

**Report of the
PUBLIC EMPLOYEE RETIREMENT
ADMINISTRATION COMMISSION
on the Examination of the
West Springfield
Contributory Retirement System
For the Three Year Period
January 1, 1999 - December 31, 2001
PERAC 01: 09-095-34**

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June 18, 2004

The Public Employee Retirement Administration Commission has completed an examination of the **West Springfield** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **1999** to December 31, **2001**. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

In our opinion, the financial records and management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission with the exception of those noted in the findings presented in this report.

In closing, I acknowledge the work of examiners Robert Madison and Harry Chadwick who conducted this examination and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton
Executive Director

West Springfield Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

1. **Board Minutes:**

The previous two audits (January 1, 1993 to December 31, 1995 and January 1, 1996 to December 31, 1998) of the West Springfield Retirement System noted that the minutes of the Retirement Board were not numbered.

Recommendation:

PERAC recommends that Retirement Board Minutes be numbered sequentially or be individually initialed by each Board Member. Retirement Board Minutes are legal documents that record the actions of the Board and the pages must be numbered to prevent alterations or insertions after the Board Members have acknowledged the correctness of the Minutes by signing the last page of each dated Board Meeting. Time and date stamping of the first page of the Minutes does not ensure that the Minutes are not exposed to unauthorized changes.

2. **Financial Reporting**

The Retirement Board Members do not review a copy of the trial balance or the cash account reconciliations at monthly meetings.

Recommendation:

The Retirement Board Members should review and initial a copy of the trial balance and cash account reconciliations at monthly Board meetings. PERAC regulation 840 CMR 25.31 (6) encourages the Board to review the trial balance of the system on a monthly basis.

Board Response(Findings 1 & 2):

Board minutes and Financial reporting were implemented right after the auditors verbally made the suggestion.

3. **Cancelled Checks**

Several cancelled checks, filed by the Treasurer's Office, could not be found.

Recommendation

The Treasurer, as custodian of the retirement system's funds, must ensure that cancelled checks are safely stored and filed so that only authorized employees have access to them.

Board Response:

Cancelled checks and Cash reconciliation is still being addressed with the Treasurer's office.

West Springfield Retirement System

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

4. Contribution Rates

Based on a sample of membership dates PERAC Auditors determined that some members of the retirement system have rates that are inconsistent with their membership dates.

Recommendation

It is the recommendation of the Auditors that the Board review West Springfield's contribution rates for correctness. PERAC MEMO #29/199 states, in part, "if a person was eligible for membership and should have been enrolled as a member of the system and was not enrolled due to an administrative oversight or error, the individual would be allowed to contribute at the rate that was in effect when he or she should have been enrolled as a member".

Board Response:

The Director has reviewed the membership records and has verified the contribution rates, which are based on the date of membership.

5. Cash Reconciliation

The Retirement System's cash balances are out of balance with the Treasurer's Office cash reconciliation because reconciling items such as deposits-in-transit are being booked to the General Ledger by the Retirement System before the cash has actually been deposited by the Treasurer's Office. This is an issue only at month-end and may also be caused by the bank's statement cut-off date. In addition, bank interest and outgoing wire charge fees are adjusted from the bank statement and booked in the following month.

Recommendation

Deposits by the Treasurer must be made in a timely manner. The bank statement cut-off date should be changed to the end of the month. Bank interest and outgoing wire charge fees that are included in the bank statement must be booked in the month they occurred, not adjusted in the following month.

Board Response:

Cancelled checks and Cash reconciliation is still being addressed with the Treasurer's office.

PERAC auditors will follow-up in six (6) months to ensure that appropriate actions have been taken regarding all findings.

West Springfield Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2001	2000	1999
Cash	\$1,753,757	\$3,800,925	\$2,392,081
Short Term Investments	0	0	0
Fixed Income Securities (at book value)	17,208,382	24,255,122	22,034,739
Equities	23,827,437	13,655,486	13,292,113
Interest Due and Accrued	186,803	438,080	420,328
Accounts Receivable	1,699,283	1,580,252	1,536,631
Accounts Payable	(65,343)	(27,297)	(23,014)
TOTAL	<u>\$44,610,319</u>	<u>\$43,702,568</u>	<u>\$39,652,877</u>
FUND BALANCES			
Annuity Savings Fund	\$13,626,631	\$12,342,971	\$11,672,678
Annuity Reserve Fund	4,041,234	4,193,494	4,089,030
Pension Fund	6,479,774	6,459,317	6,550,575
Military Service Fund	1,538	1,509	1,478
Expense Fund	0	0	0
Pension Reserve Fund	20,461,142	20,705,277	17,339,115
TOTAL	<u>\$44,610,319</u>	<u>\$43,702,568</u>	<u>\$39,652,877</u>

West Springfield Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (1999)	\$10,831,496	\$4,020,879	\$6,417,169	\$1,446	\$0	\$15,517,700	\$36,788,690
Receipts	1,452,082	120,332	3,523,274	32	152,242	1,834,412	7,082,374
Interfund Transfers	(458,099)	477,279	(6,184)	0	0	(12,996)	0
Disbursements	<u>(152,802)</u>	<u>(529,459)</u>	<u>(3,383,684)</u>	<u>0</u>	<u>(152,242)</u>	<u>0</u>	<u>(4,218,187)</u>
Ending Balance (1999)	11,672,678	4,089,030	6,550,575	1,478	0	17,339,115	39,652,877
Receipts	1,532,348	124,018	3,568,384	31	179,823	3,360,446	8,765,050
Interfund Transfers	(539,714)	533,999	0	0	0	5,716	(0)
Disbursements	<u>(322,341)</u>	<u>(553,552)</u>	<u>(3,659,642)</u>	<u>0</u>	<u>(179,823)</u>	<u>0</u>	<u>(4,715,359)</u>
Ending Balance (2000)	12,342,971	4,193,494	6,459,317	1,509	0	20,705,277	43,702,568
Receipts	1,760,291	123,649	3,778,469	29	256,726	(252,604)	5,666,560
Interfund Transfers	(300,345)	293,656	(1,780)	0	0	8,469	(0)
Disbursements	<u>(176,287)</u>	<u>(569,565)</u>	<u>(3,756,232)</u>	<u>0</u>	<u>(256,726)</u>	<u>0</u>	<u>(4,758,810)</u>
Ending Balance (2001)	<u>\$13,626,631</u>	<u>\$4,041,234</u>	<u>\$6,479,774</u>	<u>\$1,538</u>	<u>\$0</u>	<u>\$20,461,142</u>	<u>\$44,610,319</u>

West Springfield Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Annuity Savings Fund:			
Members Deductions	\$1,337,378	\$1,245,336	\$1,168,080
Transfers from other Systems	163,657	8,556	22,854
Member Make Up Payments and Redeposits	28,845	44,443	30,775
Investment Income Credited to Member Accounts	<u>230,411</u>	<u>234,013</u>	<u>230,373</u>
Sub Total	<u>1,760,291</u>	<u>1,532,348</u>	<u>1,452,082</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>123,649</u>	<u>124,018</u>	<u>120,332</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	33,494	33,855	32,512
Received from Commonwealth for COLA and Survivor Benefits	331,782	362,233	474,550
Pension Fund Appropriation	<u>3,413,193</u>	<u>3,172,296</u>	<u>3,016,212</u>
Sub Total	<u>3,778,469</u>	<u>3,568,384</u>	<u>3,523,274</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited Military Service Fund	<u>29</u>	<u>31</u>	<u>32</u>
Sub Total	<u>29</u>	<u>31</u>	<u>32</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to Expense Fund	<u>256,726</u>	<u>179,823</u>	<u>152,242</u>
Sub Total	<u>256,726</u>	<u>179,823</u>	<u>152,242</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	27,494	40,302	30,855
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	3,571	2,906	1,687
Excess Investment Income	<u>(283,668)</u>	<u>3,317,238</u>	<u>1,801,870</u>
Sub Total	<u>(252,604)</u>	<u>3,360,446</u>	<u>1,834,412</u>
TOTAL RECEIPTS	<u>\$5,666,560</u>	<u>\$8,765,050</u>	<u>\$7,082,374</u>

