirement.org](mailto:MMurray@ManchesterRetirement.org)

**Or by writing to:**

**Manchester Employees' Contributory Retirement System  
1045 Elm Street, Suite 403, Manchester, NH 03101-1824**

## — Membership —

The Retirement System applies to all eligible employees of the City, the Manchester school district, Manchester public library, and the Manchester Employees' Contributory Retirement System including elected and appointed officials. Trustees of the Retirement System who are not otherwise eligible to participate are prohibited from being members in the Retirement System. The Retirement System does not cover certain categories of employees such as temporary employees, members of boards and commissions who are not eligible employees of the City, trustees of the Retirement System who are not otherwise eligible to participate, members of the fire and police departments, or teachers who are eligible to participate in a state-administered retirement system, and other persons who are, or were, eligible to participate in the New Hampshire Retirement System. Eligible employees are identified by the number of hours they routinely work per week, (generally, more than 32 hours for City workers, or 30 hours for a minimum of 180 days for school district employees, except for school food & nutrition workers for whom the standard is 20 hours per week). Employees who were participants before January 1, 2008 but failed to meet minimum participation standards are grandfathered under certain circumstances. Contact the Retirement System for details.

All covered employees hired after January 1, 1974 are required to participate in the Retirement System as a condition of employment. Employees are 100% vested after five years of service. The normal retirement age is 60 and the benefit is calculated at 1.5% of final average total compensation during the highest three years or 36 highest consecutive months of service in the last ten years of service (hereafter final average earnings) multiplied by the years of service. The benefit was increased to 2% for service completed after January 1, 1999. Effective July 1, 2005, members who are still in service and have service from prior to January 1, 1999 are afforded an option to upgrade that service multiplier to 2% pursuant to established laws and supporting rules established by the Board of Trustees (the Board). Permanent employees of the City prior to January 1, 1974 who were in service as of January 1, 1974, are eligible for early retirement if credited with no less than twenty (20) years of service.

**Duties of the Board of Trustees:** The Retirement System's Board (the Board) is the trustee of the retirement fund and has the obligation of a fiduciary to the Retirement System and its members and beneficiaries. In the fulfillment of its duties and responsibilities, the Board acts solely in the interests of the Retirement System, the members, and the beneficiaries and with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims. As trustee, the Board holds legal title to all securities and assets of the Retirement System and has full control and management of them with the power to invest and reinvest the same in accordance with the terms, conditions, limitations, and restrictions imposed by the general statutes of the state of New Hampshire governing the investment of trust funds. In addition to those powers, the Board, as trustee, also has the power to: collect and receive any and all monies and other property due and to give full discharge and acquaintance therefore; appoint advisory committees to aid the retirement board in its duties under this section or to delegate to any corporate fiduciary or an insurance company within or without the state who may or may not be the custodian of stocks and securities, the power and discretion to make decisions with regard to the purchase or sale of any legal object of investment and to take any action necessary to affect decisions by or on behalf of the Retirement System with the same legal effect as if performed by the Board; authorize the payment of compensation to an agent for retirement fund management services; settle or compromise any claims, debts or damages due or owing to or from the Retirement System, and to commence or defend suits or legal proceedings whenever, in its judgment, any interest of the Retirement System so requires employing suitable agents and counsel for this purpose and paying their reasonable expenses and compensation; maintain records of receipts and disbursements and to pay benefits required under the Retirement System to eligible members, or, in the event of their death, to their beneficiaries; and, generally do all other things necessary and proper to carry out the operation of the Retirement System.

### - Contributions -

Contributions to the Retirement System consist of a member component which equates to 3.75% of wages as defined by regulation and an employer component which varies from year to year with the outcome of an annual actuarial valuation. Beginning in February of 2006, the member rate increased to 5% as part of the establishment of a Section 401(h) Medical Trust. The additional 1.25% attributed to the post-retirement medical subsidy is non-refundable in the event of termination and withdrawal from the Retirement System. The factors which can influence the employer's cost of participation include many variables which are cited in the valuation report and can be obtained upon request. Member contributions are deducted by the employer and remitted to the Retirement System following each payroll cycle. The City's matching contribution is also expressed as a percentage of gross wages and is remitted to the Retirement System after each payday. The percentage of the employer contribution is determined by the annual valuation process and is ratified by the Board and incorporated into the City's budget prior to the beginning of the City's fiscal year.



## Additional Contributions

Additional Contributions, which technically became effective on March 9, 2004, provide an option for members to *either* reduce the offset associated with retiring prior to age 60 or, for the member who upon reaching the normal retirement age, lacks the service required to attain a 50% retirement benefit. The amount needed to *either* reduce the early retirement offset or provide a 50% benefit, is derived from the member making additional after-tax contributions to their account. Determining how much a member is obligated to pay if they decide to pursue this option and simultaneously determining the contribution limit dictated by Federal regulations on such payments is done by means of an actuarial calculation which must be done at the member's expense. Members who are rapidly approaching their anticipated date of retirement and who are otherwise in a position to avail themselves of this benefit option are advised to contact the Retirement System for further details.

## Tax-Sheltered Plan

Member contributions deducted from salary by the employer, remitted to the Retirement System on the employee's behalf, and indexed at the prescribed rate of 3.75% are considered tax-sheltered under sections 401(a) and 414(d) of the Internal Revenue Code as amended. Effective February 6, 2006, the member contribution increased to 5% as a result of an additional 1.25% post-retirement medical subsidy funding obligation. That additional 1.25% is non-refundable in the event of termination and withdrawal from the Retirement System. Generally, pre-tax status is only extended to contributions which are a percentage of wages earned for the period. Permissive service purchases of temporary service and of time previously withdrawn from the Retirement System may be eligible for a trustee to transfer from 401(k), 403(b) and 457 plans. Contact the Retirement System for further details. Other amounts paid in by the member on a voluntary basis for purposes such as Additional Contributions are considered to have been made with post-tax dollars. All post-tax contributions are tracked by the Retirement System and will be reported as tax-exempt in accordance with applicable Federal Tax Rules at the time of their eventual distribution.

## Return of Excess Accumulated Contributions Upon Death of a Member

Upon the death of a member after his or her retirement allowance payments have commenced, provided the member has not elected an optional allowance that has become effective, any excess of the member's contributions at retirement over the sum of the retirement allowance payments received shall be paid in one sum to the person or persons nominated by the member, if living, or otherwise to the member's estate. Upon the death of the survivor of a member and the beneficiary nominated by them under the terms of an option, if an option was elected and had become effective, any excess of the retired member's contributions at retirement over the sum of the retirement allowance payments received by the retired member and such beneficiary shall be paid to the person nominated by the member, if living, or otherwise to the estate of the last to survive of the member and such beneficiary. Nomination of a person to receive the return of the member's contributions pursuant to law shall be made by the member in writing filed with the Retirement System prior to retirement. A member may change his or her nomination by a similar writing. However, a designation, revocation, or change of the person nominated under an optional election may be made only at the time the member retires and is an irrevocable election.

## Exemption from Taxation & Garnishment

The State Legislature specifically provided with respect to the Retirement System that: “[t]he right to any person to a pension or to the return of contributions, any benefit or right accrued or accruing to any person . . . shall be exempt . . . from levy and sale garnishment, attachment or any other process and shall be unassignable.” Therefore, by statute, a member’s interest and benefits under the Retirement System are exempt from attachment or alienation. This sweeping prohibition does not contain an exemption for domestic relations orders as do private retirement plans and the New Hampshire State Retirement System; therefore, a member’s benefits cannot be divided in a divorce by a qualified domestic relations order (QDRO).

## Creditable Service

Creditable Service refers to the amount of time a Retirement System participant spends in the service of the employer. Service rendered for the full normal working time in a period of 12 consecutive months entitles a member to one year of service credit. Time spent as a member of any of the various city boards, or in any other capacity rendering incidental employment to the City, is not counted as service. Absence from employment on account of active duty with the armed forces of the United States in time of emergency or war, or as directed by selective service or to meet selective service requirements, or as a member of the national guard, or organized reserves, to meet its requirements, is counted as continuous employment with the city, provided, that the employee returns directly to active employment with the city after he or she becomes eligible for release from such active duty. Any such period of absence is not counted as service unless the employee completes a service buyback.

## Upgrading of Select Existing Service Credit

As of July 1, 2005, but prior to their termination of employment and the commencement of a retirement benefit, a member may elect, under rules of the Board, to receive a retirement benefit of 2 percent of their average final earnings for all years of service or any portion thereof, for years when the earned service credit was at the 1.5 percent rate, provided that the member shall be responsible for payment of 50 percent of the benefit based on methods and assumptions adopted by the Board. The Retirement System shall be responsible for the payment of the remaining 50 percent of the retirement benefit based on methods and assumptions adopted by the Board.

## Spousal Consent

As of May 9, 2006, any application for any type of benefit administered by the Retirement System, including but not limited to retirement benefits, return of contributions, or disability retirement allowances, shall include a statement made by the spouse of the member, if any, acknowledging that the spouse has read and understands the provisions of this act concerning the benefits and payments options, if any, which member has elected to receive. Acknowledgements have been incorporated into the various applications used by the Retirement System and are signed in the presence of a notary public or Retirement System employee. As of June 20, 2008, the definition of spouse has been expanded to also recognize parties to a civil union under RSA 457:45.

## Normal Service Retirement

Any member who either has attained the age of 60 years or was in the service of the city on January 1, 1974 and has completed at least 20 years of service, is eligible for a normal service retirement benefit. Any such member may retire by filing, with the Board, a written statement duly attested setting forth the time subsequent to the date of filing, that the member desires to be retired, or the Board may, at its option, retire any such eligible member, furnishing written notice thereof at least 60 calendar days in advance of the specified date of such retirement.

The payment of retirement benefits to any member who is eligible to receive them and who has filed all election forms with the Retirement System shall become effective the first day of the month following termination of employment pending approval by the retirement board. No changes to benefit elections are permitted after the commencement of the payment of benefits.

The Retirement System shall not pay retirement or disability benefits to city employees who again become eligible to participate in the Retirement System. A member shall notify the Retirement System of their rehire immediately. Upon rehire after a period of termination, all disbursements under the Retirement System to that member shall cease and the member must resume making contributions to the retirement fund as of the first pay period following their rehire. Rehired members shall have their benefits determined in accordance with laws governing "restoration to service" as defined in the Retirement System's enabling legislation.

Notwithstanding any other provisions, the maximum pension payment payable to any member or beneficiary shall be limited to such extent as may be necessary to comply with the requirements of sections 401(a)(16), 401(a)(17) and 415 of the Internal Revenue Code, (the Code). The retirement benefits payable hereunder shall be made in the form, at such time and otherwise in compliance with the distribution and rollover requirements of sections 402(c), 401(a)(9), and 401(a)(31) of the Code.

Members who qualify for a normal service retirement benefit shall receive an annual pension payable during the member's lifetime in an amount equal to the sum of: one and 1/2 percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed prior to January 1, 1999; plus two percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed after December 31, 1998. However, in the case of a member who was both in the employ of the city on January 1, 1974 and has completed not less than 20 years of service at the time of retirement, the annual pension payable during the member's lifetime shall be equal to the greater of the sum of the amounts determined in accordance with methods stated in the paragraph above, or 50 percent of final average earnings.

**Early Retirement** - Each member whose age plus years of service equals 80, or who attains age 55 with a minimum of 20 years of service, may have the option, to be exercised by a written notice to the Retirement System's Board, to retire at any time thereafter, prior to the member's normal retirement date. The amount of retirement benefits payable to such retired member shall be computed as provided in accordance with prevailing laws and regulations, except that the date of such early retirement shall be used in determining the member's service, and the amount thus obtained will be reduced for each month by which the date on which benefits commence precedes the month after which the member attains 60 years of age by 1/6 of one percent.

The contingent annuitant and 10-year certain options provided for in Plan Law may be elected by a member under this section, in which case the term "retirement date" shall be deemed to mean early retirement date wherever applicable with respect to laws dealing with Member Death Benefits by reasons of accidental or ordinary death.



## Ordinary Disability Retirement

Any member of the Retirement System who, after 15 years of continuous service as an employee of the city, becomes totally and permanently disabled such that they are incapable of performing the essential functions of their position prior to such disability, may be retired for disability according to the prevailing regulations. The determination as to total and permanent disability shall be made by the retirement board upon review of an application for disability benefits submitted by the member and consultation with at least 2 impartial physicians selected by the retirement board who shall examine the member and submit written reports to the Retirement System's Board.

Members who retire for disability of this type shall be entitled to an annual disability benefit payable until the earlier of the termination of such disability or their death, computed on the basis of service completed prior to the date of disability in an amount equal to the sum of: one and 1/2 percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed prior to January 1, 1999; plus two percent of the member's final average earnings multiplied by the number of years, including the fractions of years represented by full months, of service completed after December 31, 1998. Disabled members may also receive their disability benefit in the form of a contingent annuity as described under "Optional Retirement Allowances" later in this document. Any member who has upgraded service credit earned between 1974 and 1999 shall have their benefit calculated in keeping with the percentage of such time as may have been upgraded prior to retirement.

## Accidental Disability Retirement

Any member of the Retirement System who becomes totally and permanently disabled such that they are incapable of performing the essential functions of their position prior to such disability, if such total disability is shown, to the satisfaction of the Retirement System's Board, to have been sustained during the performance of duties pertaining to the member's employment by the City, shall be entitled to retirement for disability irrespective of the duration of employment. In order for a member to receive such disability benefits, the member must submit an application for disability benefits within 60 days of termination of employment. However, any member receiving a disability benefit on account of total and permanent disability sustained during the performance of duties pertaining to employment by the City, as provided herein, shall receive a benefit equal to the greater of the sum of the amounts determined in accordance with the formula for Ordinary Disability in the section above, or 50 percent of final average earnings. If a member has less than 3 years of service at the time of becoming totally disabled in the performance of duties pertaining to their employment by the City, their pension shall be based upon their annualized disability earnings. The disabled member may also receive their disability benefit in the form of a "Contingent Annuitant Option" as described further on in this document.

