

PERAC AUDIT REPORT



Westfield Retirement System

JAN. 1, 2002 - DEC. 31, 2004 / PERAC 04: 12-094-35



TABLE OF CONTENTS

Letter from the Executive Director	1
Statement Of Ledger Assets And Liabilities	2
Statement Of Changes In Fund Balances	3
Statement Of Income	4
Statement Of Disbursements.....	5
Investment Income.....	6
Statement Of Allocation Of Investments Owned	7
Supplementary Investment Regulations	8
<u>Notes to Financial Statements:</u>	
Note 1 - The System.....	10
Note 2 - Significant Accounting Policies.....	11
Note 3 - Supplementary Membership Regulations.....	12
Note 4 - Administration Of The System.....	14
Note 5 - Actuarial Valuation And Assumptions.....	15
Note 6 - Membership Exhibit.....	16

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*
KENNETH J. DONNELLY | JAMES M. MACHADO | DONALD R. MARQUIS | THOMAS TRIMARCO

JOSEPH E. CONNARTON, *Executive Director*

July 10, 2006

The Public Employee Retirement Administration Commission has completed an examination of the **Westfield** Retirement System pursuant to G.L. c. 32, s. 21. The examination covered the period from January 1, **2002** to December 31, **2004**. 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 are being maintained and the management functions are being performed in conformity with the standards established by the Public Employee Retirement Administration Commission. There were no significant findings to report.

We commend the **Westfield** Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners **Harry Chadwick and Robert Madison** 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



Westfield Retirement System

STATEMENT OF LEDGER ASSETS AND LIABILITIES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,			
ASSETS	2004	2003	2002
Cash	\$3,730,597	\$1,964,709	\$9,204,812
Short Term Investments			
Fixed Income Securities (at book value)	19,821,047	19,502,669	16,596,140
Equities	43,767,697	38,520,204	30,419,573
Pooled Short Term Funds			
Pooled Domestic Equity Funds	26,696,624	22,640,819	15,103,548
Pooled International Equity Funds			
Pooled Global Equity Funds			
Pooled Domestic Fixed Income Funds	21,084,521	20,229,139	16,107,795
Pooled International Fixed Income Funds			
Pooled Global Fixed Income Funds			
Pooled Alternative Investment Funds			
Pooled Real Estate Funds			
Pooled Domestic Balanced Funds			
Pooled International Balanced Funds			
PRIT Cash Fund			
PRIT Core Fund			
Interest Due and Accrued	240,975	197,826	215,395
Accounts Receivable	243,624	1,645,407	1,606,606
Accounts Payable	(128,222)	(151,055)	(121,580)
TOTAL	<u>\$115,456,863</u>	<u>\$104,549,716</u>	<u>\$89,132,289</u>
FUND BALANCES			
Annuity Savings Fund	\$25,814,757	\$23,935,456	\$21,978,890
Annuity Reserve Fund	9,992,109	10,079,892	10,354,611
Pension Fund	12,678,513	14,410,439	16,529,618
Military Service Fund	10,675	5,585	238
Expense Fund	0	0	0
Pension Reserve Fund	66,960,809	56,118,344	40,268,931
TOTAL	<u>\$115,456,863</u>	<u>\$104,549,716</u>	<u>\$89,132,289</u>