West Springfield Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

FOR THE PERIOD ENDING DECEMBER 31,			
	2001	2000	1999
Annuity Savings Fund:			
Refunds to Members	\$156,402	\$157,274	\$81,094
Transfers to other Systems	<u>19,885</u>	<u>165,067</u>	<u>71,707</u>
Sub Total	<u>176,287</u>	<u>322,341</u>	<u>152,802</u>
Annuity Reserve Fund:			
Annuities Paid	531,820	512,503	487,455
Option B Refunds	<u>37,745</u>	<u>41,049</u>	<u>42,005</u>
Sub Total	<u>569,565</u>	<u>553,552</u>	<u>529,459</u>
Pension Fund:			
Pensions Paid			
Regular Pension Payments	2,524,259	2,449,620	2,311,084
Survivorship Payments	145,788	129,135	107,904
Ordinary Disability Payments	107,209	121,395	112,007
Accidental Disability Payments	645,271	630,592	536,575
Accidental Death Payments	259,878	252,278	241,110
Section 101 Benefits	36,986	39,575	37,793
3 (8) (c) Reimbursements to Other Systems	36,841	37,048	37,210
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>3,756,232</u>	<u>3,659,642</u>	<u>3,383,684</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	11,750	12,000	12,000
Salaries	47,425	43,645	40,581
Legal Expenses	85	4,262	175
Medical Expenses	0	0	0
Travel Expenses	821	913	881
Administrative Expenses	7,558	14,877	6,686
Furniture and Equipment	0	1,744	384
Management Fees	138,914	76,398	71,863
Custodial Fees	30,172	20,985	19,671
Consultant Fees	<u>20,000</u>	<u>5,000</u>	<u>0</u>
Sub Total	<u>256,726</u>	<u>179,823</u>	<u>152,242</u>
TOTAL DISBURSEMENTS	<u>\$4,758,810</u>	<u>\$4,715,359</u>	<u>\$4,218,187</u>

West Springfield Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 1999
AND ENDING DECEMBER 31, 2001**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2001	2000	1999
Investment Income Received From:			
Cash	\$204,499	\$200,903	\$138,611
Short Term Investments	0	0	143
Fixed Income	1,658,909	1,584,701	1,368,680
Equities	222,458	183,004	178,411
Pooled or Mutual Funds	<u>0</u>	<u>0</u>	<u>0</u>
Commission Recapture	<u>0</u>	<u>0</u>	<u>6,069</u>
TOTAL INVESTMENT INCOME	<u>2,085,866</u>	<u>1,968,608</u>	<u>1,691,915</u>
Plus:			
Increase in Amortization of Fixed Income Securities	0	0	0
Realized Gains	1,298,809	476,691	410,361
Unrealized Gains	1,464,262	3,713,349	2,197,689
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>186,803</u>	<u>438,080</u>	<u>420,328</u>
Sub Total	<u>2,949,873</u>	<u>4,628,121</u>	<u>3,028,377</u>
Less:			
Decrease in Amortization of Fixed Income Securities	0	0	(11,655)
Paid Accrued Interest on Fixed Income Securities	(127,136)	(98,839)	(62,504)
Realized Loss	(3,130,592)	(169,728)	(98,906)
Unrealized Loss	(1,012,785)	(2,052,710)	(1,905,354)
Custodial Fees Paid	0	0	0
Consultant Fees Paid	0	0	0
Management Fees Paid	0	0	0
Board Member Stipend	0	0	0
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>(438,080)</u>	<u>(420,328)</u>	<u>(337,024)</u>
Sub Total	<u>(4,708,593)</u>	<u>(2,741,606)</u>	<u>(2,415,443)</u>
NET INVESTMENT INCOME	<u>327,146</u>	<u>3,855,123</u>	<u>2,304,849</u>
Income Required:			
Annuity Savings Fund	230,411	234,013	230,373
Annuity Reserve Fund	123,649	124,018	120,332
Military Service Fund	29	179,823	152,242
Expense Fund	<u>256,726</u>	<u>31</u>	<u>32</u>
TOTAL INCOME REQUIRED	<u>610,814</u>	<u>537,885</u>	<u>502,978</u>
Net Investment Income	<u>327,146</u>	<u>3,855,123</u>	<u>2,304,849</u>
Less: Total Income Required	<u>610,814</u>	<u>537,885</u>	<u>502,978</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>(\$283,668)</u>	<u>\$3,317,238</u>	<u>\$1,801,870</u>

West Springfield Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$1,753,757	\$1,753,757	4.10%	100
Short Term	0	0	0.00%	100
Fixed Income	17,208,382	17,208,382	40.22%	40 - 80
Equities	23,827,437	23,827,437	55.69%	60
GRAND TOTALS	<u>\$42,789,577</u>	<u>\$42,789,577</u>	<u>100.00%</u>	

* The book value differs from the market value for individually owned Fixed Income Securities which are valued at amortized cost which is the original cost of the investment plus or minus any bond discount or bond premium calculated ratably to maturity. All other investments are reflected at their quoted market value.

The West Springfield 840 CMR 18.01 Statement of Investment Objectives (July 1, 2001 to June 30, 2004) states that its investment policy and investment objectives or portfolio asset mix is as follows:

- Domestic Equities (Large cap) 55%
- Domestic Equities (Small cap) 5%
- Domestic Fixed Income 35%
- International Equities 5%

For the year ending December 31, **2001**, the rate of return for the investments of the **West Springfield Retirement System** was 0.83%. For the five-year period ending December 31, **2001**, the rate of return for the investments of the **West Springfield Retirement System** averaged 9.19%. For the sixteen-year period ending December 31, **2001**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **West Springfield Retirement System** was 9.00%.

West Springfield Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The **West Springfield** Retirement System does not have any supplementary investment regulations on file.

West Springfield Retirement System
NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **West Springfield** Retirement System member unit employees deemed eligible by the retirement board, with the exception of school department employees who serve in a teaching capacity. The Teachers' Retirement Board administers the pensions of such school employees.

Instituted in 1937, the System is a member of the Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws. Membership in the plan is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

The system provides for retirement allowance benefits up to a maximum of 80% of a member's highest three year average annual rate of regular compensation. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

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

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and a portion of the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 75 - 85% pension and 15 - 25% annuity.

Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Members joining the retirement system after January 1, 1979 must contribute an additional 2% on regular compensation earned at a rate in excess of \$30,000. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Executive Director of PERAC according to statute. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustment granted between 1981 and 1997 and any increase in other benefits imposed by state law during that period are borne by the state.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current year pension payments as indicated on the most recent funding schedule as approved by PERAC's Actuary. Until recently, retirement systems were paying only the actual retirement

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

benefits that were due each year. Systems had no statutory authorization to put aside any money for the future benefits of employees who are now working. Large unfunded liabilities resulted from operating upon this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations.

In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the retirement systems' unfunded liabilities, and in some systems have actually eliminated such liability.

Administrative expenses are funded through investment income of the system.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, depending upon the number of years of creditable service, such employees are entitled to receive either zero (0%) percent, fifty (50%) percent, or one hundred (100%) percent of the regular interest which has accrued upon those deductions. Survivor benefits are extended to eligible beneficiaries of members whose death occurs prior to or following retirement.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Executive Director of Public Employee Retirement Administration Commission.

The Annuity Savings Fund is the fund in which members' contributions are deposited. Active members contribute either 5, 7, 8, or 9% of their gross regular compensation. Voluntary contributions, redeposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The Annuity Reserve Fund is the fund to which a member's account is transferred upon retirement from the Annuity Savings Fund and Special Military Service Credit Fund. The annuity portion of the retirement allowance is paid from this fund. Interest is credited monthly to this fund at the rate of 3% annually on the previous month's balance.

The Special Military Service Credit Fund contains contributions and interest for members while on a military leave for service in the Armed Forces who will receive creditable service for the period of that leave.

The Expense Fund contains amounts transferred from investment income for the purposes of administering the retirement system.

The Pension Fund contains the amounts appropriated by the governmental units as established by PERAC to pay the pension portion of each retirement allowance.

The Pension Reserve Fund contains amounts appropriated by the governmental units for the purposes of funding future retirement benefits. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain of a market valued investment as of the valuation date is credited to the Pension Reserve Fund. Additionally, any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund, and Special Military Service Credit Fund is credited to this Reserve account.

The Investment Income Account is credited with all income derived from interest and dividends of invested funds. At year-end the interest credited to the Annuity Savings Fund, Annuity Reserve Fund, Expense Fund, and Special Military Service Credit Fund is distributed from this account and the remaining balance is transferred to the Pension Reserve Fund.

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The **West Springfield** Retirement System submitted the following supplementary membership regulations, which were approved by PERAC on:

December 7, 1995

The Board voted to allow auxiliary police officers to get credit for up to 5 years of creditable service provided they later become appointed full time police officers.

October 8, 2002

Non-membership Creditable Service. A member who was employed by the town of West Springfield, prior to becoming an active member of the West Springfield Retirement System, may be eligible to purchase credit for service rendered on at least a part-time basis even if he/she was not a member of the retirement system during that time.

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

The member must provide the Retirement Board with proof of employment along with a written statement indicating the periods during which he/she was employed on a part-time basis.

The member must provide copies of employment records including any W-2 Forms or payroll records indicating the regular wages earned during the period of time the member is seeking to purchase.

If, through no fault of the employee, no payroll or other records of the Town can be found, the member must provide a written statement from the employer or previous employer that includes the following:

- a) the period during which the member was employed (month/day/year to month/day/year);
- b) the title, position held and type of work performed by the employee;
- c) the rate of pay in effect during the period of employment including any increases in pay;
- d) the actual salary (if known) during the period of employment; or
- e) a reasonable estimate of the period of service as an employee and estimated regular wages earned during the period of time for which the member seeks creditable service.

The statement from an employer must be on the employer's letterhead and must be signed by the employer or department head.

A statement from a previous employer must be signed by the person attesting to the information and must be notarized.

After the Retirement Board receives the statement, the information will be reviewed to determine whether or not the member is eligible to purchase the service credit.

The cost of purchasing past service will be based on what contributions the person would have paid in retirement contributions during that period (plus interest to date).

In order to receive credit for non-membership service, the member must pay for the service before the effective date of retirement.

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

November 26, 2002

The West Springfield Retirement Board's Travel Policy Regulations were accepted by PERAC on November 26, 2002.

May 29, 2003

[For veterans who have made written notification of their intentions to purchase up to four years of military service credit], weekly payments up to five years will be allowed or a lump sum payment at time of retirement.

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five person Board of Retirement consisting of the Town Accountant 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 A. Wilcox

Appointed Member: Raymond N. Spear Indefinite

Elected Member: Stephen Hayes Term Expires: 12/31/05

Elected Member: Gerard P. Connor, Jr. Term Expires: 12/17/05

Appointed Member: Richard Sullivan Term Expires: 01/01/06

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 and are then submitted to the PERAC Actuary for verification prior to payment. All expenses incurred by the System must be approved by at least two members of the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$10,000,000 Travelers
Ex officio Member:)	1,000,000 Travelers – Erisa
Elected Member:)	\$10,000,000 Federal Insurance
Appointed Member:)	\$10,000,000 Executive Risk
Staff Employee:)	

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by **Stone Consulting, Inc.** as of **January 1, 2002**.

The actuarial liability for active members was	\$ 42,713,023
The actuarial liability for retired and inactive members was	37,147,790
The total actuarial liability was	79,860,813
System assets as of that date were (market value)	44,610,319
The unfunded actuarial liability was	\$ 35,250,494
The ratio of system's assets to total actuarial liability was	55.9%
As of that date the total covered employee payroll was	\$ 16,889,285

The normal cost for employees on that date was 8.00% of payroll

The normal cost for the employer was 6.40% of payroll

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

Investment Return: 8.00% per annum

Rate of Salary Increase: 5.25% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2002

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2002	\$ 44,610,000	\$ 79,861,000	\$ 35,251,000	55.9%	\$ 16,889,000	208.7%
1/1/2000	\$ 39,653,000	\$ 70,383,000	\$ 30,730,000	56.3%	\$ 14,986,000	205.1%
1/1/1998	\$ 33,304,000	\$ 61,688,000	\$ 28,384,000	54.0%	\$ 13,309,000	213.3%
1/1/1995	\$ 20,814,000	\$ 43,245,000	\$ 22,431,000	48.1%	\$ 10,790,000	207.9%

West Springfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2001

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Superannuation	10	8	16	11	11	20	13	10	9	10
Ordinary Disability	0	1	1	1	0	1	0	0	0	0
Accidental Disability	2	1	2	0	0	2	1	4	1	2
Total Retirements	12	10	19	12	11	23	14	14	10	12
Total Retirees, Beneficiaries and Survivors	328	329	343	350	352	362	366	364	364	358
Total Active Members	472	491	506	513	546	512	550	557	556	580
Pension Payments										
Superannuation	\$1,620,686	\$1,675,298	\$1,722,245	\$1,847,702	\$1,917,384	\$2,137,024	\$2,393,573	\$2,311,084	\$2,449,620	\$2,524,259
Survivor/Beneficiary Payments	96,999	106,752	91,944	101,278	113,378	112,088	119,051	107,904	129,135	145,788
Ordinary Disability	94,491	100,251	107,855	119,820	120,236	126,132	134,567	112,007	121,395	107,209
Accidental Disability	411,516	494,114	519,738	570,428	567,460	603,966	565,524	536,575	630,592	645,271
Other	<u>339,507</u>	<u>212,481</u>	<u>227,473</u>	<u>229,377</u>	<u>257,232</u>	<u>283,492</u>	<u>314,195</u>	<u>278,904</u>	<u>291,852</u>	<u>296,864</u>
Total Payments for Year	<u>\$2,563,199</u>	<u>\$2,588,896</u>	<u>\$2,669,255</u>	<u>\$2,868,605</u>	<u>\$2,975,690</u>	<u>\$3,262,702</u>	<u>\$3,526,910</u>	<u>\$3,346,474</u>	<u>\$3,622,594</u>	<u>\$3,719,391</u>