WEST SPRINGFIELD
Retirement System
Audit Report

JAN. 1, 2018 - DEC. 31, 2021

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

Public Employee Retirement Administration Commission

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April 1, 2026

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the West Springfield Retirement System conducted by the firm Melanson, Certified Public Accountants. Melanson conducted these audits in accordance with auditing standards generally accepted in the United States of America (GAAS). The audits covered the period from January 1, 2018, to December 31, 2021.

We conducted an inspection of the work papers prepared by Melanson. 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 field work conducted in the audits by Melanson 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 audit were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that retirement contributions are accurately deducted, 4) that retirement allowances were correctly calculated, and 5) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the West Springfield Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight and verified cash balances. 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 also tested a sample of members who had retired during our audit period to verify that their retirement allowance was calculated in accordance with the statute. We 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 West 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 Melanson 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, and December 31, 2018.

In closing, I wish to acknowledge the work of Melanson who conducted these examinations, and the PERAC examiners who conducted limited procedures to supplement the field work and express my appreciation to the West 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	$2,930,521	1.8%
Fixed Income Securities	61,007,881	37.0%
Equities	100,853,668	61.2%
Grand Total	$164,792,069	100.0%

For the year ending December 31, 2021, the rate of return for the investments of the West Springfield Retirement System was 9.73%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the West Springfield Retirement System averaged 10.33%. 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 West Springfield Retirement System was 8.56%.

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 Chief Financial Officer, 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:	Sharon Wilcox, Chairperson		
Appointed Member:	Thomas J. Cummings	Term Expires:	01/14/2028
Elected Member:	Gwen E. Keough	Term Expires:	08/31/2026
Elected Member:	William M. Flaherty	Term Expires:	02/10/2028
Appointed Member:	Michael Begley	Term Expires:	02/16/2029

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 $1,000,000 with a $10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of $100,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

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

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	13	25	18	6	16	19	30	30	28	30
Ordinary Disability	0	0	0	0	1	0	1	0	0	0
Accidental Disability	0	0	1	2	2	0	0	1	0	0
Total Retirements	13	25	19	8	19	19	31	31	28	30
Total Retirees, Beneficiaries and Survivors	376	391	391	383	386	390	405	431	439	450
Total Active Members	654	628	591	592	594	586	604	610	618	629
Pension Payments										
Superannuation	$4,780,319	$5,082,637	$5,422,182	$5,487,151	$5,770,325	$6,105,036	$6,493,956	$7,094,591	$7,445,451	$7,835,739
Survivor/Beneficiary Payments	473,744	455,220	457,691	514,268	541,109	594,185	603,117	613,351	640,895	717,455
Ordinary Disability	75,223	96,574	94,475	86,340	87,083	87,125	82,603	96,809	96,478	83,715
Accidental Disability	984,883	1,043,346	998,737	1,062,087	1,156,937	1,148,418	1,146,866	1,122,688	1,264,963	1,209,391
Other	489,509	547,141	497,550	633,860	553,977	591,281	568,512	454,597	449,066	487,014
Total Payments for Year	$6,803,678	$7,224,918	$7,470,634	$7,783,706	$8,109,431	$8,526,045	$8,895,055	$9,382,035	$9,896,854	$10,333,314

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Financial Statements, Required Supplementary Information,
and Other Information
For the Year Ended December 31, 2021

(With Independent Auditor's Report Thereon)

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MELANSON

INDEPENDENT AUDITOR'S REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the fiduciary net position of the West Springfield Contributory Retirement System, as of December 31, 2021, and the respective changes in fiduciary net 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 (GAAS). 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 System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements
The System's management is responsible for the preparation and fair presentation of the 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.

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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 System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS, 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 audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System'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 System'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 the Schedules of the Net Pension Liability, Contributions, and Investment Returns, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Melanson

Greenfield, Massachusetts
November 15, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the West Springfield Contributory Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2021.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components (1) fund financial statements and (2) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets, liabilities, and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2021. It reflects contributions by participating employers, active members, and external parties, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to Financial Statements and Required Supplementary Information
The notes to financial statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The required supplementary information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of the Net Pension Liability, Contributions, and Investment Returns.

Financial Highlights

- The System's total net position restricted for pensions was $166,996,599 at December 31, 2021, a change of $12,288,258, or 7.94%, over the prior year. This change is primarily due to investment gains during the year.

- Employer and employee contributions to the plan were $11,051,572, which represents a $382,702 change over the prior year. The employer share of contributions represents 68.50% of the total contributions made to the System.
- Benefits paid to plan participants increased by $455,923 or 3.77%, totaling $12,552,430. At December 31, 2021, there were 452 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 10.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2022 actuarial valuation was 76.71%, with 11 years remaining in its amortization period.

Financial Statement Analysis

The following is a summary of financial statement data for the current and prior fiscal year:

FIDUCIARY NET POSITION

	2021	2020
Assets		
Cash and receivables	$ 5,195,640	$ 4,190,573
Investments	161,861,549	150,570,732
Total Assets	167,057,189	154,761,305
Liabilities		
Accounts payable	60,590	52,964
Net Position		
Restricted for pensions	$ 166,996,599	$ 154,708,341

The System's total assets as of December 31, 2021 were $167,057,189 and were mostly comprised of cash and investments. Total assets increased by $12,295,884, or 7.95%, from the prior year, primarily due to an increase in investment value.

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CHANGES IN FIDUCIARY NET POSITION

	2021	2020
Additions		
Contributions	$ 11,491,940	$ 11,088,398
Net investment income	14,236,152	23,194,684
Total Additions	25,728,092	34,283,082
Deductions		
Benefit payments	12,552,430	12,096,507
Other	887,404	555,522
Total Deductions	13,439,834	12,652,029
Changes in Net Position	12,288,258	21,631,053
Net Position Restricted for Pensions		
Beginning of Year	154,708,341	133,077,288
End of Year	$ 166,996,599	$ 154,708,341

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2021 resulted in a net gain of $12,288,258. Employers' contributions increased by $307,717, or 4.07% in calendar year 2021. The System had net investment income of $14,236,152 versus $23,194,684 in 2020, primarily due to the market performing less favorably in 2021.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2021 were $13,439,834, which represents a change of $787,805, or 6.23%, over deductions of $12,652,029 in calendar year 2020. The payment of pension benefits changed by $455,923 or 3.77% over the previous year.

Return on Investment and Funding

The West Springfield Contributory Retirement System Board continuously monitors investment performance at its monthly meetings. The money-weighted rate of return for the System's investments, as of December 31, 2021, was 9.36%.

Requests for Information

This financial report is designed to provide a general overview of the West Springfield Contributory Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

Mr. James Lovotti
Retirement Director
West Springfield Contributory Retirement System
26 Central Street, 3rd Floor
West Springfield, Massachusetts 01089

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Fiduciary Net Position
December 31, 2021

Assets		
Cash and short-term investments	$	2,930,520
Investments:		
Asset backed securities		809,692
Corporate bonds		9,206,529
Corporate equities		100,853,668
U.S. Treasury notes		50,991,660
Accounts receivable		2,265,120
Total Assets		167,057,189
Liabilities		
Accounts payable		60,590
Net Position		
Restricted for pensions		166,996,599
Total Net Position	$	166,996,599

The accompanying notes are an integral part of these financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2021

Additions		
Contributions:		
Employers	$	7,872,397
Plan members		3,179,175
Other systems and Commonwealth of Massachusetts		337,127
Other		103,241
Total Contributions		11,491,940
Investment income:		
Increase in fair value of investments		14,657,535
Less: management fees		(421,383)
Net Investment Income		14,236,152
Total Additions		25,728,092
Deductions		
Benefit payments to plan members, beneficiaries, and other systems		12,552,430
Refunds to plan members		368,127
Transfers to other systems		228,781
Administrative expenses		290,496
Total Deductions		13,439,834
Net Increase		12,288,258
Net Position Restricted for Pensions		
Beginning of Year		154,708,341
End of Year	$	166,996,599

The accompanying notes are an integral part of these financial statements.

1. Description of Plan

Substantially all employees of the Town of West Springfield (except teachers and administrators under contract employed by the School Department) and West Springfield Housing Authority are members of the West Springfield Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The West Springfield Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2022:

Retirees and beneficiaries receiving benefits	452
Inactive members entitled to a return of employee contributions	198
Active plan members	625
Total	1,275
Number of participating employers	2

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the System. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of $30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering the System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions
Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits
A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the group position for at least 12 months immediately prior to retirement.

Methods of Payment
A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds
Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2021 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the Town of West Springfield and West Springfield Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 9.36%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Laws Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2021, none of the System's bank balance of $3,091,909 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

The following is a summary of the System's investments as of December 31, 2021:

Investment Type	Amount
Asset backed securities	$ 809,692
Corporate bonds	9,206,529
Corporate equities	100,853,668
U.S. Treasury notes	50,991,660
Total Investments	$ 161,861,549

Credit Risk – Investments in Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Laws, Chapter 32, Section 23, limits the investment of pension funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth of Massachusetts, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

As of December 31, 2021, the credit quality ratings, as rated by Moody's Investors Service Inc., of the System's debt securities were as follows (All U.S. Treasury notes have an implied credit rating of AAA):

		Rating as of Year End			
Investment Type	Amount	Aaa	A2	Baa1 and Below	Unrated
Asset backed securities	$ 809,692	$ -	$ -	$ -	$ 809,692
Corporate bonds	9,206,529	2,935,510	5,217,379	1,053,640	-
Total	$ 10,016,221	$ 2,935,510	$ 5,217,379	$ 1,053,640	$ 809,692

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, investment or collateral securities that are in the possession of another party will not be recovered. The System does not have policies for custodial credit risk.

All of the System's investments of $161,861,549 were exposed to custodial credit risk as uninsured and uncollateralized. None of the System's investments were held by the System's brokerage firm or a counterparty.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issuer. Massachusetts General Laws Chapter 32, Section 23 limit the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2021, the System did not have investments in any one issuer that exceeds 5% of total investments.

Interest Rate Risk – Investments in Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations was as follows:

		Investment Maturities (in Years)		
Investment Type	Amount	Less Than 1	1-5	6-10
Asset backed securities	$ 809,692	$ -	$ 809,692	$ -
Corporate bonds	9,206,529	-	3,700,153	5,506,376
U.S. Treasury notes	50,991,660	2,291,329	36,136,623	12,563,708
Total	$ 61,007,881	$ 2,291,329	$ 40,646,468	$ 18,070,084

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

At December 31, 2021, none of the System's investments were exposed to foreign currency risk.

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Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application.*

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or liability. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share outstanding at the close of the period. Investments measured using NAV for fair value are not subject to level classification.

