Springfield

Retirement System

Audit Report

January 1, 2017 - December 31, 2021

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

September 3, 2024

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Springfield Retirement System conducted by the firm of Powers & Sullivan, LLC, Certified Public Accountants (P&S). P&S conducted these audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits in *Government Auditing Standards*, issued by the Comptroller General of the United States. The audits covered the period from January 1, 2017 to December 31, 2021.

We conducted an inspection of the work papers prepared by P&S. We determined that the audits were conducted in a competent professional manner and the work papers demonstrated that audit tests and procedures were performed in sufficient detail to allow us to accept the final audit reports as issued.

We identified specific differences between these financial audits designed to provide an opinion on financial statements and our compliance audits performed in accordance with the accounting and management standards established by PERAC in regulation 840 CMR 25.00 and in compliance with the provisions specified in PERAC Memo #18/2019.

Accordingly, we supplemented the fieldwork conducted in the audits by P&S with certain limited procedures designed to provide additional assurance that the accounting and management standards established by PERAC were adhered to and complied with. The specific objectives of our review were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that travel expenses were properly documented and accounted for, 4) that retirement contributions are accurately deducted, 5) that retirement allowances were correctly calculated, and 6) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Springfield Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, and tested a sample of travel expenses for Board approvals, supporting documentation and proper accounting. We tested the payroll records of a sample of active members to confirm that the correct percentage of regular compensation is being deducted, including the additional two percent over $30,000. We tested a sample of members who retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We also reviewed a sample of member files for accuracy and completeness.

In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC.

We commend the Springfield Retirement Board for the exemplary operation of the system.

It should be noted that the financial statements included in this audit report were based on the work performed by P&S and the tests conducted for the periods referenced in their opinion. These audits were not performed by employees or representatives of PERAC. It should also be noted that the opinions expressed in these audit reports were based on the laws and regulations in effect at the time.

The financial statements and footnotes presented in this report were limited to the express results as of and for the years ended December 31, 2021, December 31, 2020, December 31, 2019, December 31, 2018, and December 31, 2017.

In closing, I wish to acknowledge the work of Powers & Sullivan, LLC who conducted these examinations, and the PERAC examiners who conducted limited procedures to supplement the field work and express my appreciation to the Springfield Retirement Board and staff for their courtesy and cooperation.

Sincerely,

Bill Keefe

William T. Keefe
Executive Director

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2021	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$727,134	0.1%
Pooled Alternative Investment Funds	70,771	0.0%
PRIT Cash Fund	2,000,392	0.4%
PRIT Core Fund	549,176,447	99.5%
Grand Total	$551,974,744	100.0%

For the year ending December 31, 2021, the rate of return for the investments of the Springfield Retirement System was 20.44%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Springfield Retirement System averaged 11.15%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Springfield Retirement System was 8.92%.

The composite rate of return for all retirement systems for the year ending December 31, 2021 was 19.51%. For the ten-year period ending December 31, 2021, the composite rate of return for the investments of all retirement systems averaged 10.86%. For the 37-year period ending December 31, 2021, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.58%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Comptroller who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member:	Patrick Burns		
Appointed Member:	Haskell Kennedy, Jr	Term Expires:	06/30/2025
Elected Member:	Robert Moynihan, Chairperson	Term Expires:	07/31/2025
Elected Member:	Thomas Scanlon	Term Expires:	06/30/2026
Fifth Member:	Karl Schmaelzle	Term Expires:	07/31/2027

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

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of $2,000,000 with a $10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of $1,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

The Springfield Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at https://www.mass.gov/springfield-retirement-board-regulations.

SUPPLEMENTARY INFORMATION (Continued)

ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Public Employee Retirement Administration Commission as of January 1, 2022.

The actuarial liability for active members was	$480,790,789
The actuarial liability for vested terminated members was	16,172,631
The actuarial liability for non-vested terminated members was	6,504,952
The actuarial liability for retired members was	891,003,977
The total actuarial liability was	$1,394,472,349
System assets as of that date were (actuarial value)	496,091,701
The unfunded actuarial liability was	$898,380,648
The ratio of system's assets to total actuarial liability was	35.6%
As of that date the total covered employee payroll was	$176,787,260

The normal cost for employees on that date was	9.1% of payroll
The normal cost for the employer including expenses was	7.9% of payroll

The principal actuarial assumptions used in the valuation are as follows:

Investment Return:	7.00% per annum
Rate of Salary Increase:	Varies by group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a %of Cov. Payroll ((b-a)/c)
1/1/2022	$496,091,701	$1,394,472,349	$898,380,648	35.6%	$176,787,260	508.2%
1/1/2020	$381,482,369	$1,319,552,422	$938,070,053	28.9%	$171,719,579	546.3%
1/1/2018	$327,046,823	$1,210,267,577	$883,220,754	27.0%	$154,471,233	571.8%
1/1/2016	$293,563,184	$1,120,975,084	$827,411,900	26.2%	$152,160,828	543.8%
1/1/2014	$270,426,394	$1,001,474,811	$731,048,417	27.0%	$139,681,456	523.4%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	89	74	94	126	94	91	100	100	107	98
Ordinary Disability	2	1	1	2	2	0	2	2	1	0
Accidental Disability	9	8	17	11	13	11	16	12	9	18
Total Retirements	100	83	112	139	109	102	118	114	117	116
Total Retirees, Beneficiaries and Survivors	2,816	2,874	2,805	2,813	2,823	2,802	2,806	2,824	2,813	2,830
Total Active Members	3,346	3,256	3,264	3,361	3,393	3,206	3,292	3,345	3,253	3,333
Pension Payments										
Superannuation	$35,065,446	$36,469,383	$37,883,463	$39,604,065	$41,506,716	$43,171,794	$44,921,447	$46,810,994	$48,372,497	$49,529,568
Survivor/Beneficiary Payments	2,428,456	2,463,827	2,565,651	2,668,597	2,735,921	2,857,152	2,966,691	3,016,990	3,173,147	3,298,653
Ordinary Disability	581,836	569,965	553,806	600,964	575,535	579,988	570,419	564,471	579,234	557,696
Accidental Disability	12,242,230	12,264,058	12,731,403	13,058,378	13,314,253	13,457,528	13,598,015	13,786,433	14,250,692	14,644,288
Other	4,665,389	5,038,008	5,148,420	5,428,724	5,263,019	5,676,701	5,575,998	5,912,001	5,759,496	5,670,819
Total Payments for Year	$54,983,357	$56,805,241	$58,882,744	$61,360,729	$63,395,442	$65,743,163	$67,632,570	$70,090,889	$72,135,066	$73,701,025

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The Springfield Retirement Board leases approximately 2,665 square feet of space for its offices located at the Richard E. Neal Municipal Operations Center, 70 Tapley Street, Springfield, MA. The lease is signed annually, expiring June 30 of each year, in the amount of $22,278.96. The landlord is the City of Springfield.

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2021

TABLE OF CONTENTS

Financial Section

This page left intentionally blank

Powers & Sullivan, LLC
CPAs AND ADVISORS

100 Quannapowitt Parkway, Suite 101
Wakefield, Massachusetts 01880
T. 781.914.1700 | F. 781.914.1701
info@pas.cpa | www.pas.cpa

Independent Auditor's Report

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

Opinion

We have audited the accompanying financial statements of Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Springfield Contributory Retirement System's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Contributory Retirement System as of December 31, 2021 and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 SCRS 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 accounting principles generally accepted in the United States of America; 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 SCRS'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 generally accepted 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 generally accepted auditing standards, we:

- Exercise professional judgment 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 auditing 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 SCRS's internal control. Accordingly, no such opinion is expressed.
- 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 SCRS'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

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis; the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2022, on our consideration of the SCRS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is 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 effectiveness of SCRS'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 SCRS's internal control over financial reporting and compliance.

Restriction on Use

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

Powers & Sullivan, LLC

October 12, 2022

Management's Discussion and Analysis

As management of the Springfield Contributory Retirement System (System), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2021. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $551.2 million (net position).
- The System's net position increased by $100.6 million for the year ended December 31, 2021.
- Total investment income was $89.7 million; investment expenses were $2.4 million; and the net investment income for the current year was $87.3 million.
- Total contributions were $105.5 million, including $85.3 million from employers, $19.1 million from members, and other contributions of $1.1 million.
- Deductions for retirement benefits, refunds, and transfers amounted to $91.3 million.
- Administrative expenses were $876,000 or approximately 1.0% of total deductions.
- The total pension liability was $1.394 billion as of December 31, 2021 while the net pension liability was $843.3 million.
- The Plan fiduciary net position as a percentage of the total pension liability (funding percentage) was 39.53%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements comprise four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of fiduciary net position* presents information on all assets and liabilities with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities (net position) by $551.2 million at the close of 2021.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position includes investments of $549.2 million, cash and cash equivalents of $2.7 million and accounts receivable of $195,000; less liabilities of $957,000.

In 2021, the System's total additions were $192.8 million while retirement benefit payments, transfers to other systems, and administration expenses were $92.2 million which resulted in a current increase in net position of $100.6 million. In 2020, the System's total additions were $140.8 million while retirement benefit payments, transfers to other systems, and administration expenses were $89.1 million which resulted in a prior year increase in net position of $51.7 million.

Net investment income was $87.3 million and $42.9 million in 2021, and 2020, respectively. The annual money weighted rate of return was 19.41% and 11.46% in 2021 and 2020, respectively. The system's investment policy is designed to achieve a long-term rate of return of 7.00% and some fluctuation in annual investment returns is expected.

The following tables present summarized financial information for the past two years:

Statement of Fiduciary Net Position

	2021	2020
Cash and cash equivalents……………………	$ 2,727,526	$ 5,214,255
Investments……………………………………	549,247,218	410,643,015
Receivables……………………………………	195,394	34,760,869
Accounts payable………………………………	(957,137)	(20,508)
Net Position Restricted for Pensions……..	$ **551,213,001**	$ **450,597,631**

The increase in receivables in 2020 related to the Retirement Board authorizing the member units to fund their pension appropriations throughout their respective fiscal years for cash flow management purposes due to the uncertainties brought about by the COVID-19 pandemic.

Statement of Changes in Fiduciary Net Position

		2021		2020
Additions:				
Contributions:				
Member contributions…………………………..	$	19,074,400	$	18,447,034
Employer contributions…………………………		85,271,024		78,087,018
Other contributions………………………………		1,130,213		1,381,114
Total contributions…………………………..		105,475,637		97,915,166
Net investment income:				
Total investment income………………………..		89,711,941		44,664,048
Less; investment expenses……………………		(2,417,029)		(1,808,393)
Net investment income…………………………		87,294,912		42,855,655
Total additions………………………………..		192,770,549		140,770,821
Deductions:				
Administration…………………………………….		876,312		881,842
Retirement benefits, refunds and transfers……….		91,278,867		88,203,439
Total deductions………………………………		92,155,179		89,085,281
Net increase/(decrease) in fiduciary net position……		100,615,370		51,685,540
Fiduciary net position at beginning of year…………		450,597,631		398,912,091
Fiduciary net position at end of year………………….	$	551,213,001	$	450,597,631

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Executive Director, 70 Tapley Street, Springfield, Massachusetts 01104.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2021

Assets		
Cash	$	2,727,526
Investments:		
Investments in Pension Reserve Investment Trust		549,176,447
Alternative investments		70,771
Total investments		549,247,218
Receivables:		
Member make-up payments and redeposits		192,256
Other		3,138
Total receivables		195,394
Total assets		552,170,138
Liabilities		
Accounts payable		957,137
Net Position Restricted for Pensions	$	551,213,001

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2021

Additions:		
Contributions:		
Employer contributions	$	85,271,024
Member contributions		17,339,641
Member contributions - transfers from other systems		1,453,339
Retirement benefits - 3(8)c contributions from other systems		953,053
Retirement benefits - State COLA reimbursements		162,841
Members' makeup payments and redeposits		159,933
Members' reimbursement of 91A overearnings		121,487
Other receipts		14,319
Total contributions		105,475,637
Net investment income:		
Investment income		49,187,691
Net change in fair value of investments		40,524,250
Less, investment expenses		(2,417,029)
Net investment income		87,294,912
Total additions		192,770,549
Deductions:		
Administration		876,312
Member contributions - transfers to other systems		901,579
Retirement benefits - 3(8)c payments to other systems		2,587,064
Retirement benefits and refunds		87,790,224
Total deductions		92,155,179
Net increase in fiduciary net position		100,615,370
Fiduciary net position at beginning of year		450,597,631
Fiduciary net position at end of year	$	551,213,001

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The Springfield Contributory Retirement System (“System” or “SCRS”) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering employees of the three member units (employers) of the SCRS: 1) the City of Springfield, Massachusetts, 2) the Springfield Housing Authority, and 3) the Springfield Water & Sewer Commission. All employees and retirees and beneficiaries of these member units, except for employees of the Springfield School Department who serve in a teaching capacity, are members of the SCRS. The pensions of school employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts’ Teachers Retirement System. Membership in the SCRS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week.

The System is a Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission’s (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts’ state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement Systems’ unfunded liabilities, and in some Systems have actually reduced such liability.

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Investments

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

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consist of member deductions and other reimbursements. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of two representatives of the City of Springfield government, two who are elected from and by the active and retired members of the system, and a fifth member, selected by the four who shall not be a member of the system.

Chairman - Elected..........	Robert P. Moynihan	Term Expires:	7/31/2025
Elected Member..............	Thomas M. Scanlon	Term Expires:	6/30/2023
Appointed Member..........	Haskell O. Kennedy, Jr.	Term Expires:	6/30/2025
Appointed 5th Member......	Karl J. Schmaelzle	Term Expires:	7/31/2024
Ex-Officio........................	Patrick S. Burns	Term Expires:	Indefinite

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

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the System has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by three persons designated by the Board.

The SCRS has obtained insurance policies to ensure that all retirement board members, employees, and the Treasurer-Custodian of the SCRS are bonded. The current policy provides a limit of $2,000,000 under a master policy issued through a layered program with Markel America Insurance Company. A separate policy issued through Travelers Casualty and Surety Company provides fidelity coverage for ERISA/Crime actions with a limit of $1,000,000.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2021, the carrying amount of the System's deposits totaled $2,727,526 and the bank balance totaled $3,149,704, which was covered by Federal Depository Insurance and the Depositors Insurance Fund.

Investments

The System's investments were as follows:

Pension Reserves Investment Trust (PRIT)………	$	549,176,447
Alternative Investments………………………………		70,771
Total Investments…………………………………	$	549,247,218

Approximately 99.9% of the Retirement System's investments are in the Pension Reserves Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

The PRIT fund, as a pool, invests in various products including, but not limited to, money market mutual funds, equities, pooled foreign and domestic fixed income and equity funds, United States government sponsored enterprises and Treasury notes, real estate, and commodities. The underlying components of PRIT's fixed income portfolio had an effective weighted duration rate ranging from 1.33 to 15.12 years. There is no credit quality rating for the fund.

Approximately 0.1% of the System's funds are invested in pooled alternative investments. The market values of assets in those funds are based on the quoted values obtained from each pool.

The System's annual money-weighted rate of return on pension plan investments was 19.41%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Value of Investments

The System holds investments that are measured at fair value on a recurring basis. The System chooses a tabular format for disclosing the levels within the fair value hierarchy. The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2021:

		Fair Value Measurements Using		
Investment Type	December 31, 2021	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Alternative investments……………………………	$ 70,771	$ -	$ -	$ 70,771
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)……	549,176,447			
Total investments……………………………………	$ 549,247,218			

Pooled alternative investments classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value (NAV) method.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at December 31, 2021:

Active members……………………………………………….	3,333
Inactive members………………………………………………	956
Retirees and beneficiaries currently receiving benefits……	2,830
Total…………………………………………………………….	7,119

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2021 were as follows:

Total pension liability…………………………………	$ 1,394,472,000
Total System's fiduciary net position………………..	(551,213,001)
Total net pension liability…………………………….	$ 843,258,999
The System's fiduciary net position as a percentage of the total pension liability……….	39.53%

The total pension liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions that were applied to all periods as of the December 31, 2021 measurement date:

Valuation date………………………	January 1, 2022.
Actuarial cost method…………….	Entry Age Normal Cost Method.
Amortization method………………	Total payments increase 9.2% per year until FY32 with a final amortization payment in FY33.
Remaining amortization period…..	11 years from July 1, 2022.
Asset valuation method……………	Fair value. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return………….	7.00%, net of pension plan investment expense, including inflation. Previously 7.25%.
Discount rate……………………….	7.00%. Previously 7.25%.
Inflation rate…………………………	2.50%.
Projected salary increases……….	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments…………	3% of the first $13,000 of retirement income.
Mortality rates………………………	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2020 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2020 (gender distinct). For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2020 (gender distinct).

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

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and target asset allocation. The 30 year expected returns are shown on a geometric return basis.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities……………………	24.00%	6.30%
International equities……………….	12.70%	6.40%
Emerging international equities……	5.00%	8.70%
Hedged equities…………………….	7.80%	5.70%
Core fixed income………………….	15.10%	2.59%
Value added fixed income…………	6.50%	6.40%
Private equity……………………….	16.60%	10.10%
Real estate………………………….	8.70%	6.00%
Timberland…………………………	2.90%	6.60%
Portfolio completion……………….	0.70%	2.40%
Total…………………………………	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount (7.00%)	1% Increase (8.00%)
Springfield Contributory Retirement System……	$ 991,260,000	$ 843,258,999	$ 717,745,000

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The System has no significant commitments or contingencies at year end.

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2021, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the System at December 31, 2021.

NOTE 8 – IMPLEMENTATION OF GASB PRONOUNCEMENTS

There were no GASB pronouncements required to be implemented in 2021 that impacted the Retirement System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 12, 2022, which is the date the financial statements were available to be issued.

Fair Value Decline on Investments

The Retirement System carries its investments at fair (market) value in accordance with Generally Accepted Accounting Principles (GAAP). Market value adjustments are recorded monthly. Subsequent to year end, the System's investment of $549.2 million in the Pension Reserves Investment Trust (PRIT), as determined by PRIT, has declined in value by approximately $38.6 million (approximately 7%), as of July 31, 2022. The market value decline is consistent with recent trends in the overall financial securities market.

In accordance with GAAP, the System has not recorded the losses in its financial statements as the impairments were not known as of December 31, 2021. The System has recorded the losses associated with the investment during the year 2022.

This page left intentionally blank

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS

	2014	2015	2016	2017
Total pension liability:				
Service cost	$ 17,151,000	$ 17,923,000	$ 22,097,000	$ 23,091,000
Interest	77,538,000	79,578,000	84,605,000	87,036,000
Differences between expected and actual experience	-	12,434,000	-	(11,096,000)
Changes in assumptions	-	54,000,000	-	35,400,000
Benefit payments	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)
Net change in total pension liability	26,657,314	92,842,686	32,456,360	56,836,640
Total pension liability, beginning	1,001,475,000	1,028,132,314	1,120,975,000	1,153,431,360
Total pension liability, ending **(a)**	$ 1,028,132,314	$ 1,120,975,000	$ 1,153,431,360	$ 1,210,268,000
Plan fiduciary net position:				
Member contributions	$ 12,150,386	$ 13,184,024	$ 14,098,033	$ 14,658,679
Employer contributions	45,805,630	47,710,101	50,572,700	57,652,878
Net investment income (loss)	20,681,621	1,890,211	20,912,155	50,175,997
Other additions	-	785,488	295,507	121,215
Retirement benefits and refunds, net	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)
Administrative expenses	(751,843)	(722,933)	(830,694)	(796,923)
Net increase (decrease) in fiduciary net position	9,854,108	(8,245,423)	10,802,061	44,217,486
Fiduciary net position at beginning of year	286,552,206	296,406,314	288,160,891	298,962,952
Fiduciary net position at end of year **(b)**	$ 296,406,314	$ 288,160,891	$ 298,962,952	$ 343,180,438
Net pension liability - ending (a) - (b)	$ 731,726,000	$ 832,814,109	$ 854,468,408	$ 867,087,562
Plan fiduciary net position as a percentage of the total pension liability	28.83%	25.71%	25.92%	28.36%
Covered payroll	$ 139,681,000	$ 152,161,000	$ 152,161,000	$ 154,471,000
Net pension liability as a percentage of covered payroll	523.86%	547.32%	561.56%	561.33%

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

See notes to required supplementary information.

	2018	2019	2020	2021
	$ 23,719,000	$ 24,786,000	$ 26,681,000	$ 27,882,000
	88,350,000	90,693,000	94,486,000	97,005,000
	-	21,761,000	-	(21,212,000)
	-	22,900,000	-	25,300,000
	(80,146,000)	(82,779,000)	(85,961,000)	(89,261,000)
	31,923,000	77,361,000	35,206,000	39,714,000
	1,210,268,000	1,242,191,000	1,319,552,000	1,354,758,000
	$ 1,242,191,000	$ 1,319,552,000	$ 1,354,758,000	$ 1,394,472,000
	$ 15,900,608	$ 17,994,472	$ 17,584,061	$ 18,172,821
	67,724,281	72,757,453	78,087,018	85,271,024
	(7,964,337)	53,965,336	42,855,655	87,294,912
	889	151	1,188	14,319
	(80,163,472)	(82,778,694)	(85,960,540)	(89,261,394)
	(824,545)	(880,489)	(881,842)	(876,312)
	(5,326,576)	61,058,229	51,685,540	100,615,370
	343,180,438	337,853,862	398,912,091	450,597,631
	$ 337,853,862	$ 398,912,091	$ 450,597,631	$ 551,213,001
	$ 904,337,138	$ 920,639,909	$ 904,160,369	$ 843,258,999
	27.20%	30.23%	33.26%	39.53%
	$ 154,471,000	$ 171,720,000	$ 171,720,000	$ 176,787,000
	585.44%	536.10%	526.50%	477.00%

SCHEDULE OF CONTRIBUTIONS

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)		Covered payroll	Contributions as a percentage of covered payroll
December 31, 2021………	$	85,271,024	$	(85,271,024)	$	-	$	176,787,000	48.23%
December 31, 2020………		78,087,018		(78,087,018)		-		171,720,000	45.47%
December 31, 2019………		71,639,466		(72,757,453)		(1,117,987)		171,720,000	42.37%
December 31, 2018………		65,724,281		(67,724,281)		(2,000,000)		154,471,000	43.84%
December 31, 2017………		57,652,878		(57,652,878)		-		154,471,000	37.32%
December 31, 2016………		50,572,700		(50,572,700)		-		152,161,000	33.24%
December 31, 2015………		47,710,100		(47,710,100)		-		152,161,000	31.36%
December 31, 2014………		45,009,537		(45,009,537)		-		139,681,000	32.22%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2021………………………………..	19.41%
December 31, 2020………………………………..	11.46%
December 31, 2019………………………………..	15.78%
December 31, 2018………………………………..	(2.33%)
December 31, 2017………………………………..	17.04%
December 31, 2016………………………………..	7.45%
December 31, 2015………………………………..	0.58%
December 31, 2014………………………………..	7.24%

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

See notes to required supplementary information.

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

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

NOTE B – CONTRIBUTIONS

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

NOTE C – MONEY WEIGHTED RATE OF RETURN

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

NOTE D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions:

The following changes were reflected in the January 1, 2022 valuation.

- The investment rate of return (discount rate) was decreased from 7.25% to 7.00%.
- The mortality tables were updated.

Changes in Plan Provisions:

None.

Audit of Specific Elements, Accounts, and Items of Financial Statements

This page left intentionally blank

Powers & Sullivan, LLC
CPAs AND ADVISORS

100 Quannapowitt Parkway, Suite 101
Wakefield, Massachusetts 01880
T. 781.914.1700 | F. 781.914.1701
info@pas.cpa | www.pas.cpa

Independent Auditor's Report

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

Report on the Audit of the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Opinion

We have audited the accompanying schedule of employer allocations of the Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2021, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the SCRS as of and for the year ended December 31, 2021, and the related notes.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions for the row totals of all participating entities for the SCRS as of and for the year ended December 31, 2021, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the SCRS 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 opinions.

Responsibilities of Management for the Schedules

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

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the schedules, 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 schedules.

- 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 purposes of expressing an opinion on the effectiveness of the SCRS's internal control. Accordingly, no such opinion is expressed.

- 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 schedules.