## Accidental Death Benefit

An accidental death may be payable upon the receipt by the Board of proper proof of the death of a member in service indicating that such death was the natural and proximate result of an accident occurring while in the performance of duty at some definite time and place, the board decides that death was the result of an accident in the performance of duty and not caused by the member's own gross negligence, recklessness, or willful misconduct, the member's surviving spouse shall be entitled to the larger of an annual benefit equal to 50 percent of the member's final average earnings paid in equal monthly installments or a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction of 2 percent per year for each year prior to member's normal retirement age. In lieu of either option, the member's surviving spouse may instead elect a lump sum payment as described in Chapter 218:16 I (c).

If, at the time of death, the member is not survived by a spouse and the member has designated their child or children under age 18 as his or her beneficiary/beneficiaries pursuant to section 19 of the retirement laws, then the annual benefit described in paragraph I(a) shall be payable to the member's child or children under such age, divided in such manner as the board in its discretion shall determine, to continue for the benefit of such child or children under said age until every child dies or attains age 18. In lieu of this annual benefit, the child or children may instead elect a lump sum payment as described in the preceding paragraph. The Retirement System shall be fully protected in making any payment hereunder required to be made to a minor if such payment is made to a custodian or guardian for such minor.

If the member does not have a surviving spouse or children, there shall be, payable to the beneficiary designated by the member pursuant to section 19 of the retirement law, if living, or otherwise to the member's estate, a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I of the retirement laws.

## Ordinary Death Benefit

An ordinary death benefit may be payable upon receipt by the Board of proper proof of the death of a member in service indicating that such death was not the result of an accident occurring while in the performance of duty. Under such conditions, there shall be a death benefit payable to the member's surviving spouse, if living, or otherwise to the member's designated beneficiary or the member's estate.

If, at the time of death, the member has at least 5 years of creditable service or qualifies to retire under the retirement provisions of section 12 or section 14 of the retirement law, and has a spouse, the member's spouse shall be entitled to receive a monthly lifetime benefit equal to the greater of either 50 percent of the service retirement benefit straight life option without reduction that would have been payable to the member had they been eligible to retire immediately prior to death based upon final average earnings and creditable service or, a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction of 2 percent per year for each year prior to the member's normal retirement age. In lieu of either option, the surviving spouse may instead elect a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of the member's contributions plus regular interest until date of payment as provided under section 11, paragraph I of Chapter 218 Laws of 1974, as amended.

If, at the time of death, the member has at least 5 years of creditable service or qualifies to retire under the retirement provisions of section 12 or section 14 of the retirement law, but is not survived by a spouse, and has designated his or her child or children under age 18 as his or her beneficiary or beneficiaries, there shall be payable, divided in such manner as the board in its discretion shall determine, to continue for the benefit of such child or children under said age until every child dies or attains age 18, the greater of either 50 percent of the service retirement benefit straight life option without reduction that would have been payable to the member had they been eligible to retire immediately prior to death based upon final average earnings and creditable service or, a monthly benefit computed according to the member's creditable service and final average earnings for the 100 percent contingent annuitant option inclusive of the early retirement reduction of 2 percent per year for each year prior to member's normal retirement age or, a lump sum equal to the deceased member's

annual base salary at the time of death, in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I of Chapter 218 Laws of 1974, as amended.

If, at the time of death, the member has at least 5 years of creditable service or qualifies to retire under the retirement provisions of section 12 or section 14 of the retirement law but is not survived by a spouse, and the member's beneficiary is a child or children over age 18 or a person other than the member's spouse, then there shall be, payable to the beneficiary if living, or otherwise to the member's estate, a lump sum equal to the deceased member's annual base salary at the time of death, in addition to a refund of the member's contributions plus regular interest until the date of payment as provided under section 11, paragraph I of Chapter 218 Laws of 1974, as amended..

If, at the time of death, the member did not have at least 5 years of creditable service or did not qualify under the retirement provisions of section 12 or section 14 of this act, there shall be, payable to the member's spouse, if living, or the member's designated beneficiary or beneficiaries, if other than the member's spouse, if living, or otherwise to the member's estate, a lump sum benefit equal to the deceased member's annual base salary at the time of death in addition to a refund of contributions plus regular interest until the date of payment as provided under section 11, paragraph I of Chapter 218 Laws of 1974, as amended.

## Vesting

Vesting is the process through which a Retirement System participant becomes irrevocably entitled to a monthly pension benefit in lieu of a cash distribution of paid in contributions and interest. A vested member is almost always financially better off collecting a monthly annuity from a defined benefit plan such as this one as opposed to collecting the cash payout. For the MECRS, vesting is achieved after the completion of five (5) years of participation and contributions into the Retirement System. Unlike an active member, however, the spouse of a vested member is not entitled to receive a pension in the event that the vested member passes away before they can qualify to begin receiving their pension.

# Optional Retirement Allowances

## — CONTINGENT ANNUITANT OPTION —

Instead of the normal form of monthly retirement benefit provided by a Service Retirement, a member may, prior to his or her retirement date, elect a contingent annuitant option providing, if the member does not die before his or her retirement date, for actuarially reduced monthly retirement benefits payable during his or her lifetime after retirement and for the continuance of such payments, or a part of them specified by the member, to such contingent annuitant for his or her life after the death of a retired member. Such election may be made by a member at any time prior to his or her retirement date and may not be changed after his or her retirement date. The death of the contingent annuitant at any time prior to the member's retirement date shall automatically revoke such election; and further provided that if the contingent annuitant is the spouse of the member, a divorce granted to either spouse at any time prior to the member's retirement date shall automatically revoke such election.

If a member who has elected this option dies before his or her retirement date, no benefits shall be payable to the contingent annuitant under this option. In such circumstances, benefits, if any, are to be paid in accordance with provisions associated with a death benefit or a termination of employment. If the member dies after his or her retirement date, the contingent annuitant shall receive for life, commencing on the first day of the calendar month coinciding with, or next following, the retired member's death, the benefits specified by the retired member for the contingent annuitant.

If the contingent annuitant dies before the member's retirement date, the monthly retirement benefit normally provided under this act shall be payable to the retired member as if the option had not been elected. If the contingent annuitant dies after the member's retirement date, the amount of the payments which the retired member is then receiving, or is entitled to receive, will at that time (with no provisions for retroactive payments) revert back to what it would have been at the member's retirement date if the option had not been elected and will cease upon the retired member's death.

Instead of the normal form of disability benefit, a disabled member may, prior to the start of disability benefits, elect a contingent annuitant option providing for actuarially reduced monthly disability benefits payable during his or her lifetime and for the continuance of such payments, or a part of them as specified by the disabled member, to such contingent annuitant for his or her life after the death of the disabled member.

Once the contingent annuitant option has been elected by a disabled member, it may not be changed or revoked except in the case of death of the contingent annuitant. If the contingent annuitant dies after the disabled member has started receiving disability benefits, the amount of the payments which the disabled member is then receiving, or is entitled to receive, shall at that time with no provisions for retroactive payments revert back to what it would have been at start of the payment of disability benefits if the option had not been chosen and will cease upon the disabled member's death.

## — TEN-YEAR CERTAIN OPTION —

Instead of the normal form of monthly retirement benefit provided by a Service Retirement, a member may elect an actuarially reduced monthly retirement benefit payable for 10 years certain and life thereafter. Such election may be made by a member at any time prior to his or her retirement date and may not be changed after his or her retirement date. Under this option, 120 monthly payments will be made regardless of how long the member lives. If a member dies after his or her retirement date, but before 120 monthly payments have been made, the balance of the 120 monthly payments shall be made to

the member's beneficiary. If the beneficiary, having survived the retired member, dies before all of said 120 payments have been made, then the computed value of the balance of said payments shall be paid in a lump sum to the beneficiary's estate. If the member dies before his or her retirement date, no benefits shall be payable under this option. If the member survives beyond the 120-month guaranteed payment period, actuarially reduced monthly retirement benefits shall continue until the death of the member at which point the benefit payments shall cease.



## Cost of Living Adjustments

The Board may adjust the payment to retirees to maintain their incomes at the approximate level with their real incomes at the time of retirement. The Board may grant a cost of living adjustment (“COLA”) provided that sufficient funds are available to fund any additional benefits either through earnings of the retirement fund or through such special appropriation by the City as may be approved by the board of mayor and aldermen. The determination as to whether sufficient funds are available is determined in accordance with Administrative Rule 7.0 which can be obtained on the Retirement System’s website at [www.ManchesterRetirement.org](http://www.ManchesterRetirement.org) or by contacting the Retirement System and requesting a copy of the Administrative Rules. The amount of any COLA to be granted is determined by applying a standard measured by the U.S. City Average Consumer Price Index for all items as published by the Bureau of Labor Statistics of the U.S. Department of Labor (“Price Index”). The amount, frequency, and timing of COLAs on the base benefit and on any additional monthly annuities purchased under the Retirement System’s “additional contribution” program are mutually exclusive of one another and are detailed in Rule 7.0 of the Retirement System. Contact Retirement System administration for details.

## Refunds of Contributions

Upon termination of employment, a member becomes eligible for a return of contributions deducted and remitted by the employer along with any additional contributions and permissive service purchases paid in, plus all applicable interest. This payment option is available to all members upon termination of employment but should generally be considered only by members who have not attained vested status. Under no circumstances is a terminated member applying for a lump sum distribution eligible to receive a payout of the employer matching portion or of amounts contributed toward participation in the Section 401(h) Medical Health Trust.

A member who is less than 59 ½ years of age, and who does not elect to “roll over” the taxable portion of a distribution from their plan, may be subject to mandatory 20% withholding on their distribution and obligated to pay a 10% excise tax on their early distribution. Retirement System members who must terminate their affiliation with the Retirement System and are not eligible to vest can obtain the necessary forms from the Retirement System’s administrative staff to perform a rollover and avoid tax consequences of the transaction. The Retirement System is not in a position to assist members with tax questions and does not offer investment advice. Members with questions on the disposition of funds received following termination from employment should seek the counsel of tax and financial professionals.

## Buybacks & Permissive Service Purchases

A member who ceases to be a member, withdraws their member contributions as described above, and later becomes a member again, may make a request after their return to service for the City for a service buyback of prior service credit for the previous time served as a member. Once the eligibility requirement has been met, if a service buyback is not made, the member’s benefit shall be based solely on the member’s years of service and final average earnings after the break in service.

A member may also make a service buyback request to receive prior service credit for a period prior to becoming a member during which the member was employed by the city in a temporary position or out on worker’s compensation, leave of absence, or engaged in the Comprehensive Employment & Training Act of 1973, (CETA), model city program, or any other capacity the Board determines warrants a service buyback. A service buyback for temporary service may only be made if the member became a permanent city employee without incurring a break in service. A service buyback is also available if an employee elected not to participate in the Retirement System in 1974 when the Retirement System was established and otherwise satisfies the requirements of membership.

If a member does not purchase all available prior service credit, the service credit purchase must begin on the latest date of service available. Members are required to submit proof of employment in order to substantiate prior service.

Upon a request for service buyback, the Retirement System’s Board determines the cost of the requested service buyback, which amount includes the contributions the member would have been required to make plus buyback interest, and provide a written statement to the member. The member must pay all amounts related to the service buyback in one lump sum.

Effective December 12, 1994, contributions, benefits, and service credit with respect to qualified military service shall be provided in accordance with section 414(u) of the Code, notwithstanding any provision of this chapter to the contrary.

## Purchase of Time Withdrawn From Other Public Retirement Plans

Notwithstanding any provision to the contrary, any member of the Retirement System, in service on or after June 30, 2006, who was formerly a member of a public employees' retirement system elsewhere in the United States, can purchase credit for such service as creditable service in the Retirement System; provided, however, that creditable service in the Retirement System which is purchased is not deemed creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee. Only creditable service performed in the City of Manchester as a member of the Retirement System will be counted as creditable service for the purpose of eligibility for medical and surgical benefits as a retired employee. For the purposes of this program, "public employees' retirement system" shall include any retirement system established and maintained by the United States government, the members of which are federal government employees. Also, for the purposes of this program, any military service not otherwise authorized pursuant to section 10, paragraph I, shall not be included as creditable service in a public employees' retirement system. The member must meet the following conditions to purchase credit under this program:

- (a) The member must have terminated employment and active membership in the other public system and become a member of the Retirement System; and
- (b) The member must apply for service credit, on a form designated by the Board; and
- (c) The member must provide such information and certification from the other public employer and other public retirement system as the Board may require; and
- (d) The member must pay to the Retirement System the full cost for buy-in of creditable service as provided in section 10, paragraph VI, of the Retirement System's enabling legislation, including prepayment of any actuarial calculation fee as determined by the Board; and
- (e) The amount of creditable service purchased must be either the full length of service rendered in the other system or a pro-rata portion of such service purchasable with the maximum amount which the member was permitted to withdraw from the other system; and
- (f) In no case shall the creditable service purchased exceed the service time rendered in the other public system, or include any service period for which the member remains eligible for benefits in the other public system.

After meeting all of the conditions above, and upon payment of the cost of such credit inclusive of all calculation fees, and with the approval of the Board, a member shall receive credit for service in other public systems. In no case however, shall other public employees' retirement system service purchased as creditable service in the Retirement System be deemed to be creditable city service for the purposes of eligibility for longevity or other benefits solely within the discretion of the City of Manchester.