Westfield Retirement System

STATEMENT OF CHANGES IN FUND BALANCES

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2002)	\$24,233,210	\$6,106,408	\$17,312,439	\$235	\$0	\$51,162,151	\$98,814,443
<u>Receipts</u>	2,972,753	212,588	5,237,623	3	661,627	(10,895,372)	(1,810,777)
<u>Interfund Transfers</u>	(4,971,858)	4,977,195	(7,489)	0	0	2,151	0
<u>Disbursements</u>	(255,215)	(941,580)	(6,012,955)	0	(661,627)	0	(7,871,377)
Ending Balance (2002)	21,978,890	10,354,611	16,529,618	238	0	40,268,931	89,132,289
<u>Receipts</u>	2,774,063	302,987	5,321,863	5,347	739,555	15,828,030	24,971,843
<u>Interfund Transfers</u>	(547,397)	541,417	(15,404)	0	0	21,383	0
<u>Disbursements</u>	(270,099)	(1,119,124)	(7,425,638)	0	(739,555)	0	(9,554,416)
Ending Balance (2003)	23,935,456	10,079,892	14,410,439	5,585	0	56,118,344	104,549,716
<u>Receipts</u>	2,842,248	294,983	5,883,864	5,090	751,011	10,840,709	20,617,905
<u>Interfund Transfers</u>	(724,439)	723,713	(1,029)	0	0	1,756	(0)
<u>Disbursements</u>	(238,508)	(1,106,479)	(7,614,760)	0	(751,011)	0	(9,710,758)
Ending Balance (2004)	\$25,814,757	\$9,992,109	\$12,678,513	\$10,675	\$0	\$66,960,809	\$115,456,863

Westfield Retirement System

STATEMENT OF INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Annuity Savings Fund:			
Members Deductions	\$2,587,485	\$2,439,260	\$2,409,558
Transfers from other Systems	52,869	18,810	109,469
Member Make Up Payments and Redeposits	27,654	50,650	143,473
Member Payments from Rollovers	33,239	50,269	0
Investment Income Credited to Member Accounts	<u>141,000</u>	<u>215,074</u>	<u>310,253</u>
Sub Total	<u>2,842,248</u>	<u>2,774,063</u>	<u>2,972,753</u>
Annuity Reserve Fund:			
Investment Income Credited Annuity Reserve Fund	<u>294,983</u>	<u>302,987</u>	<u>212,588</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	145,582	116,774	97,064
Received from Commonwealth for COLA and Survivor Benefits	370,494	248,351	428,361
Pension Fund Appropriation	<u>5,367,787</u>	<u>4,956,738</u>	<u>4,712,179</u>
Sub Total	<u>5,883,864</u>	<u>5,321,863</u>	<u>5,237,604</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	5,027	5,291	0
Investment Income Credited Military Service Fund	<u>63</u>	<u>56</u>	<u>3</u>
Sub Total	<u>5,090</u>	<u>5,347</u>	<u>3</u>
Expense Fund:			
Investment Income Credited to Expense Fund	<u>751,011</u>	<u>739,555</u>	<u>661,627</u>
Sub Total	<u>751,011</u>	<u>739,555</u>	<u>661,627</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	115,229	116,717	92,143
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,871	2,782	2,522
Refund Checks Never Cashed	0	0	124
Miscellaneous Income	13,725	53,091	0
Excess Investment Income	<u>10,709,885</u>	<u>15,655,441</u>	<u>(10,990,161)</u>
Sub Total	<u>10,840,709</u>	<u>15,828,030</u>	<u>(10,895,372)</u>
TOTAL RECEIPTS	<u>\$20,617,905</u>	<u>\$24,971,843</u>	<u>(\$1,810,796)</u>

Westfield Retirement System

STATEMENT OF DISBURSEMENTS

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

FOR THE PERIOD ENDING DECEMBER 31,			
Annuity Savings Fund:	2004	2003	2002
Refunds to Members	\$172,696	\$178,356	\$170,974
Transfers to other Systems	65,812	91,744	84,241
Sub Total	<u>238,508</u>	<u>270,099</u>	<u>255,215</u>
Annuity Reserve Fund:			
Annuities Paid	1,089,314	1,076,505	856,452
Option B Refunds	17,165	42,619	85,129
Sub Total	<u>1,106,479</u>	<u>1,119,124</u>	<u>941,580</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,629,003	5,613,802	4,312,941
Survivorship Payments	533,669	448,885	425,149
Ordinary Disability Payments	35,508	34,921	22,392
Accidental Disability Payments	1,079,345	993,153	990,927
Accidental Death Payments	135,142	118,916	116,042
Section 101 Benefits	43,604	46,075	45,670
3 (8) (c) Reimbursements to Other Systems	158,490	169,885	99,833
State Reimbursable COLA's Paid	0	0	0
Chapter 389 Beneficiary Increase Paid	0	0	0
Sub Total	<u>7,614,760</u>	<u>7,425,638</u>	<u>6,012,955</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	0	0	0
Expense Fund:			
Board Member Stipend	18,000	18,000	15,000
Salaries	110,354	104,061	101,821
Legal Expenses	0	0	360
Fiduciary Insurance	7,674	4,773	0
Service Contracts	9,207	8,181	0
Travel Expenses	2,310	5,546	5,203
Administrative Expenses	3,879	1,678	31,870
Furniture and Equipment	0	5,246	3,206
Management Fees	535,409	525,930	447,379
Custodial Fees	64,179	66,139	56,788
Consultant Fees	0	0	0
Sub Total	<u>751,011</u>	<u>739,555</u>	<u>661,627</u>
TOTAL DISBURSEMENTS	<u>\$9,710,758</u>	<u>\$9,554,416</u>	<u>\$7,871,377</u>