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.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the SCRS as of and for the year ended December 31, 2021, and our report thereon, dated October 12, 2022, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers & Sullivan, LLC

October 12, 2022

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2021

Employer		FY2022 Pension Fund Appropriation		Additional Appropriation E.R.I.		FY2022 Total Appropriation		Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Springfield..................................	$	72,265,601	$	3,054,609	$	75,320,210	$	744,299,941	88.265%
Springfield Housing Authority....................		3,150,902		91,321		3,242,223		32,243,326	3.824%
Springfield Water & Sewer Commission.......		6,638,228		70,363		6,708,591		66,715,732	7.912%
Total..	$	82,054,731	$	3,216,293	$	85,271,024	$	843,258,999	100.000%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

The City of Springfield has made additional contributions to reduce the City's share of the net pension liability. The additional contributions by the City, and interest on them, have been allocated 100% to the City. The remaining assets have been allocated in proportion to the total pension liability.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2021

	City of Springfield	Springfield Housing Authority	Springfield Water & Sewer Commission	Totals
Net Pension Liability				
Beginning net pension liability	$ 800,049,243	$ 34,598,657	$ 69,512,469	$ 904,160,369
Ending net pension liability	$ 744,299,941	$ 32,243,326	$ 66,715,732	$ 843,258,999
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 9,008,295	$ 390,242	$ 807,463	$ 10,206,000
Changes of assumptions	29,867,888	1,293,887	2,677,225	33,839,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,171,807	186,584	1,931,794	5,290,185
Total Deferred Outflows of Resources	$ 42,047,990	$ 1,870,713	$ 5,416,482	$ 49,335,185
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 16,020,041	$ 693,994	$ 1,435,965	$ 18,150,000
Net difference between projected and actual investment earnings on pension plan investments	49,648,888	2,150,807	4,450,305	56,250,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,611,893	1,655,030	2,023,262	5,290,185
Total Deferred Inflows of Resources	$ 67,280,822	$ 4,499,831	$ 7,909,532	$ 79,690,185
Pension Expense				
Proportionate share of plan pension expense	$ 61,397,011	$ 2,639,066	$ 5,460,577	$ 69,496,654
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	1,799,485	(763,243)	(1,036,242)	-
Total Employer Pension Expense	$ 63,196,496	$ 1,875,823	$ 4,424,335	$ 69,496,654
Contributions				
Statutory required contribution	$ 75,320,210	$ 3,242,223	$ 6,708,591	$ 85,271,024
Contribution in relation to statutory required contribution	(75,320,210)	(3,242,223)	(6,708,591)	(85,271,024)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	48.27%	47.96%	47.96%	48.23%
Deferred Outflows(Inflows) Recognized in Future Pension Expense				
June 30, 2023	$ (1,098,561)	$ (615,003)	$ (653,436)	$ (2,367,000)
June 30, 2024	(8,536,733)	(1,118,339)	(995,928)	(10,651,000)
June 30, 2025	(6,512,274)	(518,992)	(647,734)	(7,679,000)
June 30, 2026	(9,261,614)	(390,721)	(443,665)	(10,096,000)
June 30, 2027	176,350	13,937	247,713	438,000
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	$ (25,232,832)	$ (2,629,118)	$ (2,493,050)	$ (30,355,000)
Discount Rate Sensitivity				
1% decrease (6.00%)	$ 874,932,565	$ 37,902,376	$ 78,425,059	$ 991,260,000
Current discount rate (7.00%)	$ 744,299,941	$ 32,243,326	$ 66,715,732	$ 843,258,999
1% increase (8.00%)	$ 633,515,399	$ 27,444,102	$ 56,785,499	$ 717,745,000
Covered Payroll	$ 156,040,497	$ 6,759,727	$ 13,986,775	$ 176,787,000

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTE I – Schedule of Employer Allocations

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

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2020, were applied to allocate the System's fiscal year 2022, pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees, including the ERIP less the accrued liability for the members as active employees excluding the ERIP, represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the system's funding schedule. The ERIP payments extend out through 2028.

The allocation percentage of the total net pension liability is a blended rate of the following two items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2021, pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are presented in accordance with GASB Statements.

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

Financial Section

1

This page left intentionally blank

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Springfield Contributory Retirement System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Contributory Retirement System as of December 31, 2020 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2021, on our consideration of the Springfield Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Springfield Contributory Retirement System's internal control over financial reporting and compliance.

Restriction on Use

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

Powers & Sullivan, LLC

August 30, 2021

Management's Discussion and Analysis

As management of the Springfield Contributory Retirement System ("System"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2020. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $450.6 million (net position).
- The System's net position increased by $51.7 million for the year ended December 31, 2020.
- Total investment income was $44.7 million; investment expenses were $1.8 million; and the net investment income for the current year was $42.9 million.
- Total contributions were $97.9 million, including $78.1 million from employers, $18.4 million from members, and other contributions of $1.4 million.
- Deductions for retirement benefits, refunds, and transfers amounted to $88.2 million.
- Administrative expenses were $882,000 or approximately 1.0% of total deductions.
- The total pension liability was $1.355 billion as of December 31, 2020 while the net pension liability was $904.2 million.
- The Plan fiduciary net position as a percentage of the total pension liability (funding percentage) was 33.26%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements comprise four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of net position* presents information on all assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities (net position) by $450.6 million at the close of 2020.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the System's net position include investments of $410.6 million, cash and cash equivalents of $5.2 million and accounts receivable of $34.8 million; less liabilities of $20,500.

In 2020, the System's total additions were $140.8 million while retirement benefit payments, transfers to other systems, and administration expenses were $89.1 million which resulted in a current increase of $51.7 million. In 2019, the System's total additions were $147 million while retirement benefit payments, transfers to other systems, and administration expenses were $85.9 million which resulted in a prior year increase of $61.1 million.

Net investment income was $42.9 million and $54 million in 2020, and 2019, respectively. The annual money weighted rate of return was 11.46% and 15.78% in 2020 and 2019, respectively. The system's investment policy is designed to achieve a long-term rate of return of 7.25% and some fluctuation in annual investment returns is expected.

The following tables present summarized financial information for the past two years:

Statement of Fiduciary Net Position

		2020		2019
Cash and cash equivalents……………………	$	5,214,255	$	1,086,403
Investments……………………………………		410,643,015		397,650,178
Receivables……………………………………		34,760,869		176,944
Accounts payable………………………………		(20,508)		(1,434)
Net Position Restricted for Pensions……..	$	**450,597,631**	$	**398,912,091**

The increase in receivables in 2020 relates to the Retirement Board authorizing the member units to fund their pension appropriations throughout their respective fiscal years for cash flow management purposes due to the uncertainties brought about by the COVID-19 pandemic.

Statement of Changes in Fiduciary Net Position

		2020		2019
Additions:				
Contributions:				
Member contributions…………………………..	$	18,447,034	$	18,915,995
Employer contributions…………………………		78,087,018		72,757,453
Other contributions………………………………		1,381,114		1,344,678
Total contributions………………………….		97,915,166		93,018,126
Net investment income:				
Total investment income……………………….		44,664,048		55,842,683
Less; investment expenses……………………		(1,808,393)		(1,877,347)
Net investment income…………………………		42,855,655		53,965,336
Total additions………………………………..		140,770,821		146,983,462
Deductions:				
Administration……………………………………….		881,842		880,489
Retirement benefits, refunds and transfers……….		88,203,439		85,044,744
Total deductions………………………………		89,085,281		85,925,233
Net increase/(decrease) in fiduciary net position……		51,685,540		61,058,229
Fiduciary net position at beginning of year…………..		398,912,091		337,853,862
Fiduciary net position at end of year………………….	$	450,597,631	$	398,912,091

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Executive Director, 70 Tapley Street, Springfield, Massachusetts, 01104.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2020

Assets		
Cash	$	5,214,255
Investments:		
Investments in Pension Reserve Investment Trust		410,543,943
Alternative investments		99,072
Total investments		410,643,015
Receivables:		
Member make-up payments and redeposits		188,699
Pension fund appropriation due from the City of Springfield		34,567,452
Other		4,718
Total receivables		34,760,869
Total assets		450,618,139
Liabilities		
Accounts payable		20,508
Net Position Restricted for Pensions	$	450,597,631

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2020

Additions:		
Contributions:		
Employer contributions	$	78,087,018
Member contributions		17,169,940
Member contributions - transfers from other systems		1,083,714
Retirement benefits - 3(8)c contributions from other systems		923,472
Retirement benefits - State COLA reimbursements		456,454
Members' makeup payments and redeposits		142,308
Reimbursement of 91A overearnings		51,072
Other receipts		1,188
Total contributions		97,915,166
Net investment income:		
Investment income		23,952,776
Net change in fair value of investments		20,711,272
Less, investment expenses		(1,808,393)
Net investment income		42,855,655
Total additions		140,770,821
Deductions:		
Administration		881,842
Member contributions - transfers to other systems		862,973
Retirement benefits - 3(8)c payments to other systems		2,631,137
Retirement benefits and refunds		84,709,329
Total deductions		89,085,281
Net increase in fiduciary net position		51,685,540
Fiduciary net position at beginning of year		398,912,091
Fiduciary net position at end of year	$	450,597,631

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The Springfield Contributory Retirement System ("System" or "SCRS") is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering employees of the three member units (employers) of the SCRS: 1) the City of Springfield, Massachusetts, 2) the Springfield Housing Authority, and 3) the Springfield Water & Sewer Commission. All employees and retirees and beneficiaries of these member units, except for employees of the Springfield School Department who serve in a teaching capacity, are members of the SCRS. The pensions of school employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the SCRS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement Systems' unfunded liabilities, and in some Systems have actually reduced such liability.

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Investments

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

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consist of the pension fund appropriation due from the City of Springfield, member deductions, and other reimbursements. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles. All amounts were received subsequent to year-end.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of two representatives of the City of Springfield government, two who are elected from and by the active and retired members of the system, and a fifth member, selected by the four who shall not be a member of the system.

Chairman - Elected...........	Thomas M. Scanlon	Term Expires:	6/30/2023
Elected Member...............	Robert P. Moynihan	Term Expires:	7/31/2022
Appointed Member...........	Haskell O. Kennedy, Jr.	Term Expires:	6/30/2022
Appointed 5th Member......	Philip J. Mantoni	Term Expires:	7/31/2021
Ex-Officio.........................	Patrick S. Burns	Term Expires:	Indefinite

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

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the System has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made

only upon vouchers signed by three persons designated by the Board.

The SCRS has obtained insurance policies to ensure that all retirement board members, employees, and the Treasurer-Custodian of the SCRS are bonded. The current policy provides a limit of $2,000,000 under a master policy issued through a layered program with Markel America Insurance Company. A separate policy issued through Travelers Casualty and Surety Company provides fidelity coverage for ERISA/Crime actions with a limit of $1,000,000.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2020, the carrying amount of the System's deposits totaled $5,214,255 and the bank balance totaled $6,153,230, which was covered by Federal Depository Insurance and the Depositors Insurance Fund.

Investments

The System's investments are as follows:

Pension Reserves Investment Trust (PRIT)………	$	410,543,943
Alternative Investments………………………………		99,072
Total Investments………………………………………	$	410,643,015

Approximately 99.9% of the Retirement System's investments are in Pension Reserves Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Approximately 0.1% of the System's funds are invested in pooled alternative investments. The market values of assets in those funds are based on the quoted values obtained from each pool.

The System's annual money-weighted rate of return on pension plan investments was 11.46%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Market Value of Investments

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the System's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2020:

Investment Type	December 31, 2020	Fair Value Measurements Using: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Alternative investments…………………………	$ 99,072	$ -	$ -	$ 99,072
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)……	410,543,943			
Total investments…………………………………	$ 410,643,015			

Pooled Alternative Investments classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at December 31, 2020:

Active members………………………………………………	3,253
Inactive members……………………………………………	842
Retirees and beneficiaries currently receiving benefits……	2,813
Total……………………………………………………………	6,908

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2020 were as follows:

Total pension liability…………………………………	$ 1,354,758,000
Total pension plan's fiduciary net position…………	(450,597,631)
Total net pension liability…………………………….	$ 904,160,369
The pension plan's fiduciary net position as a percentage of the total pension liability……….	33.26%

The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions that were applied to all periods as of the December 31, 2020 measurement date:

Valuation date…………………………	January 1, 2020.
Actuarial cost method………………..	Entry Age Normal Cost Method.
Amortization method…………………	Total payments increase 9.2% per year until FY32 with a final amortization payment in FY33.
Remaining amortization period………	12 years from July 1, 2021.
Asset valuation method………………	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return……………..	7.25%, net of pension plan investment expense, including inflation.
Discount rate………………………….	7.25%
Inflation rate…………………………..	Not explicitly assumed.
Projected salary increases………….	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments……………	3% of the first $13,000 of retirement income.
Mortality rates…………………………	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

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

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and target asset allocation. The 30 year expected returns are shown on a geometric return basis.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities………………………	23.10%	6.40%
International equities……………………	14.40%	6.60%
Emerging international equities………..	5.80%	8.40%
Hedged equities…………………………	8.80%	5.70%
Core fixed income………………………	15.80%	2.25%
Value added fixed income……………..	7.40%	6.20%
Private equity……………………………	12.60%	10.20%
Real estate………………………………	8.30%	6.00%
Timberland………………………………	3.30%	6.60%
Portfolio completion……………………	0.50%	5.20%
Total………………………………………	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rated. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Springfield Contributory Retirement System……	$ 1,049,564,000	$ 904,160,369	$ 780,576,000

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The System has no significant commitments or contingencies at year end.

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2020, cannot be ascertained, management believes any resulting liability should not materially affect the financial position of the System at December 31, 2020.

NOTE 8 – IMPLEMENTATION OF GASB PRONOUNCEMENTS

In May of 2020, the GASB issued Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postponed the required implementation of many of the upcoming Statements for one year or longer.

There were no GASB pronouncements required to be implemented in 2020 that impacted the Retirement System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through August 30, 2021, which is the date the financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015	2016	2017
Total pension liability:				
Service cost	$ 17,151,000	$ 17,923,000	$ 22,097,000	$ 23,091,000
Interest	77,538,000	79,578,000	84,605,000	87,036,000
Differences between expected and actual experience	-	12,434,000	-	(11,096,000)
Changes in assumptions	-	54,000,000	-	35,400,000
Benefit payments	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)
Net change in total pension liability	26,657,314	92,842,686	32,456,360	56,836,640
Total pension liability, beginning	1,001,475,000	1,028,132,314	1,120,975,000	1,153,431,360
Total pension liability, ending **(a)**	$ 1,028,132,314	$ 1,120,975,000	$ 1,153,431,360	$ 1,210,268,000
Plan fiduciary net position:				
Member contributions	$ 12,150,386	$ 13,184,024	$ 14,098,033	$ 14,658,679
Employer contributions	45,805,630	47,710,101	50,572,700	57,652,878
Net investment income (loss)	20,681,621	1,890,211	20,912,155	50,175,997
Other additions	-	785,488	295,507	121,215
Retirement benefits and refunds, net	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)
Administrative expenses	(751,843)	(722,933)	(830,694)	(796,923)
Net increase (decrease) in fiduciary net position	9,854,108	(8,245,423)	10,802,061	44,217,486
Fiduciary net position at beginning of year	286,552,206	296,406,314	288,160,891	298,962,952
Fiduciary net position at end of year **(b)**	$ 296,406,314	$ 288,160,891	$ 298,962,952	$ 343,180,438
Net pension liability - ending (a) - (b)	**$ 731,726,000**	**$ 832,814,109**	**$ 854,468,408**	**$ 867,087,562**
Plan fiduciary net position as a percentage of the total pension liability	28.83%	25.71%	25.92%	28.36%
Covered payroll	$ 139,681,000	$ 152,161,000	$ 152,161,000	$ 154,471,000
Net pension liability as a percentage of covered payroll	523.86%	547.32%	561.56%	561.33%

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

See notes to required supplementary information.

	2018	2019	2020
	$ 23,719,000	$ 24,786,000	$ 26,681,000
	88,350,000	90,693,000	94,486,000
	-	21,761,000	-
	-	22,900,000	-
	(80,146,000)	(82,779,000)	(85,961,000)
	31,923,000	77,361,000	35,206,000
	1,210,268,000	1,242,191,000	1,319,552,000
	$ 1,242,191,000	$ 1,319,552,000	$ 1,354,758,000
	$ 15,900,608	$ 17,994,472	$ 17,584,061
	67,724,281	72,757,453	78,087,018
	(7,964,337)	53,965,336	42,855,655
	889	151	1,188
	(80,163,472)	(82,778,694)	(85,960,540)
	(824,545)	(880,489)	(881,842)
	(5,326,576)	61,058,229	51,685,540
	343,180,438	337,853,862	398,912,091
	$ 337,853,862	$ 398,912,091	$ 450,597,631
	$ 904,337,138	$ 920,639,909	$ 904,160,369
	27.20%	30.23%	33.26%
	$ 154,471,000	$ 171,720,000	$ 171,720,000
	585.44%	536.10%	526.50%

SCHEDULE OF CONTRIBUTIONS

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)		Covered payroll	Contributions as a percentage of covered payroll
December 31, 2020.........	$	78,087,018	$	(78,087,018)	$	-	$	171,720,000	45.47%
December 31, 2019.........		71,639,466		(72,757,453)		(1,117,987)		171,720,000	42.37%
December 31, 2018.........		65,724,281		(67,724,281)		(2,000,000)		154,471,000	43.84%
December 31, 2017.........		57,652,878		(57,652,878)		-		154,471,000	37.32%
December 31, 2016.........		50,572,700		(50,572,700)		-		152,161,000	33.24%
December 31, 2015.........		47,710,100		(47,710,100)		-		152,161,000	31.36%
December 31, 2014.........		45,009,537		(45,009,537)		-		139,681,000	32.22%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2020………………………………..	11.46%
December 31, 2019………………………………..	15.78%
December 31, 2018………………………………..	(2.33%)
December 31, 2017………………………………..	17.04%
December 31, 2016………………………………..	7.45%
December 31, 2015………………………………..	0.58%
December 31, 2014………………………………..	7.24%

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

See notes to required supplementary information.

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

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

NOTE B – CONTRIBUTIONS

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

NOTE C – MONEY WEIGHTED RATE OF RETURN

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

NOTE D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions:

The following changes were reflected in the January 1, 2020 valuation.

- The discount rate was decreased from 7.40% to 7.25%
- Mortality tables were updated.

Changes in Plan Provisions:

None.

Audit of Specific Elements, Accounts, and Items of Financial Statements

This page left intentionally blank

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of the Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2020, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the SCRS Pension Plan as of and for the year ended December 31, 2020, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions for the row totals of all participating entities for the Springfield Contributory Retirement System as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Springfield Contributory Retirement System as of and for the year ended December 31, 2020, and our report thereon, dated August 30, 2021, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers & Sullivan, LLC

August 30, 2021

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2020

Employer	FY2021 Pension Fund Appropriation	Additional Appropriation E.R.I.	FY2021 Total Appropriation	Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Springfield...................................	$ 66,195,880	$ 2,939,024	$ 69,134,904	$ 800,049,243	88.485%
Springfield Housing Authority.....................	2,887,211	87,794	2,975,005	34,598,657	3.827%
Springfield Water & Sewer Commission.......	5,909,409	67,700	5,977,109	69,512,469	7.688%
Total...	$ 74,992,500	$ 3,094,518	$ 78,087,018	$ 904,160,369	100.000%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

The City of Springfield has made additional contributions to reduce the City's share of the net pension liability. The additional contributions by the City, and interest on them, have been allocated 100% to the City. The remaining assets have been allocated in proportion to the total pension liability.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2020

	City of Springfield	Springfield Housing Authority	Springfield Water & Sewer Commission	Totals
Net Pension Liability				
Beginning net pension liability	$ 813,906,113	$ 36,080,960	$ 70,652,836	$ 920,639,909
Ending net pension liability	$ 800,049,243	$ 34,598,657	$ 69,512,469	$ 904,160,369
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 12,439,267	$ 537,944	$ 1,080,789	$ 14,058,000
Changes of assumptions	20,994,913	907,939	1,824,148	23,727,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	5,321,703	-	-	5,321,703
Total Deferred Outflows of Resources	$ 38,755,883	$ 1,445,883	$ 2,904,937	$ 43,106,703
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 2,477,589	$ 107,145	$ 215,266	$ 2,800,000
Net difference between projected and actual investment earnings on pension plan investments	17,885,538	773,472	1,553,990	20,213,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,205,453	3,116,250	5,321,703
Total Deferred Inflows of Resources	$ 20,363,127	$ 3,086,070	$ 4,885,506	$ 28,334,703
Pension Expense				
Proportionate share of plan pension expense	$ 76,650,368	$ 3,300,017	$ 6,630,093	$ 86,580,478
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	2,186,762	(813,139)	(1,373,623)	-
Total Employer Pension Expense	$ 78,837,130	$ 2,486,878	$ 5,256,470	$ 86,580,478
Contributions				
Statutory required contribution	$ 69,134,904	$ 2,975,005	$ 5,977,109	$ 78,087,018
Contribution in relation to statutory required contribution	(69,134,904)	(2,975,005)	(5,977,109)	(78,087,018)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	45.50%	45.27%	45.27%	45.47%
Deferred Outflows(Inflows) Recognized in Future Pension Expense				
June 30, 2022	$ 6,734,321	$ (560,302)	$ (993,019)	$ 5,181,000
June 30, 2023	8,180,106	(224,054)	(227,052)	7,729,000
June 30, 2024	723,657	(727,633)	(551,024)	(555,000)
June 30, 2025	2,754,672	(128,198)	(209,474)	2,417,000
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	$ 18,392,756	$ (1,640,187)	$ (1,980,569)	$ 14,772,000
Discount Rate Sensitivity				
1% decrease (6.25%)	$ 928,710,119	$ 40,162,681	$ 80,691,200	$ 1,049,564,000
Current discount rate (7.25%)	$ 800,049,243	$ 34,598,657	$ 69,512,469	$ 904,160,369
1% increase (8.25%)	$ 690,695,212	$ 29,869,570	$ 60,011,218	$ 780,576,000
Covered Payroll	$ 151,947,000	$ 6,571,048	$ 13,201,951	$ 171,720,000

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTE I – Schedule of Employer Allocations

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

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2019, were applied to allocate the System's fiscal year 2021, pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees, including the ERIP less the accrued liability for the members as active employees excluding the ERIP, represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the system's funding schedule. The ERIP payments extend out through 2028.

The allocation percentage of the total net pension liability is a blended rate of the following two items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2020, pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are presented in accordance with GASB Statements.

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2019

TABLE OF CONTENTS

Financial Section

This page left intentionally blank

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Springfield Contributory Retirement System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Contributory Retirement System as of December 31, 2019 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2020, on our consideration of the Springfield Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Springfield Contributory Retirement System's internal control over financial reporting and compliance.

Restriction on Use

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

Powers + Sullivan, LLC

November 4, 2020

Management's Discussion and Analysis

As management of the Springfield Contributory Retirement System ("System"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2019. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $398.9 million (net position).
- The System's net position increased by $61.1 million for the year ended December 31, 2019.
- Total investment income was $55.8 million; investment expenses were $1.9 million; and the net investment income for the current year was $54 million.
- Total contributions were $93 million, including $72.8 million from employers, $18.9 million from members, and other contributions of $1.3 million.
- Deductions for retirement benefits, refunds, and transfers amounted to $85 million.
- Administrative expenses were $880,000 or approximately 1% of total deductions.
- The total pension liability was $1.32 billion as of December 31, 2019 while the net pension liability was $920.6 million.
- The Plan fiduciary net position as a percentage of the total pension liability was 30.23%.
- Additional City contributions – In October of 2018, the City of Springfield contributed an additional payment of $2 million from its Pension Stabilization fund which was applied against the City's portion of the net pension liability. In March of 2019, the City of Springfield contributed another additional payment of $1.1 million from the City's reserves for the same purpose. Future investment income on these extra contributions will be tracked separately and allocated to the City.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of net position* presents information on all assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the system's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities (net position) by $398.9 million at the close of 2019.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the system's net position include investments of $397.7 million, cash and cash equivalents of $1.1 million and accounts receivable of $177,000; less liabilities of $1,400.

In 2019, the System's total additions were $147 million while retirement benefit payments, transfers to other systems, and administration expenses were $85.9 million which resulted in a current increase of $61 million. In 2018 the System's total additions were $78.2 million while retirement benefit payments, transfers to other systems, and administration expenses were $83.5 million which resulted in a prior year decrease of $5.3 million.

Net investment income/(loss) was $54 million and ($8) million in 2019 and 2018 respectively. The annual money weighted rate of return was 15.78% and (2.33%) in 2019 and 2018, respectively. The system's investment policy is designed to achieve a long-term rate of return of 7.40% and some fluctuation in annual investment returns is expected.

The following tables present summarized financial information for the past two years:

Statement of Fiduciary Net Position

	2019	2018
Cash and cash equivalents……………………	$ 1,086,403	$ 1,053,533
Investments……………………………………	397,650,178	336,541,753
Receivables……………………………………	176,944	279,319
Accounts payable………………………………	(1,434)	(20,743)
Net Position Restricted for Pensions……..	**$ 398,912,091**	**$ 337,853,862**

Statement of Changes in Fiduciary Net Position

	2019	2018
Additions:		
Contributions:		
Member contributions…………………………..	$ 18,915,995	$ 16,871,040
Employer contributions………………………..	72,757,453	67,724,281
Other contributions……………………………..	1,344,678	1,366,706
Total contributions…………………………..	93,018,126	85,962,027
Net investment income (loss):		
Total investment income (loss)……………….	55,842,683	(6,166,227)
Less; investment expenses……………………	(1,877,347)	(1,798,110)
Net investment income (loss)…………………	53,965,336	(7,964,337)
Total additions……………………………….	146,983,462	77,997,690
Deductions:		
Administration…………………………………….	880,489	824,545
Retirement benefits, refunds and transfers……….	85,044,744	82,499,721
Total deductions…………………………….	85,925,233	83,324,266
Net increase/(decrease) in fiduciary net position……	61,058,229	(5,326,576)
Fiduciary net position at beginning of year………….	337,853,862	343,180,438
Fiduciary net position at end of year………………….	$ 398,912,091	$ 337,853,862

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Executive Director, 70 Tapley Street, Springfield, Massachusetts, 01104.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2019

Assets	
Cash	$ 1,086,403
Investments:	
Investments in Pension Reserve Investment Trust	397,244,504
Alternative investments	405,674
Total investments	397,650,178
Receivables:	
Member make-up payments and redeposits	172,302
Other	4,642
Total receivables	176,944
Total assets	398,913,525
Liabilities	
Accounts payable	1,434
Net Position Restricted for Pensions	$ 398,912,091

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2019

Additions:		
Contributions:		
Employer contributions	$	72,757,453
Member contributions		16,452,527
Member contributions - transfers from other systems		2,336,758
Retirement benefits - 3(8)c contributions from other systems		840,479
Retirement benefits - State COLA reimbursements		504,048
Members' makeup payments and redeposits		6,654
Reimbursement of 91A overearnings		120,056
Other receipts		151
Total contributions		93,018,126
Net investment income:		
Investment income		28,171,156
Net change in fair value of investments		27,671,527
Less, investment expenses		(1,877,347)
Net investment income		53,965,336
Total additions		146,983,462
Deductions:		
Administration		880,489
Member contributions - transfers to other systems		921,523
Retirement benefits - 3(8)c payments to other systems		2,778,788
Retirement benefits and refunds		81,344,433
Total deductions		85,925,233
Net increase in fiduciary net position		61,058,229
Fiduciary net position at beginning of year		337,853,862
Fiduciary net position at end of year	$	398,912,091

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The Springfield Contributory Retirement System ("System" or "SCRS") is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering employees of the three member units (employers) of the SCRS: 1) the City of Springfield, Massachusetts, 2) the Springfield Housing Authority and 3) the Springfield Water & Sewer Commission. All employees and retirees and beneficiaries of these member units, except for employees of the Springfield School Department who serve in a teaching capacity, are members of the SCRS. The pensions of school employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the SCRS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement Systems' unfunded liabilities, and in some Systems have actually reduced such liability.

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Investments

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

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consist of member deductions and other miscellaneous reimbursements. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of two representatives of the City of Springfield government, two who are elected from and by the active and retired members of the system, and a fifth member, selected by the four who shall not be a member of the system.

Chairman - Elected	Thomas M. Scanlon	Term Expires:	6/30/2020
Elected Member	Robert P. Moynihan	Term Expires:	7/31/2022
Appointed Member	Haskell O. Kennedy, Jr.	Term Expires:	6/30/2022
Appointed 5th Member	Philip J. Mantoni	Term Expires:	7/31/2021
Ex-Officio	Patrick S. Burns	Term Expires:	Indefinite

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

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the System has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by three persons designated by the Board.

The SCRS has obtained insurance policies to ensure that all retirement board members, employees, and the Treasurer-Custodian of the SCRS are bonded. The current policy provides a limit of $2,000,000 under a master policy issued through a layered program with Markel America Insurance Company. A separate policy issued through Travelers Casualty and Surety Company provides fidelity coverage for ERISA/Crime actions with a limit of $1,000,000.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2019, the carrying amount of the System's deposits totaled $1,086,403 and the bank balance totaled $1,101,673, which was covered by Federal Depository Insurance and Depositors Insurance Fund.

Investments

The System's investments are as follows:

Pension Reserver Investment Trust (PRIT)……….	$	397,244,504
Alternative Investments………………………………		405,674
Total Investments…………………………………	$	397,650,178

Approximately 99.9% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Approximately 0.1% of the System's funds are invested in pooled alternative investments. The market values of assets in those funds are based on the quoted values obtained from each pool.

The System's annual money-weighted rate of return on pension plan investments was 15.78%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Market Value of Investments

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2019:

		Fair Value Measurements Using		
Investment Type	December 31, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Alternative investments..............................	$ 405,674	$ -	$ -	$ 405,674
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)......	397,244,504			
Total investments...	$ 397,650,178			

Pooled Alternative Investments classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at January 1, 2020, the most recent actuarial valuation date:

Active members……………………………………………….	3,345
Inactive members……………………………………………..	826
Retirees and beneficiaries currently receiving benefits……	2,824
Total………………………………………………………….	6,995

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2019 were as follows:

Total pension liability…………………………………	$	1,319,552,000
Total pension plan's fiduciary net position…………		(398,912,091)
Total net pension liability…………………………….	$	920,639,909
The pension plan's fiduciary net position as a percentage of the total pension liability……….		30.23%

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

Valuation date…………………………	January 1, 2020. Actuarial liabilities were rolled back to the December 31, 2019 measurement date.
Actuarial cost method………………..	Entry Age Normal Cost Method.
Amortization method…………………	Total payments increase 9.2% per year until FY32 with a final amortization payment in FY33.
Remaining amortization period………	13 years from July 1, 2020.
Asset valuation method………………	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return……………..	7.25%, net of pension plan investment expense, including inflation. Previously 7.40%.
Discount rate………………………….	7.25%
Inflation rate…………………………..	Not explicitly assumed.
Projected salary increases…………..	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments……………	3% of the first $13,000 of retirement income.
Mortality rates…………………………	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct). Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct). For disabled retirees, the rates reflect the RP-2014 Blue Collar Healthy Annuitant table set forward 1 year projected generationally with Scale MP-2018 (gender distinct).

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

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and target asset allocation. The 30 year expected returns are shown on a geometric return basis.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2019 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities………………………..	13.00%	7.62%
International equities……………………..	13.00%	7.80%
Emerging international equities…………	5.00%	9.31%
Hedged equities…………………………..	8.00%	6.89%
Core fixed income………………………..	15.00%	4.05%
Value added fixed income……………….	8.00%	7.58%
Private equity……………………………..	13.00%	11.15%
Real estate………………………………..	10.00%	6.43%
Timberland………………………………..	4.00%	7.00%
Portfolio completion………………………	11.00%	6.76%
Total………………………………………..	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rated. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Springfield Contributory Retirement System……	$ 1,062,266,000	$ 920,639,909	$ 800,562,000

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The System has no significant commitments or contingencies at year end.

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2019 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2019.

NOTE 8 – IMPLEMENTATION OF GASB PRONOUNCEMENTS

In May of 2020, the GASB issued Statement #95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement postponed the required implementation of many of the upcoming Statements for one year or longer.

There were no GASB pronouncements required to be implemented in 2019 that impacted the Retirement System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 4, 2020, which is the date the financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015	2016	2017	2018	2019
Total pension liability:						
Service cost	$ 17,151,000	$ 17,923,000	$ 22,097,000	$ 23,091,000	$ 23,719,000	$ 24,786,000
Interest	77,538,000	79,578,000	84,605,000	87,036,000	88,350,000	90,693,000
Differences between expected and actual experience	-	12,434,000	-	(11,096,000)	-	21,761,000
Changes in assumptions	-	54,000,000	-	35,400,000	-	22,900,000
Benefit payments	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)	(80,146,000)	(82,779,000)
Net change in total pension liability	26,657,314	92,842,686	32,456,360	56,836,640	31,923,000	77,361,000
Total pension liability, beginning	1,001,475,000	1,028,132,314	1,120,975,000	1,153,431,360	1,210,268,000	1,242,191,000
Total pension liability, ending **(a)**	$ 1,028,132,314	$ 1,120,975,000	$ 1,153,431,360	$ 1,210,268,000	$ 1,242,191,000	$ 1,319,552,000
Plan fiduciary net position:						
Member contributions	$ 12,150,386	$ 13,184,024	$ 14,098,033	$ 14,658,679	$ 15,900,608	$ 17,994,472
Employer contributions	45,805,630	47,710,101	50,572,700	57,652,878	67,724,281	72,757,453
Net investment income (loss)	20,681,621	1,890,211	20,912,155	50,175,997	(7,964,337)	53,965,336
Other additions	-	785,488	295,507	121,215	889	151
Retirement benefits and refunds, net	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)	(80,163,472)	(82,778,694)
Administrative expenses	(751,843)	(722,933)	(830,694)	(796,923)	(824,545)	(880,489)
Net increase (decrease) in fiduciary net position	9,854,108	(8,245,423)	10,802,061	44,217,486	(5,326,576)	61,058,229
Fiduciary net position at beginning of year	286,552,206	296,406,314	288,160,891	298,962,952	343,180,438	337,853,862
Fiduciary net position at end of year **(b)**	$ 296,406,314	$ 288,160,891	$ 298,962,952	$ 343,180,438	$ 337,853,862	$ 398,912,091
Net pension liability - ending (a) - (b)	$ 731,726,000	$ 832,814,109	$ 854,468,408	$ 867,087,562	$ 904,337,138	$ 920,639,909
Plan fiduciary net position as a percentage of the total pension liability	28.83%	25.71%	25.92%	28.36%	27.20%	30.23%
Covered payroll	$ 139,681,000	$ 152,161,000	$ 152,161,000	$ 154,471,000	$ 154,471,000	$ 171,720,000
Net pension liability as a percentage of covered payroll	523.86%	547.32%	561.56%	561.33%	585.44%	536.10%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2019………	$ 71,639,466	$ (72,757,453)	$ (1,117,987)	$ 171,720,000	42.37%
December 31, 2018………	65,724,281	(67,724,281)	(2,000,000)	154,471,000	43.84%
December 31, 2017………	57,652,878	(57,652,878)	-	154,471,000	37.32%
December 31, 2016………	50,572,700	(50,572,700)	-	152,161,000	33.24%
December 31, 2015………	47,710,100	(47,710,100)	-	152,161,000	31.36%
December 31, 2014………	45,009,537	(45,009,537)	-	139,681,000	32.22%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2019…………………………………..	15.78%
December 31, 2018…………………………………..	(2.33%)
December 31, 2017…………………………………..	17.04%
December 31, 2016…………………………………..	7.45%
December 31, 2015…………………………………..	0.58%
December 31, 2014…………………………………..	7.24%

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

See notes to required supplementary information.

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

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

NOTE B – CONTRIBUTIONS

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

NOTE C – MONEY WEIGHTED RATE OF RETURN

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

NOTE D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions

- The discount rate was decreased from 7.40% to 7.25%
- Mortality tables were updated.

Changes in Plan Provisions

None.

Audit of Specific Elements, Accounts and Items of Financial Statements

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of the Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2019, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the SCRS Pension Plan as of and for the year ended December 31, 2019, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

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

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Springfield Contributory Retirement System as of and for the year ended December 31, 2019, and our report thereon, dated November 4, 2020, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers + Sullivan, LLC

November 4, 2020

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2019

Employer		FY2020 Pension Fund Appropriation		Additional Appropriation E.R.I.		FY2020 Total Appropriation		Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Springfield....................................	$	60,553,573	$	2,812,463	$	63,366,036	$	813,906,113	88.407%
Springfield Housing Authority......................		2,712,789		84,013		2,796,802		36,080,960	3.919%
Springfield Water & Sewer Commission.......		5,411,843		64,785		5,476,628		70,652,836	7.674%
Total..	$	68,678,205	$	2,961,261	$	71,639,466	$	920,639,909	100.000%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

The City of Springfield has made additional contributions to reduce the City's share of the net pension liability. The additional contributions by the City, and interest on them, have been allocated 100% to the City. The remaining assets have been allocated in proportion to the total pension liability.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2019

	City of Springfield	Springfield Housing Authority	Springfield Water & Sewer Commission	Totals
Net Pension Liability				
Beginning net pension liability	$ 795,125,634	$ 35,967,327	$ 73,244,177	$ 904,337,138
Ending net pension liability	$ 813,906,113	$ 36,080,960	$ 70,652,836	$ 920,639,909
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 16,831,726	$ 746,161	$ 1,461,113	$ 19,039,000
Changes of assumptions	34,749,084	1,540,448	3,016,468	39,306,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,814,663	-	-	6,814,663
Total Deferred Outflows of Resources	$ 58,395,473	$ 2,286,609	$ 4,477,581	$ 65,159,663
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 4,308,936	$ 191,018	$ 374,046	$ 4,874,000
Net difference between projected and actual investment earnings on pension plan investments	12,134,685	537,938	1,053,377	13,726,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,203,664	4,610,999	6,814,663
Total Deferred Inflows of Resources	$ 16,443,621	$ 2,932,620	$ 6,038,422	$ 25,414,663
Pension Expense				
Proportionate share of plan pension expense	$ 86,302,561	$ 3,764,031	$ 7,370,632	$ 97,437,224
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	2,048,003	(650,155)	(1,397,848)	-
Total Employer Pension Expense	$ 88,350,564	$ 3,113,876	$ 5,972,784	$ 97,437,224
Contributions				
Statutory required contribution	$ 63,366,036	$ 2,796,802	$ 5,476,628	$ 71,639,466
Contribution in relation to statutory required contribution	(64,484,023)	(2,796,802)	(5,476,628)	(72,757,453)
Contribution deficiency/(excess)	$ (1,117,987)	$ -	$ -	$ (1,117,987)
Contributions as a percentage of covered payroll	42.48%	41.56%	41.56%	42.37%
Deferred Outflows(Inflows) Recognized in Future Pension Expense				
June 30, 2021	$ 14,505,370	$ (97,910)	$ (316,460)	$ 14,091,000
June 30, 2022	8,997,022	(285,883)	(809,139)	7,902,000
June 30, 2023	10,439,916	52,682	(43,598)	10,449,000
June 30, 2024	2,989,991	(458,561)	(366,430)	2,165,000
June 30, 2025	5,019,553	143,661	(25,214)	5,138,000
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	$ 41,951,852	$ (646,011)	$ (1,560,841)	$ 39,745,000
Discount Rate Sensitivity				
1% decrease (6.25%)	$ 939,112,874	$ 41,631,453	$ 81,521,673	$ 1,062,266,000
Current discount rate (7.25%)	$ 813,906,113	$ 36,080,960	$ 70,652,836	$ 920,639,909
1% increase (8.25%)	$ 707,749,359	$ 31,374,966	$ 61,437,675	$ 800,562,000
Covered Payroll	$ 151,811,752	$ 6,729,909	$ 13,178,339	$ 171,720,000

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTE I – Schedule of Employer Allocations

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

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2018 were applied to allocate the System's fiscal year 2020 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees, including the ERIP less the accrued liability for the members as active employees excluding the ERIP, represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the system's funding schedule. The ERIP payments extend out through 2028.

The allocation percentage of the total net pension liability is a blended rate of the following two items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2019 pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are presented in accordance with GASB Statements.

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

TABLE OF CONTENTS

This page left intentionally blank

Financial Section

This page left intentionally blank

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Springfield Contributory Retirement System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Contributory Retirement System as of December 31, 2018 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 20, 2019, on our consideration of the Springfield Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Springfield Contributory Retirement System's internal control over financial reporting and compliance.

Restriction on Use

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

Powers + Sullivan, LLC

September 20, 2019

Management's Discussion and Analysis

As management of the Springfield Contributory Retirement System ("System"), we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2018. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $337.9 million (net position).
- The System's net position decreased by $5.3 million for the year ended December 31, 2018.
- Total investment loss was $6.2 million; investment expenses were $1.8 million; and the net investment loss for the current year was $8 million.
- Total contributions were $86 million, including $67.7 million from employers, $16.8 million from members, and other contributions of $1.5 million.
- Deductions for retirement benefits, refunds, and transfers amounted to $82.5 million.
- Administrative expenses were $825,000 or approximately 1% of total deductions.
- The total pension liability was $1.2 billion as of December 31, 2018 while the net pension liability was $904.3 million.
- The Plan fiduciary net position as a percentage of the total pension liability was 27.2%.
- Additional City contributions – In October of 2018 the City of Springfield contributed an additional payment of $2.0 million from its Pension Stabilization fund which was applied against the City's portion of the net pension liability. In March of 2019, subsequent to year-end, the City of Springfield contributed another additional payment of $1,117,987 from the City's reserves for the same purpose.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of net position* presents information on all assets and liabilities with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the system's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities (net position) by $337.9 million at the close of 2018.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the system's net position include investments of $336.5 million, cash and cash equivalents of $1.1 million and accounts receivable of $279,000; less liabilities of $21,000.

In 2018, the System's total additions were $78 million while retirement benefit payments, transfers to other systems, and administration expenses were $83.3 million which resulted in a current deficit of $5.3 million. In 2017 the System's total additions were $124.5 million while retirement benefit payments, transfers to other systems, and administration expenses were $80.3 million which resulted in a prior year increase of $44.2 million.

Net investment income/(loss) was $(8) million and $50.2 million in 2018 and 2017 respectively. The annual money weighted rate of return was (2.33)% and 17.04% in 2018 and 2017, respectively. The system's investment policy is designed to achieve a long-term rate of return of 7.40% and some fluctuation in annual investment returns is expected.

The following tables present summarized financial information for the past two years:

Statement of Fiduciary Net Position

	2018	2017
Cash and cash equivalents........................	$ 1,053,533	$ 1,149,004
Investments...	336,541,753	341,469,925
Receivables...	279,319	565,601
Accounts payable....................................	(20,743)	(4,092)
Net Position Restricted for Pensions........	**$ 337,853,862**	**$ 343,180,438**

Statement of Changes in Fiduciary Net Position

		2018		2017
Additions:				
Contributions:				
Member contributions	$	16,871,040	$	15,233,360
Employer contributions		67,724,281		57,652,878
Other contributions		1,365,817		1,360,247
Total contributions		85,961,138		74,246,485
Net investment income (loss):				
Total investment income (loss)		(6,166,227)		51,827,428
Less; investment expenses		(1,798,110)		(1,651,431)
Net investment income (loss)		(7,964,337)		50,175,997
Other receipts		889		121,215
Total additions		77,997,690		124,543,697
Deductions:				
Administration		824,545		796,923
Retirement benefits, refunds and transfers		82,499,721		79,529,288
Total deductions		83,324,266		80,326,211
Net increase/(decrease) in fiduciary net position		(5,326,576)		44,217,486
Fiduciary net position at beginning of year		343,180,438		298,962,952
Fiduciary net position at end of year	$	337,853,862	$	343,180,438

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Executive Director, 70 Tapley Street, Springfield, Massachusetts, 01104.

This page left intentionally blank

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2018

Assets		
Cash	$	1,053,533
Investments:		
Investments in Pension Reserve Investment Trust		335,867,504
Alternative investments		674,249
Total investments		336,541,753
Receivables:		
Member make-up payments and redeposits		274,075
Other		5,244
Total receivables		279,319
Total assets		337,874,605
Liabilities		
Accounts payable		20,743
Net Position Restricted for Pensions	$	337,853,862

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

Additions:		
Contributions:		
Member contributions	$	15,523,357
Member contributions - transfers from other systems		1,233,813
Retirement benefits - 3(8)c contributions from other systems		816,242
Members' makeup payments and redeposits		113,870
State COLA reimbursements		549,575
Employer contributions		67,724,281
Total contributions		85,961,138
Net investment income (loss):		
Investment income (loss)		24,936,129
Net change in fair value of investments		(31,102,356)
Less, investment expenses		(1,798,110)
Net investment income (loss)		(7,964,337)
Other receipts		889
Total additions		77,997,690
Deductions:		
Administration		824,545
Member contributions - transfers to other systems		1,165,703
Retirement benefits - 3(8)c payments to other systems		2,336,249
Retirement benefits and refunds		78,997,769
Total deductions		83,324,266
Net decrease in fiduciary net position		(5,326,576)
Fiduciary net position at beginning of year		343,180,438
Fiduciary net position at end of year	$	337,853,862

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The Springfield Contributory Retirement System ("System" or "SCRS") is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering employees of the three member units (employers) of the SCRS: 1) the City of Springfield, Massachusetts, 2) the Springfield Housing Authority and 3) the Springfield Water & Sewer Commission. All employees and retirees and beneficiaries of these member units, except for employees of the Springfield School Department who serve in a teaching capacity, are members of the SCRS. The pensions of school employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the SCRS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement Systems' unfunded liabilities, and in some Systems have actually reduced such liability.

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Investments

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

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

Accounts receivable consist of member deductions and other miscellaneous reimbursements. These receivables are considered 100% collectible and therefore do not report an allowance for uncollectibles.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of two representatives of the City of Springfield government, two who are elected from and by the active and retired members of the system, and a fifth member, selected by the four who shall not be a member of the system.

Chairman - Elected	Thomas M. Scanlon	Term Expires:	6/30/2020
Elected Member	Robert P. Moynihan	Term Expires:	7/31/2022
Appointed Member	Haskell O. Kennedy, Jr.	Term Expires:	6/30/2022
Appointed 5th Member	Philip J. Mantoni	Term Expires:	7/31/2021
Ex-Officio	Patrick S. Bums	Term Expires:	Indefinite

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

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the System has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made

only upon vouchers signed by three persons designated by the Board.
The SCRS has obtained insurance policies to ensure that all retirement board members, employees, and the Treasurer-Custodian of the SCRS are bonded. The current policy provides a limit of $2,000,000 under a master policy issued through a layered program with Markel America Insurance Company. A separate policy issued through Travelers Casualty and Surety Company provides fidelity coverage for ERISA/Crime actions with a limit of $1,000,000.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2018, the carrying amount of the System's deposits totaled $1,053,533 and the bank balance totaled $1,087,998, which was covered by Federal Depository Insurance and Depositors Insurance Fund.

Investments

The System's investments are as follows:

Pension Reserver Investment Trust (PRIT)..........	$	335,867,504
Alternative Investments..................................		674,249
Total Investments......................................	$	336,541,753

Approximately 99% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Approximately 1% of the System's funds are invested in pooled alternative investments. The market values of assets in those funds are based on the quoted values obtained from each pool.

The System's annual money-weighted rate of return on pension plan investments was minus 2.33%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Market Value of Investments

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2018:

		Fair Value Measurements Using		
Investment Type	December 31, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments measured at fair value:				
Alternative investments............................	$ 674,249	$ -	$ -	$ 674,249
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)......	335,867,504			
Total investments..	$ 336,541,753			

Pooled Alternative Investments classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at January 1, 2018, the most recent actuarial valuation date:

Active members..	3,188
Inactive members..	698
Retirees and beneficiaries currently receiving benefits......	2,802
Total..	6,688

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2018 were as follows:

Total pension liability	$	1,242,191,000
Total pension plan's fiduciary net position		(337,853,862)
Total net pension liability	$	904,337,138
The pension plan's fiduciary net position as a percentage of the total pension liability		27.20%

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions that was applied to all periods as of the December 31, 2018 measurement date:

Valuation date	January 1, 2018. Actuarial liabilities were rolled forward to the December 31, 2018 measurement date.
Actuarial cost method	Entry Age Normal Cost Method.
Amortization method	Total payments increase 9.0% per year until FY32 with a final amortization payment in FY33.
Remaining amortization period	14 years from July 1, 2019.
Asset valuation method	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return	7.40%, net of pension plan investment expense, including inflation.
Discount rate	7.40%
Inflation rate	Not explicitly assumed.
Projected salary increases	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments	3% of the first $13,000 of retirement income.
Mortality rates	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

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

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and target asset allocation. The 30 year expected returns are shown on a geometric return basis.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities	17.50%	7.62%
International equities	15.50%	7.80%
Emerging international equities	6.00%	9.31%
Core fixed income	12.00%	4.07%
Value added fixed income	10.00%	7.58%
Private equity	12.00%	11.15%
Real estate	10.00%	6.59%
Timberland	4.00%	7.00%
Hedge fund and portfolio completion	13.00%	6.83%
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.40%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rated. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount (7.40%)	1% Increase (8.40%)
Springfield Contributory Retirement System	$ 1,038,492,000	$ 904,337,138	$ 790,319,000

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The System has no significant commitments or contingencies at year end.

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2018 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2018.

NOTE 8 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2018, the following GASB pronouncements were implemented:

- GASB Statement #85, *Omnibus 2017*. This pronouncement did not impact the financial statements.

The following GASB pronouncement will be implemented in the future:

- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.

Management is currently assessing the impact the implementation of this pronouncement will have on the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

In March 2019 the City contributed an additional $1,117,987 to the System to reduce their portion of the unfunded pension liability.

Management has evaluated subsequent events through September 20, 2019, which is the date the financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	2014	2015	2016	2017	2018
Total pension liability:					
Service cost $	17,151,000 $	17,923,000 $	22,097,000 $	23,091,000 $	23,719,000
Interest	77,538,000	79,578,000	84,605,000	87,036,000	88,350,000
Differences between expected and actual experience	-	12,434,000	-	(11,096,000)	-
Changes in assumptions	-	54,000,000	-	35,400,000	-
Benefit payments, including refunds of employee contributions	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)	(80,146,000)
Net change in total pension liability	26,657,314	92,842,686	32,456,360	56,836,640	31,923,000
Total pension liability, beginning	1,001,475,000	1,028,132,314	1,120,975,000	1,153,431,360	1,210,268,000
Total pension liability, ending (a) $	1,028,132,314 $	1,120,975,000 $	1,153,431,360 $	1,210,268,000 $	1,242,191,000
Plan fiduciary net position:					
Member contributions $	12,150,386 $	13,184,024	14,098,033	16,593,607	15,900,608
Employer contributions	45,805,630	47,710,101	50,572,700	57,652,878	67,724,281
Net investment income	20,681,621	1,890,211	20,912,155	50,175,997	(7,964,337)
Other additions	-	785,488	295,507	121,215	889
Retirement benefits and refunds	(68,031,686)	(71,092,314)	(74,245,640)	(79,529,288)	(80,163,472)
Administrative expenses	(751,843)	(722,933)	(830,694)	(796,923)	(824,545)
Net increase (decrease) in fiduciary net position	9,854,108	(8,245,423)	10,802,061	44,217,486	(5,326,576)
Fiduciary net position at beginning of year	286,552,206	296,406,314	288,160,891	298,962,952	343,180,438
Fiduciary net position at end of year (b) $	296,406,314 $	288,160,891 $	298,962,952 $	343,180,438 $	337,853,862
Net pension liability - ending (a) - (b) $	731,726,000 $	832,814,109 $	854,468,408 $	867,087,562 $	904,337,138
Plan fiduciary net position as a percentage of the total pension liability	28.83%	25.71%	25.92%	28.36%	27.20%
Covered payroll $	139,681,000 $	152,161,000 $	152,161,000 $	154,471,000 $	154,471,000
Net pension liability as a percentage of covered payroll	523.86%	547.32%	561.56%	561.33%	585.44%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

Year		Actuarially determined contribution		Contributions in relation to the actuarially determined contribution		Contribution deficiency (excess)		Covered payroll	Contributions as a percentage of covered payroll
December 31, 2018.........	$	65,724,281	$	(67,724,281)	$	(2,000,000)	$	154,471,000	43.84%
December 31, 2017.........		57,652,878		(57,652,878)		-		154,471,000	37.32%
December 31, 2016.........		50,572,700		(50,572,700)		-		152,161,000	33.24%
December 31, 2015.........		47,710,100		(47,710,100)		-		152,161,000	31.36%
December 31, 2014.........		45,009,537		(45,009,537)		-		139,681,000	32.22%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2018	(2.33)%
December 31, 2017	17.04%
December 31, 2016	7.45%
December 31, 2015	0.58%
December 31, 2014	7.24%

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

See notes to required supplementary information.

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

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

Since the system performs an actuarial valuation bi-annually, there are no reported amounts for the changes in benefit terms, differences between expected and actual experience, and changes in assumptions as of December 31, 2018.

NOTE B – CONTRIBUTIONS

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

NOTE C – MONEY WEIGHTED RATE OF RETURN

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

NOTE D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions

None.

Changes in Plan Provisions

None.

Audit of Specific Elements, Accounts and Items of Financial Statements

Powers & Sullivan, LLC

Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of the Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2018, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the SCRS Pension Plan as of and for the year ended December 31, 2018, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions for the row totals of all participating entities for the Springfield Contributory Retirement System as of and for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Springfield Contributory Retirement System as of and for the year ended December 31, 2018, and our report thereon, dated September 20, 2019, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers + Sullivan, LLC

September 20, 2019

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2018

Employer	FY2019 Pension Fund Appropriation	Additional Appropriation E.R.I.	FY2019 Total Appropriation	Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Springfield	$ 55,083,209	$ 2,721,450	$ 57,804,659	$ 795,125,634	87.924%
Springfield Housing Authority	2,526,926	81,294	2,608,220	35,967,327	3.977%
Springfield Water & Sewer Commission	5,248,714	62,688	5,311,402	73,244,177	8.099%
Total	$ 62,858,849	$ 2,865,432	$ 65,724,281	$ 904,337,138	100.000%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2018

	City of Springfield	Springfield Housing Authority	Springfield Water & Sewer Commission	Totals
Net Pension Liability				
Beginning net pension liability	$ 760,463,014	$ 37,259,562	$ 69,364,986	$ 867,087,562
Ending net pension liability	$ 795,125,634	$ 35,967,327	$ 73,244,177	$ 904,337,138
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 2,982,393	$ 134,569	$ 274,038	$ 3,391,000
Net difference between projected and actual investment earnings on pension plan investments	$ 13,003,442	$ 586,732	$ 1,194,826	$ 14,785,000
Changes of assumptions	32,448,360	1,464,111	2,981,529	36,894,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	4,714,502	-	-	4,714,502
Total Deferred Outflows of Resources	$ 53,148,697	$ 2,185,412	$ 4,450,393	$ 59,784,502
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 6,110,783	$ 275,726	$ 561,491	$ 6,948,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	2,352,256	2,362,246	4,714,502
Total Deferred Inflows of Resources	$ 6,110,783	$ 2,627,982	$ 2,923,737	$ 11,662,502
Pension Expense				
Proportionate share of plan pension expense	$ 82,647,588	$ 3,729,166	$ 7,594,103	$ 93,970,857
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	1,313,815	(561,383)	(752,432)	-
Total Employer Pension Expense	$ 83,961,403	$ 3,167,783	$ 6,841,671	$ 93,970,857
Contributions				
Statutory required contribution	$ 57,804,659	$ 2,608,220	$ 5,311,402	$ 65,724,281
Contribution in relation to statutory required contribution	(59,804,659)	(2,608,220)	(5,311,402)	(67,724,281)
Contribution deficiency/(excess)	$ (2,000,000)	$ -	$ -	$ (2,000,000)
Contributions as a percentage of covered payroll	44.02%	42.55%	42.55%	43.84%
Deferred Outflows(Inflows) Recognized in Future Pension Expense				
June 30, 2020	$ 20,817,659	$ 318,655	$ 1,039,686	$ 22,176,000
June 30, 2021	11,801,878	(88,146)	211,268	11,925,000
June 30, 2022	6,321,772	(279,171)	(306,601)	5,736,000
June 30, 2023	7,754,804	60,730	469,466	8,285,000
June 30, 2024	341,801	(454,638)	112,837	-
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	$ 47,037,914	$ (442,570)	$ 1,526,656	$ 48,122,000
Discount Rate Sensitivity				
1% decrease (6.40%)	$ 913,356,145	$ 41,211,795	$ 83,924,060	$ 1,038,492,000
Current discount rate (7.40%)	$ 795,125,634	$ 35,967,327	$ 73,244,177	$ 904,337,138
1% increase (8.40%)	$ 695,087,411	$ 31,363,231	$ 63,868,358	$ 790,319,000
Covered Payroll	$ 135,857,606	$ 6,130,069	$ 12,483,325	$ 154,471,000

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTE I – Schedule of Employer Allocations

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

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2017 were applied to allocate the System's fiscal year 2019 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees, including the ERIP less the accrued liability for the members as active employees excluding the ERIP, represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the system's funding schedule. The ERIP payments extend out through 2028.

The allocation percentage of the total net pension liability is a blended rate of the following two items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2018 pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are presented in accordance with GASB Statements.

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

TABLE OF CONTENTS

Financial Section

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Springfield Contributory Retirement System's financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Springfield Contributory Retirement System as of December 31, 2017 and the results of its operations and changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 5, 2018, on our consideration of the Springfield Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Springfield Contributory Retirement System's internal control over financial reporting and compliance.

Restriction on Use

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

Powers + Sullivan, LLC

October 5, 2018

Management's Discussion and Analysis

As management of the Springfield Contributory Retirement System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2017. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement system compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $343.2 million (net position).
- The System's net position increased by $44.2 million for the year ended December 31, 2017.
- Total investment income was $51.8 million; investment expenses were $1.6 million; and net investment income was $50.2 million.
- Total contributions were $74.2 million, including $57.7 million from employers, $15.1 million from members, and other contributions of $1.4 million.
- Deductions for retirement benefits, refunds, and transfers amounted to $79.5 million.
- Administrative expenses were $797,000 or approximately 1% of total deductions.
- The Total Pension Liability is $1.2 billion as of December 31, 2017 while the Net Pension Liability is $867.1 million.
- The Plan fiduciary net position as a percentage of the total pension liability is 28.36%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements comprise of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of net position* presents information on all assets and liabilities with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the system's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's assets exceeded liabilities (Net Position) by $343.2 million at the close of 2017.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year end the system's net position include investments of $341.5 million, cash and cash equivalents of $1.1 million and accounts receivable of $566,000; less liabilities of $4,000.

In 2017, the System's total additions were $124.5 million while retirement benefit payments, refunds, transfers and administration expenses were $80.3 million which resulted in a current surplus of $44.2 million. In 2016 the System's total additions were $88.2 million while retirement benefit payments, refunds, transfers and administration expenses were $77.4 million which resulted in a prior year increase of $10.8 million.

Net investment income was $50.2 million and $20.9 million in 2017 and 2016 respectively. The annual money weighted rate of return was 17.04% and 7.45% in 2017 and 2016, respectively. The system's investment policy is designed to achieve a long-term rate of return of 7.40% and some fluctuation in annual investment returns is expected.

The following tables present summarized financial information for the past two years:

	2017	2016
Statement of Fiduciary Net Position		
Cash and cash equivalents………………………………………	$ 1,149,004	$ 2,019,315
Investments…………………………………………………………	341,469,925	296,721,332
Receivables…………………………………………………………	565,601	309,480
Accounts payable and refunds due to members……………	(4,092)	(87,175)
Net Position Restricted for Pension Benefits……………	$ **343,180,438**	$ **298,962,952**

Statement of Changes in Fiduciary Net Position		2017		2016
Additions:				
Contributions:				
Member contributions……………………………………………	$	15,233,360	$	14,085,746
Employer contributions…………………………………………		57,652,878		50,572,700
Other contributions………………………………………………		1,360,247		2,359,399
Total contributions…………………………………………		74,246,485		67,017,845
Net investment income:				
Total investment income………………………………………		51,827,428		22,446,019
Less; investment expenses……………………………………		(1,651,431)		(1,533,864)
Net investment income…………………………………………		50,175,997		20,912,155
Other receipts…………………………………………………………		121,215		295,507
Total additions………………………………………………		124,543,697		88,225,507
Deductions:				
Administration………………………………………………………		796,923		830,694
Retirement benefits, refunds and transfers………………………		79,529,288		76,592,752
Total deductions……………………………………………		80,326,211		77,423,446
Net increase in fiduciary net position…………………………………		44,217,486		10,802,061
Fiduciary net position at beginning of year…………………………		298,962,952		288,160,891
Fiduciary net position at end of year…………………………………	$	343,180,438	$	298,962,952

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Executive Director, 70 Tapley Street, Springfield, Massachusetts, 01104.

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2017

Assets	
Cash	$ 1,149,004
Investments:	
Investments in Pension Reserve Investment Trust	340,731,559
Alternative investments	738,366
Total investments	341,469,925
Receivables:	
Intergovernmental: COLA and survivor benefits	291,401
Member make-up payments and redeposits	266,898
Other	7,302
Total receivables	565,601
Total assets	343,184,530
Liabilities	
Accounts payable	4,092
Total liabilities	4,092
Net Position Restricted for Pensions	$ 343,180,438

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

Additions:		
Contributions:		
Member contributions	$	14,582,801
Member contributions - transfers from other systems		544,108
Retirement benefits - 3(8)c contributions from other systems		763,836
Members' makeup payments and redeposits		106,451
State COLA reimbursements		596,411
Employer contributions		57,652,878
Total contributions		74,246,485
Net investment income:		
Investment income		51,827,428
Less, investment expenses		(1,651,431)
Net investment income		50,175,997
Other receipts		121,215
Total additions		124,543,697
Deductions:		
Administration		796,923
Member contributions - transfers to other systems		638,274
Retirement benefits - 3(8)c payments to other systems		2,320,677
Retirement benefits and refunds		76,570,337
Total deductions		80,326,211
Net increase in fiduciary net position		44,217,486
Fiduciary net position at beginning of year		298,962,952
Fiduciary net position at end of year	$	343,180,438

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

The Springfield Contributory Retirement System (SCRS) is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering employees of the three member units (employers) of the SCRS: 1) the City of Springfield, Massachusetts, 2) the Springfield Housing Authority and 3) the Springfield Water & Sewer Commission. All employees and retirees and beneficiaries of these member units, except for employees of the Springfield School Department who serve in a teaching capacity, are members of the SCRS. The pensions of school employees who serve in a teaching capacity are administered by the Commonwealth of Massachusetts' Teachers Retirement System. Membership in the SCRS is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week.

The System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the Plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest five-year average for members hired after that date. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

Active members contribute between 5% and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the System and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement Systems' unfunded liabilities, and in some Systems have actually reduced such liability.

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

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Cash and Investments

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

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, which are generally included in this category, include actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances the inputs used to measure fair value may fall into different levels of the fair value hierarchy and is based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments see Note 4.

Accounts Receivable

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

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of two representatives of the City of Springfield government, two who are elected from and by the active and retired members of the system, and a fifth member, selected by the four who shall not be a member of the system.

Chairman - Elected	Robert P. Moynihan	Term Expires:	7/31/2019
Elected Member	Thomas M. Scanlon	Term Expires:	6/30/2020
Appointed Member	Haskell O. Kennedy, Jr.	Term Expires:	6/30/2019
Appointed 5th Member	Philip J. Mantoni	Term Expires:	7/31/2021
Ex-Officio	Patrick S. Burns	Term Expires:	Indefinite

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

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the System has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made

only upon vouchers signed by three persons designated by the Board.

The SCRS has obtained insurance policies to ensure that all retirement board members, employees, and the Treasurer-Custodian of the SCRS are bonded. The current policy provides a limit of $2,000,000 under a master policy issued through a layered program with Alterra America Insurance Company. A separate policy issued through Travelers Casualty and Surety Company provides fidelity coverage for ERISA/Crime actions with a limit of $1,000,000.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2017, the carrying amount of the System's deposits totaled $1,149,004 and the bank balance totaled $1,494,533, which was covered by Federal Depository Insurance.

Investments

The System's investments are as follows:

Alternative Investments…………………………………..	$	738,366
Pension Reserver Investment Trust (PRIT)…………		340,731,559
Total Investments……………………………………..	$	341,469,925

Approximately 99% of the Retirement System's investments are in Pension Reserve Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT.

Approximately 1% of the System's funds are invested in pooled alternative investments. The market values of assets in those funds are based on the quoted values obtained from each pool.

The Administration's annual money-weighted rate of return on pension plan investments was 17.04%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Market Value of Investments

The System holds significant amounts of investments that are measured at fair value on a recurring basis. Because investing is a key part of the plan's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System has the following recurring fair value measurements as of December 31, 2017:

		Fair Value Measurements Using		
Investment Type	12/31/2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other investments:				
Alternative investments………………………….	$ 738,366	$ -	$ -	$ 738,366
Investments measured at net asset value:				
Pension Reserve Investment Trust (PRIT)…….	340,731,559			
Total investments…………………………………….	$ 341,469,925			

Pooled Alternative Investments classified in level 3 are valued using either a discounted cash flow or market comparable companies technique.

PRIT Investments are valued using the net asset value (NAV) method. This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board (PRIM). The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The System does not have the ability to control any of the investment decisions relative to its funds in PRIT.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at December 31, 2017:

Active members…………………………………………………..	3,206
Inactive members………………………………………………	680
Retirees and beneficiaries currently receiving benefits………	2,802
Total…………………………………………………………………	6,688

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2017 were as follows:

Total pension liability…………………………………….	$	1,210,268,000
Total pension plan's fiduciary net position…………….		(343,180,438)
Total net pension liability………………………………..	$	867,087,562
The pension plan's fiduciary net position as a percentage of the total pension liability……………		28.36%

The total pension liability was determined by an actuarial valuation as of January 1, 2018, using the following actuarial assumptions that was applied to all periods as of the December 31, 2017 measurement date:

Valuation date…………………………………	January 1, 2018, Actuarial liabilities were determined as of the December 31, 2017 measurement date.
Actuarial cost method………………………..	Entry Age Normal Cost Method.
Amortization method…………………………	Total payments increase 9.0% per year until FY32 with a final amortization payment in FY33.
Remaining amortization period………………	15 years from July 1, 2018.
Asset valuation method………………………	Market value for GASB 67/68. For funding purposes, gains and losses each year are recognized over 5 years.
Investment rate of return…………………….	7.40%, net of pension plan investment expense, including inflation.
Discount rate……………………………………	7.40%
Inflation rate……………………………………	Not explicitly assumed.
Projected salary increases……………………	Select and ultimate by job group; ultimate rates 4.25% for Group 1 and 4.75% for Group 4.
Cost of living adjustments…………………….	3% of the first $13,000 of retirement income.
Mortality rates…………………………………	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). For disabled retirees, the rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2012 (gender distinct).

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

The investment return assumption is a long-term assumption and is based on capital market expectations by asset class, historical returns, and professional judgment. The market expectations analysis used a building-block approach which included expected returns by asset class and target asset allocation. The 30 year expected returns are shown on a geometric return basis.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of January 1, 2018 are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Real Rate of Return
Domestic equities…………………………	19.10%	7.75%
International equities………………………	18.10%	7.80%
Emerging international equities……………	8.30%	9.30%
Core fixed income…………………………	12.30%	3.75%
Value added fixed income…………………	7.80%	8.80%
Private equity………………………………	10.20%	9.50%
Real estate…………………………………	8.50%	6.70%
Timberland…………………………………	3.50%	6.25%
Hedge fund and portfolio completion…….	12.20%	6.40%
Total………………………………………	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.40% (down from 7.65% at January 1, 2016). The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rated. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.40%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.40%) or 1-percentage-point higher (8.40%) than the current rate:

	1% Decrease (6.40%)	Current Discount (7.40%)	1% Increase (8.40%)
Springfield Contributory Retirement System's net pension liability as of December 31, 2017…………….	$ 997,796,000	$ 867,087,562	$ 756,000,000

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

NOTE 7 – COMMITMENTS AND CONTINGENCIES

The System has no significant commitments or contingencies at year end.

Various legal actions and claims are pending against the System. Litigation is subject to many uncertainties, and the outcome of individual litigated matters is not always predictable. Although the amount of liability, if any, at December 31, 2017 cannot be ascertained, management believes any resulting liability should not materially affect the financial position at December 31, 2017.

NOTE 8 – IMPLEMENTATION OF NEW GASB PRONOUNCEMENTS

During 2017, the following GASB pronouncements were implemented:

- GASB Statement #82, *Pension Issues – an amendment of GASB Statements #67, #68, and #73.* This pronouncement did not impact the basic financial statements.

The following GASB pronouncement will be implemented in the future:

- The GASB issued Statement #83, *Certain Asset Retirement Obligations*, which is required to be implemented in 2019.
- The GASB issued Statement #84, *Fiduciary Activities*, which is required to be implemented in 2019.
- The GASB issued Statement #87, *Leases*, which is required to be implemented in 2021.
- The GASB issued Statement #88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, which is required to be implemented in 2019.
- The GASB issued Statement #89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, which is required to be implemented in 2021.
- The GASB issued Statement #90, *Majority Equity Interests – an amendment of GASB Statements #14 and #61*, which is required to be implemented in 2020.

Management is currently assessing the impact the implementation of this pronouncement will have on the financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 5, 2018, which is the date the financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS

	2014	2015	2016	2017
Total pension liability:				
Service cost	$ 17,151,000	$ 17,923,000	$ 22,097,000	$ 23,091,000
Interest	77,538,000	79,578,000	84,605,000	87,036,000
Differences between expected and actual experience	-	12,434,000	-	(11,096,000)
Changes in assumptions	-	54,000,000	-	35,400,000
Benefit payments, including refunds of employee contributions	(68,031,686)	(71,092,314)	(74,245,640)	(77,594,360)
Net change in total pension liability	26,657,314	92,842,686	32,456,360	56,836,640
Total pension liability, beginning	1,001,475,000	1,028,132,314	1,120,975,000	1,153,431,360
Total pension liability, ending **(a)**	$ 1,028,132,314	$ 1,120,975,000	$ 1,153,431,360	$ 1,210,268,000
Plan fiduciary net position:				
Member contributions	$ 12,150,386	$ 13,184,024	14,098,033	16,593,607
Employer contributions	45,805,630	47,710,101	50,572,700	57,652,878
Net investment income	20,681,621	1,890,211	20,912,155	50,175,997
Other additions	-	785,488	295,507	121,215
Retirement benefits and refunds	(68,031,686)	(71,092,314)	(74,245,640)	(79,529,288)
Administrative expenses	(751,843)	(722,933)	(830,694)	(796,923)
Net increase (decrease) in fiduciary net position	9,854,108	(8,245,423)	10,802,061	44,217,486
Fiduciary net position at beginning of year	286,552,206	296,406,314	288,160,891	298,962,952
Fiduciary net position at end of year **(b)**	$ 296,406,314	$ 288,160,891	$ 298,962,952	$ 343,180,438
Net pension liability - ending (a) - (b)	$ 731,726,000	$ 832,814,109	$ 854,468,408	$ 867,087,562
Plan fiduciary net position as a percentage of the total pension liability	28.83%	25.71%	25.92%	28.36%
Covered payroll	$ 139,681,000	$ 152,161,000	$ 152,161,000	154,471,000
Net pension liability as a percentage of covered payroll	523.86%	547.32%	561.56%	561.33%

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

See notes to required supplementary information.

SCHEDULE OF CONTRIBUTIONS

	2014	2015	2016	2017
Actuarially determined contribution	$ 45,009,537	$ 47,710,100	$ 50,572,700	$ 57,652,878
Contributions in relation to the actuarially determined contribution	45,009,537	47,710,100	50,572,700	57,652,878
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 139,681,000	$ 152,161,000	$ 152,161,000	$ 154,471,000
Contributions as a percentage of covered payroll	32.22%	31.36%	33.24%	37.32%

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

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURN

	2014	2015	2016	2017
Annual money-weighted rate of return, net of investment expense…………………………………………………	7.24%	0.58%	7.45%	17.04%

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

See notes to required supplementary information.

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

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

NOTE B – CONTRIBUTIONS

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

NOTE C – MONEY WEIGHTED RATE OF RETURN

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

NOTE D – CHANGES IN ACTUARIAL ASSUMPTIONS AND PLAN PROVISIONS

Changes in Assumptions

The following assumption changes were reflected in the January 1, 2018 actuarial valuation:

- The investment return assumption was reduced from 7.65% to 7.40%.
- The mortality assumption was adjusted to reflect the anticipated impact of the local system retiree mortality study currently in progress.

Changes in Plan Provisions

None.

Audit of Specific Elements, Accounts and Items of Financial Statements

This page left intentionally blank.

Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

We have audited the accompanying schedule of employer allocations of the Springfield Contributory Retirement System (SCRS) as of and for the year ended December 31, 2017, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions included in the accompanying schedule of pension amounts by employer of the SCRS Pension Plan as of and for the year ended December 31, 2017, and the related notes.

Management's Responsibility for the Schedules

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

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total covered payroll, total pension expense and contributions for the row totals of all participating entities for the Springfield Contributory Retirement System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the Springfield Contributory Retirement System as of and for the year ended December 31, 2017, and our report thereon, dated October 5, 2018, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

Powers + Sullivan, LLC

October 5, 2018

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2017

Employer	FY2018 Pension Fund Appropriation	Additional Appropriation E.R.I.	FY2018 Total Appropriation	Share of Net Pension Liability	Percent of Total Net Pension Liability
City of Springfield.....................................	$ 47,959,126	$ 2,604,258	$ 50,563,384	$ 760,463,014	87.703%
Springfield Housing Authority.....................	2,399,604	77,794	2,477,398	37,259,562	4.297%
Springfield Water & Sewer Commission.......	4,552,108	59,988	4,612,096	69,364,986	8.000%
Total...	$ 54,910,838	$ 2,742,040	$ 57,652,878	$ 867,087,562	100.000%

See notes to schedule of employer allocations and schedule of pension amounts by employer.

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2017

	City of Springfield	Springfield Housing Authority	Springfield Water & Sewer Commission	Totals
Net Pension Liability				
Beginning net pension liability	$ 748,584,423	$ 35,519,151	$ 70,364,834	$ 854,468,408
Ending net pension liability	$ 760,463,014	$ 37,259,562	$ 69,364,986	$ 867,087,562
Deferred Outflows of Resources				
Differences between expected and actual experience	$ 4,956,981	$ 242,872	$ 452,147	$ 5,652,000
Net difference between projected and actual investment earnings on pension plan investments	8,037,115	393,786	733,099	9,164,000
Changes of assumptions	46,770,330	2,291,554	4,266,116	53,328,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,977,511	932,916	53,159	4,963,586
Total Deferred Outflows of Resources	$ 63,741,937	$ 3,861,128	$ 5,504,521	$ 73,107,586
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 7,912,577	$ 387,684	$ 721,739	$ 9,022,000
Net difference between projected and actual investment earnings on pension plan investments	19,297,322	945,489	1,760,189	22,003,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	1,118,727	3,844,859	4,963,586
Total Deferred Inflows of Resources	$ 27,209,899	$ 2,451,900	$ 6,326,787	$ 35,988,586
Pension Expense				
Proportionate share of plan pension expense	$ 78,271,572	$ 3,834,985	$ 7,139,475	$ 89,246,032
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	972,014	(106,745)	(865,269)	-
Total Employer Pension Expense	$ 79,243,586	$ 3,728,240	$ 6,274,206	$ 89,246,032
Contributions				
Statutory required contribution	$ 50,563,384	$ 2,477,398	$ 4,612,096	$ 57,652,878
Contribution in relation to statutory required contribution	(50,563,384)	(2,477,398)	(4,612,096)	(57,652,878)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	37.32%	37.32%	37.32%	37.32%
Deferred Outflows(Inflows) Recognized in Future Pension Expense				
June 30, 2019	$ 14,806,307	$ 571,079	$ 396,614	$ 15,774,000
June 30, 2020	14,550,213	558,531	373,256	15,482,000
June 30, 2021	5,559,763	118,038	(446,801)	5,231,000
June 30, 2022	94,950	(93,328)	(959,622)	(958,000)
June 30, 2023	1,520,805	254,908	(185,713)	1,590,000
Total Deferred Outflows/(Inflows) Recognized in Future Pension Expense	$ 36,532,038	$ 1,409,228	$ (822,266)	$ 37,119,000
Discount Rate Sensitivity				
1% decrease (6.40%)	$ 875,098,417	$ 42,876,226	$ 79,821,357	$ 997,796,000
Current discount rate (7.40%)	$ 760,463,014	$ 37,259,562	$ 69,364,986	$ 867,087,562
1% increase (8.40%)	$ 663,035,734	$ 32,486,026	$ 60,478,240	$ 756,000,000
Covered Payroll	$ 135,475,917	$ 6,637,763	$ 12,357,320	$ 154,471,000

See notes to schedule of employer allocations and schedule of pension amounts by employer.

NOTE I – Schedule of Employer Allocations

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

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

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the system who are employees of any government unit at the close of business on the September 30th immediately preceding the fiscal year. Accordingly, the proportionate aggregate rates of regular compensation as of the close of business on September 30, 2016 were applied to allocate the System's fiscal year 2018 pension fund appropriation by member unit.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees, including the ERIP less the accrued liability for the members as active employees excluding the ERIP, represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP, and is separately identified in the system's funding schedule. The ERIP payments extend out through 2028.

The allocation percentage of the total net pension liability is a blended rate of the following two items. (1) The proportionate share of active employer's covered payroll is applied to the fiscal year 2018 pension fund appropriation calculated by the actuary. (2) ERIP is a direct charge calculated by PERAC for only the employers that accepted the ERIP.

NOTE II – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions. Additionally, the changes in proportion and differences between employer contributions and proportionate share of contributions are presented in accordance with GASB Statements.

COMMONWEALTH OF MASSACHUSETTS
Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145
Phone: 617-666-4446 | Fax: 617-628-4002
TTY: 617-591-8917 | Web: www.mass.gov/perac