# Uniformed Services Employment and Reemployment Rights

## **Retirement System Benefits Impacted by Call to Serve in Active Duty in the Military**

Federal and state laws provide certain benefit protections to Retirement System members who are called to serve in active duty of the uniformed services by either the federal government or by the State of New Hampshire. These laws allow the member to receive credit in the Retirement System for time served in the military. The federal law, the Uniformed Services Employment and Reemployment Rights Act of 1994 ("USERRA") affects employment, reemployment, and retention in employment, when employees serve or have served in the uniformed services. The term "uniformed services" includes the Army, Navy, Air Force, Marines, Coast Guard and the reserve component of these services. The term also includes the National Guard, when engaged in active duty for training, inactive duty training or full-time duty, and the commissioned corps of the Public Health Service. Service includes all categories of military training and service, on a voluntary or involuntary basis, in time of peace or war. New Hampshire RSA 110-C:1 is a New Hampshire law that provides similar protections to members who are called by the State of New Hampshire to serve in active duty in the National Guard.

## **Limits on How Long a Member Can Serve in the Military and Still Retain the Right to Reemployment with the City and the Right to Receive Service Credit in the Retirement System**

USERRA generally provides that a member can serve up to 5 years in the armed services and still retain reemployment rights with the City and receive service credit in the Retirement System for their service with the military. USERRA provides that the member must return to City employment within specified time periods in order to preserve their reemployment rights. Please contact the City Human Resources Department for more information.

## **Credit for Active Duty in the Uniformed Services in the Retirement System Upon Return to City Employment**

After they return to City employment and make up their normal required member contributions, a member will receive service credit for their period of military service.

## **Credit for Active Duty in the Uniformed Services in the Retirement System When Not Returning to City Employment**

If a member does not return to City employment and make up the normal required member contributions, they will not receive service credit for their period of military service.

## **Time Limit After Reemployment to Make the Missed Contributions**

A member is allowed three times the amount of their military leave or five years, whichever is less, to make the total employee contribution that they would have made if they were not on active duty.

## **Calculation of Earnings During a Member's Period of Military Service for Purposes of Determining their Contributions and Benefits**

USERRA requires that the Retirement System determine a member's earnings using the rate of pay that they would have received but for their period of military service. Where the rate of earnings they would have received is not reasonably certain, their average rate of earnings during the 12-month period prior to their period of military service must be used. Where the earnings they would have received is not reasonably certain and they were employed by the City for less than 12 months prior to the period of military service, their average earnings must be calculated from this shorter period of employment that preceded their military service.

## **Interest Requirement When Making Up for Missed Member Contributions**

USERRA prohibits the Retirement System from requiring a member to pay interest or otherwise make up a missed contribution by paying an amount greater than the amount the member would have been permitted or required to contribute had the member remained continuously employed during the period of military service.

## **Withdrawal of Contributions if Called to Serve in Active Duty**

Neither USERRA nor RSA 110-C:1 allow a Retirement System member who is called to serve in active duty the right to withdraw his or her member contributions. However, if a member terminates City employment before they are called to serve in active duty, they have the same rights to withdraw contributions as any other member. These rights are described in the section above entitled, "*Refunds of Contributions*" on page 17.

## **Repayment of Account Balance After Withdrawal of All or Part of a Member's Account from the Retirement System Before Becoming Reemployed by the City**

If a member withdrew all or part of their account balance from the Retirement System before they became reemployed, USERRA requires the Retirement System to allow them to repay the withdrawn amounts when they are reemployed. The amount they must repay includes the interest that would have accrued had their contributions not been withdrawn. The repayment of those amounts must be made in any fashion during a time period starting with the date of reemployment and continuing for up to three times the length of the immediate past period of military service, with the repayment period not to exceed five years. Any buyback made after five years must be made in a single lump sum.

In addition to USERRA rights, Chapter 218:10 of the Retirement System statute allows a member to buy back service credit time if they withdrew their contributions following termination of employment. For a discussion of these rules, see the section above entitled, "*Buybacks & Permissive Service Purchases*".



## Financial Assistance Available to Pay for Post Retirement Health Insurance

As of July 1, 2006, all pensioners (this benefit is limited to the pensioner only and does not cover spouses or dependents under any circumstances) collecting a monthly annuity became entitled to a health insurance subsidy which is applied against the cost of remaining on the City's health insurance plan after retirement. The subsidy is limited to retirees affiliated with the City and School District health insurance programs. The amount of the subsidy varies depending upon the member's date of retirement and their years of service in the Retirement System. For those retiring after March 2006, the subsidy ranged between \$90.05 per month and \$360.19 per month. For those retired prior to March of 2006, the subsidy was half that amount. Subsidies will increase by 4% each year. Subsidy levels for 2021 are shown in the table below:

Subsidy levels for 2021 are shown in this table	TABLE OF MONTHLY SUBSIDY ENTITLEMENTS FOR CITY COVERAGE				
	Retirement Date	Under 10 Years Service	Over 10 Years Service	Over 15 Years Service	Over 20 Years Service
	Prior to 3/2006	\$45.02	\$ 90.05	\$135.07	\$180.09
	After 3/2006	\$90.05	\$180.09	\$270.14	\$360.19

## Simple Ways to Approximate a Retirement Benefit

Calculating the estimated value of a pension benefit is too important to be delegated to approximations and for that reason, a manual benefit worksheet is not available. Any member who desires a benefit estimate can obtain it in one of two ways. Members who have access to the internet can visit the Retirement System's website at [www.ManchesterRetirement.org](http://www.ManchesterRetirement.org), where instructions in the News & Information Section will help them to set up a Personal Online Access. That access in turn will allow the member to calculate an estimated benefit based upon various retirement dates they can enter. For those members without internet access, the Retirement System will calculate a benefit estimate for them on demand and mail it to their home. To obtain an estimate by mail, a member need only call the Retirement System at 603-624-6506 and ask for the calculation.

## Other Questions

The administrative staff of the MECRS is always ready to help members with questions or concerns regarding participation and entitlement in their Plan. Members are encouraged to think of administrative staff as a resource at their disposal and to contact them any time they have questions about any aspect of the Retirement System. Members may call, fax, or email questions to the locations listed on page 9.



## INDEPENDENT AUDITOR'S REPORT

Board of Trustees  
City of Manchester Employees' Contributory Retirement System

### Report on the Audit of the Financial Statements

#### *Opinion*

We have audited the accompanying financial statements of the City of Manchester Employees' Contributory Retirement System (the Retirement System), a component unit of the City of Manchester, New Hampshire, which comprise the statements of fiduciary net position as of December 31, 2021 and 2020, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements, which collectively comprise the Retirement System's basic financial statements as listed in the index.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Retirement System as of December 31, 2021 and 2020, and the changes in its financial position for the years then ended in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

#### *Basis for Opinion*

We conducted our audits in accordance with U.S. generally auditing standards (U.S. GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. GAAP, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### *Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with U.S. GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with U.S. GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Plan's internal control. Accordingly, no such opinion is expressed.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

U.S. GAAP require that management's discussion and analysis on pages 23 through 28 and the required supplementary information on pages 43 through 49 (collectively, the RSI) be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the RSI in accordance with U.S. GAAS, 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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 Information Included in the Annual Comprehensive Financial Report (ACFR)***

Management is responsible for the other information included in the ACFR. The other information comprises the information on pages 1 through 20 and page 50 but does not include the basic financial statements and our auditor's report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement on the other information exists, we are required to describe it in our report.

#### ***Report on Summarized Comparative Information***

We have previously audited the Retirement System's December 31, 2020 financial statements, and we expressed an unmodified opinion on those audited financial statements in our report dated July 20, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended December 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2022 on our consideration of the Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the Retirement System's 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 Retirement System's internal control over financial reporting and compliance.

*Berry Dunn McNeil & Parker, LLC*

Manchester, New Hampshire  
August 15, 2022



## Management's Discussion and Analysis — December 31, 2021

Our discussion and analysis of the City of Manchester Employees' Contributory Retirement System's (the Retirement System, MECRS, or the Plan) financial performance provides an overview of the Retirement System's financial activities for the year ended December 31, 2021. Please read it in conjunction with the transmittal letter from the Chairman of the Board of Trustees and the Retirement System's audited financial statements.

### Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position (on pages 29 and 30) provide information about the activities of the Retirement System and the fiduciary net position available for pension and health benefits. The financial statements also contain actuarial information on the value of Retirement System assets, net pension liability, Other Post-Employment Benefits (OPEB) liability, actuarial accrued liability and the significant actuarial assumptions used in the actuarial valuations.

### FIDUCIARY DUTY OF THE MECRS BOARD

The Retirement System's Board routinely considers its fiduciary obligation to the Plan and its many stakeholders. When the Board deems it to be prudent, it engages the services of legal counsel, actuaries, and auditors to address matters important to the stakeholder community. During 2020, the Board obtained sponsorship for two pieces of legislation and received a majority approval from the City's Board of Mayor & Aldermen on both bills. Due to the COVID-19 pandemic, both bills were tabled and died in the State Senate after having passed the House with minor amendments. The Retirement Board obtained sponsorship for those same bills, and they were reintroduced in the 2021 session of the New Hampshire Legislature.

The objective of the first bill was to improve the sustainability of the Plan. That bill, if it had successfully passed, would have increased the normal retirement age from 60 to 62, increased the early retirement reduction factor from 1/6 of 1% per month to 7/12 of 1%, changed the 3 year averaging period to 5 years, and shifted two percent of the contribution rate from the employer to the employee, increasing the present 5% rate to 7%, inclusive of the employee rate on the health subsidy, which would have remained unchanged. The bill died after the House Committee voted it Inexpedient to Legislate.

The second bill addressed administrative housekeeping issues on tax shelter compliance and the filling of vacancies on the MECRS Board of Trustees when sudden vacancies occur. This bill passed both the House and Senate and was enacted in May 2021.

Progress toward those objectives is documented in the agendas and minutes of MECRS Board meetings which are posted on the MECRS website at <https://manchesterretirement.org/agendas-minutes/>.

### Reporting on the Retirement System's Finances as a Whole

One of the most important questions asked about the Retirement System's finances is: "Is the Retirement System as a whole better or worse off as a result of the year's activities?" The *Statement of Fiduciary Net Position* and the *Statement of Changes in Fiduciary Net Position* report information about the Retirement System as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to accounting used by private-sector retirement plans. All of the current year's revenues and expenses are considered, regardless of when cash is received or paid.

These two statements report the Retirement System's fiduciary net position and changes in them. The Retirement System's fiduciary net position – the difference between assets and liabilities – is one way to measure the Retirement System's financial health, or financial position. Over time, increases or decreases in the Retirement System's fiduciary net position are one indicator of whether its financial health is improving or deteriorating. One must also consider the net pension liability, net OPEB liability, and actuarial accrued liability as determined at the first day of each plan year. There are no currently known facts, decisions, or conditions that are expected to have a significant effect on the fiduciary net position or results of operations.

### FINANCIAL HIGHLIGHTS

- The Retirement System's total fiduciary net position held in trust for pension and medical benefits was \$307.4 million at December 31, 2021.
- The Retirement System's fiduciary net position increased by \$30.0 million, which is primarily due to increases in the fair value of investments. Contributions to the Retirement System were exceeded by benefit payments, refunds, and administrative expenses by approximately \$2.9 million.
- Employer and employee contributions to the Retirement System were \$22.0 million, which is up \$2.2 million from the preceding year. The employer share of contributions represents 85%, or \$18.8 million. Employee contributions, which include voluntary service upgrades, permissive service purchases, and additional contributions paid entirely by members, accounted for the remaining 15%, or \$3.2 million for the year.
- Benefits paid to Retirement System participants were \$23.3 million. At December 31, 2021, there were 1,041 retirees and beneficiaries in receipt of pension benefits.

## Adherence to Best Practices

The Retirement System operates in compliance with practices adopted by the Board to help avoid conflicts of interest and to ensure ethical procedures. Our administrative staff annually prepare and place on file documents attesting that the Retirement System's financial statements contain no material misstatements or omissions. Procedures formulated and implemented by the Board also remain in place for the reporting, investigation, and subsequent addressing of any suspected irregularities in the operation or practices of the Retirement System. Details on these processes are contained in the Code of Ethics posted to the Retirement System's website, and compliance reporting forms designed to be used by stakeholders to report suspected irregularities are also posted on that site.

## Mechanics Relative to Employer Contributions

During 2021, the employer obligation was paid as a percentage of payroll and remitted to the Retirement System weekly. For the first six months of 2021, the rate in effect resulted from the 2019 actuarial valuation and was set at 30.50%, with 28.21% being attributed to pensions and 2.29% attributed to Health Subsidies. Beginning with the City's new fiscal year on July 1, 2021, new rates resulting from the 2020 actuarial valuation went into effect increasing the rate to 35.46%, with 32.70% being attributed to pensions and 2.76% attributed to Health Subsidies.

## Investment Policy

**The Board's investment policy permits fund assets to be invested in U.S. and non-U.S. equities, U.S. and non-U.S. fixed income securities, and equity real estate commingled funds. Asset allocations among various classes are shown in the table to the right.**

The Board of Trustees' investment objectives and risk tolerance are intended to achieve a maximum total return with emphasis on preservation of capital in real terms. The investment mix is designed to participate in rising markets, with defensive action expected to an even greater degree in declining markets. Total return includes interest, dividends, and realized/unrealized gains or losses from investments.

### Asset allocations among various classes are:

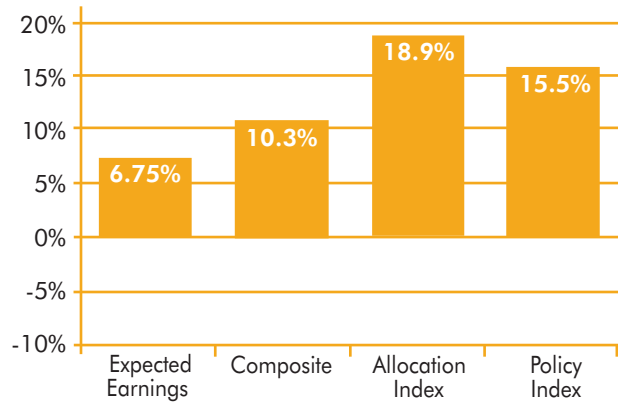
ASSET CLASS	POLICY TARGET	POLICY MIX RANGES	CURRENT MIX
Domestic Large Cap Equity	20%	18% - 25%	23.7%
Domestic SMID Cap Equity	6%	4% - 8%	6.0%
International Equity	7%	4% - 10%	7.7%
International Small Cap	4%	2% - 6%	3.6%
Emerging International Equity	7%	5% - 10%	6.4%
Global Equity	10%	8% - 15%	10.0%
Core Bonds	6%	3% - 8%	5.7%
Multi-Sector Fixed Income	8%	4% - 10%	7.6%
Treasury Inflation Protected Securities	6%	2% - 8%	4.8%
Real Estate/Real Assets	12%	0% - 16%	11.1%
Private Equity	12%	0% - 16%	10.5%
Cash	2%	0% - 4%	2.9%

## Retirement System's Activities

Operationally, Retirement System expenses for the year ended December 31, 2021 were \$24.9 million. This total includes \$0.8 million in administrative expenses, \$0.7 million in refunds of employee contributions, and \$23.4 million in benefits paid to retired members and beneficiaries. A total of 2,233 City employees were participants or beneficiaries at year-end.

The value of the Retirement System's fiduciary net position, after subtracting liabilities of the Retirement System, was \$307,390,606 and \$277,348,522 as of December 31, 2021 and 2020, respectively. For 2021, the Retirement System experienced an increase in its fiduciary net position in the amount of \$30,042,084 or 10.8%. Total fund earnings were positive for 2021.

## TOTAL FUND EARNINGS 2021



To help assess investment performance, various indexes are employed including a Composite, an Allocation Index, and a Policy Index. The Composite is calculated by taking the actual asset class weights times the actual manager returns. When compared to the allocation index, it measures the effectiveness of the managers. The Allocation Index is calculated by taking the actual asset class weights times the return of the respective passive benchmark. It measures the effectiveness of deviating from the target weights. Finally, there is the Policy Index which is calculated by taking the target asset class weights times the return of the respective passive benchmark, (re-balanced monthly). It measures the effectiveness of the Retirement System's Structure.

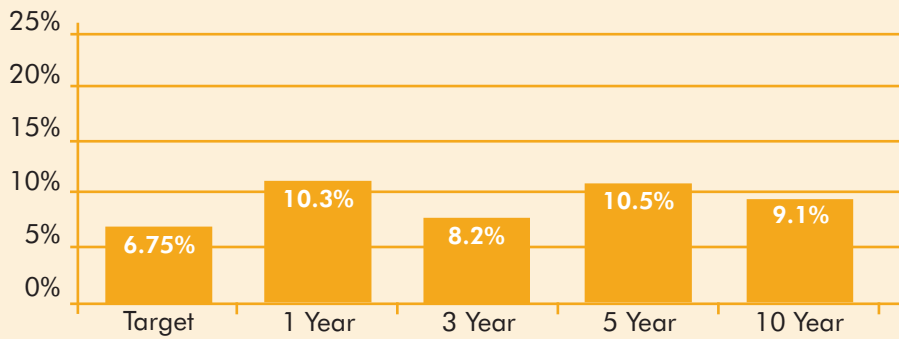
## Compliance with GASB Nos. 67, 68, 74 & 87

The Retirement System received schedules from its actuary designed to satisfy the pension fund disclosure requirements addressed in Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25". In addition, the Retirement System requested that the actuary prepare schedules for use in the financial statements of the City for its general fund employees, for the Manchester School District for its participants in the Plan, and for City enterprise funds including: the Manchester Airport, the Manchester Water Works, Parking Control and Environmental Protection as may be required by GASB Statement No. 68, "Accounting and Financial Reporting for Pensions".

Beginning with the year ended December 31, 2017, the Retirement System received an additional report from its actuary to comply with GASB Statement No. 74, "Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans." Disclosure information can be found beginning on page 38 of this report. Disclosure information pertaining to employer units participating in the Plan can be obtained in the GASB Statement No. 68 document prepared by the actuary. GASB Statement Nos. 67 & 68, and GASB Statement No. 74 are posted under "Plan Information" on the Retirement System's website at <https://manchesterretirement.org/>. Information relative to leases pursuant to GASB No. 87 is included in Note 6 of the financial statements.

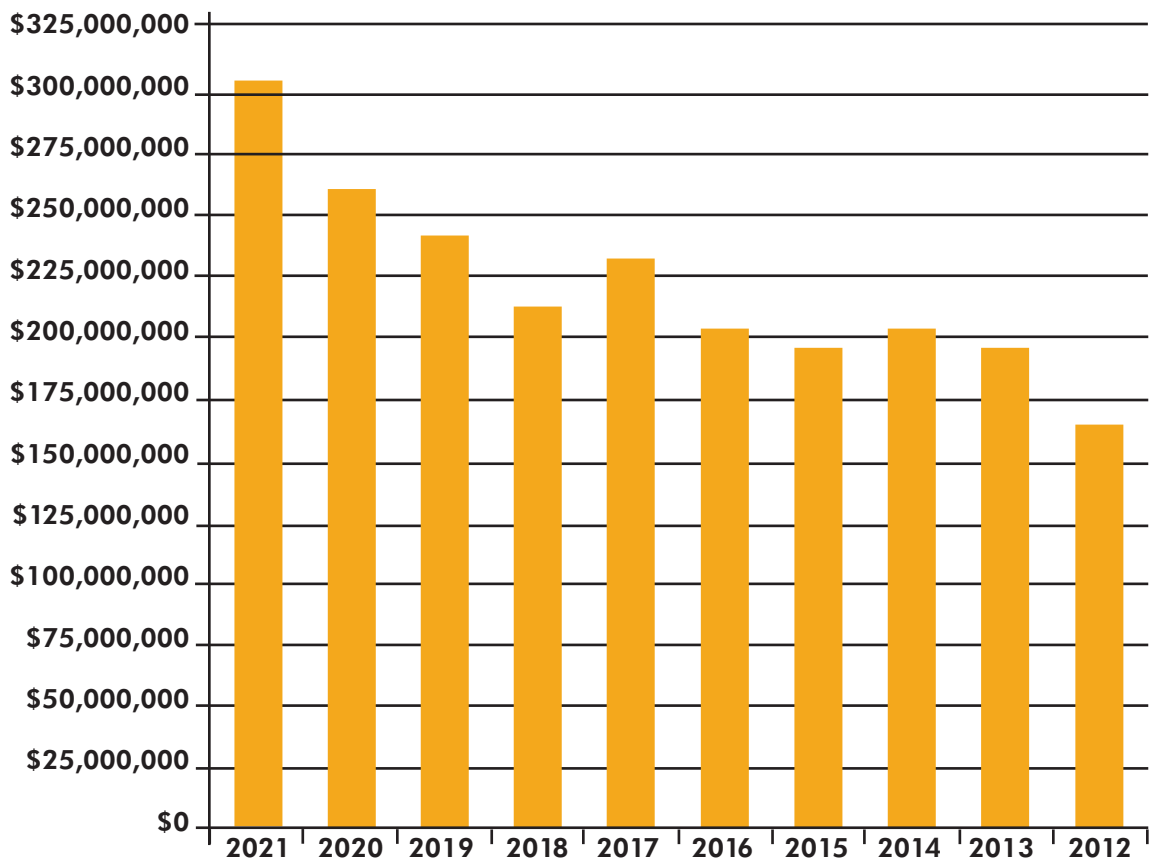


## PERIOD RATES OF RETURN THROUGH 2021



For the year ended December 31, 2021, the Retirement System's rate of return was 10.3%, which exceeded the target rate of 6.75%. The rates for multi-year comparative periods were 8.2% for the three-year, 10.5% for the five-year, and 9.1% for the ten-year averages.

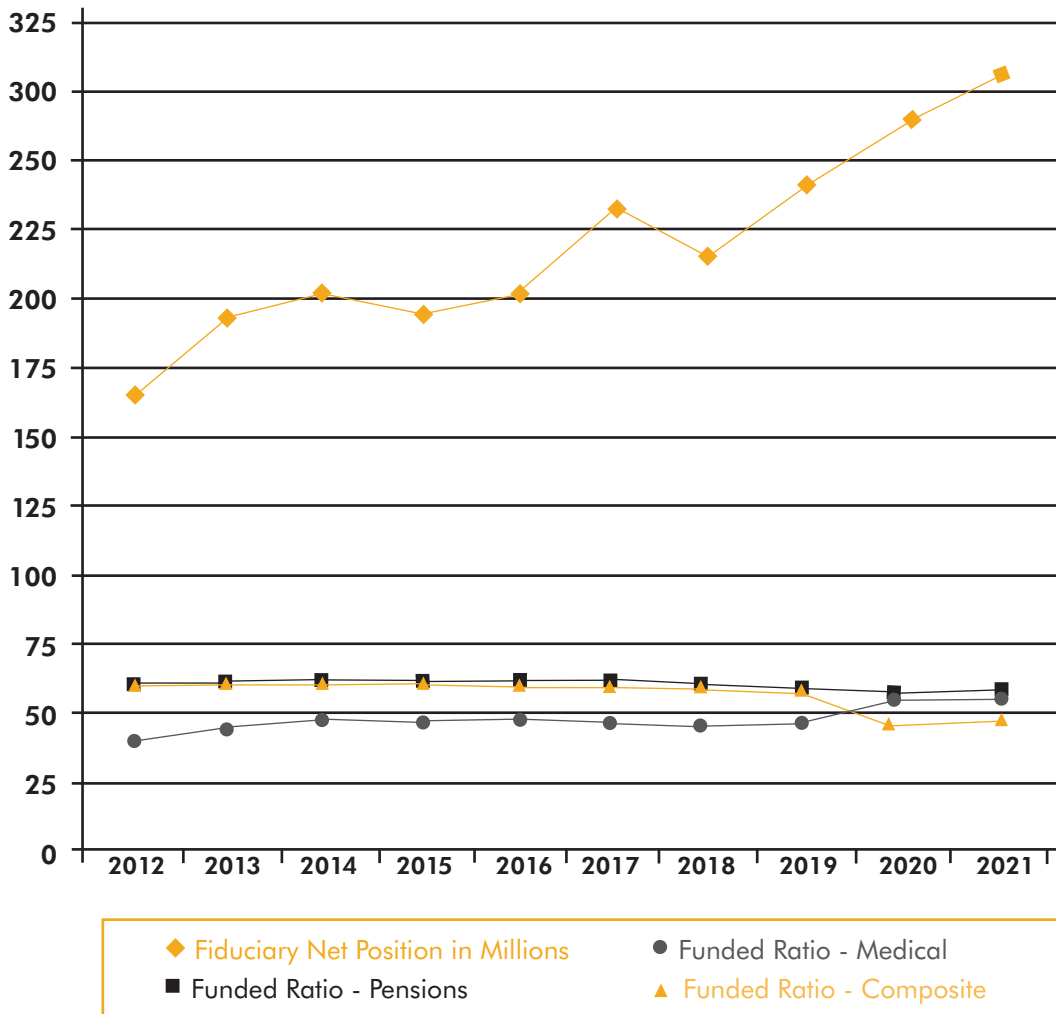
## TEN YEAR HISTORY OF FIDUCIARY NET POSITION AVAILABLE FOR BENEFITS: VALUES AS OF 12/31/21



The year 2021 saw an increase in the investment returns. Being a positive return, it exceeded the earnings assumption of 6.75% for the fund as a whole. The positive earnings were largely attributed to market increases across 2021. The Retirement System's fiduciary net position increased by 10.8% during 2021, ending the year at \$307.4 million in fiduciary net position. Historical fiduciary net position values for the past ten years are shown here:

YEAR	FIDUCIARY NET POSITION	YEAR	FIDUCIARY NET POSITION
2021	\$307,390,606	2016	\$202,386,938
2020	\$277,348,522	2015	\$196,110,677
2019	\$247,562,088	2014	\$202,146,990
2018	\$216,118,207	2013	\$194,373,638
2017	\$231,769,735	2012	\$166,555,171

## FUNDED RATIO TO PLAN ASSET COMPARISON



The Funded Ratio measures the relationship between the Actuarial Value of Assets and the Actuarial Accrued Liability. The growth of the Retirement System's assets alone can create an appearance of funding adequacy when obligations resulting from benefit enhancements and other factors are actually reducing the funded status of the Retirement System. The Funded Ratio, when charted over time along with the Retirement System's Assets, reveals whether the adequacy of the Retirement System's funding is improving or worsening. A fully-funded plan will have a Funded Ratio of approximately 100%, while a plan funded at less than 60% may be a cause for concern.

Year Ended Dec. 31	Fiduciary Net Position in Millions	Funded Ratio - Pensions	Funded Ratio - Composite	Funded Ratio - Medical
2021	\$307.4	62.2%	49.3%	61.2%
2020	\$277.3	59.2%	46.6%	58.3%
2019	\$247.6	61.9%	48.0%	60.8%
2018	\$216.1	62.0%	46.3%	60.9%
2017	\$231.8	63.0%	47.0%	61.9%
2016	\$202.4	63.7%	48.4%	62.7%
2015	\$196.1	63.3%	47.4%	62.3%
2014	\$202.1	64.3%	48.6%	63.4%
2013	\$194.4	63.5%	45.3%	62.4%
2012	\$166.6	61.6%	41.4%	60.4%

## Schedule of Administrative Expenses

	2021	2020	% Increase or Decrease
<b>TRUST RELATED EXPENSES</b>			
Actuarial Expenses	\$74,650	\$106,800	-30.10%
Audit Expenses	39,000	39,000	0.00%
Legal Fees	45,113	98,034	-53.98%
Trustee Education	23	0	100.00%
Fiduciary Insurance	51,179	56,912	-10.07%
Election Service			
Payroll	1,374	1,369	0.38%
Medical Evaluations	11,382	1,941	486.40%
<b>BENEFITS ADMINISTRATION</b>			
Outsourced Payroll	26,864	30,857	-12.94%
Benefit Statements	606	461	31.41%
Annual Reports	10,223	10,091	1.31%
<b>ADMINISTRATIVE OPERATIONS</b>			
Office Supplies	1,468	990	48.25%
Meeting Expense	69	0	100.00%
Postage	2,169	2,094	3.57%
Printing	1,477	1,945	-24.07%
Publications	6,875	5,562	23.60%
Dues	275	360	-23.61%
Rent	40,567	40,467	0.25%
Furniture/Fixtures	0	13	-100.00%
Depreciation	4,064	2,248	80.80%
Insurance	2,835	2,614	8.45%
Utilities	3,244	3,353	-3.26%
Records Processing	123	0	100.00%
Salaries	261,684	249,504	4.88%
Benefits	178,914	164,837	8.54%
Administrative Travel	130	85	53.01%
Equipment			
Maintenance	2,813	1,388	102.64%
Equipment Leasing	2,505	2,505	0.00%
Information			
Technology	13,331	9,952	33.95%
Pension Software			
Maintenance	37,854	37,345	1.36%
Janitorial	2,861	3,010	-4.94%
Special Projects	281	41,566	-99.33%
Licenses & Fees	284	297	-4.38%
Miscellaneous	214	80	164.20%
	<u>\$824,451</u>	<u>\$915,680</u>	<u>-9.96%</u>

## Active and Retired Members FOR THE YEAR ENDED DECEMBER 31, 2021

Office/Department	Active or Vested	Retired
Assessors Office	9	6
Airport Authority	82	45
Building Department	0	8
Cemetery Department	9	11
City Clerk's Office	13	11
City Solicitor's Office	16	7
District Court	0	4
Environmental Protection Division	38	31
Facilities	21	34
Finance Department	10	7
Fire Department - (Non-NHRS Group II)	18	14
Fleet Management	24	11
Health Department	67	57
Highway Department	106	128
Human Resources	10	16
Information Systems	16	14
Library	31	34
Mayor's Office	5	5
Manchester Economic Development Office	2	4
Office of Youth Services	12	6
Parking Enterprise	12	8
Parks & Recreation	26	33
Planning Board	38	19
Police Department - (Non-NHRS Group II)	56	38
Probation Department	0	1
Retirement	3	2
Risk Management	1	1
School Department – (Excludes teachers in NHRS)	438	401
Senior Services	3	5
Tax Collector's Office	10	11
Traffic Department	24	4
Water Works Department	84	59
Welfare Department	8	6
	<u>1,192</u>	<u>1,041</u>



# CITY OF MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM

## Statements of Fiduciary Net Position

DECEMBER 31, 2021

With Summarized Information as of December 31, 2020

	PENSION TRUST	MEDICAL TRUST	TOTAL 2021	TOTAL 2020
<b>ASSETS</b>				
Cash and cash equivalents	\$ 7,782,170	\$ 1,255,509	\$ 9,037,679	\$ 4,904,417
Domestic equity funds	85,266,841	5,714,155	90,980,996	90,533,460
International equity	32,589,488	2,183,984	34,773,472	44,063,777
Global equity	27,537,787	1,845,444	29,383,231	0
Fixed income	51,885,343	3,477,095	55,362,438	51,372,913
Emerging market funds	18,413,718	1,233,995	19,647,713	22,549,627
Specialty investments	0	0	0	14,886,662
Private equity (See Note 2)	32,507,169	2,178,468	34,685,637	23,180,385
Real estate	32,935,654	2,207,182	35,142,836	27,471,397
<b>Total investments</b>	<u>\$281,136,000</u>	<u>\$18,840,323</u>	<u>\$299,976,323</u>	<u>\$274,058,221</u>
Receivables and tax reclaims	0	0	0	3,740
Accrued interest/dividends	0	0	0	23,771
Employer contribution receivable	326,104	27,524	353,628	321,676
Employee contribution receivable	38,720	12,906	51,626	54,312
Equipment, net of accumulated depreciation	13,913	932	14,845	18,909
<b>Total assets</b>	<u>\$289,296,907</u>	<u>\$20,137,194</u>	<u>\$309,434,101</u>	<u>\$279,385,046</u>
<b>LIABILITIES AND FIDUCIARY NET POSITION</b>				
Accounts payable and accrued expenses	146,477	9,816	156,293	291,195
Pension benefits payable	1,887,202	0	1,887,202	1,745,329
<b>Total liabilities</b>	<u>2,033,679</u>	<u>9,816</u>	<u>2,043,495</u>	<u>2,036,524</u>
<b>Fiduciary net position held in trust for benefits</b>	<u>\$287,263,228</u>	<u>\$20,127,378</u>	<u>\$307,390,606</u>	<u>\$277,348,522</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# CITY OF MANCHESTER EMPLOYEES' CONTRIBUTORY RETIREMENT SYSTEM

## Statements of Changes in Fiduciary Net Position

YEAR ENDED DECEMBER 31, 2021

With Summarized Information for the Year Ended December 31, 2020

	PENSION TRUST	MEDICAL TRUST	TOTAL 2021	TOTAL 2020
Fiduciary net position at beginning of plan year	\$259,929,360	\$17,419,162	\$277,348,522	\$247,562,088
Additions				
Investment income				
Interest	26	2	28	48,148
Dividends	3,953,078	270,563	4,223,641	3,013,322
Net appreciation in fair value	27,729,804	1,870,717	29,600,521	30,728,267
Other investment income	2,725	185	2,910	6,651
	<u>31,685,633</u>	<u>2,141,467</u>	<u>33,827,100</u>	<u>33,796,388</u>
Less investment expenses				
Investment management fees	647,682	43,068	690,750	697,494
Investment advisor expenses	116,954	8,046	125,000	125,000
Custodial fees	71,545	4,865	76,410	53,942
Foreign Taxes	3,039	206	3,245	2,110
	<u>839,220</u>	<u>56,185</u>	<u>895,405</u>	<u>878,546</u>
<b>Net investment income</b>	<u>30,846,413</u>	<u>2,085,282</u>	<u>32,931,695</u>	<u>32,917,842</u>
Contributions				
Employer	17,333,301	1,439,820	18,773,121	16,695,016
Employee	2,141,359	710,292	2,851,651	2,816,875
Employee – additional contributions	145,447	0	145,447	133,488
Buybacks	191,300	0	191,300	126,923
Total contributions	<u>19,811,407</u>	<u>2,150,112</u>	<u>21,961,519</u>	<u>19,772,302</u>
Total additions	<u>50,657,820</u>	<u>4,235,394</u>	<u>54,893,214</u>	<u>52,690,144</u>
Deductions				
Benefits paid to participants	21,735,633	1,478,210	23,213,843	21,671,343
Additional contribution annuity payments	121,979	0	121,979	93,913
Refunds of employee contributions plus interest	690,857	0	690,857	222,774
Administrative expenses	775,483	48,968	824,451	915,680
Total deductions	<u>23,323,952</u>	<u>1,527,178</u>	<u>24,851,130</u>	<u>22,903,710</u>
Net increase in fiduciary net position	<u>27,333,868</u>	<u>2,708,216</u>	<u>30,042,084</u>	<u>29,786,434</u>
<b>Fiduciary net position at end of plan year</b>	<u>\$287,263,228</u>	<u>\$20,127,378</u>	<u>\$307,390,606</u>	<u>\$277,348,522</u>

THE ACCOMPANYING NOTES ARE AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS.

# — Notes to Financial Statements —

DECEMBER 31, 2021 AND 2020

## 1. DESCRIPTION OF PLAN

The following brief description of the City of Manchester Employees' Contributory Retirement System (the Retirement System or MECRS) is provided for general information purposes. Participants should refer to the Plan Document (Chapter 218 Laws of 1973, as amended) for more information.

### ■ GENERAL

The City of Manchester, New Hampshire (the City) established a single-employer, public employee retirement system on January 1, 1974, to provide pension benefits for certain City employees. The Retirement System is a discretely presented component unit of the City's general-purpose financial statements.

#### At December 31, 2021 and 2020, the Retirement System Pension membership consisted of:

	2021	2020
Retirees and beneficiaries currently receiving benefits	1,041	1,013
Terminated vested members	122	112
Active members	<u>1,070</u>	<u>1,088</u>
Total participants	<u>2,233</u>	<u>2,213</u>

#### At December 31, 2021 and 2020, the Retirement System Health membership consisted of:

	2021	2020
Retirees and beneficiaries currently receiving benefits	422	394
Terminated vested members	122	112
Active members	<u>1,070</u>	<u>1,088</u>
Total participants	<u>1,614</u>	<u>1,594</u>

### ■ ADMINISTRATION

The Retirement System is administered by the Retirement Board of Trustees (the Board of Trustees or the Board) consisting of seven members. They are: (1) the City's Finance Director; (2) a person appointed by the Board of Mayor and Aldermen; (3) and (4) two citizens of the City, one appointed by the Mayor and one elected by the employees, neither of whom shall be an officer or employee of the City or a member of any commission of the City; and (5) and (6) two members who are employees of the City and elected by the membership of the Retirement System. The seventh Trustee is the Mayor of the City who is an ex officio member and can vote only to break a tie. The Board of Trustees is responsible for the operation of the Retirement System.

Duties of the Board of Trustees include overseeing investments, approving the actuarial valuation of the Retirement System, including the actuarial assumptions, interpreting statutory provisions, authorizing benefit payments, and formulating administrative policies and procedures.

The daily administrative functions of the Retirement System have been delegated by the Board of Trustees to the Retirement Office. The Retirement Office processes all requests for retirement, maintains member records, and serves as the Retirement System's information center.

All employer and employee contributions are deposited in trust funds managed and controlled by the Board of Trustees. The Board of Trustees has appointed professional investment managers who are directed to invest the assets of the trust funds in high-quality stocks, bonds, and other investments.



## ■ ELIGIBILITY AND PENSION BENEFITS

Except as described in the following sentence, the Retirement System applies to all full-time and permanent part-time employees of the City, including elected and appointed officials. The Retirement System does not cover certain categories of employees, such as temporary employees, members of boards and commissions who are not full-time or permanent part-time employees of the City, members of the fire and police departments who are eligible to participate in a state-administered retirement system, and other persons who are eligible to participate in the New Hampshire Retirement System.

All covered employees hired after January 1, 1974 are required to participate in the Retirement System as a condition of employment. Employees are 100% vested after five years of service. The normal retirement age is 60 and the benefit is calculated at 1.5% of final average total compensation during the highest three years of service in the last ten years of service (hereafter final average earnings) multiplied by the years of service. The benefit was increased to 2% for service completed after January 1, 1999. Permanent employees of the City of Manchester prior to January 1, 1974, who were in service as of January 1, 1974, are eligible for early retirement if credited with no less than twenty (20) years of service.

Such early retirement benefit shall be equal to the greater of: (i) fifty percent (50%) of the member's final average earnings, or (ii) the sum of the member's years of service multiplied by one and one-half percent (1.5%) of the member's final average earnings (2% for service completed after January 1, 1999). Members enrolled subsequent to January 1, 1974 are eligible for early retirement benefits if their age plus years of service are equal to or greater than 80, or if they have attained age 55 with 20 years or more of service. As of 2006, all eligible employees are required to contribute 5.0% of their salaries to the Retirement System. If an employee leaves covered employment or dies before five years of service, the Retirement System refunds accumulated employee contributions and their earnings, calculated at the rates determined annually by the Board of Trustees (5% for 2021). The City is required to contribute the remaining amounts necessary to finance the benefits for its employees. Benefit provision and employee contribution changes require amendment of Chapter 218 Laws of 1973, as amended, first by enabling legislation by the New Hampshire legislature and then subject to approval of the voters of the City through referendum.

## ■ RETIREE HEALTH INSURANCE SUB-TRUST SECTION 401(h) BENEFITS

Beginning in 2006, following the November 2005 ratification by City referendum of Chapter 41 Laws of 2005, the Retirement System began operating a Retiree Health Insurance Sub-Trust (Sub-trust), pursuant to the provisions of Internal Revenue Code Section 401(h). In March of 2006, the member contribution rate increased by 1.25% to accumulate assets from which to pay benefits, and on July 1, 2006, the Retirement System began providing health insurance subsidies to both new and existing retirees based upon their creditable service at retirement. The benefit is limited to members who continue to obtain their health insurance through the City's health insurance plan after they retire. The benefit amount for those already retired on March 1, 2006 was equal to 50% of the amount paid to those retiring after that date. Details on the amount of the subsidy are listed on page 20. As of July 1, 2021, the City's employer contribution rate, which helps fund the benefit, increased from 2.29% to 2.76% based upon the actuarial valuation results.

Contributions to the Sub-trust are commingled with those of the pension trust and are invested in aggregate. All assets are invested as prescribed in the Retirement System's investment guidelines. Under no circumstances are the contributions made by the employee available for refund, and in the event of termination such contributions forfeit to the Retirement System. Assets of the Sub-trust are available solely for the payment of subsidy benefits to qualified members of the Retirement System. Should the Retirement System be discontinued, assets in excess of those required to meet ongoing benefit obligations of the Retirement System would revert to the employer.

## ■ DISABILITY RETIREMENT

If a participant becomes totally and permanently disabled from a job-related incident, there is no service or age requirement and the minimum benefit is 50% of the final average earnings.

For a non-job-related incident, the disability benefits are payable only if 15 years of service have been rendered and are based on the accrued benefit to the date of disability.

### ■ COST OF LIVING ADJUSTMENTS

Cost of living adjustments (COLA) are granted pursuant to Administrative Rule 7 by the Board of Trustees. During 2012, Administrative Rule 7 was revised to make its provisions more specific. Based upon the Consumer Price Index (CPI) for 2020 at the time of measurement, the Board of Trustees opted to grant a COLA in 2021 of 1.00% which went into effect in July of 2021 for members retired prior to July 1, 2020.

### ■ RETIREMENT SYSTEM TERMINATION

In the event the Retirement System is discontinued, members' retirement benefits will automatically become 100% vested to the extent they are funded. Members' termination benefits will be paid from Retirement System assets to the extent accrued under the Retirement System's terms and in accordance with applicable laws.

## 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in accordance with the standards of the Governmental Accounting Standards Board (GASB). The financial statements include certain prior-year summarized comparative information in total but not by fund. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles, (U.S. GAAP). Accordingly, such information should be read in conjunction with the System's financial statements for the year ended December 31, 2020, from which the summary information was derived.

### ■ INVESTMENTS

Investments are reported at fair value, which has been determined based primarily on quoted market prices or at net asset value as a practical expedient to estimated fair value (see Note 3). Fair value for investments that are appraised or otherwise determined is based upon the fair values as determined in good faith by the funds' managers or underlying investments' general partners which may include third-party appraisals and valuations provided by the sponsor of the partnership. Management reviews and approves all such appraisals and valuations prepared by other parties. These values may not reflect the amount that would be realized upon an immediate sale due to lack of liquidity or other market conditions.

Asset values for Alternative Equity as reported on page 29 include balances as of September 30th of each year as reported by the fund's managers, plus all cash transactions that occurred between October 1st and December 31st of each year. This is due to the late reporting nature of the investment class.

Gains and losses on the sale of investments are computed using the specific identification method of determining cost. Except for the Alternative Equity investments noted in the previous paragraph, the net appreciation in the fair value of investments held by the Retirement System is based on the valuation of investments as of the date of the Statements of Fiduciary Net Position.

### ■ PENSION BENEFITS PAYABLE

Pension benefits are recorded on an accrual basis when due and payable in accordance with the terms of the Retirement System. Pension benefits payable as of December 31, 2021 and 2020 amounting to \$1,887,202 and \$1,745,329 respectively, represent benefits due to participants that have not been paid as of the end of the year.

### ■ ESTIMATES

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

### ■ RISKS AND UNCERTAINTIES

The Retirement System invests in various securities. Investment securities are exposed to various risks, such as interest rate, custodian credit, foreign currency and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such change could materially affect the amounts reported in the Statements of Fiduciary Net Position. The direct measurement of these risks is complicated by the fact that most securities are held in a group account expressed in U.S. dollars and the exact magnitude of risk associated with components of the group account is not easily attributed to a particular investor (See Note 7 which begins on page 36).

### 3. INVESTMENTS

The Board of Trustees is obligated by State Law to act solely in the interest of the Retirement System members with respect to investment of funds and is granted full control and management of funds with the power to invest and reinvest in further accordance with statutes. The Board has also adopted Bylaws which call for the operation of an Investment Committee of the Board to review and recommend investment opportunities to the full Board. The Board engages the services of an Investment Consulting firm and routinely works in collaborative fashion with its consultant and actuary to maintain an asset allocation model and formal Investment Objectives and Guidelines. Details on the current allocation and on the Objectives and Guidelines appear elsewhere in this report. Investment performance is reviewed by the Board with the investment consultant quarterly, and issues which require follow-up action are referred to the Investment Committee for subsequent review and recommendation. During 2021, allocations approximating 10 percent were reallocated among existing asset classes.

Investment managers have discretionary investment powers within guidelines developed by the Board of Trustees.

**The following table presents the net (depreciation)/appreciation, including realized and unrealized gains and losses, in fair values of the Retirement System's investments during the years ended December 31, 2021 and 2020**

	2021	2020
Domestic equity funds	\$14,502,058	\$18,739,012
International equity	(440,378)	2,900,106
Global equity	(382,548)	0
Private equity	9,656,803	1,519,044
Fixed income	(474,346)	3,331,034
Emerging market funds	98,086	4,148,824
Real estate	5,926,116	(468,889)
Specialty investments	714,730	559,136
Total	<u>\$29,600,521</u>	<u>\$30,728,267</u>

**The following table presents the fair value of investments held that represent 5% or more of the Retirement System's fiduciary net position held in trust for benefits at December 31, 2021 and 2020**

	2021	2020
Aristotle Collective (Domestic equity)	\$30,998,530	N/A
City of London (Emerging market funds)	19,647,713	22,549,627
Hardman Johnston (International equity)	16,267,668	16,056,141
Income Research and Management (Fixed income)	17,313,170	N/A
Kabouter International (International equity)	N/A	17,471,716
Loomis Sayles (Fixed income)	23,213,617	N/A
PIMCO (Specialty investments)	N/A	14,886,662
PRISA (Real estate)	16,937,893	15,224,732
Pzena Management (Domestic equity)	N/A	28,628,953
Rothschild (Domestic equity)	18,473,760	19,839,254
Sands Capital (Domestic equity)	27,948,137	31,060,097
<i>N/A – Not applicable in the year in question</i>		

In accordance with GASB Statement No.72, *Fair Value Measurement and Application*, except for investments using Net Asset Value (NAV), as a practical expedient to estimate fair value, the Retirement System categorizes the fair value measurements of its investments within the fair value hierarchy established by U.S. GAAP. The fair value hierarchy conforms to one of three valuation techniques as follows. Level 1 correlates to quoted prices in active markets for identical assets as shown in the table column below. Levels 2 and 3 correlate to significant other observable inputs and significant unobservable inputs, respectively, and none of the assets held by the Retirement System fall within those levels. In addition to the three levels identified, assets are also held which are reported in accordance with their NAV as reported by the investment manager. Unfunded commitments in the table below represent the difference between contractual commitments to any investment and the life to date accumulations of capital calls, less any investment distributions which are subject to recall.

<i><b>Fair Value Measurement</b></i>						
<b>Investments at Fair Value Dec. 31</b>	<b>Total</b>	<b>Quoted Prices in Active Markets for Identical Assets</b>	<b>Significant Other Observable Inputs</b>	<b>Significant Unobservable Inputs</b>	<b>Net Asset Value</b>	<b>Unfunded Commitments</b>
<b>Fixed Income</b>						
2021	\$ 55,362,438	\$ 38,049,267			\$ 17,313,171	
2020	\$ 51,372,913	\$ 38,488,763			\$ 12,884,150	
<b>Domestic Equity</b>						
2021	90,980,996	41,508,706			49,472,290	
2020	90,533,460	70,694,206			19,839,254	
<b>Emerging Market Funds</b>						
2021	19,647,713				19,647,713	
2020	22,549,627				22,549,627	
<b>Global Equity</b>						
2021	29,383,231				29,383,231	
2020	N/A				N/A	
<b>Specialty Investments</b>						
2021	N/A				N/A	
2020	14,886,662				14,886,662	
<b>International Equity</b>						
2021	34,773,472	7,466,297			27,307,175	
2020	44,063,777	10,535,920			33,527,857	
<b>Real Estate</b>						
2021	35,142,836				35,142,836	5,889,994
2020	27,471,397				27,471,397	9,519,819
<b>Private Equity</b>						
2021	34,685,637				34,685,637	27,006,868
2020	23,180,385				23,180,385	23,801,277
<b>Total Investments</b>						
2021	\$299,976,323	\$ 87,024,270			\$212,952,053	\$32,896,862
2020	\$274,058,221	\$119,718,889			\$154,339,332	\$33,321,096



The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on Plan investments, net of expenses is shown in the table below.

***Schedule of  
the Investment  
Returns***

<b>Year Ended</b>	<b>Annual Money-Weighted Rate of Return</b>
December 31, 2021	11.6%
December 31, 2020	13.1%

#### **4. CONTRIBUTIONS**

The Retirement System's legislative authority requires contributions in amounts sufficient to fund the benefits set forth in the Retirement System. The contributions are determined by the Retirement System's Board of Trustees on the basis of an independent actuary's valuation and are expressed as a percentage of gross payroll. Significant actuarial assumptions used to compute the actuarially determined contribution requirements are the same as those used to compute the pension fund and health trust obligations.

The employer contribution rates as a percentage of payrolls in 2021 and 2020 were based on actuarial valuations performed as of December 31, 2020 and December 31, 2019, respectively. The City's contributions for 2021 and 2020 were in the amounts recommended by the actuary. The recommended City contributions for 2021 and 2020 totaled \$18,773,121 and \$16,695,016 respectively. The employer customary contributions represented 35.46% and 30.50% of covered payroll for the years ended December 31, 2021 and 2020, respectively.

#### **5. INCOME TAX STATUS**

The Retirement System received a determination letter, dated February 21, 2017 from the Internal Revenue Service that the original Plan was qualified under Section 401(a) of the Internal Revenue Code (the Code), and therefore, was exempt from Federal income taxes under provisions of Section 501(a) of the Code.

#### **6. OPERATING LEASE**

In February 2018, the Retirement System entered a five-year non-cancelable operating lease for office space with Metropolis Property Management Group. The lease provides the Retirement System with 2,500 feet of office space until the initial term expires on June 30, 2023. During 2020, the property was sold in a foreclosure Auction and is now managed by Colliers International, under the same terms and conditions of the new lease agreement. The Retirement System paid \$40,567 and \$40,467 in total rent expense in 2021 and 2020, respectively. Under the terms of the lease, the Retirement System is obligated to make future minimum lease payments on the office space lease, (assuming zero inflation) of \$60,841 through June of 2023. Under the terms of the existing lease, rent expense will increase on an annual basis by the lesser of the cumulative increase in the CPI for All Urban Consumers as published by the Department of Labor for the Manchester, New Hampshire area or 5%.

#### **7. DEPOSIT AND INVESTMENT RISK DISCLOSURE**

##### **■ CUSTODIAL CREDIT RISK – DEPOSITS**

Custodial credit risk is the risk that in the event of bank failure, the Retirement System's deposits may not be returned to it. As of December 31, 2021, each cash depositor is insured up to \$250,000 by the Federal Deposit Insurance Corporation. The Retirement System did not have any cash that was exposed to custodial credit risk. The custodial credit risk for the Retirement System's cash equivalents is mitigated since the custodian holds the cash equivalent in the Retirement System's name and not in the name of the custodian for the benefit of the Retirement System.

##### **■ CUSTODIAL CREDIT RISK – INVESTMENTS**

The Retirement System does not have a written policy in place to address custodial credit risk on investments, but in practice, it mitigates such risk by requiring custodians to hold its investments in the Retirement System's name and not in the name of the custodian for the benefit of the Retirement System.

## ■ CONCENTRATION OF CREDIT RISK

The Retirement System's Statement of Investment Objectives, Policies and Guidelines prohibit more than 5% at cost of any security as a percentage of any funds held by the Retirement System. In addition, no more than 5% of the outstanding shares of any one corporation can be held by the Retirement System. Taken together, these guidelines mitigate the magnitude of risk and loss attributable to a single issuer.

## ■ CREDIT QUALITY RISK – FIXED INCOME

Credit quality risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Retirement System controls credit quality through its Investment Guidelines, which limit the fair value in a single issue to 7% or 10% by a single issuer. A minimum BB rating by Standard and Poor's or equivalent rating agency is also required on individual securities with an average weighting of A on the total Fixed Income segment of Trust Assets.

Credit quality reflects the highest of the credit ratings assigned by Moody's Investors Service, Inc. (Moody's), Standard & Poor's (S&P) and Fitch's Investors Service (Fitch). For securities that are not rated by Moody's, S&P or Fitch rating services, credit quality is assigned a rating which, in the management firm's opinion, is equivalent.

### AS OF DECEMBER 31, 2021, THE RETIREMENT SYSTEM'S FIXED INCOME INVESTMENTS WERE AS FOLLOWS:

Management Firm	Quality Rating	Duration	Fair Value
Income Research & Management	Aa2/AA-	6.68 years	\$17,313,170
Loomis Sayles Multisector	BAA3	4.29 years	23,213,617
Vanguard TIPS (VIPIX)	AAA	7.50 years	14,835,651
<b>Total Fixed Income</b>			<b><u>\$55,362,438</u></b>

## ■ INTEREST RATE RISK – FIXED INCOME INVESTMENTS

Interest rate risk associated with an adverse effect of changes in the fair value of fixed income securities is not addressed in policy by the Retirement System. While policies do exist to limit the percentage of fair value in a single issue at any one time and of the total percentage held of any issuer's debt instruments, the duration of the remaining life of individual securities is not subject to any limitations and may therefore introduce a measure of interest rate risk.

## ■ FOREIGN CURRENCY RISK

Risk associated with fluctuations in the exchange rate between U.S. dollars and the base currency in other countries, while it exists, can be mitigated by policies which the Retirement System has in place. Forward purchases or sales of currencies, including cross-currency hedges, are permitted to protect or enhance the U.S. dollar value of the account. The use of derivative instruments, such as currency futures or options for currency, is also permitted upon completion of any necessary disclosure or other documentation. No speculative currency hedging is permitted.

## ■ DERIVATIVES

The Retirement System's investment policy recognizes that derivative instruments and strategies can be an important element of general portfolio management. Portfolio management agreements or manager guidelines explicitly authorize the use of derivatives. However, except in approved special equity strategies, derivative instruments may not be used to affect a portfolio beyond the value of the underlying assets (i.e., to create leverage).

## ■ COUNTERPARTY RISK

The Retirement System did not have investments in 2021 which used futures or swaps for any purpose and by their existence, generated counterparty risk.

## ■ LIQUIDITY RISK

### Private Equity

- This represents investments in 7 private partnerships focused primarily on the following strategies: buyouts, growth equity, secondaries, and co-investments. These private partnerships typically have 10-15-year life cycles during which limited partners are unable to redeem their investments, but instead, receive distributions as the partnerships liquidate their underlying assets.

### Fixed Income Alternative

- This represents investments in 6 private partnerships focused primarily on the following strategies: direct lending and distressed debt. These private partnerships typically have 7-15-year life cycles during which limited partners are unable to redeem their investments, but instead, receive distributions as the partnerships liquidate their underlying assets.

### Real Estate

- This represents investments in 10 real estate vehicles/partnerships consisting of 1 open-end fund and 9 non-core/value add real estate/real asset investments. The open-end core fund can be requested on a quarterly basis with 45 days' notice. The non-core/value add funds are similar to alternative equity/fixed income in the sense that they are unable to be redeemed and money/gains are distributed back to investors as the partnerships liquidate their underlying assets. These private partnerships typically have 10-15-year life cycles during which limited partners are unable to redeem their investments, but instead, receive distributions as the partnerships liquidate their underlying assets.

### Domestic Equities, International Equities, Emerging Markets and Global Equity

- This represents investments in 10 commingled/pooled/mutual equity funds that invest primarily in common stock of companies located within and outside the US, including emerging markets. The redemption frequency for these investments range from daily to monthly with 1 to 30 days prior notification.

### Fixed Income

- This represents investments in 3 commingled/pooled/mutual fixed income funds that invest domestically and globally in both developed and emerging markets with investments consisting primarily of corporate bonds (investment grade and high yield), sovereign bonds and securitized bonds. These funds may also invest in convertible bonds and currencies. The redemption frequency for these investments range from daily to monthly with 1 to 30 days prior notification.

## 8. SCHEDULE OF THE NET PENSION LIABILITY (GASB STATEMENT NO. 67)

The "plan net position" cited verbatim from the actuary is also referred to as the "fiduciary net position" elsewhere in this report. The plan net position as a percentage of total pension liability measures the relationship between the plan net position and the total pension liability. Information regarding the plan net position as a percentage of total pension liability based on valuation payroll as of December 31 follows:

<b>Schedule of the Net Pension Liability</b>						
<b>Pension Trust</b>						
	<b>Total pension liability</b>	<b>Plan net position</b>	<b>Net pension liability</b>	<b>Plan net position as a percentage of total pension liability</b>	<b>Annual covered payroll*</b>	<b>Net pension liability as a percentage of covered payroll</b>
12/31/2021	\$426,344,434	\$287,263,228	\$139,081,206	67.38%	\$55,323,580	251.40%
12/31/2020	413,910,761	259,929,360	153,981,401	62.80%	54,254,463	283.81%

\*Based on valuation payrolls as of plan year ended December 31.

## 9. SCHEDULE OF THE NET OPEB LIABILITY (GASB STATEMENT NO. 74)

The plan net position as a percentage of total other post-employment benefits, (OPEB) liability measures the relationship between the plan net position and the total OPEB liability. Information regarding the plan net position as a percentage of total OPEB liability based on valuation payroll as of December 31 follows:

### **Schedule of the Net OPEB Liability Health Trust**

	<b>Total OPEB liability</b>	<b>Plan net position</b>	<b>Net OPEB liability</b>	<b>Plan net position as a percentage of total OPEB liability</b>	<b>Covered payroll*</b>	<b>Net OPEB liability as a percentage of covered payroll</b>
12/31/2021	\$37,693,363	\$20,127,378	\$17,565,985	53.40%	\$55,323,580	31.75%
12/31/2020	35,238,659	17,419,162	17,819,497	49.43%	54,254,463	32.84%

*\*Based on valuation payrolls as of plan year ended December 31.*

## **10. ACTUARIAL VALUATION METHOD AND ASSUMPTIONS**

The Board of Trustees employs an independent actuarial firm to estimate the total pension liability, the total OPEB liability, and to determine future contribution rates.

Normal costs and the allocation of benefit values between service rendered before and after the valuation date were determined using the individual entry-age actuarial cost method having the following characteristics:

- The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement.
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

The Retirement System currently has a tiered benefit structure with the ultimate tier being more costly than the initial tier. The normal cost is computed based on this tiered structure. As a result, the normal cost rate is expected to increase as the members affected by the initial tier are replaced by new members, or when members upgrade their prior service.

### **■ FINANCING OF UNFUNDED ACTUARIAL ACCRUED LIABILITIES**

Unfunded actuarial accrued liabilities were amortized by level (principal and interest combined) percentage of payroll contributions assuming 2.50% wage inflation over 18 future years for pension benefits and health subsidy benefits. The amortization period is closed.

### **■ ACTUARIAL ASSET VALUATION METHOD**

The contribution requirements and benefit values of the Retirement System are calculated by applying actuarial assumptions to the benefit provisions and members information furnished, using the actuarial cost method described above.

The principal areas of financial risk which require assumptions about future experience are:

- Long-term rate of investment return to be generated by the assets of the Retirement System,
- Patterns of pay increases to members;
- Rates of mortality among members, retirees and beneficiaries;
- Rates of withdrawal of active members;
- Rates of disability among members; and
- The age patterns of actual retirement.

In a valuation, the monetary effect of each assumption is calculated for as long as a presently covered person survives, a period of time which can be as long as a century.

### **■ ACTUARIAL ASSUMPTIONS**

Actual experience of the Retirement System will not coincide exactly with assumed experience, regardless of the accuracy of the assumption, or the skill of the actuary and the precision of the many calculations made. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution rate.

From time to time it becomes appropriate to modify one or more of the assumptions to reflect experience trends (but not random year-to-year fluctuations). The Board has established a policy of performing an Experience Study every 3



- 5 years to evaluate/modify valuation assumptions. Assumptions used in this report are based on the January 1, 2017
- December 31, 2019 experience study of the MECRS and were adopted by the Board. These assumptions were first used in the December 31, 2020 actuarial valuation. The actuary has indicated it believes the assumptions are reasonable individually and in the aggregate.

**The rate of investment return was 6.75% per year**, compounded annually (net of administrative and investment expenses). This assumption is used to make money payable at one point in time equal in value to a different amount of money payable at another point in time. The assumed real rate of return (the net return in excess of the wage inflation rate) is 4.25%.

**Calculation of the single discount rate:**

GASB Statements No. 67 and No. 74 include specific requirements for the discount rate that is used for the purpose of measurement of the Total Pension Liability and the Total OPEB Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The Single Discount Rate (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rates based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 6.75%; the municipal bond is 1.84%; and the resulting Single Discount Rate is 6.75%. Detailed projection tables on this subject have not been included in this report but are available for viewing on the Plan’s website at <https://www.manchesterretirement.org/>.

**Single discount rate:**

A Single Discount Rate of 6.75% was used to measure the Total Pension Liability and the Total OPEB Liability. This Single Discount Rate was based on the expected rate of return on pension plan investments of 6.75%. The projection of cash flows used to determine this Single Discount Rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member 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 and the Total OPEB Liability.

Regarding the sensitivity of the Net Pension Liability and Net OPEB Liability to changes in the Single Discount Rate, the following presents the plan’s Net Pension Liability and Net OPEB Liability, calculated using a Single Discount Rate of 6.75%, as well as what the plan’s Net Pension Liability and Net OPEB Liability would be if it were calculated using a Single Discount Rate that is one percent lower or one percent higher:

**Sensitivity of Net Pension Liability to the  
Single Discount Rate Assumption**

	<b>1% Decrease 5.75%</b>	<b>Current Single Discount Rate Assumption of 6.75%</b>	<b>1% Increase 7.75%</b>
Total Pension Liability	\$477,165,606	\$426,344,434	\$383,538,684
Net Position Restricted for Pensions	<u>287,263,228</u>	<u>287,263,228</u>	<u>287,263,228</u>
Net Pension Liability	<u>\$189,902,378</u>	<u>\$139,081,206</u>	<u>\$ 96,275,456</u>

***Sensitivity of Net OPEB Liability to the  
Single Discount Rate Assumption***

	<b>1% Decrease 5.75%</b>	<b>Current Single Discount Rate Assumption of 6.75%</b>	<b>1% Increase 7.75%</b>
Total OPEB Liability	\$42,784,700	\$37,693,363	\$33,470,966
Net Position Restricted for OPEB	20,127,378	20,127,378	20,127,378
Net OPEB Liability	<u>\$22,657,322</u>	<u>\$17,565,985</u>	<u>\$13,343,588</u>

***Long-term expected return on plan assets:***

The assumed rate of investment return was adopted by the Plan's trustees after considering input from the Plan's investment consultant and actuary. Additional information about the assumed rate of investment return is included in the actuarial valuation report as of December 31, 2021.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These real rates of return 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. For each major asset class that is included in the pension plan's target asset allocation as of December 31, 2021, these best estimates are summarized in the following table.

***Assumed Rate of Investment Return***

<b>Asset Class</b>	<b>Current Target</b>	<b>2022 30 Year Assumptions - Nominal Arithmetic Return</b>	<b>2022 30 Year Real Returns Weighted Return</b>
<b>Cash</b>	<b>2.0%</b>	2.3%	0.0%
Large Cap Equities	20.0%	7.3%	0.9%
Small/Mid Cap Equities	6.0%	8.5%	0.3%
International Equities (Unhedged)	7.0%	7.9%	0.4%
International Small Cap (Unhedged)	4.0%	9.3%	0.3%
Emerging International Equities	7.0%	12.0%	0.6%
Global Equity	10.0%	8.2%	0.5%
<b>Total Equity</b>	<b>54.0%</b>		
US Aggregate Bonds	6.0%	3.3%	0.0%
US TIPS	6.0%	2.7%	0.0%
Global Multi-Sector Fixed Income	8.0%	5.1%	0.2%
<b>Total Fixed Income</b>	<b>20.0%</b>		
Real Estate (Core)	12.0%	8.3%	0.7%
Private Markets	12.0%	12.7%	1.2%
<b>Total Alternatives</b>	<b>24.0%</b>		
<b>2022 Expected 30 Year Real Return</b>			<b>5.16%</b>

*Note: 30 Year Real Returns calculated by discounting NEPC LLC's 30 Year Nominal returns with a 2.59% 30 year US CPI.*

**Healthcare cost trend** – Healthcare insurance premiums are associated with the benefit entitlements paid by the Retirement System only to the extent that, if premium costs are exceeded by the benefit entitlement, the excess entitlement becomes a gain for the Retirement System. The Health Care Benefit paid is a flat rate based upon years of service at retirement. The initial entitlement increases by 4% annually and the accrued liability associated with the health benefit was attributed to pre-existing retirees covered by the benefit for which no contributions had ever been collected.

**Salary increase assumption for an individual member** – The rates of salary increase are used to project a member's current salary to the salaries upon which benefit amounts will be based.

If the number of active members remains constant, then the total active member payroll will increase 2.50% annually, the base portion of the individual salary increase assumptions. This increasing payroll was recognized in amortizing unfunded actuarial accrued liabilities. Rates of salary increase were updated for the December 31, 2020 valuation.

**The post-retirement healthy mortality table** was the Pub-2010 General Healthy Retiree Table projected to 2039 using projection scale MP-2019. The projection to 2039 is the margin for mortality improvement. The post-retirement disability mortality table is the Pub-2010 General Disabled Retiree Table projected to 2039 using projection scale MP-2019. Pre-retirement mortality is modeled using the Pub-2010 General Employee Table projected to 2039 using projection scale MP-2019. These tables were updated for the December 31, 2020 valuation in accordance with an experience study for the System of the three-year period ended December 31, 2019.

**Active members retiring next year under normal and early retirement** – A member was assumed to be eligible for normal retirement after attaining age 60 with any amount of service. A member was assumed to be eligible for early retirement after attaining age 55 with at least 20 years of service or if the sum of age and service is at least 80.

**Changes in certain assumptions** as of December 31, 2021: none.

**Marriage Assumption:** 50% of males and 50% of females are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses.

**Pay Increase Timing:** Beginning of the year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.

**Decrement Timing:** Decrements of all types are assumed to occur mid-year.

**Eligibility Testing:** Eligibility for benefits is determined based upon the age nearest birthday and exact fractional service on the date the decrement is assumed to occur.

**Decrement Relativity:** Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

**Decrement Operations:** Disability and withdrawal decrements do not operate after member reaches retirement eligibility.

**Expense Load:** 1.25% of payroll.

**Normal Form of Benefit:** The assumed normal form of benefit is the straight life form.

**Benefit Service:** Exact fractional service as of the valuation date is used to determine the amount of benefit payable.

**Incidence of Contributions:** Contributions are assumed to be received continuously throughout the year based upon the actual payroll payable at the time contributions are made.

**COLA Assumption:** 1.00% compounded annually.

**Adjustments:** Normal and Early retirement costs were increased by 12% to reflect lump sums that are payable at retirement but not available in the active data. Retiree liabilities were increased 1% to account for pop-up retiree benefits.

**Post-Retirement Subsidy:** 55% of current active and 25% of current terminated vested members were assumed to elect to receive the post-retirement health subsidy upon retirement.

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND

	2021	2020
<b>A. Total pension liability</b>		
1. Service cost . . . . .	\$ 6,793,736	\$ 6,467,132
2. Interest on the total pension liability . . . . .	27,407,254	25,471,822
3. Difference between expected and actual experience of the total pension liability . . . . .	781,152	2,625,836
4. Changes in assumptions . . . . .	0	29,031,182
5. Benefit payments, including refunds of employee contributions . .	(21,857,612)	(20,446,872)
6. Refunds . . . . .	(690,857)	(222,774)
7. Net change in total pension liability . . . . .	12,433,673	42,926,326
8. Total pension liability - beginning . . . . .	413,910,761	370,984,435
9. Total pension liability - ending (a) . . . . .	<u>\$426,344,434</u>	<u>\$413,910,761</u>
<b>B. Plan fiduciary net position</b>		
1. Contributions - employer . . . . .	\$17,333,301	\$ 15,442,093
2. Contributions - employee . . . . .	2,478,106	2,374,547
3. Net investment income/(loss) . . . . .	30,846,413	30,899,858
4. Benefit payments . . . . .	(21,857,612)	(20,446,872)
5. Refunds . . . . .	(690,857)	(222,774)
6. Pension plan administrative expenses . . . . .	(775,483)	(910,717)
7. Other . . . . .	0	(1,982)
8. Net change in plan fiduciary net position . . . . .	27,333,868	27,134,153
9. Plan fiduciary net position - beginning . . . . .	259,929,360	232,789,386
10. Adjustment . . . . .	0	5,821
11. Plan fiduciary net position - ending (b) . . . . .	<u>\$287,263,228</u>	<u>\$259,929,360</u>
<b>C. Net pension liability - ending (a) - (b) . . . . .</b>	<b>\$139,081,206</b>	<b>\$153,981,401</b>
<b>D. Plan fiduciary net position as a percentage of the total pension liability . . . . .</b>	<b>67.38%</b>	<b>62.80%</b>
<b>E. Covered-employee payroll . . . . .</b>	<b>\$ 55,323,580</b>	<b>\$ 54,254,463</b>
<b>F. Net pension liability as a percentage of covered employee payroll . . . . .</b>	<b>251.40%</b>	<b>283.81%</b>



RELATED RATIOS - PLAN YEARS ENDED DECEMBER 31

2019	2018	2017	2016	2015	2014
\$ 6,188,578	\$ 6,361,053	\$ 6,341,280	\$ 6,327,991	\$ 6,468,648	\$ 6,589,804
24,447,847	23,689,732	22,956,480	22,438,990	21,231,157	20,108,289
3,974,876	(172,714)	201,281	(5,201,876)	4,528,433	2,603,699
0	0	9,866,319	0	0	0
(19,272,847)	(17,781,112)	(16,605,774)	(15,812,395)	(14,516,835)	(12,543,344)
(302,235)	(567,039)	(229,271)	(220,469)	(446,590)	0
15,036,219	11,529,920	22,530,315	7,532,241	17,264,813	16,758,448
355,948,216	344,418,296	321,887,981	314,355,740	297,090,927	280,332,479
\$370,984,435	\$355,948,216	\$344,418,296	\$321,887,981	\$314,355,740	\$297,090,927
\$ 14,205,016	\$ 13,113,367	\$ 12,221,415	\$ 8,391,456	\$ 11,613,137	\$ 10,959,998
2,440,534	2,387,580	2,342,148	2,389,882	2,744,956	2,254,021
32,777,140	(11,682,616)	30,429,722	11,543,017	(4,783,148)	6,754,397
(19,272,847)	(17,781,112)	(16,605,774)	(15,812,395)	(14,516,835)	(12,543,344)
(302,235)	(567,039)	(229,271)	(220,469)	(446,590)	0
(876,660)	(702,533)	(759,927)	(791,762)	(693,329)	(679,116)
(36,626)	(59,532)	(50,612)	(61,856)	(65,963)	(50,008)
28,934,322	(15,291,885)	27,347,701	5,437,873	(6,147,772)	6,695,948
203,944,655	219,277,973	191,930,272	186,492,399	192,640,171	185,866,717
(89,591)	(41,433)	0	0	0	0
\$232,789,386	\$203,944,655	\$219,277,973	\$191,930,272	\$186,492,399	\$192,562,665
\$138,195,049	\$152,003,561	\$125,140,323	\$129,957,709	\$127,863,341	\$104,528,262
62.75%	57.30%	63.67%	59.63%	59.33%	64.82%
\$ 52,895,992	\$ 51,787,265	\$ 53,364,536	\$ 52,888,074	\$ 52,953,903	\$ 54,267,183
261.26%	293.52%	234.50%	245.72%	241.46%	192.62%

Information for previous periods is not available. Ultimately, 10 years will be displayed.

SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND

**A. Total OPEB liability**

1. Service cost .....
2. Interest on the total OPEB liability .....
3. Changes in benefit terms .....
4. Difference between expected and actual experience .....
5. Changes in assumptions .....
6. Benefit payments, including refunds of employee contributions .....
7. Net change in total OPEB liability .....
8. Total OPEB liability - beginning .....
9. Total OPEB liability - ending (a) .....

**B. Plan fiduciary net position**

1. Employer contributions .....
2. Employee contributions .....
3. OPEB net investment income/(loss) .....
4. Benefit payments, including refunds of employee contributions .....
5. OPEB plan administrative expenses .....
6. Other .....
7. Net change in plan fiduciary net position .....
8. Plan fiduciary net position - beginning .....
9. Adjustment .....
10. Plan fiduciary net position - ending (b) .....

**C. Net OPEB liability - ending (a) - (b) .....**

**D. Plan fiduciary net position as a percentage of the total OPEB liability .....**

**E. Covered-employee payroll .....**

**F. Net OPEB liability as a percentage of covered employee payroll .....**

RELATED RATIOS - PLAN YEARS ENDED DECEMBER 31

	2021	2020	2019	2018	2017
	\$ 800,532	\$ 750,882	\$ 722,950	\$ 667,057	\$ 629,368
	2,355,738	2,103,564	1,993,098	1,834,405	1,657,437
	0	0	0	0	0
	776,644	(158,010)	108,038	871,321	(139,278)
	0	3,525,938	0	0	2,188,276
	(1,478,210)	(1,318,384)	(1,201,543)	(1,065,835)	(954,291)
	2,454,704	4,903,990	1,622,543	2,306,948	3,381,512
	35,238,659	30,334,669	28,712,126	26,405,178	23,023,666
	<u>\$37,693,363</u>	<u>\$35,238,659</u>	<u>\$30,334,669</u>	<u>\$28,712,126</u>	<u>\$26,405,178</u>
	\$ 1,439,820	\$ 1,252,923	\$ 1,075,844	\$ 856,677	\$ 715,870
	710,292	702,739	682,470	674,011	680,166
	2,085,282	2,074,039	2,002,516	(688,995)	1,681,916
	(1,478,210)	(1,318,384)	(1,201,543)	(1,065,835)	(954,291)
	(48,968)	(58,908)	(47,490)	(37,111)	(41,993)
	0	(128)	(2,239)	(3,484)	(2,797)
	2,708,216	2,652,281	2,509,558	(264,737)	2,078,871
	17,419,162	14,772,702	12,268,459	12,533,196	10,456,665
	0	(5,821)	(5,315)	(2,340)	
	<u>\$20,127,378</u>	<u>\$17,419,162</u>	<u>\$14,772,702</u>	<u>\$12,268,459</u>	<u>\$12,535,536</u>
	<u>\$17,565,985</u>	<u>\$17,819,497</u>	<u>\$15,561,967</u>	<u>\$16,443,667</u>	<u>\$13,869,642</u>
	53.40%	49.43%	48.70%	42.73%	47.47%
	\$55,323,580	\$54,254,463	\$52,895,992	\$51,787,265	\$53,364,536
	31.75%	32.84%	29.42%	31.75%	25.99%

Information for previous periods is not available. Ultimately, 10 years will be displayed.

# — Required Supplemental Information — (unaudited)

## SCHEDULE OF THE INVESTMENT RETURNS

Year Ended	Annual Money-Weighted Rate of Return
December 31, 2021	11.6%
December 31, 2020	13.1%
December 31, 2019	15.9%
December 31, 2018	-5.5%
December 31, 2017	15.6%
December 31, 2016	6.2%
December 31, 2015	-2.5%
December 31, 2014	3.7%

*Information for previous periods is not available. Ultimately, 10 years will be displayed.*

## SCHEDULE OF THE NET PENSION LIABILITY

	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a Percentage of Total Pension Liability	Covered Payroll*	Net Pension Liability as a Percentage of Covered Payroll
12/31/2021	\$426,344,434	\$287,263,228	\$139,081,206	67.38%	\$55,323,580	251.40%
12/31/2020	413,910,761	259,929,360	153,981,401	62.80%	54,254,463	283.81%
12/31/2019	370,984,435	232,789,386	138,195,049	62.75%	52,895,992	261.26%
12/31/2018	355,948,216	203,944,655	152,003,561	57.30%	51,787,265	293.52%
12/31/2017	344,418,296	219,277,973	125,140,323	63.67%	53,364,536	234.50%
12/31/2016	321,887,981	191,930,272	129,957,709	59.63%	52,888,074	245.72%
12/31/2015	314,355,740	186,492,399	127,863,341	59.33%	52,953,903	241.46%
12/31/2014	297,090,927	192,562,665	104,528,262	64.82%	54,267,183	192.62%

*\*Based on valuation payroll as of December 31. Information for previous periods is not available. Ultimately, 10 years will be displayed.*

## SCHEDULE OF THE NET OPEB LIABILITY

	Total OPEB Liability	Plan Net Position	Net OPEB Liability	Plan Net Position as a Percentage of Total OPEB Liability	Covered Payroll*	Net OPEB Liability as a Percentage of Covered Payroll
12/31/2021	\$37,693,363	\$20,127,378	\$17,565,985	53.40%	\$55,323,580	31.75%
12/31/2020	35,238,659	17,419,162	17,819,497	49.43%	54,254,463	32.84%
12/31/2019	30,334,669	14,772,702	15,561,967	48.70%	52,895,992	29.42%
12/31/2018	28,712,126	12,268,459	16,443,667	42.73%	51,787,265	31.75%
12/31/2017	26,405,178	12,535,536	13,869,642	47.47%	53,364,536	25.99%

*\*Based on valuation payroll as of December 31. Information for previous periods is not available. Ultimately, 10 years will be displayed.*



# — Required Supplemental Information —

(unaudited)

## SCHEDULE OF PENSION CONTRIBUTIONS

	Actuarially Determined Contribution (ADC)#	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contributions as a Percentage of Covered Payroll
12/31/2021	\$17,333,301	\$17,333,301	\$0	\$55,323,580	31.33%
12/31/2020	15,442,093	15,442,093	0	54,254,463	28.46%
12/31/2019	14,205,016	14,205,016	0	52,895,992	26.85%
12/31/2018	13,113,367	13,113,367	0	51,787,265	25.32%
12/31/2017	12,221,415	12,221,415	0	53,364,536	22.90%
12/31/2016	8,391,456	8,391,456	0	52,888,074	15.87%
12/31/2015	11,613,137	11,613,137	0	52,953,903	21.93%
12/31/2014	10,959,998	10,959,998	0	54,267,183	20.20%

\*Based on valuation payroll as of December 31

# Employer contributes based on percentage of payroll. Employer pays the ADC percentage.  
Information for previous periods is not available. Ultimately, 10 years will be displayed.

### ■ Notes to Schedule of Pension Contributions - GASB Statement No. 67

**Valuation Date:**

December 31, 2019 and December 31, 2020

**Notes:**

Actuarially determined contribution rates are calculated as of December 31 for the contribution period starting 6 months later. Actual contributions reported during the plan year are therefore based on two consecutive ADCs.

**Methods and Assumptions Used to Determine Fiscal Year 2022 Contribution Rates:**

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	19 years
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Inflation	2.50%
Salary Increases	3.25% to 5.96% including inflation
Investment Rate of Return	6.75% (net of investment expenses)
Retirement Age	Age and Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Mortality Table projected to 2039 for males and females using projection scale MP-2019.
Expense Load	1.25% of payroll
COLA Assumption	1.00% compounded annually

**Other Information:**

**Notes:**

There were changes to assumptions including many demographic assumptions, assumed rates of investment return, wage inflation, and price inflation, and administrative expenses following the 3-year experience study for period ending December 31, 2019. There were no changes to benefit provisions

# — Required Supplemental Information — (unaudited)

## SCHEDULE OF OPEB CONTRIBUTIONS

	Actuarially Determined Contribution (ADC)#	Actual Contributions	Contribution Deficiency (Excess)	Covered Payroll*	Actual Contributions as a Percentage of Covered Payroll
12/31/2021	\$1,439,820	\$1,439,820	\$0	\$55,323,580	2.60%
12/31/2020	1,252,923	1,252,923	0	54,254,463	2.31%
12/31/2019	1,075,844	1,075,844	0	52,895,992	2.03%
12/31/2018	856,677	856,677	0	51,787,265	1.65%
12/31/2017	715,870	715,870	0	53,364,536	1.34%

*\*Based on valuation payroll as of December 31*

*# Employer contributes based on percentage of payroll. Employer pays the ADC percentage.*

*Information for previous periods is not available. Ultimately, 10 years will be displayed.*

### ■ Notes to Schedule of OPEB Contributions - GASB Statement No. 74

**Valuation Date:** December 31, 2019 and December 31, 2020

**Notes:** Actuarially determined contribution rates are calculated as of December 31 for the contribution period starting 6 months later. Actual contributions reported during the plan year are therefore based on two consecutive ADCs.

#### Methods and Assumptions Used to Determine Fiscal Year 2022 Contribution Rates:

Actuarial Cost Method	Entry-Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	19 years
Asset Valuation Method	5-year smoothed market; 20% corridor
Wage Inflation	2.50%
Salary Increases	3.25% to 5.96% including inflation
Investment Rate of Return	6.75% (net of investment expenses)
Retirement Age	Age and Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 Mortality Table projected to 2039 for males and females using projection scale MP-2019
Expense Load	None
Increases	Annual health subsidy amounts are assumed to increase by 4% annually
Health Care Trend Rates	Not applicable, given that the benefits are fixed stipends
Aging Factors	Not applicable, given that the benefits are fixed stipends

#### Other Information:

**Notes:** There were changes to assumptions including many demographic assumptions, assumed rates of investment return, wage inflation, and price inflation, and administrative expenses following the 3-year experience



This Certificate of Transparency is awarded to the

**Manchester Employees Contributory  
Retirement System**

for its participation in the *2021 NCPERS Public Retirement Systems Study*, which seeks to further open disclosure, data collection, and encourage the public's understanding of public retirement systems.

A stylized, handwritten signature in dark blue ink.

Hank Kim, Esq.  
Executive Director & Counsel



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This report has been prepared pursuant to  
Chapter 218:6, II, Laws of 1973 of the State of New Hampshire,  
as amended, and is intended to satisfy public pension plan  
financial reporting requirements.

## **ANNUAL COMPREHENSIVE FINANCIAL REPORT FOR THE YEAR ENDED DECEMBER 31, 2021**