Westfield Retirement System

INVESTMENT INCOME

**FOR THE THREE YEAR PERIOD BEGINNING JANUARY 1, 2002
AND ENDING DECEMBER 31, 2004**

	FOR THE PERIOD ENDING DECEMBER 31,		
	2004	2003	2002
Investment Income Received From:			
Cash	\$20,621	\$68,386	\$130,848
Short Term Investments	191	762	0
Fixed Income	1,150,496	1,072,515	1,441,702
Equities	673,090	524,078	411,938
Pooled or Mutual Funds	1,069,975	1,237,162	896,294
Commission Recapture	<u>5,861</u>	<u>16,143</u>	<u>18,880</u>
TOTAL INVESTMENT INCOME	<u>2,920,235</u>	<u>2,919,047</u>	<u>2,899,662</u>
Plus:			
Realized Gains	2,976,222	2,882,875	4,588,898
Unrealized Gains	10,745,222	13,567,600	4,135,290
Interest Due and Accrued on Fixed Income Securities - Current Year	<u>240,975</u>	<u>197,826</u>	<u>215,395</u>
Sub Total	<u>13,962,418</u>	<u>16,648,300</u>	<u>8,939,584</u>
Less:			
Paid Accrued Interest on Fixed Income Securities	-174,885	-197,334	-128,059
Realized Loss	-2,374,040	-1,143,069	-8,731,212
Unrealized Loss	-2,238,960	-1,098,436	-12,379,867
Interest Due and Accrued on Fixed Income Securities - Prior Year	<u>-197,826</u>	<u>-215,395</u>	<u>-405,797</u>
Sub Total	<u>-4,985,711</u>	<u>-2,654,235</u>	<u>-21,644,935</u>
NET INVESTMENT INCOME	<u>11,896,943</u>	<u>16,913,112</u>	<u>-9,805,689</u>
Income Required:			
Annuity Savings Fund	141,000	215,074	310,253
Annuity Reserve Fund	294,983	302,987	212,588
Military Service Fund	63	56	3
Expense Fund	<u>751,011</u>	<u>739,555</u>	<u>661,627</u>
TOTAL INCOME REQUIRED	<u>1,187,058</u>	<u>1,257,671</u>	<u>1,184,472</u>
Net Investment Income	<u>11,896,943</u>	<u>16,913,112</u>	<u>-9,805,689</u>
Less: Total Income Required	<u>1,187,058</u>	<u>1,257,671</u>	<u>1,184,472</u>
EXCESS INCOME TO THE PENSION RESERVE FUND	<u>\$10,709,885</u>	<u>\$15,655,441</u>	<u>(\$10,990,161)</u>

Westfield Retirement System

STATEMENT OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

	BOOK VALUE*	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS	PERCENTAGE ALLOWED*
Cash	\$3,730,597	\$3,730,597	3.24%	100
Short Term	0	0	0.00%	100
Fixed Income	19,821,047	19,821,047	17.22%	40 - 80
Equities	43,767,697	43,767,697	38.03%	40
Pooled Domestic Equity Funds	26,696,624	26,696,624	23.19%	
Pooled Domestic Fixed Income Funds	21,084,521	21,084,521	18.32%	
GRAND TOTALS	<u>\$115,100,486</u>	<u>\$115,100,486</u>	<u>100.00%</u>	

For the year ending December 31, **2004**, the rate of return for the investments of the **Westfield** Retirement System was 11.61%. For the five-year period ending December 31, **2004**, the rate of return for the investments of the **Westfield** Retirement System averaged 3.38%. For the twenty-year period ending December 31, **2004**, since PERAC began evaluating the returns of the retirement systems, the rate of return of the investments of the **Westfield** Retirement System was 9.96%.