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

		Fair Value Measurements Using:		
Description	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Asset backed securities	$ 809,692	$ -	$ 809,692	$ -
Corporate bonds	9,206,529	-	9,206,529	-
Corporate equities	100,853,668	100,853,668	-	-
U.S. Treasury notes	50,991,660	-	50,991,660	-
Total investments by fair value level	$ 161,861,549	$ 100,853,668	$ 61,007,881	$ -

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System.

The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2021.

6. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on the System's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the System, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the System's financial condition or results of operations remains uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the System is involved. The System's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Unfunded Capital Commitments – Investments

As of December 31, 2021, the System had no outstanding capital commitments.

7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2022.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2021 were as follows:

Total pension liability	$ 217,695,111
Plan fiduciary net position	(166,996,598)
Employers' net pension liability	$ 50,698,513
Plan fiduciary net position as a percentage of total pension liability	76.71%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2022
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	11 years
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increases:	
Group 1 and 2	3.75%
Fire	3.75%
Police	3.75%
Inflation rate	Not explicitly stated
Post-retirement cost-of-living adjustment	3% on the first $13,000
Mortality rates:	
Non-Disabled Retirees	Based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2021 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used.
Disabled Retirees	Based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2021 (sex-distinct) set forward 2 years.

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Changes of Assumptions

The discount rate decreased to 6.75% in 2021 compared to 7.25% in 2020. This change increased the liability by approximately $11 million. The salary assumption increased in 2021. This change decreased the liability by approximately $532,000. The mortality rates were updated to reflect RP-2014 adjusted to 2006, projected generationally using MP-2021. This change decreased the liability by approximately $514,000.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2021, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	45.00%	3.61%
Small/Mid Cap Equities	8.00%	3.61%
International Equities	5.00%	3.70%
Emerging Market Equities	2.00%	5.95%
Fixed Income	40.00%	0.49%
Total	100.00%	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 6.75%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
$ 78,337,285	$ 50,698,513	$ 31,489,592

Deferred Outflows and Inflows of Resources

The following schedule reflects the deferred outflows and inflows of resources for the System for the year ended December 31, 2021:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,437,125	$ (1,078,644)
Changes of assumptions	9,571,299	-
Net difference between projected and actual investment earnings on pension plan investments	-	(11,650,638)
Changes in proportion and differences between employer contributions and proportionate share of contributions	335,683	(335,683)
Total	$ 12,344,107	$ (13,064,965)

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The following summarizes changes in deferred outflows and inflows:

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources						
Differences between expected and actual experience	2021	5.7	$ -	$ 2,573,364	$ (451,467)	$ 2,121,897
	2019	5.7	431,979	-	(116,751)	315,228
Changes of assumptions	2021	5.7		9,940,740	(1,743,989)	8,196,751
	2019	5.7	470,345		(127,121)	343,224
	2018	5.4	1,767,983		(736,659)	1,031,324
	2016	6.0	386,151		(386,151)	
Changes in proportion and differences between employer contributions and proportionate share of contributions	2021	5.7	-	164,123	(28,640)	135,483
	2020	5.7	238,418	-	(51,003)	187,415
	2019	5.7	4,369	-	(1,039)	3,330
	2018	5.4	11,543	-	(4,809)	6,734
	2017	6.0	5,443	-	(2,722)	2,721
	2016	6.0	66,166	-	(66,166)	
Total Deferred Outflows of Resources			3,382,397	12,678,227	(3,716,517)	12,344,107
Deferred Inflows of Resources						
Differences between expected and actual experience	2018	5.4	(1,849,102)	-	770,458	(1,078,644)
	2016	6.0	(765,824)	-	765,824	-
Net difference between projected and actual investment earnings on pension plan investments	2021	5.0	-	(3,229,934)	645,986	(2,583,948)
	2020	5.0	(10,990,068)	-	2,747,513	(8,242,555)
	2019	5.0	(2,429,593)	-	809,868	(1,619,725)
	2018	5.0	1,591,179	-	(795,589)	795,590
	2017	5.0	(2,319,557)	-	2,319,557	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2021	5.7		(164,123)	28,640	(135,483)
	2020	5.7	(238,418)	-	51,003	(187,415)
	2019	5.7	(4,369)		1,039	(3,330)
	2018	5.4	(11,543)		4,809	(6,734)
	2017	6.0	(5,443)		2,722	(2,721)
	2016	6.0	(66,166)	-	66,166	-
Total Deferred Inflows of Resources			(17,088,904)	(3,394,057)	7,417,996	(13,064,965)
Total Collective Deferred Outflows/Inflows of Resources			$ (13,706,507)	$ 9,284,170	$ 3,701,479	$ (720,858)

The following schedule reflects the amortization of the balance of deferred outflows and inflows of resources:

Fiscal Year*	Total
2022	$ (1,002,252)
2023	(1,777,561)
2024	(1,027,336)
2025	1,549,470
2026	1,536,821
	$ (720,858)

** Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflows and inflows in the fiscal year affecting the member unit.*

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Required Supplementary Information
Schedule of Changes in the Net Pension Liability

(Unaudited)
(Amounts expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 3,920	$ 3,779	$ 3,817	$ 3,670	$ 3,462	$ 3,328	$ 3,256
Interest	14,298	13,894	13,818	13,358	13,295	12,962	12,638
Differences between expected and actual experience	2,573	-	665	(4,160)	-	(4,595)	-
Changes of assumptions	9,941	-	725	3,978	-	2,317	-
Benefit payments, including refunds of member contributions	(12,654)	(11,856)	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Net change in total pension liability	18,078	5,817	7,721	6,444	6,349	4,716	6,815
Total pension liability - beginning	199,617	193,800	186,079	179,635	173,286	168,570	161,755
Total pension liability - ending (a)	217,695	199,617	193,800	186,079	179,635	173,286	168,570
Plan Fiduciary Net Position							
Contributions - employer	7,954	7,639	7,307	7,031	6,747	6,485	6,239
Contributions - member	3,043	2,938	2,701	2,685	2,544	2,572	2,388
Net investment income	14,197	23,157	12,946	4,667	19,142	(478)	(880)
Benefit payments, including refunds of member contributions	(12,654)	(11,856)	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Administrative expense	(251)	(247)	(241)	(232)	(219)	(220)	(203)
Net change in plan fiduciary net position	12,289	21,631	11,409	3,749	17,806	(937)	(1,535)
Plan fiduciary net position - beginning	154,708	133,077	121,668	117,919	100,113	101,050	102,585
Plan fiduciary net position - ending (b)	166,997	154,708	133,077	121,668	117,919	100,113	101,050
Net Pension Liability - Ending (a-b)*	$ 50,699	$ 44,909	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520

*Total may not add due to rounding

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the System's financial statements for significant actuarial methods and assumptions.

See Independent Auditor's Report.

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Required Supplementary Information
Schedules of the Net Pension Liability, Contributions, and Investment Returns

(Unaudited)
(Amounts expressed in thousands)

	2021	2020	2019	2018	2017	2016	2015
Schedule of Net Pension Liability							
Total pension liability	$ 217,695	$ 199,617	$ 193,800	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan fiduciary net position	(166,997)	(154,708)	(133,077)	(121,668)	(117,919)	(100,113)	(101,050)
Net pension liability*	$ 50,699	$ 44,909	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520
Plan fiduciary net position as a percentage of the total pension liability	76.71%	77.50%	68.67%	65.39%	65.64%	57.77%	59.95%
Calendar year covered payroll	$ 28,474	$ 28,474	$ 27,779	$ 26,816	$ 27,193	$ 26,147	$ 25,694
Participating employer net pension liability as a percentage of covered payroll	178.05%	157.72%	218.59%	240.20%	226.96%	279.85%	262.79%
Schedule of Contributions							
Actuarially determined contribution	$ 7,882	$ 7,565	$ 7,265	$ 6,977	$ 6,700	$ 6,434	$ 6,187
Contributions in relation to the actuarially determined contribution	(7,954)	(7,639)	(7,307)	(7,031)	(6,747)	(6,485)	(6,239)
Contribution deficiency (excess)	$ (72)	$ (74)	$ (42)	$ (54)	$ (47)	$ (51)	$ (52)
Fiscal year covered payroll	$ 31,274	$ 28,829	$ 28,126	$ 27,352	$ 27,737	$ 26,670	$ 26,208
Contributions as a percentage of covered payroll	25.43%	26.50%	25.98%	25.71%	24.32%	24.32%	23.81%
Schedule of Investment Returns							
Annual money weighted rate of return, net of investment expense	9.36%	17.91%	10.86%	4.03%	19.52%	-0.46%	0.87%

*Total may not add due to rounding

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the System's financial statements for significant actuarial methods and assumptions.

See Independent Auditor's Report.

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INDEPENDENT AUDITOR'S REPORT

To the Contributory Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

Opinion
We have audited the accompanying schedule of employer allocations of the West Springfield Contributory Retirement System (the System) as of and for the year ended December 31, 2021. We have also audited the total for all entities of the titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2021.

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the West Springfield Contributory Retirement System 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 Schedule section of our report. We are required to be independent of the West Springfield Contributory Retirement System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the 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

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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 schedules 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 GAAS 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 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 purpose of expressing an opinion on the effectiveness of the System'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.

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Restriction on Use

Our report is intended solely for the information and use of West Springfield Contributory Retirement System management, the Retirement Board, System employers and their auditors, as of and for the year ended December 31, 2021, and is not intended to be and should not be used by anyone other than these specified parties.

Melanson

Greenfield, Massachusetts
November 15, 2022

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Employer Allocations

Employer	FY 2022 Actual Employer Contributions	Allocation Percentage
Town of West Springfield	$ 7,717,654	97.91%
West Springfield Housing Authority	164,742	2.09%
Total	$ 7,882,396	100.00%

See actuarial assumptions in the West Springfield Contributory Retirement System's audited financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2021

	Town of West Springfield	West Springfield Housing Authority	Total
Net Pension Liability	$ 49,638,914	$ 1,059,599	$ 50,698,513
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 2,386,189	$ 50,936	$ 2,437,125
Changes of assumptions	9,371,259	200,040	9,571,299
Changes in proportion and differences between employer contributions and proportionate share of contributions	193,645	142,038	335,683
Total Deferred Outflows of Resources	$ 11,951,093	$ 393,014	$ 12,344,107
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 1,056,100	$ 22,544	$ 1,078,644
Net difference between projected and actual investment earnings on pension plan investments	11,407,140	243,498	11,650,638
Changes in proportion and differences between employer contributions and proportionate share of contributions	142,038	193,645	335,683
Total Deferred Inflows of Resources	$ 12,605,278	$ 459,687	$ 13,064,965
Pension Expense			
Proportionate share of pension expense	$ 742,134	$ 15,842	$ 757,976
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(45,122)	45,122	
Total Pension Expense	$ 697,012	$ 60,964	$ 757,976
Contributions			
Actuarially determined contribution	$ 7,717,654	$ 164,742	$ 7,882,396
Contributions made	(7,787,749)	(166,238)	(7,953,987)
Contribution deficiency (excess)	$ (70,095)	$ (1,496)	$ (71,591)
Contributions as a percentage of covered payroll	26.09%	26.96%	26.10%
Deferred Outflows/Inflows Recognized in Future Pension Expense			
June 30, 2022	$ (960,262)	$ (41,990)	$ (1,002,252)
June 30, 2023	(1,719,213)	(58,348)	(1,777,561)
June 30, 2024	(983,091)	(44,245)	(1,027,336)
June 30, 2025	1,523,836	25,634	1,549,470
June 30, 2026	1,484,545	52,276	1,536,821
Total Deferred Outflows/Inflows Recognized in Future Pension Expense	$ (654,185)	$ (66,673)	$ (720,858)
Discount Rate Sensitivity			
1% decrease (5.75%)	$ 76,700,036	$ 1,637,249	$ 78,337,285
Current discount rate (6.75%)	49,638,914	1,059,599	50,698,513
1% increase (7.75%)	30,831,459	658,133	31,489,592
Covered Payroll	$ 29,854,629	$ 616,675	$ 30,471,304

See actuarial assumptions in the West Springfield Contributory Retirement System's audited financial statements.

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Financial Statements, Required Supplementary Information,
and Other Information
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

We have audited the accompanying financial statements of the West Springfield Contributory Retirement System (the System), a component unit of the Town of West Springfield, Massachusetts, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements
The System's 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.

Auditors' 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. 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 auditors' 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

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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 fiduciary net position of the West Springfield Contributory Retirement System as of December 31, 2020, and the respective changes in fiduciary net 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 Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of the Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson

Greenfield, Massachusetts
November 9, 2021

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MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the West Springfield Contributory Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2020.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2020. It reflects contributions by participating employers, active members, and external parties, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to Financial Statements and Required Supplementary Information
The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

Financial Highlights

- The System's total net position restricted for pensions was $154,708,341 at December 31, 2020, a change of $21,631,053, or 16.25%, over the prior year. This change is primarily due to investment gains during the year.

- Employer and employee contributions to the plan were $10,668,870, which represents a $442,771 change over the prior year. The employer share of contributions represents 68.22% of the total contributions made to the System.
- Benefits paid to plan participants increased by $761,260 or 6.72%, totaling $12,096,507. At December 31, 2020, there were 431 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2020 actuarial valuation was 77.50%, with 12 years remaining in its amortization period.

Financial Statement Analysis

The following is a summary of financial statement data for the current and prior fiscal years:

FIDUCIARY NET POSITION

	2020	2019
Assets		
Cash and receivables	$ 4,190,573	$ 7,095,025
Investments	150,570,732	129,390,753
Total Assets	154,761,305	136,485,778
Liabilities		
Accounts payable	52,964	3,408,490
Net Position		
Restricted for pensions	$ 154,708,341	$ 133,077,288

The System's total assets as of December 31, 2020 were $154,761,305 and were mostly comprised of cash and investments. Total assets increased by $18,275,527, or 13.39%, from the prior year primarily due to an increase in investment value.

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CHANGES IN FIDUCIARY NET POSITION

	2020	2019
Additions		
Contributions	$ 11,088,398	$ 10,620,854
Net investment income	23,194,684	12,981,205
Total Additions	34,283,082	23,602,059
Deductions		
Benefit payments	12,096,507	11,335,247
Other	555,522	857,182
Total Deductions	12,652,029	12,192,429
Changes in Net Position	21,631,053	11,409,630
Net Position Restricted for Pensions		
Beginning of Year	133,077,288	121,667,658
End of Year	$ 154,708,341	$ 133,077,288

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2020 resulted in a net gain of $21,631,053. Employers' contributions increased by $300,030, or 4.13% in calendar year 2020. The System had net investment income of $23,194,684 versus $12,981,205 in 2019, primarily due to the market performing more favorably in 2020.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2020 were $12,652,029, which represents a change of $459,600, or 3.77%, over deductions of $12,192,429 in calendar year 2019. The payment of pension benefits changed by $761,260 or 6.72% over the previous year.

Return on Investment and Funding

The West Springfield Contributory Retirement System Board continuously monitors investment performance at its monthly meetings. The money-weighted rate of return for the System's investments, as of December 31, 2020, was 17.91%.

Requests for Information

This financial report is designed to provide a general overview of the West Springfield Contributory Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

West Springfield Contributory Retirement System
Mr. James Lovotti, Retirement Director
26 Central Street, 3rd Floor
West Springfield, Massachusetts 01089

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Fiduciary Net Position
December 31, 2020

Assets		
Cash and short-term investments	$	1,994,771
Investments:		
Asset backed securities		2,640,095
Corporate bonds		12,392,257
Corporate equities		98,019,273
U.S. Treasury notes		37,519,107
Accounts receivable		2,195,802
Total Assets		154,761,305
Liabilities		
Accounts payable		52,964
Net Position		
Restricted for Pensions		154,708,341
Total Net Position	$	154,708,341

The accompanying notes are an integral part of these financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020

Additions		
Contributions:		
Employers	$	7,564,680
Plan members		3,104,190
Other systems and Commonwealth of Massachusetts		339,981
Other		79,547
Total contributions		11,088,398
Investment income:		
Increase in fair value of investments		23,575,708
Less: management fees		(381,024)
Net investment income		23,194,684
Total Additions		34,283,082
Deductions		
Benefit payments to plan members, beneficiaries, and other systems		12,096,507
Refunds to plan members		165,426
Transfers to other systems		106,219
Administrative expenses		283,877
Total Deductions		12,652,029
Net Increase		21,631,053
Net Position Restricted for Pensions		
Beginning of Year		133,077,288
End of Year	$	154,708,341

The accompanying notes are an integral part of these financial statements.

1. Description of Plan

Substantially all employees of the Town of West Springfield (except teachers and administrators under contract employed by the School Department) and West Springfield Housing Authority are members of the West Springfield Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The West Springfield Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at January 1, 2020 (the latest actuarial valuation):

Retirees and beneficiaries receiving benefits	431
Inactive members entitled to a return of employee contributions	150
Active plan members	601
Total	1,182
Number of participating employers	2

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of $30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions
Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits
A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a five-member board. The five members include two appointed by the town, two elected by the members and retirees, and a fifth member chosen by the other four members with the approval of PERAC.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2020 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the Town of West Springfield and West Springfield Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 17.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2020, none of the System's bank balance of $2,134,419 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

The following is a summary of the System's investments as of December 31, 2020:

Investment Type	Amount
Asset backed securities	$ 2,640,095
Corporate bonds	12,392,257
Corporate equities	98,019,273
U.S. Treasury notes	37,519,107
Total investments	$ 150,570,732

Credit Risk – Investments of Debt Securities

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security. The System does not have formal investment policies related to credit risk.

As of December 31, 2020, the credit quality ratings, as rated by S&P Global Ratings, of the System's debt securities are as follows (All U.S. Treasury notes have an implied credit rating of AAA):

		Rating as of Year End					
Investment Type	Amount	AAA	AA	A	BBB	BB	Unrated
Asset backed securities	$ 2,640,095	$ 2,640,095	$ -	$ -	$ -	$ -	$ -
Corporate bonds	12,392,257	1,090,722	4,638,165	6,663,370	-	-	-
Corporate equities	98,019,273	2,891,460	22,921,593	18,302,615	32,868,215	3,762,080	17,273,310
Total	$ 113,051,625	$ 6,622,277	$ 27,559,758	$ 24,965,985	$ 32,868,215	$ 3,762,080	$ 17,273,310

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the System will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have policies for custodial credit risk.

All of the System's investments were exposed to custodial credit risk as uninsured and uncollateralized. None of the System's investments are held by the System's brokerage firm or a counterparty.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the System's investment in a single issuer. Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2020, the System does not have investments in any one issuer that exceed 5% of total investments.

Interest Rate Risk – Investments of Debt Securities

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows:

		Investment Maturities (in Years)			
Investment Type	Amount	Less Than 1	1-5	6-10	More Than 10
Asset backed securities	$ 2,640,095	$ 1,813,410	$ 826,685	$ -	$ -
Corporate bonds	12,392,257	2,662,925	1,887,322	7,842,010	-
U.S. Treasury notes	37,519,107	-	4,394,500	29,271,092	3,853,515
Total	$ 52,551,459	$ 4,476,335	$ 7,108,507	$ 37,113,102	$ 3,853,515

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

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

		Fair Value Measurements Using:		
Description	Amount	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Asset backed securities	$ 2,640,095	$ -	$ 2,640,095	$ -
Corporate bonds	12,392,257	-	12,392,257	-
Corporate equities	98,019,273	98,019,273	-	-
U.S. Treasury notes	37,519,107	-	37,519,107	-
Total investments by fair value level	$ 150,570,732	$ 98,019,273	$ 52,551,459	$ -

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2020.

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6. Commitments and Contingencies

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the System, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

Outstanding Legal Issues

On an ongoing basis, there are typically pending legal issues in which the System is involved. The System's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

Unfunded Capital Commitments – Investments

As of December 31, 2020, the System had no outstanding capital commitments.

7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2020, and rolled forward to December 31, 2020.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2020 were as follows:

Total pension liability	$ 199,617,217
Plan fiduciary net position	(154,708,341)
Employers' net pension liability	$ 44,908,876
Plan fiduciary net position as a percentage of total pension liability	77.50%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	12 years
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases:	
Group 1 and 2	2.50%
Fire	2.50%
Police	2.50%
Inflation rate	2.50%
Post-retirement cost-of-living adjustment	3% on the first $13,000
Mortality rates:	
Non-Disabled Retirees	Based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2019 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used.
Disabled Retirees	Based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2019 (sex-distinct) set forward 2 years.

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2020, are summarized in the following table:

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	42.00%	4.11%
Small/Mid Cap Equities	15.00%	4.11%
International Equities	10.00%	4.31%
Emerging Market Equities	3.00%	6.07%
Fixed Income	30.00%	0.49%
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 that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$ 67,379,244	$ 44,908,876	$ 25,969,944

Deferred Outflows/Inflows of Resources

The following schedule reflects the deferred outflows/inflows of resources for the System for the year ended December 31, 2020:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 431,979	$ (2,614,926)
Changes of assumptions	2,624,479	-
Net difference between projected and actual investment earnings on pension plan investments	-	(14,148,039)
Changes in proportion and differences between employer contributions and proportionate share of contributions	325,939	(325,939)
Total	$ 3,382,397	$ (17,088,904)

The following summarizes changes in deferred outflows/inflows:

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources						
Differences between expected and actual experience	2019	5.7	$ 548,730	$ -	$ (116,751)	$ 431,979
Changes of assumptions	2019	5.7	597,466	-	(127,121)	470,345
	2018	5.4	2,504,642	-	(736,659)	1,767,983
	2016	6.0	772,302	-	(386,151)	386,151
Changes in proportion and differences between employer contributions and proportionate share of contributions	2020	5.7	-	289,421	(51,003)	238,418
	2019	5.7	5,408	-	(1,039)	4,369
	2018	5.4	16,352	-	(4,809)	11,543
	2017	6.0	8,165	-	(2,722)	5,443
	2016	6.0	132,331	-	(66,165)	66,166
	2015	5.9	3,076	-	(3,076)	-
Total Deferred Outflows of Resources			4,588,472	289,421	(1,495,496)	3,382,397
Deferred Inflows of Resources						
Differences between expected and actual experience	2018	5.4	(2,619,562)	-	770,460	(1,849,102)
	2016	6.0	(1,531,646)	-	765,822	(765,824)
Net difference between projected and actual investment earnings on pension plan investments	2020	5.0	-	(13,737,581)	2,747,513	(10,990,068)
	2019	5.0	(3,239,461)	-	809,868	(2,429,593)
	2018	5.0	2,386,768	-	(795,589)	1,591,179
	2017	5.0	(4,639,112)	-	2,319,555	(2,319,557)
	2016	5.0	1,626,898	-	(1,626,898)	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2020	5.7	-	(289,421)	51,003	(238,418)
	2019	5.7	(5,408)	-	1,039	(4,369)
	2018	5.4	(16,352)	-	4,809	(11,543)
	2017	6.0	(8,165)	-	2,722	(5,443)
	2016	6.0	(132,331)	-	66,165	(66,166)
	2015	5.9	(3,076)	-	3,076	-
Total Deferred Inflows of Resources			(8,181,447)	(14,027,002)	5,119,545	(17,088,904)
Total Collective Deferred Outflows/Inflows of Resources			$ (3,592,975)	$ (13,737,581)	$ 3,624,049	$ (13,706,507)

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The following schedule reflects the amortization of the balance of deferred outflows/ inflows of resources:

Fiscal Year*		Total
2021	$	(5,250,948)
2022		(2,551,722)
2023		(3,327,031)
2024		(2,576,806)
	$	(13,706,507)

** Presented by member units' fiscal year to fairly present the fiduciary impact of related deferred outflows/inflows in the fiscal year affecting the member unit.*

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Changes in the Net Pension Liability
Required Supplementary Information

(Unaudited)
(Amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 3,779	$ 3,817	$ 3,670	$ 3,462	$ 3,328	$ 3,256
Interest	13,894	13,818	13,358	13,295	12,962	12,638
Differences between expected and actual experience	-	665	(4,160)	-	(4,595)	-
Changes of assumptions	-	725	3,978	-	2,317	-
Benefit payments, including refunds of member contributions	(11,856)	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Net change in total pension liability	5,817	7,721	6,444	6,349	4,716	6,815
Total pension liability - beginning	193,800	186,079	179,635	173,286	168,570	161,755
Total pension liability - ending (a)	199,617	193,800	186,079	179,635	173,286	168,570
Plan Fiduciary Net Position						
Contributions - employer	7,639	7,307	7,031	6,747	6,485	6,239
Contributions - member	2,938	2,701	2,685	2,544	2,572	2,388
Net investment income	23,157	12,946	4,667	19,142	(478)	(880)
Benefit payments, including refunds of member contributions	(11,856)	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Administrative expense	(247)	(241)	(232)	(219)	(220)	(203)
Net change in plan fiduciary net position	21,631	11,409	3,749	17,806	(937)	(1,535)
Plan fiduciary net position - beginning	133,077	121,668	117,919	100,113	101,050	102,585
Plan fiduciary net position - ending (b)	154,708	133,077	121,668	117,919	100,113	101,050
Net Pension Liability - Ending (a-b)	$ 44,909	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditor's Report.

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Schedules of the Net Pension Liability, Contributions, and Investment Returns
Required Supplementary Information

(Unaudited)
(Amounts expressed in thousands)

	2020	2019	2018	2017	2016	2015
Schedule of Net Pension Liability						
Total pension liability	$ 199,617	$ 193,800	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan fiduciary net position	(154,708)	(133,077)	(121,668)	(117,919)	(100,113)	(101,050)
Net pension liability	$ 44,909	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520
Plan fiduciary net position as a percentage of the total pension liability	77.50%	68.67%	65.39%	65.64%	57.77%	59.95%
Calendar year covered payroll	$ 28,474	$ 27,779	$ 26,816	$ 27,193	$ 26,147	$ 25,694
Participating employer net pension liability as a percentage of covered payroll	157.72%	218.59%	240.20%	226.96%	279.85%	262.79%
Schedule of Contributions						
Actuarially determined contribution	$ 7,565	$ 7,265	$ 6,977	$ 6,700	$ 6,434	$ 6,187
Contributions in relation to the actuarially determined contribution	(7,639)	(7,307)	(7,031)	(6,747)	(6,485)	(6,239)
Contribution deficiency (excess)	$ (74)	$ (42)	$ (54)	$ (47)	$ (51)	$ (52)
Fiscal year covered payroll	$ 28,829	$ 28,126	$ 27,352	$ 27,737	$ 26,670	$ 26,208
Contributions as a percentage of covered payroll	26.50%	25.98%	25.71%	24.32%	24.32%	23.81%
Schedule of Investment Returns						
Annual money weighted rate of return, net of investment expense	17.91%	10.86%	4.03%	19.52%	0.46%	0.87%

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2020. We have also audited the total for all entities of the titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2020.

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.

Auditors' Responsibility
Our responsibility is to express opinions on the schedule of employer allocations and the specified 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 totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and specified 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

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control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer.

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the West 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.

Restriction on Use

Our report is intended solely for the information and use of West Springfield Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2020 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson

Greenfield, Massachusetts
November 9, 2021

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Employer Allocations

Employer	FY 2021 Actual Employer Contributions	Allocation Percentage
Town of West Springfield	$ 7,427,759	98.19%
West Springfield Housing Authority	136,921	1.81%
Total	$ 7,564,680	100.00%

See actuarial assumptions in the West Springfield Contributory Retirement System's audited financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2020

	Town of West Springfield	West Springfield Housing Authority	Total
Net Pension Liability	$ 44,096,025	$ 812,851	$ 44,908,876
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 424,160	$ 7,819	$ 431,979
Changes of assumptions	2,576,976	47,503	2,624,479
Changes in proportion and differences between employer contributions and proportionate share of contributions	248,274	77,665	325,939
Total Deferred Outflows of Resources	$ 3,249,410	$ 132,987	$ 3,382,397
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 2,567,595	$ 47,331	$ 2,614,926
Net difference between projected and actual investment earnings on pension plan investments	13,891,959	256,080	14,148,039
Changes in proportion and differences between employer contributions and proportionate share of contributions	77,665	248,274	325,939
Total Deferred Inflows of Resources	$ 16,537,219	$ 551,685	$ 17,088,904
Pension Expense			
Proportionate share of pension expense	$ 1,903,203	$ 35,083	$ 1,938,286
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(13,100)	13,100	-
Total Pension Expense	$ 1,890,103	$ 48,183	$ 1,938,286
Contributions			
Actuarially determined contribution	$ 7,427,759	$ 136,921	$ 7,564,680
Contributions made	(7,500,475)	(138,261)	(7,638,736)
Contribution deficiency (excess)	$ (72,716)	$ (1,340)	$ (74,056)
Contributions as a percentage of covered payroll	26.88%	24.23%	26.83%
Deferred Outflows/Inflows Recognized in Future Pension Expense			
June 30, 2021	$ (5,172,235)	$ (78,713)	$ (5,250,948)
June 30, 2022	(2,455,699)	(96,023)	(2,551,722)
June 30, 2023	(3,216,822)	(110,209)	(3,327,031)
June 30, 2024	(2,478,599)	(98,207)	(2,576,806)
June 30, 2025	35,543	(35,543)	
Total Deferred Outflows/Inflows Recognized in Future Pension Expense	$ (13,287,812)	$ (418,695)	$ (13,706,507)
Discount Rate Sensitivity			
1% decrease (6.25%)	$ 66,159,680	$ 1,219,564	$ 67,379,244
Current discount rate (7.25%)	44,096,025	812,851	44,908,876
1% increase (8.25%)	25,499,888	470,056	25,969,944
Covered Payroll	$ 27,902,979	$ 570,550	$ 28,473,529

See actuarial assumptions in the West Springfield Contributory Retirement System's audited financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

We have audited the accompanying financial statements of the West Springfield Contributory Retirement System (the System), a component unit of the Town of West Springfield, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The System's 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.

Auditors' 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. 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 auditors' 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

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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 fiduciary net position of the West Springfield Contributory Retirement System as of December 31, 2019, and the respective changes in fiduciary net 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 Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson

Greenfield, Massachusetts
February 3, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the West Springfield Contributory Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2019.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2019. It reflects contributions by members and participating employers, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to Financial Statements
The notes provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

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Financial Highlights

- The System's total net position restricted for pensions was $133,077,288 at December 31, 2019.
- The System's net position increased by $11,409,630, which is primarily due to investment gains during the year.
- Employer and employee contributions to the plan were $10,226,099, which represents a $432,765 increase compared to the prior year. The employer share of contributions represents 68.40% of the total contributions made to the System.
- Benefits paid to plan participants increased by $753,528 or 7.12%, totaling $11,335,247. At December 31, 2019, there were 431 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2020 actuarial valuation was 68.67%, with 12 years remaining in its amortization period.

Financial Statement Analysis

The following is a summary of financial statement data for the current and prior fiscal years:

FIDUCIARY NET POSITION

	2019	2018
Assets		
Cash and receivables	$ 7,094	$ 7,687
Investments	129,391	117,434
Total Assets	136,485	125,121
Liabilities		
Accounts payable	3,408	3,453
Net Position		
Restricted for pensions	$ 133,077	$ 121,668

The System's total assets as of December 31, 2019 were $136,485,778 and were mostly comprised of investments. Total assets increased by $11,364,902, or 9.08%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	2019	2018
Additions		
Contributions	$ 10,621	$ 10,203
Investment income, net	12,981	4,707
Total Additions	23,602	14,910
Deductions		
Benefit payments	11,335	10,582
Other	858	579
Total Deductions	12,193	11,161
Change in Net Position	11,409	3,749
Net Position Restricted for Pensions		
Beginning of Year	121,668	117,919
End of Year	$ 133,077	$ 121,668

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2019 resulted in total additions of $23,602,059. Employers' contributions increased by $288,131, or 4.13% in calendar year 2019. The System had net investment income of $12,981,205 versus $4,706,606 in 2018, primarily due to the market performing more favorably in calendar year 2019.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2019 were $12,192,429, which represents an increase of $1,031,867, or 9.25%, over deductions of $11,160,562 in calendar year 2018. The payment of pension benefits increased by $753,528 or 7.12% over the previous year.

Requests for Information

This financial report is designed to provide a general overview of the West Springfield Contributory Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

West Springfield Contributory Retirement System
Mr. James Lovotti, Retirement Director
26 Central Street, 3rd Floor
West Springfield, Massachusetts 01089

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Statement of Fiduciary Net Position
December 31, 2019

Assets		
Cash and short-term investments	$	2,498,792
Investments in:		
Asset backed securities		6,795,000
Corporate bonds		10,982,254
Corporate equities		77,035,186
U.S. Treasury and agencies		34,578,313
Subtotal - Investments		129,390,753
Accounts receivable		4,596,233
Total Assets	$	136,485,778
Liabilities		
Accounts payable	$	3,408,490
Net Position		
Restricted for pension purposes		133,077,288
Total Liabilities and Net Position	$	136,485,778

The accompanying notes are an integral part of these financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

Additions		
Contributions:		
Employers	$	7,264,650
Plan members		2,961,449
Other systems and Commonwealth of Massachusetts		351,575
Other		43,180
Total Contributions		10,620,854
Investment income:		
Appreciation in fair value of investments		13,342,093
Less: Management fees		(360,888)
Net Investment Gain		12,981,205
Total Additions		23,602,059
Deductions		
Benefit payments to plan members and beneficiaries		11,335,247
Refunds to plan members		261,836
Transfers to other systems		319,531
Administrative expenses		275,815
Total Deductions		12,192,429
Net Increase		11,409,630
Net Position Restricted for Pensions		
Beginning of Year		121,667,658
End of Year	$	133,077,288

The accompanying notes are an integral part of these financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

Notes to Financial Statements

1. Description of Plan

Substantially all employees of the Town of West Springfield (except teachers and administrators under contract employed by the School Department) and West Springfield Housing Authority are members of the West Springfield Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The West Springfield Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	431
Inactive members entitled to a return of employee contributions	150
Active plan members	601
Total	1,182
Number of participating employers	2

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of $30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a 5-member board. The 5 members include 2 appointed by the town, 2 elected by the members and retirees, and a fifth member chosen by the other 4 members with the approval of Public Employee Retirement Administration Commission.

Summary of Significant Accounting Policies
The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2019 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting
The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the Town of West Springfield and West Springfield Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments
Investment Policy
Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return
For the year ended December 31, 2019, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 10.86%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Deposits and Investments

Custodial Credit Risk – Deposits
Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2019, $1,180,477 of the System's bank balance of $2,611,627 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

The following is a summary of the System's investments as of December 31, 2019:

Investment Type	Amount
Asset backed securities	$ 6,795,000
Corporate bonds	10,982,254
Corporate equities	77,035,186
U.S. Treasury and agencies	34,578,313
Total	$ 129,390,753

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have a formal policy for custodial risk.

As of December 31, 2019, all of the System's investments were subject to custodial credit risk exposure because the related securities are uninsured and/or uncollateralized. None of the System's investments are held by the System's brokerage firm or a counterparty.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Presented below is the actual rating as of year-end for each investment type for the System. (All U.S Treasury and agency securities have an implied credit rating of AAA):

		Rating as of Year End					
Investment Type	Amount	AAA	AA	A	BBB	BB	Unrated
Asset backed securities	$ 6,795,000	$ 6,795,000	$ -	$ -	$ -	$ -	$ -
Corporate bonds	10,982,254	799,229	2,911,013	7,272,012	-	-	-
Corporate equities	77,035,186	3,800,570	12,751,855	22,852,868	19,082,699	3,028,170	15,519,024
Total	$ 94,812,440	$ 11,394,799	$ 15,662,868	$ 30,124,880	$ 19,082,699	$ 3,028,170	$ 15,519,024

Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2019, the System did not have any investments subject to concentration of credit risk disclosure as any investment classifications exceeding 5% are exempt.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows:

		Investment Maturities (in Years)			
Investment Type	Amount	Less Than 1	1-5	6-10	More Than 10
Asset backed securities	$ 6,795,000	$ 2,049,805	$ 4,745,195	$ -	$ -
Corporate bonds	10,982,254	-	4,757,020	6,225,234	-
U.S. Treasury and agencies	34,578,313	4,095,359	991,680	17,788,204	11,703,070
Total	$ 52,355,567	$ 6,145,164	$ 10,493,895	$ 24,013,438	$ 11,703,070

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

Fair Value

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be

but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.

- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification. The System does not have any investments that are measured at net asset value.

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

		Fair Value Measurements Using:		
Investment Type	Value	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Asset backed securities	$ 6,795,000	$ -	$ 6,795,000	$ -
Corporate bonds	10,982,254	-	10,982,254	-
Corporate equities	77,035,186	77,035,186	-	-
U.S. Treasury and agencies	34,578,313	-	34,578,313	-
Total	$ 129,390,753			

4. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2019.

5. Accounts Payable

This balance represents payment for investment fees paid after December 31, 2019.

6. Contingencies

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System's financial position.

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7. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2020.

Net Pension Liability of Employers

The components of the net pension liability of the participating employers at December 31, 2019 were as follows:

Total pension liability	$	193,800,145
Plan fiduciary net position		(133,077,287)
Employers' net pension liability	$	60,722,858
Plan fiduciary net position as a percentage of total pension liability		68.67%

Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2020
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	12 years
Actuarial assumptions:	
Investment rate of return	7.25%
Projected salary increases:	
Group 1 and 2, Fire, and Police	2.50%
Inflation rate	2.50%
Post-retirement cost-of-living adjustment	3% of first $13,000

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the following: The mortality assumption is based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2019 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used.

Mortality for disabled retirees follows the same table as non-disabled retirees, set forward 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

Changes of Assumptions
The discount rate decreased to 7.25% in 2019 compared to 7.50% in 2018. This change increased the System's liability by approximately $5.0 million. The salary assumption decreased to 2.5% for all employees in 2020 – 2022 and 3.75% thereafter, compared to 4.0% in 2018. This change decreased the System's liability by approximately $2.3 million. The mortality assumption was adjusted to reflect the RP-2014 adjusted to 2006, projected generationally using MP-2019 compared to MP-2016 in the prior year. This change decreased the liability by approximately $2.0 million.

Target Allocations
The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2019, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	42.00%	4.29%
Small/Mid Cap Equities	15.00%	4.29%
International Equities	10.00%	4.39%
Emerging Market Equities	3.00%	6.54%
Fixed Income	30.00%	0.88%
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 that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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 Discount Rate
The following presents the net pension liability of the participating employers calculated using the discount rate of 7.25%, as well as what the participating employers' net

pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
$82,696,055	$60,722,858	$42,201,333

Deferred Outflows/(Inflows) of Resources

The following schedule reflects the deferred outflows/(inflows) of resources for the System for the year ended December 31, 2019:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ 548,730	$ (4,151,208)
Changes of assumptions	3,874,410	-
Net difference between projected and actual investment earnings on pension plan investments	-	(3,864,907)
Changes in proportion and differences between employer contributions and proportionate share of contributions	165,332	(165,332)
Total	$ 4,588,472	$ (8,181,447)

The following summarizes changes in deferred outflows/(inflows):

	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Deferred Outflows of Resources						
Difference between expected and actual experience	2019	5.7	$ -	$ 665,481	$ (116,751)	$ 548,730
Change of assumptions	2019	5.7	-	724,586	(127,120)	597,466
	2018	5.4	3,241,301	-	(736,659)	2,504,642
	2016	6.0	1,158,453	-	(386,151)	772,302
Change in proportion and difference between employer contributions and proportionate share of contributions:	2019	5.7	-	6,447	(1,039)	5,408
	2018	5.4	21,161	-	(4,809)	16,352
	2017	6.0	10,887	-	(2,722)	8,165
	2016	6.0	198,496	-	(66,165)	132,331
	2015	5.9	6,945	-	(3,869)	3,076
Total Deferred Outflows of Resources			4,637,243	1,396,514	(1,445,285)	4,588,472
Deferred (Inflows) of Resources						
Difference between expected and actual experience	2018	5.4	(3,390,022)	-	770,460	(2,619,562)
	2016	6.0	(2,297,468)	-	765,822	(1,531,646)
Net difference between projected and actual earning on pension plan investments	2019	5.0	-	(4,049,329)	809,868	(3,239,461)
	2018	5.0	3,182,357	-	(795,589)	2,386,768
	2017	5.0	(6,958,667)	-	2,319,555	(4,639,112)
	2016	5.0	3,253,798	-	(1,626,900)	1,626,898
	2015	5.0	1,755,807	-	(1,755,807)	-
Change in proportion and difference between employer contributions and proportionate share of contributions:	2019	5.7	-	(6,447)	1,039	(5,408)
	2018	5.4	(21,161)	-	4,809	(16,352)
	2017	6.0	(10,887)	-	2,722	(8,165)
	2016	6.0	(198,496)	-	66,165	(132,331)
	2015	5.9	(6,945)	-	3,869	(3,076)
Total Deferred (Inflows) of Resources			(4,691,684)	(4,055,776)	566,013	(8,181,447)
Total Collective Deferred Outflows (Inflows) of Resources			$ (54,441)	$ (2,659,262)	$ (879,272)	$ (3,592,975)

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The following schedule reflects the amortization of the balance of deferred outflows/(inflows) of resources:

Fiscal Year	Total
2021	$ (876,533)
2022	(2,503,432)
2023	195,794
2024	(579,514)
2025	170,710
	$ (3,592,975)

8. Subsequent Event

The COVID-19 outbreak in the United State (and across the globe) has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our members, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-10 may impact our financial condition or results of operations is uncertain.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Required Supplementary Information
Schedule of Changes in the Net Pension Liability

(Unaudited)
(Amounts expressed in thousands)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 3,817	$ 3,670	$ 3,462	$ 3,328	$ 3,256
Interest on unfunded liability - time value of money	13,818	13,358	13,295	12,962	12,638
Differences between expected and actual experience	665	(4,160)	-	(4,595)	-
Changes of assumptions	725	3,978	-	2,317	-
Benefit payments, including refunds of member contributions	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Net Change in Total Pension Liability	7,721	6,444	6,349	4,716	6,815
Total Pension Liability - Beginning	186,079	179,635	173,286	168,570	161,755
Total Pension Liability - Ending (a)	$ 193,800	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan Fiduciary Net Position*					
Contributions - employer	$ 7,307	$ 7,031	$ 6,747	$ 6,485	$ 6,239
Contributions - member	2,701	2,685	2,544	2,572	2,388
Net investment income	12,946	4,667	19,142	(478)	(880)
Benefit payments, including refunds of member contributions	(11,304)	(10,402)	(10,408)	(9,296)	(9,079)
Administrative expense	(241)	(232)	(219)	(220)	(203)
Net Change in Plan Fiduciary Net Position	11,409	3,749	17,806	(937)	(1,535)
Plan Fiduciary Net Position - Beginning	121,668	117,919	100,113	101,050	102,585
Plan Fiduciary Net Position - Ending (b)	$ 133,077	$ 121,668	$ 117,919	$ 100,113	$ 101,050
Net Pension Liability (Asset) - Ending (a-b)	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520

* Reflects certain classification differences from page 8.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Required Supplementary Information
Schedules of Net Pension Liability, Contributions, and Investment Returns

(Amounts expressed in thousands)
(Unaudited)

Schedule of Net Pension Liability	2019	2018	2017	2016	2015
Total pension liability	$ 193,800	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan fiduciary net position	(133,077)	(121,668)	(117,919)	(100,113)	(101,050)
Net pension liability	$ 60,723	$ 64,411	$ 61,716	$ 73,173	$ 67,520
Plan fiduciary net position as a percentage of the total pension liability	68.67%	65.39%	65.64%	57.77%	59.95%
Calendar year covered payroll	$ 27,779	$ 26,816	$ 27,193	$ 26,147	$ 25,694
Participating employer net pension liability as a percentage of covered payroll	218.59%	240.20%	226.96%	279.85%	262.79%

Schedule of Contributions	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 7,265	$ 6,977	$ 6,700	$ 6,434	$ 6,187
Contributions in relation to the actuarially determined contribution	(7,307)	(7,031)	(6,747)	(6,485)	(6,239)
Contribution deficiency (excess)	$ (42)	$ (54)	$ (47)	$ (51)	$ (52)
Fiscal year covered payroll	$ 28,126	$ 27,352	$ 27,737	$ 26,670	$ 26,208
Contributions as a percentage of covered payroll	25.98%	25.71%	24.32%	24.32%	23.81%

Schedule of Investment Returns

Year Ended December 31	2019	2018	2017	2016	2015
Annual money weighted rate of return, net of investment expense	10.86%	4.03%	19.52%	(0.46)%	0.87%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

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MELANSON

INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the West Springfield Contributory Retirement System (the System) as of and for the year ended December 31, 2019. We have also audited the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2019.

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.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified 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 totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment,

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Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the West 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.

Restriction on Use

Our report is intended solely for the information and use of West Springfield Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2019 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson

Greenfield, Massachusetts
February 3, 2021

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Schedule of Employer Allocations

Employer	FY 2020 Actual Employer Contributions	Allocation Percentage
Town of West Springfield	$ 7,100,469	97.74%
West Springfield Housing Authority	164,181	2.26%
Total	$ 7,264,650	100.00%

See actuarial assumptions in the Town of West Springfield Contributory Retirement System audited financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)
Schedule of Pension Amounts by Employer
As of and for the Year Ended December 31, 2019

	Town of West Springfield	West Springfield Housing Authority	Total
Net Pension Liability	$ 59,350,521	$ 1,372,337	$ 60,722,858
Deferred Outflows of Resources			
Differences between expected and actual experience	$ 536,329	$ 12,401	$ 548,730
Changes of assumptions	3,786,848	87,562	3,874,410
Changes in proportion and differences between employer contributions and proportionate share of contributions	16,709	148,623	165,332
Total Deferred Outflows of Resources	$ 4,339,886	$ 248,586	$ 4,588,472
Deferred Inflows of Resources			
Differences between expected and actual experience	$ 4,057,391	$ 93,817	$ 4,151,208
Net difference between projected and actual investment earnings on pension plan investments	3,777,560	87,347	3,864,907
Changes in proportion and differences between employer contributions and proportionate share of contributions	148,623	16,709	165,332
Total Deferred Inflows of Resources	$ 7,983,574	$ 197,873	$ 8,181,447
Pension Expense			
Proportionate share of pension expense	$ 6,995,993	$ 161,765	$ 7,157,758
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(63,311)	63,311	-
Total Pension Expense	$ 6,932,682	$ 225,076	$ 7,157,758
Contributions			
Actuarially determined contribution	$ 7,100,469	$ 164,181	$ 7,264,650
Contributions made	(7,142,249)	(165,147)	(7,307,396)
Contribution deficiency / (excess)	$ (41,780)	$ (966)	$ (42,746)
Contributions as a percentage of covered payroll	26.24%	29.67%	26.31%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense			
June 30, 2021	$ (920,599)	$ 44,066	$ (876,533)
June 30, 2022	(2,513,959)	10,527	(2,503,432)
June 30, 2023	190,430	5,364	195,794
June 30, 2024	(567,203)	(12,311)	(579,514)
June 30, 2025	167,644	3,066	170,710
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$ (3,643,687)	$ 50,712	$ (3,592,975)
Discount Rate Sensitivity			
1% decrease (6.25%)	$ 80,827,124	$ 1,868,931	$ 82,696,055
Current discount rate (7.25%)	$ 59,350,521	$ 1,372,337	$ 60,722,858
1% increase (8.25%)	$ 41,247,583	$ 953,750	$ 42,201,333
Covered Payroll	$ 27,222,419	$ 556,635	$ 27,779,054

See actuarial assumptions in the Town of West Springfield Contributory Retirement System audited financial statements.

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Financial Statements,
Required Supplementary Information,
and Other Information

For the Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

We have audited the accompanying financial statements of the West Springfield Contributory Retirement System (the System), a component unit of the Town of West Springfield, Massachusetts, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The System's 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.

Auditors' 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. 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 auditors' 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 fiduciary net position of the West Springfield Contributory Retirement System as of December 31, 2018, and the respective changes in fiduciary net 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 Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns, listed in the foregoing table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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 basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

December 13, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the West Springfield Contributory Retirement System (the System), we offer readers this narrative overview and analysis of the financial activities of the System for the year ended December 31, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of two components: (1) fund financial statements and (2) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

The Statement of Fiduciary Net Position presents information on the System's assets and liabilities and the resulting net position held in trust restricted for pension benefits. This statement reflects the System's investments at fair value, as well as cash, receivables, and liabilities.

The Statement of Changes in Fiduciary Net Position presents information showing how the System's net position restricted for pensions changed during the year ended December 31, 2018. It reflects contributions by members and participating employers, investment activity, along with deductions for retirement benefits, refunds, transfers, and administrative expenses.

Notes to financial statements. The Notes to Financial Statements provide additional information that is essential for the reader to gain a full understanding of the data provided in the financial statements.

The Required Supplementary Information includes this Management's Discussion and Analysis, the Schedule of Changes in the Net Pension Liability, and the Schedules of Net Pension Liability, Contributions, and Investment Returns.

B. FINANCIAL HIGHLIGHTS

- The System's total net position restricted for pensions was $121,667,658 at December 31, 2018.

- The System's net position increased by $3,749,040, which is primarily due to investment gains during the year.
- Employer and employee contributions to the plan were $9,793,334, which represents a $455,700 increase compared to the prior year. The employer share of contributions represents 68.38% of the total contributions made to the System.
- Benefits paid to plan participants increased by $493,290 or 4.89%, totaling $10,581,719. At December 31, 2018, there were 395 retirees and beneficiaries in receipt of pension benefits, as further discussed on page 9.
- The System's funded ratio (based on the System's GASB 68 valuation) as of the January 1, 2018 actuarial valuation was 65.39%, with 15 years remaining in its amortization period.

C. FINANCIAL STATEMENT ANALYSIS

The following is a summary of financial statement data for the current and prior fiscal years:

FIDUCIARY NET POSITION

	2018	2017
Assets		
Cash and receivables	$ 7,687	$ 3,284
Investments	117,434	114,676
Total Assets	125,121	117,960
Liabilities		
Accounts payable	3,453	41
Net Position		
Restricted for pensions	$ 121,668	$ 117,919

The System's total assets as of December 31, 2018 were $125,120,876 and were mostly comprised of cash and investments. Total assets increased by $7,161,135, or 6.07%, from the prior year primarily due to an increase in investment value.

CHANGES IN FIDUCIARY NET POSITION

	2018	2017
Additions		
Contributions	$ 10,203	$ 9,759
Investment income, net	4,707	19,175
Total Additions	14,910	28,934
Deductions		
Benefit payments	10,582	10,088
Other	579	1,040
Total Deductions	11,161	11,128
Change in Net Position	3,749	17,806
Net Position Restricted for Pensions		
Beginning of Year	117,919	100,113
End of Year	$ 121,668	$ 117,919

The amount needed to finance benefits is accumulated through the collection of employers' and employee's contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 COLA and through earnings on investments. Contributions and net investment income for calendar year 2018 resulted in a net gain of $14,909,602. Employers' contributions increased by $276,702, or 4.13% in calendar year 2018. The System had net investment income of $4,706,606 versus $19,174,939 in 2017, primarily due to the market performing more favorably in calendar year 2017.

The primary deductions of the System include the payment of pension benefits to participants and beneficiaries, refunds and transfers of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, more commonly referred to as 3(8)c reimbursements, and the costs of administering the System. Total deductions for calendar year 2018 were $11,160,562, which represents an increase of $31,328, or 0.28%, over deductions of $11,129,234 in calendar year 2017. The payment of pension benefits increased by $493,290 or 4.89% over the previous year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the West Springfield Contributory Retirement System's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to:

West Springfield Contributory Retirement System
Mr. James Lovotti, Retirement Director
26 Central Street, 3rd Floor
West Springfield, Massachusetts 01089

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Fiduciary Net Position

December 31, 2018

Assets		
Cash and short-term investments	$	3,897,959
Investments in:		
Asset backed securities		12,070,206
Corporate bonds		17,311,059
Corporate equities		51,967,278
U.S. Treasury notes		36,085,395
Subtotal - Investments		117,433,938
Accounts receivable		3,788,979
Total Assets	$	125,120,876
Liabilities		
Accounts payable	$	3,453,218
Net Position		
Restricted for pensions		121,667,658
Total Liabilities and Net Position	$	125,120,876

The accompanying notes are an integral part of these financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2018

Additions	
Contributions:	
Employers	$ 6,976,519
Plan members	2,816,815
Other systems and Commonwealth of Massachusetts	353,793
Other	55,869
Total Contributions	10,202,996
Investment income:	
Appreciation in fair value of investments	5,067,269
Less: management fees	(360,663)
Net Investment Gain	4,706,606
Total Additions	14,909,602
Deductions	
Benefit payments to plan members and beneficiaries	10,581,719
Refunds to plan members	148,611
Transfers to other systems	163,305
Administrative expenses	266,927
Total Deductions	11,160,562
Net Increase	3,749,040
Net Position Restricted for Pensions	
Beginning of Year	117,918,618
End of Year	$ 121,667,658

The accompanying notes are an integral part of these financial statements.

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1. Description of Plan

Substantially all employees of the Town of West Springfield (except teachers and administrators under contract employed by the School Department) and West Springfield Housing Authority are members of the West Springfield Contributory Retirement System (the System), a cost sharing, multiple employer public employee retirement system (PERS). Eligible employees must participate in the System. The pension plan provides pension benefits, deferred allowances, and death and disability benefits. Chapter 32 of the Massachusetts General Laws establishes the authority of the System, contribution percentages, and benefits paid. The West Springfield Contributory Retirement Board does not have the authority to amend benefit provisions.

Membership of the plan consisted of the following at the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	395
Inactive members entitled to a return of employee contributions	142
Active plan members	580
Total	1,117
Number of participating employers	2

Participant Contributions

Participants contribute a set percentage of their gross regular compensation annually. Employee contribution percentages are specified in Chapter 32 of the Massachusetts General Laws. The employee's individual contribution percentage is determined by their date of entry into the system. In addition, all employees hired on or after January 1, 1979 contribute an additional 2% on all gross regular compensation over the rate of $30,000 per year. The percentages are as follows:

Before January 1, 1975	5%
January 1, 1975 – December 31, 1983	7%
January 1, 1984 – June 30, 1996	8%
July 1, 1996 – present	9%

For those members entering a Massachusetts System on or after April 2, 2012 in Group 1, the contribution rate will be reduced to 6% when at least 30 years of creditable service has been attained.

Employer Contributions

Employers are required to contribute at actuarially determined rates as accepted by the Public Employee Retirement Administration Commission (PERAC).

Participant Retirement Benefits

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement allowance and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity.

The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest 3-year average annual rate of regular compensation for those hired prior to April 2, 2012 and the highest 5-year average annual rate of regular compensation for those first becoming members of the Massachusetts System on or after that date. However, per Chapter 176 of the Acts of 2011, for members who retire on or after April 2, 2012, if in the 5 years of creditable service immediately preceding retirement, the difference in the annual rate of regular compensation between any 2 consecutive years exceeds 100%, the normal yearly amount of the retirement allowance shall be based on the average annual rate of regular compensation received by the member during the period of 5 consecutive years preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are four classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the Massachusetts State Police. The other three classes are as follows:

- Group 1 – General employees, including clerical, administrative, technical, and all other employees not otherwise classified.
- Group 2 – Certain specified hazardous duty positions.
- Group 4 – Police officers, firefighters, and other specified hazardous positions.

A retirement allowance may be received at any age, upon attaining 20 years of service. The plan also provides for retirement at age 55 if the participant was a member prior to January 1, 1978, with no minimum vesting requirements. If the participant was a member on or after January 1, 1978 and a member of Groups 1 or 2, then a retirement allowance may be received if the participant (1) has at least 10 years of creditable service, (2) is age 55, (3) voluntarily left Town employment on or after that date, and (4) left accumulated annuity deductions in the fund. Members of Group 4 have no minimum vesting requirements, however, must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

A participant who became a member on or after April 2, 2012 is eligible for a retirement allowance upon 10 years creditable service and reaching ages 60 or 55 for Groups 1 and 2, respectively. Participants in Group 4 must be at least age 55. Groups 2 and 4 require that participants perform the duties of the Group position for at least 12 months immediately prior to retirement.

Methods of Payment

A member may elect to receive his or her retirement allowance in one of three forms of payment as follows:

- Option A – Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the members death.
- Option B – A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.
- Option C – A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

Participant Refunds

Employees who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total deductions. Members voluntarily withdrawing with at least 10 years of service or involuntarily withdrawing, receive 100% of the regular interest that has accrued on those accumulated total deductions. Members voluntarily withdrawing with less than 10 years of service get credited interest each year at a rate of 3%.

2. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The System is a member of the Massachusetts Contributory Retirement Systems and is governed by Chapter 32 of the Massachusetts General Laws. Because of the significance of its operational and financial relationship with the Town, the System is included as a pension trust fund in the Town's basic financial statements. The System is governed by a 5-member board. The 5 members include 2 appointed by the town, 2 elected by the members and retirees, and a fifth member chosen by the other 4 members with the approval of PERAC.

Summary of Significant Accounting Policies

The accounting policies of the System as reflected in the accompanying financial statements for the year ended December 31, 2018 conform to generally accepted accounting principles for public employee retirement systems (PERS). The more significant accounting policies of the System are summarized below:

Basis of Accounting

The System follows accounting policies mandated by the Commonwealth of Massachusetts. The accounting records are maintained on the accrual basis of accounting. Contributions from the Town of West Springfield and West Springfield Housing Authority employees are recognized as revenue in the period in which employees provide services to the respective member unit.

Investments

Investment Policy

Investments are reported at fair value in accordance with PERAC requirements. System assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan.

Rate of Return

For the year ended December 31, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 4.03%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested throughout the year.

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the System's deposits may not be returned. Massachusetts General Law Chapter 32, Section 23, limits the System's deposits "in a bank or trust company to an amount not exceeding ten percent of the capital and surplus of such bank or trust company." The System does not have a deposit policy for custodial credit risk.

As of December 31, 2018, $2,641,373 of the System's bank balance of $4,047,077 was exposed to custodial credit risk as uninsured or uncollateralized, and collateral held by pledging bank's trust department not in the System's name.

4. Investments

The following is a summary of the System's investments as of December 31, 2018:

Investment Type	Amount
Asset backed securities	$ 12,070,206
Corporate bonds	17,311,059
Corporate equities	51,967,278
U.S. Treasury notes	36,085,395
Total	$ 117,433,938

A. *Credit Risk*

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. Massachusetts General Law, Chapter 32, Section 23, limits the investment of System funds, to the extent not required for current disbursements, in the PRIT Fund or in securities, other than mortgages or collateral loans, which are legal for the investment of funds in savings banks under the laws of the Commonwealth, provided that no more than the established percentage of assets, is invested in any one security.

Presented below is the actual rating as of year-end for each investment type for the System. (All federal agency securities have an implied credit rating of AAA):

		Average Rating as of Year End					
Investment Type	Amount	AAA	AA	A	BBB	BB	Unrated
Asset backed securities	$ 12,070,206	$ 12,070,206	$ -	$ -	$ -	$ -	$ -
Corporate bonds	17,311,059	1,541,924	3,119,762	8,687,859	3,961,514	-	-
Corporate equities	51,967,278	2,082,185	10,361,612	11,529,724	16,267,618	2,048,198	9,677,941
Total	$ 81,348,543	$ 15,694,315	$ 13,481,374	$ 20,217,583	$ 20,229,132	$ 2,048,198	$ 9,677,941

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The System does not have a formal policy for custodial risk but manages custodial risk through diversification and the "prudent person" principles outlined in PERAC guidelines.

As of December 31, 2018, $117,433,937 of the System's total investments were subject to custodial credit risk exposure because the related securities are uninsured and/or uncollateralized. None of the System's investments are held by the System's brokerage firm or a counterparty.

C. Concentration of Credit Risk

Massachusetts General Law Chapter 32, Section 23 limits the amount the System may invest in any one issuer or security type, with the exception of the PRIT Fund.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2018, the System did not have any investments subject to concentration of credit risk disclosure as any investment classifications exceeding 5% are exempt.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The System does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the System's investments to market interest rate fluctuations is as follows:

Investment Type		Amount	Investment Maturities (in Years) Less Than 1	1-5	6-10	More Than 10
Asset backed securities	$	12,070,206	$ 3,440,845	$ 8,629,361	$ -	$ -
Corporate bonds		17,311,059	-	4,994,332	10,955,873	1,360,854
U.S. Treasury notes		36,085,395	976,325	5,370,877	29,738,193	-
Total	$	65,466,660	$ 4,417,170	$ 18,994,570	$ 40,694,066	$ 1,360,854

E. *Foreign Currency Risk*

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The System does not have a formal investment policy related to foreign currency risk.

F. *Fair Value*

The System categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – Inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – Unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

The net asset value (NAV) per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period. Investments measured at the NAV for fair value are not subject to level classification.

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

		Fair Value Measurements Using:		
Description	Value	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Asset backed securities	$ 12,070,206	$ -	$ 12,070,206	$ -
Corporate bonds	17,311,059	-	17,311,059	-
Corporate equities	51,967,278	-	51,967,278	-
U.S. Treasury notes	36,085,395	-	36,085,395	-
Total	$ 117,433,938			

5. Accounts Receivable

Annually the Public Employee Retirement Administration (PERAC) determines the amount of employer contributions (pension appropriations) to be made to the System. The accounts receivable balance primarily represents legal amounts due from employers for pension appropriation not received until after December 31, 2018.

6. Accounts Payable

This balance represents payment for investment fees paid after December 31, 2018.

7. Contingencies

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System's financial position.

8. Net Pension Liability of Participating Employers

The net pension liability was based on an actuarial valuation dated January 1, 2018 and rolled forward to December 31, 2018.

A. *Net Pension Liability of Employers*

The components of the net pension liability of the participating employers at December 31, 2018 were as follows:

Total pension liability	$	186,078,688
Plan fiduciary net position		(121,667,658)
Employers' net pension liability	$	64,411,030
Plan fiduciary net position as a percentage of total pension liability		65.39%

B. Actuarial Assumptions

A summary of the actuarial assumptions as of the latest actuarial valuation is shown below:

Valuation date	1/1/2018
Actuarial cost method	Entry Age Normal Cost Method
Remaining amortization period	15 years
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases:	
Group 1 and 2, Fire, and Police	4%
Inflation rate	2.75%
Post-retirement cost-of-living adjustment	3% of first $13,000

Actuarial valuations of the ongoing Systems involve estimates of the reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future.

Mortality rates were based on the following: The mortality assumption is based upon the RP-2014 adjusted to 2006 and projected generationally using MP-2016 (sex distinct). During employment the healthy employee mortality table is used. Post-employment, the healthy annuitant table is used.

Mortality for disabled retirees follows the same table as non-disabled retirees, set forward 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

Changes of Assumptions

The discount rate was 7.75% in the previous valuation and is assumed as 7.5% in the current valuation. This change increased the System's liability by approximately $4.6 million.

The mortality assumption is based upon the RP-2014 adjusted to 2006 in the current valuation. The previous valuation used the RP-2000 table projected from 2000 using

Generational Mortality, Scale BB. This change decreased the System's liability by approximately $902,000.

C. Target Allocations

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's targeted asset allocation as of December 31, 2018, are summarized in the following table.

Asset Class	Target Asset Allocation	Long-Term Expected Real Rate of Return
Large Cap Equities	42.00%	5.25%
Small/Mid Cap Equities	15.00%	5.43%
International Equities	10.00%	6.90%
Emerging Market Equities	3.00%	4.54%
Fixed Income	30.00%	2.07%
Total	100.00%	

D. Discount Rate

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates by Statute. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the 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.

E. Sensitivity of Discount Rate

The following presents the net pension liability of the participating employers calculated using the discount rate of 7.5%, as well as what the participating employers' net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower or 1 percentage-point higher than the current rate:

1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
$85,482,955	$64,411,030	$46,637,919

F. *Deferred Outflows/(Inflows) of Resources*

The following schedule reflects the deferred outflows/(inflows) of resources for the System for the year ended December 31, 2018:

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual experience	$ -	$ (5,687,490)
Changes of assumptions	4,399,754	-
Net difference between projected and actual investment earnings on pension plan investments	1,233,295	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	237,489	(237,489)
Total	$ 5,870,538	$ (5,924,979)

The following summarizes changes in deferred outflows/(inflows):

Deferred Outflows of Resources:	Measurement Year	Amortization Period	Beginning Balance on Prior Measurement Period Deferrals	Current Measurement Period Additions	Amortization of Amounts Recognized in Current Period Pension Expense	End of Year Balance
Change of assumptions:	2018	5.4	$ -	$ 3,977,960	$ (736,659)	$ 3,241,301
	2016	6.0	1,544,604		(386,151)	1,158,453
Net difference between projected and actual earning on pension plan investments:	2018	5.0	-	3,977,946	(795,589)	3,182,357
	2017	5.0	(9,278,222)	-	2,319,555	(6,958,667)
	2016	5.0	4,880,698	-	(1,626,900)	3,253,798
	2015	5.0	3,511,614	-	(1,755,807)	1,755,807
	2014	5.0	(806,533)	-	806,533	-
Change in proportion and difference between employer contributions and proportionate share of contributions:	2018	5.4	-	25,970	(4,809)	21,161
	2017	6.0	13,609	-	(2,722)	10,887
	2016	6.0	264,661		(66,165)	198,496
	2015	5.9	10,814		(3,869)	6,945
Total Deferred Outflows of Resources			141,245	7,981,876	(2,252,583)	5,870,538
Deferred (Inflows) of Resources:						
Difference between expected and actual experience:	2018	5.4	-	(4,160,482)	770,460	(3,390,022)
	2016	6.0	(3,063,290)	-	765,822	(2,297,468)
Change in proportion and difference between employer contributions and proportionate share of contributions:	2018	5.4		(25,970)	4,809	(21,161)
	2017	6.0	(13,609)		2,722	(10,887)
	2016	6.0	(264,661)	-	66,165	(198,496)
	2015	5.9	(10,814)	-	3,869	(6,945)
Total Deferred (Inflows) of Resources			(3,352,374)	(4,186,452)	1,613,847	(5,924,979)
Total Collective Deferred Outflows (Inflows) of Resources			$ (3,211,129)	$ 3,795,424	$ (638,736)	$ (54,441)

The following schedule reflects the amortization of the balance of deferred outflows/(inflows) of resources:

Fiscal Year	Total
2020	$ 1,445,268
2021	(310,540)
2022	(1,937,438)
2023	761,789
2024	(13,520)
	$ (54,441)

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Required Supplementary Information

Schedule of Changes in the Net Pension Liability

For the Year Ended December 31,

(Unaudited)

(Amounts expressed in thousands)

	2018	2017	2016	2015
Total Pension Liability				
Service cost	$ 3,670	$ 3,462	$ 3,328	$ 3,256
Interest on unfunded liability - time value of money	13,358	13,295	12,962	12,638
Differences between expected and actual experience	(4,160)	-	(4,595)	-
Changes of assumptions	3,978	-	2,317	-
Benefit payments, including refunds of member contributions	(10,402)	(10,408)	(9,296)	(9,079)
Net Change in Total Pension Liability	6,444	6,349	4,716	6,815
Total Pension Liability - Beginning	179,635	173,286	168,570	161,755
Total Pension Liability - Ending (a)	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan Fiduciary Net Position*				
Contributions - employer	$ 7,031	$ 6,747	$ 6,485	$ 6,239
Contributions - member	2,685	2,544	2,572	2,388
Net investment income	4,667	19,142	(478)	(880)
Benefit payments, including refunds of member contributions	(10,402)	(10,408)	(9,296)	(9,079)
Administrative expense	(232)	(219)	(220)	(203)
Net Change in Plan Fiduciary Net Position	3,749	17,806	(937)	(1,535)
Plan Fiduciary Net Position - Beginning	117,919	100,113	101,050	102,585
Plan Fiduciary Net Position - Ending (b)	$ 121,668	$ 117,919	$ 100,113	$ 101,050
Net Pension Liability (Asset) - Ending (a-b)	$ 64,411	$ 61,716	$ 73,173	$ 67,520

* Reflects certain classification differences from page 8.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

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WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Required Supplementary Information

Schedules of Net Pension Liability, Contributions, and Investment Returns

For the Year Ended December 31,

(Amounts expressed in thousands)

(Unaudited)

Schedule of Net Pension Liability	2018	2017	2016	2015
Total pension liability	$ 186,079	$ 179,635	$ 173,286	$ 168,570
Plan fiduciary net position	(121,668)	(117,919)	(100,113)	(101,050)
Net pension liability (asset)	$ 64,411	$ 61,716	$ 73,173	$ 67,520
Plan fiduciary net position as a percentage of the total pension liability	65.39%	65.64%	57.77%	59.95%
Calendar year covered payroll	$ 26,816	$ 27,193	$ 26,147	$ 25,694
Participating employer net pension liability (asset) as a percentage of covered payroll	240.20%	226.96%	279.85%	262.79%

Schedule of Contributions	2018	2017	2016	2015
Actuarially determined contribution	$ 6,977	$ 6,700	$ 6,434	$ 6,187
Contributions in relation to the actuarially determined contribution	(7,031)	(6,747)	(6,485)	(6,239)
Contribution deficiency (excess)	$ (54)	$ (47)	$ (51)	$ (52)
Fiscal year covered payroll	$ 27,352	$ 27,737	$ 26,670	$ 26,208
Contributions as a percentage of covered payroll	25.71%	24.32%	24.32%	23.81%

Schedule of Investment Returns

Year Ended December 31	2018	2017	2016	2015
Annual money weighted rate of return, net of investment expense	4.03%	19.52%	(0.46)%	0.87%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

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INDEPENDENT AUDITORS' REPORT

To the Retirement Board
West Springfield Contributory Retirement System
Town of West Springfield, Massachusetts

Report on Schedules

We have audited the accompanying schedule of employer allocations of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2018. We have also audited the total for all entities of the net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (specified totals) included in the accompanying schedule of pension amounts by employer of the West Springfield Contributory Retirement System as of and for the year ended December 31, 2018.

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.

Auditors' Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified 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 totals included in the schedule of pension amounts by employer are free from material misstatement.

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

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

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the total of all participating entities for the West 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.

Restriction on Use

Our report is intended solely for the information and use of West Springfield Contributory Retirement System management, the Retirement Board, System employers and their auditors as of and for the year ended December 31, 2018 and is not intended to be and should not be used by anyone other than these specified parties.

Melanson Heath

December 13, 2019

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Employer Allocations

Employer	FY 2019 Actual Employer Contributions	Allocation Percentage
Town of West Springfield	$ 6,687,721	97.73%
West Springfield Housing Authority	155,337	2.27%
Subtotal Excluding ERI	6,843,058	100.00%
Town of West Springfield - ERI	127,524	
West Springfield Housing Authority - ERI	5,937	
Total	$ 6,976,519	

See actuarial assumptions in the Town of West Springfield Contributory Retirem
audited financial statements.

WEST SPRINGFIELD CONTRIBUTORY RETIREMENT SYSTEM

(A Component Unit of the Town of West Springfield, Massachusetts)

Schedule of Pension Amounts by Employer

As of and for the Year Ended December 31, 2018

		Town of West Springfield		West Springfield Housing Authority		Total
Net Pension Liability	$	62,948,900	$	1,462,130	$	64,411,030
Deferred Outflows of Resources						
Changes of assumptions	$	4,299,880	$	99,874	$	4,399,754
Net difference between projected and actual investment earnings on pension plan investments		1,205,300		27,995		1,233,295
Changes in proportion and differences between employer contributions and proportionate share of contributions		17,909		219,580		237,489
Total Deferred Outflows of Resources	$	5,523,089	$	347,449	$	5,870,538
Deferred Inflows of Resources						
Differences between expected and actual experience	$	5,558,384	$	129,106	$	5,687,490
Changes in proportion and differences between employer contributions and proportionate share of contributions		219,580		17,909		237,489
Total Deferred Inflows of Resources	$	5,777,964	$	147,015	$	5,924,979
Pension Expense						
Proportionate share of pension expense	$	6,420,108	$	149,121	$	6,569,229
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions		(64,442)		64,442		-
Total Pension Expense	$	6,355,666	$	213,563	$	6,569,229
Contributions						
Actuarially determined contribution	$	6,815,245	$	161,274	$	6,976,519
Contributions made		(6,868,726)		(162,516)		(7,031,242)
Contribution deficiency / (excess)	$	(53,481)	$	(1,242)	$	(54,723)
Contributions as a percentage of covered payroll		26.20%		27.10%		26.22%
Deferred Outflows / (Inflows) Recognized in Future Pension Expense						
June 30, 2020	$	1,348,018	$	97,250	$	1,445,268
June 30, 2021		(368,498)		57,958		(310,540)
June 30, 2022		(1,961,693)		24,255		(1,937,438)
June 30, 2023		742,426		19,363		761,789
June 30, 2024		(15,130)		1,610		(13,520)
Total Deferred Outflows / (Inflows) Recognized in Future Pension Expense	$	(254,877)	$	200,436	$	(54,441)
Discount Rate Sensitivity						
1% decrease (6.50%)	$	83,542,492	$	1,940,463	$	85,482,955
Current discount rate (7.50%)	$	62,948,900	$	1,462,130	$	64,411,030
1% increase (8.50%)	$	45,579,238	$	1,058,681	$	46,637,919
Covered Payroll	$	26,216,237	$	599,645	$	26,815,882

See actuarial assumptions in the West Springfield Contributory Retirement System's audited financial statements.

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