Westfield Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

The **Westfield** Retirement System submitted the following supplementary investment regulations, which were approved by PERAC on:

September 1, 1988

- 20.03(1) Equity investments shall not exceed 60% of the total book value of the portfolio at the time of purchase.
- 20.3(2) At least 30% but no more than 80% of the total portfolio valued at market shall consist of fixed income investments with a maturity of more than one year.

November 17, 1988

- (1) Real estate investments shall not exceed 2% of the total book value of the portfolio at the time of purchase and shall consist of real estate trusts and partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a limited partner be required to participate in the selection of a general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
 - (b) such trustees or general partners retain authority in the decision making process, and
 - (c) such an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

September 14, 1989

- (1) Real estate investments shall not total more than \$600,000 at the time of purchase and shall consist of real estate trusts and partnerships, provided that:
- (a) trust participants or limited partners do not participate in the selection of trustees or general partners and should a trust participant or limited partner be required to participate in the selection of a trustee or general partner, prior to any participation by the board, the board shall consult with PERAC to determine the appropriate course of action, and
 - (b) such trustees or general partners retain authority in the decision making process, and
 - (c) should an investment in a trust or limited partnership result in the direct ownership of real estate or mortgage indebtedness, such shall be permitted only until such time as divestiture of said trust or limited partnership is prudent.

Westfield Retirement System

SUPPLEMENTARY INVESTMENT REGULATIONS (CONT.)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

February 4, 1992

20.04(6) Non-United States based corporations and foreign government bonds provided such securities are denominated in the United States Currency, are listed on a United States exchange or traded over the counter in the United States, and provided further that the total of such securities not exceed 10% of the market value of the portfolio.

April 7, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Westfield Retirement Board may invest in the Loomis Sayles Investment Trust Small Company Value Fund. Investment in this commingled fund represents a modest modification to the System's existing investment mandate with Loomis Sayles, which had been in the form of a small cap value separate account. The commingled fund has the identical investment strategy as the separate account but will serve to reduce custodial and administrative expenses for the System.

In accordance with PERAC Investment Guideline 99-2, the Westfield Retirement Board may invest in the Loomis Sayles Investment Trust Small Company Growth Fund. The System has a long and satisfactory relationship with Loomis Sayles as its small cap equity manager. Proceeds to begin this investment will come from the System's small cap value account with Loomis Sayles.

March 26, 2002

16.08 In accordance with Investment Guideline 99-2, the Westfield Retirement Board is authorized to modify its small cap value mandate with Loomis, Sayles & Company. The Small Company Value Fund in which the Board is currently invested is being closed and liquidated by the company. The Board's assets invested in that fund will be transferred into the Loomis Sayles Small Cap Value Fund, which has the same investment strategy, is managed by the same team, and has the same expenses as the prior fund.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 1 - THE SYSTEM

The plan is a contributory defined benefit plan covering all **Westfield** 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

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

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.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

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

December 19, 1984

Affidavits are not acceptable as proof of employment. Official city records such as payroll checks or records, board minutes, official department logs, civil service records, etc. are deemed by the Board to be official.

CETA employees who worked for the City of Westfield and later became City employees can obtain creditable service by make-up payment documented by gross earnings by calendar year and dates of service.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Part-time employment for membership in the retirement system must be at least twenty (20) hours per week on a regular basis.

Creditable Service for paid Commissioners is determined by pro-rating hours of service as compared to a forty (40) hour work week.

April 1, 1988

Creditable Service up to five (5) years will be granted to reserve police officers and firefighters who continue or establish membership in any Massachusetts Contributory Retirement System regardless of the department of employment.

January 26, 1994

Employees who start employment with the City of Westfield under 20 hours/week and are contributing to FICA and MEDICARE can buy-back this time for creditable service on a prorated basis after they have become eligible for membership by working 20 or more hours/week. This proration will be based on the number of hours worked per week when becoming a member to the average of the hours worked while not a member. Members of the Retirement System who drop under 20 hours/week will continue retirement deductions and will receive full-time creditable service.

September 17, 2003

The Board's mileage reimbursement rate is \$.36/mile.

The Board's maximum daily reimbursement rate for meals is \$75.00.

April 2, 2004

The Board will reimburse mileage at the IRS rate for reimbursement and whenever the IRS rate changes, the Board's rate will also change.

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the **Public Employee Retirement Administration Commission** as of **January 1, 2005**.

The actuarial liability for active members was	\$78,423,260
The actuarial liability for vested terminated members was	717,241
The actuarial liability for non-vested terminated members was	357,613
The actuarial liability for retired members was	<u>80,264,143</u>
The total actuarial liability was	159,762,257
System assets as of that date were (actuarial value)	<u>115,160,120</u>
The unfunded actuarial liability was	<u>\$44,602,137</u>
The ratio of system's assets to total actuarial liability was	72.1%
As of that date the total covered employee payroll was	\$30,543,628

The normal cost for employees on that date was 8.10% of payroll

The normal cost for the employer was 6.72% of payroll

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

Investment Return: 8.00% per annum
Rate of Salary Increase: Varies by group and service

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2005

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)
1/1/2005	\$ 115,160,120	\$ 159,762,257	\$ 44,602,137	72.1%	\$ 30,543,628	146.0%
1/1/2003	\$ 98,045,518	\$ 143,447,991	\$ 45,402,473	68.3%	\$ 28,216,541	160.9%
1/1/2001	\$ 98,968,872	\$ 123,099,626	\$ 24,130,754	80.4%	\$ 28,227,304	85.5%
1/1/1999	\$ 86,465,266	\$ 105,605,160	\$ 19,139,894	81.9%	\$ 25,570,908	74.9%

Westfield Retirement System

NOTES TO FINANCIAL STATEMENTS (Continued)

FOR THE THREE YEAR PERIOD ENDING DECEMBER 31, 2004

NOTE 6 - MEMBERSHIP EXHIBIT

Retirement in Past Years	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Superannuation	8	7	20	20	12	16	14	90	6	13
Ordinary Disability	0	0	1	0	1	0	0	2	0	0
Accidental Disability	3	2	3	0	1	4	2	2	3	4
Total Retirements	11	9	24	20	14	20	16	94	9	17
Total Retirees, Beneficiaries and Survivors	451	444	452	458	454	457	455	532	528	534
Total Active Members	792	843	858	899	924	951	957	915	910	920
Pension Payments										
Superannuation	\$2,546,095	\$2,576,107	\$2,818,338	\$3,060,862	\$3,171,517	\$3,351,773	\$3,619,826	\$5,629,003	\$5,613,802	\$4,312,941
Survivor/Beneficiary Payments	310,348	309,186	336,499	178,978	184,352	360,437	409,823	533,669	448,885	425,149
Ordinary Disability	58,972	46,686	46,708	41,824	34,251	21,665	11,917	35,508	34,921	22,392
Accidental Disability	722,803	729,211	784,693	796,585	815,313	861,300	958,783	1,079,345	993,153	990,927
Other	153,020	267,109	310,459	412,804	420,723	287,431	276,050	178,746	164,991	161,712
Total Payments for Year	<u>\$3,791,238</u>	<u>\$3,928,299</u>	<u>\$4,296,697</u>	<u>\$4,491,053</u>	<u>\$4,626,156</u>	<u>\$4,882,606</u>	<u>\$5,276,399</u>	<u>\$7,456,271</u>	<u>\$7,255,753</u>	<u>\$5,913,122</u>

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac