Webster
Contributory Retirement System
Audit Report
jan. 1, 2017 - dec. 31, 2021

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

TABLE OF CONTENTS

Letter from the Executive Director 1

Explanation of Finding and Recommendation 3

Supplementary Information:

Schedule of Allocation of Investments Owned 4

Administration of the System 5

Board Regulations 5

Actuarial Valuation and Assumptions 6

Membership Exhibit 7

Independent Audit Reports:

Roselli, Clark & Associates, CPAs, Year Ended December 31, 2021 8

Roselli, Clark & Associates, CPAs, Year Ended December 31, 2020 35

Roselli, Clark & Associates, CPAs, Year Ended December 31, 2019 61

Roselli, Clark & Associates, CPAs, Year Ended December 31, 2018 90

Roselli, Clark & Associates, CPAs, Year Ended December 31, 2017 120

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chair* WILLIAM T. KEEFE, *Executive Director*

Auditor DIANA DIZOGLIO | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES J. GUIDO | RICHARD MACKINNON, JR. | JENNIFER F. SULLIVAN, ESQ.

May 2, 2024

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

We conducted an inspection of the work papers prepared by RCA. 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 RCA with certain limited procedures designed to provide additional assurance that the accounting and management standards established by PERAC were adhered to and complied with. The specific objectives of our review were to determine: 1) that the Board is exercising appropriate fiduciary oversight, 2) that cash balances are accurately stated, 3) that investment balances and management fees are accurately stated, 4) that travel expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, 7) that required member documentation is maintained, and 8) that refunds issued by the system were correctly calculated.

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

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In our opinion, the financial records are being maintained and the management functions are being performed in conformity with the standards established by PERAC with the exception of those related to our supplemental work which are detailed in the findings presented in this report.

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

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

In closing, I wish to acknowledge the work of Roselli, Clark & Associates, CPAs who conducted these examinations, and the PERAC examiners who conducted limited procedures to supplement the field work and express my appreciation to the Webster Retirement Board and staff for their courtesy and cooperation.

Sincerely,

William T. Keefe
Executive Director

EXPLANATION OF FINDING AND RECOMMENDATION

1. Retirement Allowance Calculations:

We selected 15 members who retired during the audit period for testing and found the following issues:

- One member's three highest average salary calculation was overstated because the Board included two extra weeks of pay. This member is overpaid by almost $700 per year.
- Another member's average salary was based on a three-year period that was less than the average salary over the final three years. This retiree's salary was also adjusted due to an anti-spiking test, even though he satisfied one of the exceptions by belonging to a union. This member is underpaid by about $450 per year.
- Two retirees had incorrect current payable amounts due to errors in COLA payment calculations caused by re-calculations of their retirement allowances. A third retiree had an incorrect current payable amount due to a transposition of the allowance in the Board's database.

Recommendation: The Retirement Board must review the retirement allowances noted above and make corrections as needed. All retirement calculations must be sent to PERAC's Actuarial Unit for approval because the Board does not have a waiver for superannuation retirement calculations.

Board Response:

In response to the audit finding, the Board and staff wish to affirm that in the future, all benefit calculations will be determined by using the payroll and the spreadsheet that was utilized during the audit and double checking that anti-spiking will not be applied to union members.

FINAL DETERMINATION:

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

SUPPLEMENTARY INFORMATION

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2021	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash and Cash equivalents	$34,434,432	59.6%
Pooled International Equity Funds	8,335,004	14.4%
Pooled Domestic Fixed Income Funds	6	0.0%
Pooled Alternative Investment Funds	3,767,518	6.5%
Pooled Real Estate Funds	6,114,618	10.6%
Hedge Funds	5,148,939	8.9%
Grand Total	$57,800,516	100.0%

For the year ending December 31, 2021, the rate of return for the investments of the Webster Retirement System was 15.45%. For the ten-year period ending December 31, 2021, the rate of return for the investments of the Webster Retirement System averaged 10.02%. 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 Webster Retirement System was 8.42%.

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 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:	Timothy S. Bell		
Appointed Member:	Eleanor P. Doros	Serves until successor is appointed	
Elected Member:	Robert T. Craver, Chairperson	Term Expires:	06/30/2026
Elected Member:	James Hoover	Term Expires:	06/30/2025
Appointed Member:	Brian Perry	Term Expires:	01/31/2027

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

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

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of $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 $50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

BOARD REGULATIONS

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

SUPPLEMENTARY INFORMATION (Continued)

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, 2022.

The actuarial liability for active members was	$34,108,473
The actuarial liability for vested terminated members was	1,894,010
The actuarial liability for non-vested terminated members was	419,674
The actuarial liability for retired members and beneficiaries was	43,526,623
The total actuarial liability was	$79,948,780
System assets as of that date were (actuarial value)	53,314,394
The unfunded actuarial liability was	$26,634,386
The ratio of system's assets to total actuarial liability was	66.7%
As of that date the total covered employee payroll was	$13,447,233

The normal cost for employees on that date was	9.1% of payroll
The normal cost for the employer including expenses was	10.4% of payroll

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

Investment Return:	7.10% per annum
Rate of Salary Increase:	Varies by group and service

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2022

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2022	$53,314,394	$79,948,780	$26,634,386	66.7%	$13,447,233	198.1%
1/1/2020	$43,523,483	$74,540,591	$31,017,108	58.4%	$12,347,237	251.2%
1/1/2018	$38,138,074	$66,026,060	$27,887,986	57.8%	$11,444,870	243.7%
1/1/2016	$32,206,968	$58,794,726	$26,587,758	54.8%	$10,581,427	251.3%
1/1/2014	$26,560,932	$52,412,967	$25,852,035	50.7%	$10,073,523	256.6%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
Retirement in Past Years										
Superannuation	4	6	8	11	8	5	7	9	5	4
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	1	0	1	0	0	0	1	0	0	0
Total Retirements	5	6	9	11	8	5	8	9	5	4
Total Retirees, Beneficiaries and Survivors	134	134	134	137	139	144	145	146	147	151
Total Active Members	260	274	274	267	265	267	271	281	294	305
Pension Payments										
Superannuation	$1,797,604	$1,906,804	$2,018,512	$2,089,663	$2,363,815	$2,382,035	$2,595,064	$2,731,610	$2,756,188	$2,839,116
Survivor/Beneficiary Payments	82,481	79,690	72,289	70,422	78,933	110,234	124,619	117,634	112,367	124,154
Ordinary Disability	11,892	12,277	5,855	0	0	0	0	0	0	0
Accidental Disability	305,511	324,196	347,736	355,296	336,939	351,457	384,073	406,889	418,859	424,139
Other	126,007	133,472	137,543	88,162	223,119	153,191	192,910	191,780	150,133	149,297
Total Payments for Year	$2,323,495	$2,456,439	$2,581,935	$2,603,543	$3,002,807	$2,996,917	$3,296,666	$3,447,913	$3,437,547	$3,536,706

ROSELL, CLARK & ASSOCIATES
Certified Public Accountants

RCA
CPA

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(a Component Unit of the Town of Webster, Massachusetts)

Basic Financial Statements and Additional Information

Year Ended December 31, 2021

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

TABLE OF CONTENTS
DECEMBER 31, 2021

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 – 7
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	8
Statement of Changes in Fiduciary Net Position	9
Notes to Basic Financial Statements	10 – 17
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Changes in Net Pension Liability and Related Ratios	18
Schedule of Contributions	19
Schedule of Investment Returns	19
Notes to Required Supplementary Information	20
OTHER REPORTS:	
Independent Auditors' Report on Audit of Specific Elements, Accounts and Items of Financial Statements	21 – 22
Pension Plan Schedules:	
Schedule of Employer Allocations	23
Schedule of Pension Amounts by Employer	24
Notes to Pension Plan Schedules	25

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INDEPENDENT AUDITORS' REPORT

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

Opinion

We have audited the accompanying financial statements the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' 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

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.

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.

Auditors' 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform 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 the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying table of contents 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.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
June 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Webster Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar years ended December 31, 2021. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is over 71% funded at December 31, 2021.

The System's fiduciary net position increased over $8.0 million in 2021 to approximately $57.8 million. Current year additions of approximately $13.1 million exceeded deductions of nearly $5.1 million. The current year increase in fiduciary net position was nearly $3.2 million greater than the prior year. The System's investment performance for 2021, net of investment management fees, was approximately 14.9% versus 10.3% in 2020. The 2021 net investment return for the System exceeded its long-term expected discount rate, which is currently 7.3%.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans.*

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consists of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Net Position for the two most recent years are as follows:

	December 31, 2021	December 31, 2020	Dollar Change	Percent Change
Assets:				
Cash and cash equivalents	$ 34,434,431	$ 3,267,175	$ 31,167,256	954.0%
Investments, at fair value	23,366,085	46,483,094	(23,117,009)	-49.7%
Receivables and other assets	3,470	3,470	-	0.0%
Total Assets	57,803,986	49,753,739	8,050,247	16.2%
Liabilities	21,929	16,341	5,588	34.2%
Fiduciary Net Position	$ 57,782,057	$ 49,737,398	$ 8,044,659	16.2%

Total assets at December 31, 2021 exceeded $57.8 million and consisted primarily of cash, cash equivalents and investments recorded at fair value. Total assets increased by nearly $8.1 million in 2021, which was due primarily to positive investment performance of nearly 14.9%. The sharp increase in cash and cash equivalents in 2021 was attributable to the System's liquidation of several mutual funds and other managed investments in late 2021. Proceeds from these liquidations were received into the System's PRIT-managed funds in early January 2022. Management expects that the remaining investments in private equity will be fully liquidated and transferred to PRIT-managed funds in 2022.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31, 2021	Year Ended December 31, 2020	Dollar Change	Percent Change
Additions:				
Contributions	$ 5,864,268	$ 5,393,311	$ 470,957	8.7%
Investment income, net	7,265,263	4,085,126	3,180,137	77.8%
Total Additions	13,129,531	9,478,437	3,651,094	38.5%
Deductions:				
Benefits and refunds to Plan members	4,928,811	4,451,322	477,489	10.7%
Administrative and other expenses	156,061	136,775	19,286	14.1%
Total Deductions	5,084,872	4,588,097	496,775	10.8%
Change in Fiduciary Net Position	$ 8,044,659	$ 4,890,340	$ 3,154,319	64.5%

Fiduciary net position increased approximately 8.0 million in 2021, which was primarily the result of net investment income of nearly $7.3 million for the year.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions for 2021 totaled approximately $5.9 million versus $5.4 million in 2020.

Employer contributions represent the largest source of System contributions. In 2021, employer contributions totaled approximately $4.1 million, or 70% of total contributions, which was slightly lower than the prior year's ratio of 73%. Employer contributions are actuarially determined. Employee contributions totaled approximately $1.3 million in 2021, which was approximately $133,000, or 11%, greater than the prior year. This increase was due primarily to a greater number of participating members (i.e., employees) as well as the effect normal pay raises.

Other contributions increased approximately $168,000 year-over-year. This increase was due primarily to increased membership transfers from other Massachusetts public pension systems, which is primarily a function of employee movements.

Investment income is presented net of associated investment management expenses. In 2021, the System reported approximately $7.3 million in net investment income versus $4.1 million in 2021. The System's money-weighted rates of return for 2021 and 2020 were approximately 14.9% and 10.3%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2021 increased nearly $0.5 million from prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 82% of total 2021 deduction versus 88% in the prior year. Member refunds, transfers and reimbursements to other pension systems increased nearly $337,000 year-over-year, which is primarily a function of timing of employee movements throughout the Commonwealth.

Administrative expenses increased over $19,000 from the prior year.

Overall Financial Position

The System's positive investment performance in 2021 enabled it to maintain an approximate 71% funded ratio at December 31, 2021. The System's long-term investment returns as published by PERAC exceed the discount rate used by the System in its actuarial studies (currently 7.3%). Provided the System continues to garner strong investment performances, it is possible the System will achieve fully funded status on or before the expected date forecasted in the latest actuarial valuation of 2034.

The Webster Retirement Board authorized a change to its investment portfolio in which it closed and liquidated the investment balances in all of its managed mutual funds in late 2021. These funds were transferred to the System's PRIT-managed funds. At December 31, 2021, the System still maintained an approximate $8.3 million investment in a private equity fund, which will be liquidated in accordance with the System's agreement with this fund.

Although the System has been successful in garnering the yields necessary to achieve fully funded status in the required time frame, the System (like so many other institutional investors) has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Webster Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Webster Retirement Board at 350 Main Street, Webster, MA 01570.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2021

Assets:	
Cash and cash equivalents	$ 34,434,431
Investments, at fair value:	
Private equity funds	8,335,010
PRIT funds	15,031,075
Total investments	23,366,085
Accounts receivable	3,470
Total Assets	57,803,986
Liabilities:	
Accounts payable and accrued expenses	21,929
Total Liabilities	21,929
Net Position Restricted for Pensions	$ 57,782,057

See accompanying notes to basic financial statements.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2021

Additions:	
Employer contributions	$ 4,077,455
Employee contributions	1,340,793
Transfers and reimbursements from other systems	437,447
Total contributions	5,855,695
Investment income:	
Interest and dividends	892,121
Net appreciation in fair value of investments	6,817,272
Less investment management fees	(444,130)
Total net investment income	7,265,263
Other income	8,573
Total Additions	13,129,531
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	4,165,087
Member refunds	170,142
Transfers and reimbursements to other systems	593,582
Administrative expenses:	
Operations payroll and related personnel costs	110,166
Other	45,895
Total Deductions	5,084,872
Net Change in Net Position	8,044,659
Net Position Restricted for Pensions:	
Beginning of the year	49,737,398
End of the year	$ 57,782,057

See accompanying notes to basic financial statements.

1. DESCRIPTION OF THE PLAN

General – The Webster Contributory Retirement System (the "System") is a cost-sharing, multiple employer defined benefit pension plan established and administered by the Webster Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws ("MGL") to provide pension benefits for participants. The System is a component unit of the Town of Webster. The Town of Webster (the "Town") and the Webster Housing Authority (the "WHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the WHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Membership in the System consisted of the following at December 31, 2021:

Retirees and beneficiaries currently receiving benefits	151
Active plan members	305
Inactive plan members	120
Total	576

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service on or after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees may be entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

2) Disability Retirements – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

   The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Webster Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Webster Retirement Board, 350 Main Street, Webster, Massachusetts 01570.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members elected by the participants in or retired from the service of the System, one member appointed by the Town's Board of Selectmen and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		Term Expires
Ex-Officio Member:	Mr. Timothy Bell, Town Accountant	No Specified Date
Appointed Member:	Ms. Eleanor P. Doros	No Specified Date
Elected Member:	Mr. Robert T. Craver (Chairperson)	June 29, 2023
Elected Member:	Mr. James Hoover	June 29, 2022
Fifth Member (non-member):	Mr. Brian Perry	January 29, 2024

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution. Additionally, each of the System's depository institutions maintain additional insurance for deposits in excess of the FDIC limit. All of the System's bank deposits were fully insured at December 31, 2021.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2021, the System was not exposed to custodial credit risk on its investments.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted a revised investment policy statement in September 2020. The investment objective is to fully fund the System by generating sufficient long-term, inflation-adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board seeks to generate long-term investment performance that meets or exceeds actuarially-targeted rates of return. Furthermore, the Board establishes investment benchmarks by asset class to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these asset classes were as follows:

Asset Class	Target Policy Range	Long-Term Expected Rate of Return
Domestic equity	32.0% to 42.0%	7.74% to 9.00%
International equity	10.0% to 20.0%	8.13%
Fixed income	18.0% to 28.0%	4.15%
Real estate	8.0% to 12.0%	8.20%
Private equity	3.0% to 7.0%	10.97%
Hedge funds	8.0% to 12.0%	9.94%

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2021 money-weighted rate of return was approximately 14.88%.

Fair Value Measurements: Investments – At December 31, 2021, all of the System's investments were measured at NAV. The State Treasurer investment pool is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System maintains several Massachusetts Pension Reserve Investment Trust, or PRIT funds, each of which consists of a diverse set of investments that includes private equity, venture and real estate investments. At December 31, 2021, $15,031,075 in investments were held in PRIT funds. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investment in the core PRIT fund at any time with less than thirty days' notice; investments in hedge funds managed by PRIT must be held to duration. Distributions from the PRIT funds may be received regularly and, upon receipt, are deposited into an accompanying short-term cash investment account.

Investments in private equity funds totaling $8,335,010 were recorded at values determined in good faith by the general partners of the private equity firm after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. These investments were fully liquidated in 2022 and the proceeds from their liquidation were transferred to PRIT-managed funds.

Because of the inherent uncertainty of valuations used in many of the System's investments measured at NAV, estimated values may differ significantly from the values that would have been used had a readily available market for positions in privately held companies or the real estate existed at December 31, 2021. These differences could have a material adverse effect on the System's financial statements.

Concentration of Credit Risk: Investments – The following investments were held by the System at December 31, 2021:

HGK Trinity Street International Equity Fund GP, LLC	35.7%
PRIT Core Real Estate	26.2%
PRIT Hedge Funds	22.0%
PRIT Private Equity Funds	16.1%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's Investors Services and Standard and Poor's Financial Services LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2021, uninsured in-transit liquidated investments with fair values of $30,047,602 were reported as cash equivalents. These funds represent liquidated investments that were transferred to the System's PRIT funds in January 2022. The fair values of these amounts have been classified as cash equivalents in these financial statements.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled $4,077,455 in 2021.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over $30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first $16,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2034.

The components of the System's net pension liability were as follows at December 31, 2021 (dollar amounts in thousands):

Total pension liability	$	81,160
Plan fiduciary net position		57,782
Net pension liability	$	23,378
Plan fiduciary net position as a percentage of total pension liability		71.2%

The total pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2021. The significant actuarial assumptions used in the actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.3%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
	Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
Disabled life mortality:	For disabled retirees, the rates reflect the RP-2014 Clue Collar Healthy Annuitant Table set forward one year and projected generationally with Scale MP-2018 (gender distinct).

Discount Rate – The discount rate used to measure the total pension liability was 7.3%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2021 are summarized in the investment policy table in Note 4.

Sensitivity Analysis – The following illustrates the net pension liability at December 31, 2021 calculated using the current discount rate of 7.3%, as well as the projection of what the net pension liability would be if it were calculated using a discount rate that is 1% lower or higher than the current rate (dollar amounts in thousands):

Current	Net Pension Liability At		
Discount Rate	1% Decrease	Current Rate	1% Increase
7.3%	$ 32,326	$ 23,378	$ 15,806

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions, as of December 31, 2021, were comprised of the following legally required reserve funds:

Description	Amount	Purpose
Annuity Savings Fund	$ 11,676,018	Balance of active members' contributions
Annuity Reserve Fund	3,596,249	Balance of retired members' contributions
Pension Fund	4,664,064	Amounts appropriated to fund future retirements
Pension Reserve Fun	37,845,726	Remaining fiduciary net position
	$ 57,782,057	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time during the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse effect on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * * *

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	$ 2,039	$ 1,951	$ 1,873	$ 1,793	$ 1,716	$ 1,642	$ 1,444	$ 1,382
Interest	5,668	5,218	5,045	4,699	4,594	4,309	4,246	4,052
Differences in expected and actual experience	-	2,456	-	607	-	(1,469)	1	-
Changes in assumptions	-	692	-	1,510	-	2,790	-	-
Benefit payments, including refunds	(4,325)	(4,147)	(4,145)	(3,828)	(3,575)	(3,519)	(2,947)	(3,025)
Net change in total pension liability	3,382	6,170	2,773	4,781	2,735	3,753	2,744	2,409
Total pension liability - beginning of year	77,778	71,608	68,835	64,054	61,319	57,566	54,822	52,413
Total pension liability - end of year (a)	$ 81,160	$ 77,778	$ 71,608	$ 68,835	$ 64,054	$ 61,319	$ 57,566	$ 54,822
Plan fiduciary net position:								
Contributions - employer	$ 4,077	$ 3,910	$ 3,671	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,731
Contributions - employee	1,341	1,207	1,184	1,132	1,094	1,029	1,035	941
Contributions - nonemployer contributing entities	437	269	258	365	203	215	236	262
Net investment income	7,265	4,085	6,843	(2,543)	4,659	2,057	58	1,640
Benefit payments, including refunds	(4,928)	(4,451)	(4,318)	(3,997)	(3,907)	(3,766)	(3,351)	(3,174)
Administrative expenses	(156)	(137)	(204)	(126)	(118)	(110)	(87)	(97)
Other	9	7	27	6	12	11	6	5
Net change in plan fiduciary net position	8,045	4,890	7,461	(1,716)	5,195	2,504	786	2,308
Plan fiduciary net position - beginning of year	49,737	44,847	37,386	39,102	33,907	31,403	30,617	28,309
Plan fiduciary net position - end of year (b)	$ 57,782	$ 49,737	$ 44,847	$ 37,386	$ 39,102	$ 33,907	$ 31,403	$ 30,617
Net pension liability - end of year (a) - (b)	$ 23,378	$ 28,041	$ 26,761	$ 31,449	$ 24,952	$ 27,412	$ 26,163	$ 24,205
Plan fiduciary net position as a percentage of the total pension liability	71.2%	63.9%	62.6%	54.3%	61.0%	55.3%	54.6%	55.8%
Covered payroll	$ 12,347	$ 12,347	$ 11,445	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Net pension liability as a percentage of covered payroll	189.3%	227.1%	233.8%	274.8%	235.8%	259.1%	259.7%	240.3%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS
(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll *(fiscal year basis)*	Contributions as a Percentage of Covered Payroll
2021	$ 4,140	$ 4,077	$ 63	$ 12,347	33.0%
2020	3,910	3,910	-	12,347	31.7%
2019	3,671	3,671	-	11,445	32.1%
2018	3,447	3,447	-	11,445	30.1%
2017	3,252	3,252	-	10,581	30.7%
2016	3,068	3,068	-	10,581	29.0%
2015	2,894	2,894	-	10,074	28.7%
2014	2,651	2,651	-	10,074	26.3%

SCHEDULE OF INVESTMENT RETURNS

For Year Ended December 31,	Annual Money-Weighted Rate of Return *
2021	14.88%
2020	10.32%
2019	18.85%
2018	-6.04%
2017	14.51%
2016	7.07%
2015	0.72%
2014	6.80%

* Net of investment expenses.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2021.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the latest actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.3%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
	Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
Disabled life mortality:	For disabled retirees, the rates reflect the RP-2014 Clue Collar Healthy Annuitant Table set forward one year and projected generationally with Scale MP-2018 (gender distinct).

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

Opinion

We have audited the accompanying schedule of employer allocations of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2021 and the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (the specified column totals) included in the accompanying schedule of pension amounts by employer of the System, and related notes thereto. Collectively, these are referred to as the Schedules.

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 of the 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 Auditors' Responsibilities for the Audit of the Schedule 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 Schedules

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

Auditors' 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 auditors' 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 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 evaluating the overall presentation of the Schedules.
- 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.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2021, and our report thereon, dated June 16, 2022, expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
June 16, 2022

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2021

Dollar amounts are in thousands

Employer	Employer Contributions	Employer Allocation Percentage
Town of Webster	$ 4,015	97.0%
Webster Housing Authority	124	3.0%
Total	$ 4,139	100.0%

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2021

	Town of Webster	Webster Housing Authority	Total
Net pension liability	$ 22,676,660	$ 701,340	$ 23,378,000
Deferred outflows of resources:			
Differences between actual and expected experience	$ 1,713,990	$ 53,010	$ 1,767,000
Changes of assumptions	885,610	27,390	913,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	33,671	33,671
Total deferred outflows of resources	$ 2,599,600	$ 114,071	$ 2,713,671
Deferred inflows of resources:			
Net difference between projected and actual investment earnings on pension plan investments	$ 3,776,210	$ 116,790	$ 3,893,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	33,671	-	33,671
Total deferred inflows of resources	$ 3,809,881	$ 116,790	$ 3,926,671
Pension expense (income):			
Proportionate share of plan pension expense	$ 3,015,201	$ 93,254	$ 3,108,455
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	42,128	(42,128)	-
Total employer pension expense (income)	$ 3,057,329	$ 51,126	$ 3,108,455

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2021

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Webster Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2021.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income) as of December 31, 2021.

Measurement Period Ended December 31,	Town of Webster	Webster Housing Authority	Total
2022	$ 305,089	$ 19,911	$ 325,000
2023	(827,358)	(10,642)	(838,000)
2024	(310,058)	(4,942)	(315,000)
2025	(377,954)	(7,046)	(385,000)
	$ (1,210,281)	$ (2,719)	$ (1,213,000)

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

RCA
CPA

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(a Component Unit of the Town of Webster, Massachusetts)

Basic Financial Statements
and Additional Information

Year Ended December 31, 2020

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

TABLE OF CONTENTS
DECEMBER 31, 2020

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 5
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Basic Financial Statements	8 – 16
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Changes in Net Pension Liability and Related Ratios	17
Schedule of Contributions	18
Schedule of Investment Returns	18
Notes to Required Supplementary Information	19
OTHER REPORTS:	
Independent Auditors' Report on Audit of Specific Elements, Accounts and Items of Financial Statements	20 – 21
Pension Plan Schedules:	
Schedule of Employer Allocations	22
Schedule of Pension Amounts by Employer	23
Notes to Pension Plan Schedules	24

ROSELLI, CLARK & ASSOCIATES
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INDEPENDENT AUDITORS' REPORT

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions 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 auditors consider 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying 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 sufficient evidence to express an opinion or provide any assurance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
August 31, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Webster Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar years ended December 31, 2020. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is nearly 64% funded at December 31, 2020.

The System's fiduciary net position increased nearly $4.9 million in 2020 to approximately $49.7 million. Current year additions of approximately $9.5 million exceeded deductions of nearly $4.6 million. The current year increase in fiduciary net position was nearly $2.6 million lower than the prior year. The System's investment performance for 2020, net of investment management fees, was approximately 10.3% versus 18.9% in 2019. The 2020 net investment return for the System exceeded its long-term expected discount rate, which is currently 7.3%.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans.*

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consists of the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Net Position for the two most recent years are as follows:

	December 31, 2020	December 31, 2019	Dollar Change	Percent Change
Assets:				
Cash and cash equivalents	$ 3,267,175	$ 2,940,233	$ 326,942	11.1%
Investments, at fair value	46,483,094	41,926,646	4,556,448	10.9%
Receivables and other assets	3,470	-	3,470	100.0%
Total Assets	49,753,739	44,866,879	4,886,860	10.9%
Liabilities	16,341	19,821	(3,480)	-17.6%
Fiduciary Net Position	$ 49,737,398	$ 44,847,058	$ 4,890,340	10.9%

Total assets at December 31, 2020 approached $49.8 million and consisted primarily of investments recorded at fair value. Total assets increased by approximately $4.9 million in 2020, which was due primarily to positive investment performance of 10.3%.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019	Dollar Change	Percent Change
Additions:				
Contributions	$ 5,393,311	$ 5,140,528	$ 252,783	4.9%
Investment income, net	4,085,126	6,843,028	(2,757,902)	-40.3%
Total Additions	9,478,437	11,983,556	(2,505,119)	-20.9%
Deductions:				
Benefits and refunds to Plan members	4,451,322	4,318,354	132,968	3.1%
Administrative and other expenses	136,775	204,155	(67,380)	-33.0%
Total Deductions	4,588,097	4,522,509	65,588	1.5%
Change in Fiduciary Net Position	$ 4,890,340	$ 7,461,047	$ (2,570,707)	-34.5%

Fiduciary net position increased approximately $4.9 million in 2020, which was primarily the result of net investment income of nearly $4.1 million for the year.

Contributions to the System's Fiduciary Net Position primarily include employer and employee contributions in addition to transfers from other retirement systems. Contributions for 2020 totaled approximately $5.4 million versus $5.1 million in 2019.

Employer contributions represent the largest source of System contributions. In 2020, employer contributions totaled approximately $3.9 million, or 73% of total contributions, which was slightly higher than the prior year's ratio of 72%. Employer contributions are actuarially determined. Employee contributions totaled approximately $1.2 million in 2020, which was approximately $23,000, or 2%, greater than the prior year. This increase was due primarily to the effect normal pay raises.

Other contributions were consistent year-over-year.

Investment income is presented net of associated investment management expenses. In 2020, the System reported approximately $4.1 million in net investment income versus $6.8 million in 2019. The System's money-weighted rates of return for 2020 and 2019 were approximately 10.3% and 18.9%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2020 increased nearly $66,000 from prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 88% of total 2020 and 2019 deductions. Member refunds, transfers and reimbursements to other pension systems increased over $77,000 year-over-year, which is primarily a function of timing of employee movements throughout the Commonwealth.

Administrative expenses decreased over $67,000 from the prior year. This decrease was due primarily to the absence of several one-time personnel related costs that were incurred in 2019.

Overall Financial Position

The System's positive investment performance in 2020 enabled it to maintain an approximate 64% funded ratio at December 31, 2020. The System's long-term investment returns as published by PERAC exceed the discount rate used by the System in its actuarial studies (currently 7.3%). Provided the System continues to garner strong investment performances, it is possible the System will achieve fully funded status on or before the expected date forecasted in the latest actuarial valuation of 2034.

The System maintains a large portion of its investments in pooled funds. Some of these funds invest in private companies or real estate. The determination of the value of these investments is very subjective and the ultimate amounts of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly-held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Although the System has been successful in garnering the yields necessary to achieve fully funded status in the required time frame, the System (like so many other institutional investors) has experienced a great deal of volatility in its investments. Management believes that the volatility in the worldwide markets may continue for the foreseeable future, particularly as U.S. and global governments and markets address the COVID-19 pandemic. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Webster Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Webster Retirement Board at 350 Main Street, Webster, MA 01570.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020

Assets:	
Cash and cash equivalents	$ 3,267,175
Investments, at fair value:	
Mutual funds	30,636,972
Private equity funds	6,751,118
PRIT	9,095,004
Total investments	46,483,094
Accounts receivable	3,470
Total Assets	49,753,739
Liabilities:	
Accounts payable and accrued expenses	16,341
Total Liabilities	16,341
Net Position Restricted for Pensions	$ 49,737,398

See accompanying notes to basic financial statements.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020

Additions:	
Employer contributions	$ 3,909,906
Employee contributions	1,207,339
Transfers and reimbursements from other systems	269,195
Total contributions	5,386,440
Investment income:	
Interest and dividends	760,626
Net appreciation in fair value of investments	3,660,781
Less investment management fees	(336,281)
Total net investment income	4,085,126
Other income	6,871
Total Additions	9,478,437
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	4,024,198
Member refunds	65,030
Transfers and reimbursements to other systems	362,094
Administrative expenses:	
Operations payroll and related personnel costs	96,580
Other	40,195
Total Deductions	4,588,097
Net Change in Net Position	4,890,340
Net Position Restricted for Pensions:	
Beginning of the year	44,847,058
End of the year	$ 49,737,398

See accompanying notes to basic financial statements.

1. DESCRIPTION OF THE PLAN

General – The Webster Contributory Retirement System (the "System") is a cost-sharing, multiple employer defined benefit pension plan established and administered by the Webster Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws ("MGL") to provide pension benefits for participants. The System is a component unit of the Town of Webster. The Town of Webster (the "Town") and the Webster Housing Authority (the "WHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the WHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Membership in the System consisted of the following at December 31, 2020:

Retirees and beneficiaries currently receiving benefits	147
Active plan members	294
Inactive plan members	108
Total	549

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one public pension system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service on or after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees may be entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulated total deductions on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

2) Disability Retirements – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

   The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Webster Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Webster Retirement Board, 350 Main Street, Webster, Massachusetts 01570.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America, or GAAP. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Member contributions are recognized in the period in which the contributions are due. Investment income is recognized in the period earned. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members elected by the participants in or retired from the service of the System, one member appointed by the Town's Board of Selectmen and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		Term Expires
Ex-Officio Member:	Mr. Timothy Bell, Town Accountant	No Specified Date
Appointed Member:	Ms. Eleanor P. Doros	No Specified Date
Elected Member:	Mr. Robert T. Craver (Chairperson)	June 29, 2023
Elected Member:	Mr. James Hoover	June 29, 2022
Fifth Member (non-member):	Mr. Brian Perry	January 29, 2024

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution. Additionally, each of the System's depository institutions maintain additional insurance for deposits in excess of the FDIC limit. All of the System's bank deposits were fully insured at December 31, 2020.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2020, the System was not exposed to custodial credit risk on its investments.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted a revised investment policy statement in December 2016. The investment objective is to fully fund the System by generating sufficient long-term, inflation-adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board seeks to generate long-term investment performance that meets or exceeds actuarially-targeted rates of return. Furthermore, the Board establishes investment benchmarks by asset class to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these asset classes were as follows:

Asset Class	Target Policy Range	Long-Term Expected Rate of Return
Domestic equity	32.0% to 42.0%	8.38% to 10.34%
International equity	10.0% to 20.0%	8.14%
Fixed income	18.0% to 28.0%	5.49% to 6.21%
Real estate	8.0% to 10.0%	7.250%
Private equity	3.0% to 7.0%	13.04%
Hedge funds	8.0% to 12.0%	6.79%
Cash	0.0% to 3.0%	2.74%

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2020 money-weighted rate of return was approximately 10.3%.

Fair Value Measurements: Investments – The following table presents the value of the System's investments carried at fair value on a recurring basis as of December 31, 2020:

Investments by Fair Value Level	December 31, 2020	Fair Value Measurements Using Level 1	Level 2	Level 3
Mutual funds:				
Fixed income mutual funds	$ 10,006,225	$ 10,006,225	$ -	$ -
Domestic equity mutual funds	20,630,747	7,053,772	13,576,975	-
Total investments by fair value level	30,636,972	$ 17,059,997	$ 13,576,975	$ -
Investments measured at NAV:				
Private equity funds	6,751,118			
PRIT funds	9,095,004			
Total investments measured at NAV	15,846,122			
Total investments measured at fair value	$ 46,483,094			

Investments Measured at NAV By Asset Class	Fair Value	Unfunded Commitments
Private equity funds	$ 6,751,118	$ -
PRIT funds	9,095,004	3,311,265
	$ 15,846,122	$ 3,311,265

Investments measured at NAV include comingled/pooled funds in a private equity mutual fund and private equity fund and investments in the State Treasurer investment pool, referred to as PRIT funds.

Private equity funds generally include investments in which the System is a general partner in a private equity, venture capital fund or similar investment vehicle. The value of these investments are recorded at values determined in good faith by the general partners of the private equity and venture capital firms after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. In addition, fair values of real estate funds are generally based on independent, third-party appraisals. By their very nature, these investments are illiquid and typically cannot be resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the underlying assets for the funds will be liquidated over an average of ten years.

The State Treasurer investment pool is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System maintains several Massachusetts Pension Reserve Investment Trust, or PRIT funds, each of which consists of a diverse set of investments that includes private equity, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investment in the core PRIT fund at any time with less than thirty days' notice;

investments in hedge funds managed by PRIT must be held to duration. Distributions from the PRIT funds may be received regularly and, upon receipt, are deposited into an accompanying short-term cash investment account.

Because of the inherent uncertainty of valuations used in many of the System's investments measured at NAV, estimated values may differ significantly from the values that would have been used had a readily available market for positions in privately held companies or the real estate existed at December 31, 2020. These differences could have a material adverse effect on the System's financial statements.

Concentration of Credit Risk: Investments – The following investments held by the System at December 31, 2020 represent approximately 97.5% of the System's total investments:

Loomis Sayles Investment Grade Fixed Income Fund	21.5%
Aristotle Small Cap Equity	15.2%
Rhumbline Russell 1000 Pooled Index Fund	14.9%
HGK Trinity Street International Equity Fund GP, LLC	14.5%
Rhumbline S&P Mid Cap 400 Pooled Index Fund	14.3%
PRIT Core Real Estate	9.0%
PRIT Hedge Funds	8.1%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk: Investments – This is the risk that an issuer of an investment will not fulfill its obligation to the holder of an investment. MGL and PERAC have enacted regulations to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's Investors Services and Standard and Poor's Financial Services LLC. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2020, uninsured short-term investment funds with fair values of $362,726 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled $3,909,906 in 2020.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired after January 1, 1979 contribute an additional 2% of their regular gross compensation over $30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first $16,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2034.

The components of the System's net pension liability were as follows at December 31, 2020 (dollar amounts in thousands):

Total pension liability	$ 77,778
Plan fiduciary net position	49,737
Net pension liability	$ 28,041
Plan fiduciary net position as a percentage of total pension liability	63.9%

The total pension liability was determined by an actuarial valuation as of January 1, 2020 and rolled forward to December 31, 2020. The significant actuarial assumptions used in the actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.30% (previously 7.35%)
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
	Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
Disabled life mortality:	For disabled retirees, the rates reflect the RP-2014 Clue Collar Healthy Annuitant Table set forward one year and projected generationally with Scale MP-2018 (gender distinct).

Discount Rate – The discount rate used to measure the total pension liability was 7.30%, which is a reduction from the previous discount rate of 7.35%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2020 are summarized in the investment policy table in Note 4.

Sensitivity Analysis – The following illustrates the net pension liability at December 31, 2020 calculated using the current discount rate of 7.30%, as well as the projection of what the net pension liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the current rate (dollar amounts in thousands):

Current	Net Pension Liability At		
Discount Rate	1% Decrease	Current Rate	1% Increase
7.30%	$ 36,616	$ 28,041	$ 20,768

7. LEGALLY REQUIRED RESERVE ACCOUNTS

Net position restricted for pensions, as of December 31, 2020, were comprised of the following legally required reserve funds:

Description	Amount	Purpose
Annuity Savings Fund	$ 11,087,669	Balance of active members' contributions
Annuity Reserve Fund	3,818,347	Balance of retired members' contributions
Pension Fund	3,985,123	Amounts appropriated to fund future retirements
Pension Reserve Fun	30,846,259	Remaining fiduciary net position
	$ 49,737,398	

8. COMMITMENTS AND CONTINGENCIES

General – The System is subject to a variety of claims that arise from time to time during the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse effect on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

COVID-19 – The COVID-19 pandemic has resulted in global economic slowdowns and disruptions that have and could continue to affect U.S. and global markets and economies. The System's ability to meet its long-term investment return projections and targets is highly dependent on these markets and economies. The global response to the COVID-19 pandemic is beyond the System's control and the likelihood and extent of further market volatility cannot be predicted.

* * * * * *

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	$ 1,951	$ 1,873	$ 1,793	$ 1,716	$ 1,642	$ 1,444	$ 1,382
Interest	5,218	5,045	4,699	4,594	4,309	4,246	4,052
Differences in expected and actual experience	2,456	-	607	-	(1,469)	1	-
Changes in assumptions	692	-	1,510	-	2,790	-	-
Benefit payments, including refunds	(4,147)	(4,145)	(3,828)	(3,575)	(3,519)	(2,947)	(3,025)
Net change in total pension liability	6,170	2,773	4,781	2,735	3,753	2,744	2,409
Total pension liability - beginning of year	71,608	68,835	64,054	61,319	57,566	54,822	52,413
Total pension liability - end of year (a)	$ 77,778	$ 71,608	$ 68,835	$ 64,054	$ 61,319	$ 57,566	$ 54,822
Plan fiduciary net position:							
Contributions - employer	$ 3,910	$ 3,671	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,731
Contributions - employee	1,207	1,184	1,132	1,094	1,029	1,035	941
Contributions - nonemployer contributing entities	269	258	365	203	215	236	262
Net investment income	4,085	6,843	(2,543)	4,659	2,057	53	1,640
Benefit payments, including refunds	(4,451)	(4,318)	(3,997)	(3,907)	(3,766)	(3,351)	(3,174)
Administrative expenses	(137)	(204)	(126)	(118)	(110)	(87)	(97)
Other	7	27	6	12	11	6	5
Net change in plan fiduciary net position	4,890	7,461	(1,716)	5,195	2,504	786	2,308
Plan fiduciary net position - beginning of year	44,847	37,386	39,102	33,907	31,403	30,617	28,309
Plan fiduciary net position - end of year (b)	$ 49,737	$ 44,847	$ 37,386	$ 39,102	$ 33,907	$ 31,403	$ 30,617
Net pension liability - end of year (a) - (b)	$ 28,041	$ 26,761	$ 31,449	$ 24,952	$ 27,412	$ 26,163	$ 24,205
Plan fiduciary net position as a percentage of the total pension liability	63.9%	62.6%	54.3%	61.0%	55.3%	54.6%	55.8%
Covered payroll	$ 12,347	$ 11,445	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Net pension liability as a percentage of covered payroll	227.1%	233.8%	274.8%	235.8%	259.1%	259.7%	240.3%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS
(dollar amounts are in thousands)

For Fiscal Year Ended June 30,	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Deficiency (Excess)	Covered Payroll *(fiscal year basis)*	Contributions as a Percentage of Covered Payroll
2020	$ 3,910	$ 3,910	$ -	$ 12,347	31.7%
2019	3,671	3,671	-	11,445	32.1%
2018	3,447	3,447	-	11,445	30.1%
2017	3,252	3,252	-	10,581	30.7%
2016	3,068	3,068	-	10,581	29.0%
2015	2,894	2,894	-	10,074	28.7%
2014	2,651	2,651	-	10,074	26.3%

SCHEDULE OF INVESTMENT RETURNS

For Year Ended December 31,	Annual Money-Weighted Rate of Return *
2020	10.32%
2019	18.85%
2018	-6.04%
2017	14.51%
2016	7.07%
2015	0.72%
2014	6.80%

* Net of investment expenses.

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2020.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the latest actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.30% (previously 7.35%)
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).
	Post-retirement rates reflect the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).
Disabled life mortality:	For disabled retirees, the rates reflect the RP-2014 Clue Collar Healthy Annuitant Table set forward one year and projected generationally with Scale MP-2018 (gender distinct).

C. SIGNIFICANT CHANGES TO ACTUARIAL ASSUMPTIONS AND METHODS

The System's discount rate decreased from 7.35% to 7.30% in the latest actuarial valuation. In addition, certain changes were made to the mortality tables in the most recent actuarial valuation.

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited the accompanying schedule of employer allocations of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2020. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2020, and the related notes thereto.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column 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 of the System as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

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

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
August 31, 2021

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2020

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Webster	$ 3,796	97.1%
Webster Housing Authority	114	2.9%
Total	$ 3,910	100.0%

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2020

	Town of Webster	Webster Housing Authority	Total
Net pension liability	$ 27,227,811	$ 813,189	$ 28,041,000
Deferred outflows of resources:			
Differences between actual and expected experience	$ 2,243,010	$ 66,990	$ 2,310,000
Changes of assumptions	1,633,222	48,778	1,682,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	26,090	26,090
Total deferred outflows of resources	$ 3,876,232	$ 141,858	$ 4,018,090
Deferred inflows of resources:			
Differences between actual and expected experience	$ 197,113	$ 5,887	$ 203,000
Net difference between projected and actual investment earnings on pension plan investments	1,270,068	37,932	1,308,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	26,090	-	26,090
Total deferred inflows of resources	$ 1,493,271	$ 43,819	$ 1,537,090
Pension expense (income):			
Proportionate share of plan pension expense	$ 3,622,710	$ 108,196	$ 3,730,906
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(11,091)	11,091	-
Total employer pension expense (income)	$ 3,611,619	$ 119,287	$ 3,730,906

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

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Webster Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2020.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income) as of December 31, 2020.

Measurement Period Ended December 31,	Town of Webster	Webster Housing Authority	Total
2021	$ 775,088	$ 33,912	$ 809,000
2022	1,010,016	35,984	1,046,000
2023	(122,625)	6,625	(116,000)
2024	394,226	11,774	406,000
	$ 2,382,961	$ 98,039	$ 2,481,000

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

RCA
CPA

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(a Component Unit of the Town of Webster, Massachusetts)

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended December 31, 2019

Report on Internal Control and Compliance Year
Ended December 31, 2019

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

TABLE OF CONTENTS
DECEMBER 31, 2019

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 6
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	7
Statement of Changes in Fiduciary Net Position	8
Notes to Basic Financial Statements	9 – 17
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Changes in Net Pension Liability and Related Ratios	18
Schedule of Contributions	19
Schedule of Investment Returns	19
Notes to Required Supplementary Information	20
OTHER REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	21 – 22
Independent Auditors' Report on Audit of Specific Elements, Accounts and Items of Financial Statements	23 – 24
Pension Plan Schedules:	
Schedule of Employer Allocations	25
Schedule of Pension Amounts by Employer	26
Notes to Pension Plan Schedules	27

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INDEPENDENT AUDITORS' REPORT

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 6, 2020 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 6, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Webster Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar years ended December 31, 2019. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 63% funded at December 31, 2019.

The System's fiduciary net position increased approximately $7.5 million in 2019 to approximately $44.9 million. Current year additions of approximately $12.0 million exceeded deductions of over $4.5 million. The current year increase in fiduciary net position was far more favorable that the prior year's reported decrease of approximately $1.7 million. The System's investment performance for 2019, net of investment management fees, was approximately 18.9% versus -6.0% in 2018. The 2019 net investment return for the System exceeded its long-term expected discount rate, which is currently 7.35%.

The benchmark U.S. equity indices were down significantly in the first quarter of 2020. The volatility in U.S. markets is historic and primarily due to the COVID-19 pandemic, which sparked liquidations of equities and debt securities causing market prices of nearly all investment securities to plummet. Additionally, declining worldwide oil prices further exacerbated the situation. The System actively manages its investments and has taken steps to attempt to mitigate losses. It is important to note that much of the losses experienced in the first calendar quarter of 2020 were recouped by June 30, 2020.

The System's next full valuation will be based on the market value of its investments at December 31, 2019, which will include robust investment balances. However, there may be pressure to reduce the discount rate used by the System in response to these events and the uncertainty as to the duration of the pandemic; this would likely result in a lower funding ratio in that valuation report.

Overview of the Financial Statements

The basic financial statements are comprised of the Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information. The basic financial statements are prepared in accordance with accounting principles generally accepted in the United States of America, or GAAP; specifically, GASB Statement No. 67, *Financial Reporting for Pension Plans*.

The Statement of Fiduciary Net Position reports the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

The Statement of Changes in Fiduciary Net Position reports additions to and deductions from the System during the. This statement reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains, during the year is also presented.

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

This report also includes Required Supplementary Information following the Notes to the Financial Statements that consist the schedules of changes in net pension liability and related ratios, investment returns and contributions and the notes to the schedule of contributions.

Financial Analysis

The condensed comparative Statements of Net Position for the two most recent years are as follows:

	December 31, 2019	December 31, 2018	Dollar Change	Percent Change
Assets:				
Cash and cash equivalents	$ 2,940,233	$ 2,635,169	$ 305,064	11.6%
Investments, at fair value	41,926,646	34,824,223	7,102,423	20.4%
Receivables and other assets	-	29,228	(29,228)	-100.0%
Total Assets	44,866,879	37,488,620	7,378,259	19.7%
Liabilities	19,821	102,609	(82,788)	-80.7%
Fiduciary Net Position	$ 44,847,058	$ 37,386,011	$ 7,461,047	20.0%

Total assets at December 31, 2019 approximated $44.5 million and consisted primarily of investments recorded at fair value. Total assets increased by approximately $7.4 million in 2019, which was due primarily to a positive investment portfolio performance of 18.9%. Fluctuations in receivables and liabilities were due primarily to the timing of investment sales and purchases being completed.

The condensed comparative Statements of Changes in Fiduciary Net Position for the two most recent years are as follows:

	Year Ended December 31, 2019	Year Ended December 31, 2018	Dollar Change	Percent Change
Additions:				
Contributions	$ 5,140,528	$ 4,950,608	$ 189,920	3.8%
Investment income, net	6,843,028	(2,543,436)	9,386,464	369.0%
Total Additions	11,983,556	2,407,172	9,576,384	397.8%
Deductions:				
Benefits and refunds to Plan members	4,318,354	3,996,767	321,587	8.0%
Administrative and other expenses	204,155	125,902	78,253	62.2%
Total Deductions	4,522,509	4,122,669	399,840	9.7%
Change in Fiduciary Net Position	$ 7,461,047	$ (1,715,497)	$ 9,176,544	534.9%

Fiduciary net position increased approximately $7.5 million in 2019, which was primarily the result of net investment income of over $6.8 million for the year.

The amount needed to finance pension benefits is accumulated through the collection of employer and employee contributions, reimbursements from the Commonwealth and other Massachusetts pension systems and through earnings on investments. Contributions for 2019 totaled over $5.1 million versus nearly $5.0 million in 2018. Employer contributions represent the largest component of contributions; in 2019, employer contributions totaled 71.8% of total contributions versus 69.7% in 2018. Employer contributions are actuarially determined.

Employee contributions totaled approximately $1.2 million in 2019, which was approximately $52,000, or 4.6%, greater than the prior year. This increase was due primarily to an increase in the number of active members within the System coupled with the effect normal pay raises.

Other contributions decreased nearly $107,000 from prior year. This decrease was due to the timing of employee movements into the System from other Massachusetts municipal employers.

Investment income is presented net of associated investment management expenses. In 2019, the System reported over $6.8 million in net investment income versus a loss of over $2.5 million in 2018. The System's money-weighted rates of return for 2019 and 2018 were approximately 18.9% and -6.0%, respectively.

Deductions to the System's Fiduciary Net Position primarily include pension benefits to members and beneficiaries, refunds to inactive members, transfers and reimbursements to other Massachusetts public retirement systems and administrative expenses. Total deductions in 2019 increased approximately $400,000, or 9.7%, from prior year.

Pension benefits to members and beneficiaries represents the largest deduction from Fiduciary Net Position for the System. Pension benefits to members and beneficiaries represented approximately 87.7% and 91.0% of total 2019 and 2018 deductions, respectively. The decrease in ratios year-over-year was due primarily to the effects of an over $89,000 increase in membership transfers to other Massachusetts public pension systems (see below) and increase in administrative payroll expenses of over $69,000. Pension benefits to members and beneficiaries increased approximately $217,000, or 5.8%, in 2019. This increase was due to a greater average number of beneficiaries paid year-over-year coupled with the normal annual cost-of-living adjustments paid by the System.

Administrative expenses increased over $78,000 from the prior year. This increase was due to a one-time buyout of the former retirement's administrator contract of over $36,000 coupled with higher payroll and personnel benefit costs.

Overall Financial Position

The System's actuarially estimated funding ratio increased from approximately 54% at December 31, 2018 to 63% at December 31, 2019 as a result of the System's positive net investment return in 2019.

The System maintains a large portion of its investments in pooled funds. Some of these funds invest in private companies or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly-held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Webster Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Webster Retirement Board at 350 Main Street, Webster, MA 01570.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

Assets:	
Cash and cash equivalents	$ 2,940,233
Investments, at fair value:	
Mutual funds	27,395,091
Private equity funds	6,079,105
PRIT	8,452,450
Total investments	41,926,646
Total Assets	44,866,879
Liabilities:	
Accounts payable and accrued expenses	19,821
Total Liabilities	19,821
Net Position Restricted for Pensions	$ 44,847,058

See accompanying notes to basic financial statements.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019

Additions:	
Employer contributions	$ 3,671,273
Employee contributions	1,184,246
Transfers and reimbursements from other systems	258,187
Total contributions	5,113,706
Investment income:	
Interest and dividends	803,447
Net appreciation in fair value of investments	6,357,499
Less investment management fees	(317,918)
Total net investment income	6,843,028
Other income	26,822
Total Additions	11,983,556
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,968,376
Member refunds	126,979
Transfers and reimbursements to other systems	222,999
Administrative expenses:	
Operations payroll and related personnel costs	157,493
Other	46,662
Total Deductions	4,522,509
Net Change in Net Position	7,461,047
Net Position Restricted for Pensions:	
Beginning of the year	37,386,011
End of the year	$ 44,847,058

See accompanying notes to basic financial statements.

1. DESCRIPTION OF THE PLAN

General – The Webster Contributory Retirement System (the "System") is a cost-sharing, multiple employer defined benefit pension plan established and administered by the Webster Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws ("MGL") to provide pension benefits for participants. The System is a component unit of the Town of Webster. The Town of Webster (the "Town") and the Webster Housing Authority (the "WHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the WHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Membership in the System consisted of the following at December 31, 2019:

Retirees and beneficiaries currently receiving benefits	146
Active plan members	281
Inactive plan members	116
Total	543

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one retirement system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service on or after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees may be entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulation on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

1) Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of creditable service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of creditable service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

2) Disability Retirements – The System provides for both an ordinary and accidental disability retirement. An ordinary disability retirement is where a participant is permanently incapacitated from a cause unrelated to employment. An accidental disability retirement is where the disability is the result of an injury or illness received or aggravated in the performance of their duty.

   The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of creditable service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Webster Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Webster Retirement Board, 350 Main Street, Webster, Massachusetts 01570.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer is legally required to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the pension plan.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the fair value of the System's investments by type as of December 31, 2019:

Investments by Fair Value Level	December 31, 2019	Fair Value Measurements Using Level 1	Level 2	Level 3
Mutual funds:				
Fixed income mutual funds	$ 9,335,388	$ 9,335,388	$ -	$ -
Domestic equity mutual funds	18,059,703	6,482,391	11,577,312	-
Total investments by fair value level	27,395,091	$ 15,817,779	$ 11,577,312	$ -
Investments measured at NAV:				
Private equity funds	6,079,105			
PRIT funds	8,452,450			
Total investments measured at NAV	14,531,555			
Total investments measured at fair value	$ 41,926,646			

Investments Measured at NAV By Asset Class	Fair Value	Unfunded Commitments
Private equity funds	$ 6,079,105	$ -
PRIT funds	8,452,450	1,107,427
	$ 14,531,555	$ 1,107,427

Investments measured at NAV include comingled/pooled funds in a private equity mutual fund and private equity fund and investments in the State Treasurer investment pool, referred to as PRIT funds.

Private equity funds generally include investments in which the System is a general partner in a private equity, venture capital fund or similar investment vehicle. The value of these investments are recorded at values determined in good faith by the general partners of the private equity and venture

capital firms after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. In addition, fair values of real estate funds are generally based on independent, third-party appraisals. By their very nature, these investments are illiquid and typically cannot be resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the underlying assets for the funds will be liquidated over an average of ten years.

The State Treasurer investment pool is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The System maintains several Massachusetts Pension Reserve Investment Trust, or PRIT funds, each of which consists of a diverse set of investments that includes private equity, venture and real estate investments. The determination of the fair value of these investments is very subjective and the period-end values are reported to the System as NAV. Investments in the PRIT funds are more liquid than investments in private equity and real estate holdings, but generally cannot be resold to third parties. The System may liquidate its investment in the PRIT funds at any time with less than thirty days' notice. Distributions from the PRIT funds may be received regularly and, upon receipt, are deposited into an accompanying short-term cash investment account.

Because of the inherent uncertainty of valuations used in many of the System's investments measured at NAV, estimated values may differ significantly from the values that would have been used had a readily available market for positions in privately held companies or the real estate existed at December 31, 2019. These differences could have a material adverse effect on the System's financial statements.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant, two members elected by the participants in or retired from the service of the System, one member appointed by the Town's Board of Selectmen and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		Term Expires
Ex-Officio Member:	Mr. Timothy Bell, Town Accountant	No Specified Date
Appointed Member:	Ms. Eleanor P. Doros	No Specified Date
Elected Member:	Mr. Robert T. Craver	June 29, 2023
Elected Member:	Mr. James Hoover	June 30, 2021
Fifth Member (non-member):	Mr. Daniel Bonnette (Chair)	December 31, 2020

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of the Massachusetts Public Employee Retirement Administration Commission, or PERAC. All retirement allowances are approved by the Board. Expenses incurred by the System must be approved by at least two members of the Board.

4. DEPOSITS AND INVESTMENTS

MGL and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include, but are not necessarily limited to, bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution and the Depositors Insurance Fund ("DIF") for amounts in excess of the FDIC limit. All of the System's bank deposits were fully insured by the FDIC and DIF at December 31, 2019.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted a revised investment policy statement in December 2016. The investment objective is to fully fund the System by generating sufficient long-term, inflation-adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board seeks to generate long-term investment performance that meets or exceeds actuarially-targeted rates of return. Furthermore, the Board establishes investment benchmarks by asset class to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these assets classes were as follows:

Asset Class	Target Policy Range	Long-Term Expected Rate of Return
Domestic equity	32.0% to 42.0%	8.38% to 10.34%
International equity	10.0% to 20.0%	8.14%
Fixed income	18.0% to 28.0%	5.49% to 6.21%
Real estate	8.0% to 10.0%	7.250%
Private equity	3.0% to 7.0%	13.04%
Hedge funds	8.0% to 12.0%	6.79%
Cash	0.0% to 3.0%	2.74%

Investment Management – Wainwright Investment Counsel provided investment advisory services to the System throughout all of 2019.

At December 31, 2019, the System had contracted with the following firms to serve as investment managers:

Investment Advisor	Investment Type
H.G.K. Asset Management, Inc.	International Equities
Aristotle Capital Management	Domestic Equities
Loomis, Sayles & Company L.P.	Fixed Income
P.R.I.M. Board	Real estate, hedge funds and other alternative investments
RhumbLine Advisers	Domestic Equities

Custody of Investments – People's United Bank is the custodian of the System's investment portfolio.

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2019 money-weighted rate of return was approximately 18.85%.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that in the event of a failure of the counterparty the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. At December 31, 2019, the System was not exposed to custodial credit risk on its investments.

Foreign Currency Risk: Deposits and Investments – Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not directly hold any investments denominated in foreign currency at December 31, 2019.

Concentration of Credit Risk: Investments – The following investments held by the System at December 31, 2019 represent approximately 98.8% of the System's total investments:

Loomis Sayles Investment Grade Fixed Income Fund	22.3%
Aristotle Small Cap Equity	15.5%
HGK Trinity Street International Equity Fund GP, LLC	14.5%
Rhumbline S&P Mid Cap 400 Pooled Index Fund	14.0%
Rhumbline Russell 1000 Pooled Index Fund	13.7%
PRIT Core Real Estate	9.9%
PRIT Hedge Funds	8.9%

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As

previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's Investors Services and Standard and Poor's Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System maintains a significant portion (approximately 93%) of its monetary assets as investment holdings at December 31, 2019.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2019, uninsured short-term investment funds with fair values of $336,234 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

5. FUNDING

Employer Contributions – Under MGL, participating employers are assessed their share of the total retirement cost based on an independent actuarial study. Employer contributions totaled $3,671,273 in 2019.

Employee Contributions – Employee contribution rates vary based on when an employee commenced their creditable service. Active members contribute 5%, 7%, 8% or 9% of their gross regular compensation depending on when their creditable service commenced. Employees hired on or after January 1, 1979 contribute an additional 2% of their regular gross compensation over $30,000.

Cost of Living Adjustments – Cost-of-living adjustments granted between 1981 and 1997 and any increase in other pension benefits imposed by the Commonwealth of Massachusetts during those years are the financial responsibility of the Commonwealth. The Commonwealth is expected to continue funding the cost-of-living amounts granted over this period for the duration of their selected retirement option. Cost-of-living adjustments granted after 1997 must be approved and funded by the System. Cost-of-living adjustments cannot exceed the greater of CPI or 3%. The System approved a 3% cost-of-living adjustment on the first $16,000 of pension benefits.

6. NET PENSION LIABILITY

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2030.

The components of the System's net pension liability were as follows at December 31, 2019 (dollar amounts in thousands):

Total pension liability	$	71,608
Plan fiduciary net position		44,847
Net pension liability	$	26,761
Plan fiduciary net position as a percentage of total pension liability		62.6%

The total pension liability was determined by an actuarial valuation as of January 1, 2018 and updated to roll forward to December 31, 2019. The significant actuarial assumptions used in the actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.35%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). The normal cost is then increased by 1.5% and the actuarial liability is then increased 0.75% to reflect the anticipated impact of the assumption changes.
	Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes.
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes.
	It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2019 are summarized in the investment policy table in Note 4.

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2019 calculated using the then-current discount rate, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower or higher than the then-current rate (dollar amounts in thousands):

Current	Net Pension Liability At		
Discount Rate	1% Decrease	Current Rate	1% Increase
7.35%	$ 34,819	$ 26,761	$ 19,945

7. NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for pensions, as of December 31, 2019, were comprised of four funds:

Description	Amount	Purpose
Annuity Savings Fund	$ 10,544,240	Balance of active members' contributions
Annuity Reserve Fund	3,850,950	Balance of retired members' contributions
Pension Fund	3,441,502	Amounts appropriated to fund future retirement
Pension Reserve Fund	27,010,366	Remaining fiduciary net position
Total	$ 44,847,058	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

9. SUBSEQUENT EVENT

In March 2020, the World Health Organization declared the breakout of the novel coronavirus COVID-19 as a pandemic. Subsequent to this declaration, worldwide bond and equity markets experienced significant volatility. Substantial liquidation of investments caused market prices for virtually all investment classes to decline significantly. While the System expects this matter may negatively impact its Fiduciary Net Position, the ultimate financial impact cannot be reasonably estimated at this time.

* * * * * *

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	$ 1,873	$ 1,793	$ 1,716	$ 1,642	$ 1,444	$ 1,382
Interest	5,045	4,699	4,594	4,309	4,246	4,052
Differences between expected and actual experience	-	607	-	(1,469)	1	-
Changes in assumptions	-	1,510	-	2,790	-	-
Benefit payments, including refunds	(4,145)	(3,828)	(3,575)	(3,519)	(2,947)	(3,025)
Net change in total pension liability	2,773	4,781	2,735	3,753	2,744	2,409
Total pension liability - beginning of year	68,835	64,054	61,319	57,566	54,822	52,413
Total pension liability - end of year (a)	$ 71,608	$ 68,835	$ 64,054	$ 61,319	$ 57,566	$ 54,822
Plan fiduciary net position:						
Contributions - employer	$ 3,671	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,731
Contributions - employee	1,184	1,132	1,094	1,029	1,035	941
Contributions - nonemployer contributing entities	258	365	203	215	236	262
Net investment income	6,843	(2,543)	4,659	2,057	53	1,640
Benefit payments, including refunds	(4,318)	(3,997)	(3,907)	(3,766)	(3,351)	(3,174)
Administrative expenses	(204)	(126)	(118)	(110)	(87)	(97)
Other	27	6	12	11	6	5
Net change in plan fiduciary net position	7,461	(1,716)	5,195	2,504	786	2,308
Plan fiduciary net position - beginning of year	37,386	39,102	33,907	31,403	30,617	28,309
Plan fiduciary net position - end of year (b)	$ 44,847	$ 37,386	$ 39,102	$ 33,907	$ 31,403	$ 30,617
Net pension liability - end of year (a) - (b)	$ 26,761	$ 31,449	$ 24,952	$ 27,412	$ 26,163	$ 24,205
Plan fiduciary net position as a percentage of the total pension liability	62.63%	54.31%	61.05%	55.30%	54.55%	55.85%
Covered payroll	$ 11,445	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Net pension liability as a percentage of covered payroll	233.82%	274.78%	235.82%	259.07%	259.71%	240.27%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS

(dollar amounts are in thousands)

	2019	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 3,671	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,651
Contributions in relation to the actuarially-determined contribution	3,671	3,447	3,252	3,068	2,894	2,651
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 11,445	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Contribution as a percentage of covered payroll	32.08%	30.12%	30.73%	29.00%	28.73%	26.32%

SCHEDULE OF INVESTMENT RETURNS

	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	18.85%	-6.04%	14.51%	7.07%	0.72%	6.80%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2019.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the December 31, 2019 report were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.35%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). The normal cost is then increased by 1.5% and the actuarial liability is then increased 0.75% to reflect the anticipated impact of the assumption changes. Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes.
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated July 6, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 6, 2020

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited the accompanying schedule of employer allocations of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2019. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2019, and the related notes thereto.

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 financial statements 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 column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column 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 of the System as of and for the year ended December 31, 2019, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2019, and our report thereon, dated July 6, 2020 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 6, 2020

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2019

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Webster	$ 3,565	97.1%
Webster Housing Authority	106	2.9%
Total	$ 3,671	100.0%

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2019

	Town of Webster	Webster Housing Authority	Total
Net pension liability	$ 25,984,931	$ 776,069	$ 26,761,000
Deferred outflows of resources:			
Differences between actual and expected experience	$ 386,458	$ 11,542	$ 398,000
Changes of assumptions	1,801,205	53,795	1,855,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	36,542	36,542
Total deferred outflows of resources	$ 2,187,663	$ 101,879	$ 2,289,542
Deferred inflows of resources:			
Differences between actual and expected experience	$ 442,776	$ 13,224	$ 456,000
Net difference between projected and actual investment earnings on pension plan investments	752,525	22,475	775,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	36,542	-	36,542
Total deferred inflows of resources	$ 1,231,843	$ 35,699	$ 1,267,542
Pension expense (income):			
Proportionate share of plan pension expense	$ 3,898,830	$ 116,443	$ 4,015,273
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	(6,415)	6,415	-
Total employer pension expense (income)	$ 3,892,415	$ 122,858	$ 4,015,273

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

NOTES TO PENSION PLAN SCHEDULES
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Webster Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2019.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income) as of December 31, 2019.

Measurement Period Ended December 31:	Town of Webster	Webster Housing Authority	Total
2020	$ 476,019	$ 24,981	$ 501,000
2021	380,862	22,138	403,000
2022	615,790	24,210	640,000
2023	(516,851)	(5,149)	(522,000)
	$ 955,820	$ 66,180	$ 1,022,000

ROSELLI, CLARK & ASSOCIATES
Certified Public Accountants

RCA
CPA

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(a Component Unit of the Town of North Attleborough, Massachusetts)

Report on Examination of
Basic Financial Statements
and Additional Information
Year Ended December 31, 2018

Report on Internal Control and Compliance Year
Ended December 31, 2018

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

TABLE OF CONTENTS
DECEMBER 31, 2018

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 5
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Basic Financial Statements	8 – 18
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Changes in Net Pension Liability and Related Ratios	19
Schedule of Contributions	20
Schedule of Investment Returns	20
Notes to Required Supplementary Information	21
OTHER REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	22 – 23
Independent Auditors' Report on Audit of Specific Elements, Accounts and Items of Financial Statements	24 – 25
Pension Plan Schedules:	
Schedule of Employer Allocations	26
Schedule of Pension Amounts by Employer	27
Notes to Pension Plan Schedules	28

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INDEPENDENT AUDITORS' REPORT

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the schedules listed under the required supplementary information section in the accompanying 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 11, 2019 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 11, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Webster Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar years ended December 31, 2018. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 54% funded at December 31, 2018.

The System's money-weighted return on investments, net of investment management fees, was approximately -6.0% in 2018. The negative return on investments in 2018 was due primarily to a significant decline in the U.S. equity markets in the fourth calendar quarter of 2018. Prior to the fourth calendar quarter, the U.S. equity markets were on track to meet or exceed the System's targeted annual investment return (currently 7.35% per annum). It's important to note that the U.S. equity markets rebounded significantly in the first calendar quarter of 2019, which erased nearly all of the fourth calendar quarter of 2018's losses.

This negative return on investments was the primary contributor to the approximate $1.7 million decrease in the System's fiduciary net position in 2018.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Fiduciary Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

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

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2018 approximated $37.4 million and principally consisted of investments recorded at fair value. Total assets decreased over $1.6 million year-over-year. This decrease was due almost entirely to the negative return reported in 2018 by the System's investments.

	December 31, 2018	December 31, 2017
Assets:		
Cash and cash equivalents	$ 2,635,169	$ 3,895,482
Investments, at fair value	34,824,223	35,236,311
Receivables and other assets	29,228	2,708
Total Assets	37,488,620	39,134,501
Liabilities	102,609	32,993
Fiduciary Net Position	$ 37,386,011	$ 39,101,508

Change in Fiduciary Net Position

Contributions increased approximately $390,000, or 8.6%, year-over-year. The negative annual investment return in 2018 resulted in negative net investment income of over $2.5 million. The 2018 net investment return was -6.0% versus a 14.5% net return in 2017.

	Year Ended December 31, 2018	Year Ended December 31, 2017
Additions:		
Contributions	$ 4,950,608	$ 4,560,508
Investment income, net	(2,543,436)	4,659,365
Total Additions	2,407,172	9,219,873
Deductions:		
Benefits and refunds to Plan members	3,996,767	3,907,409
Administrative and other expenses	125,902	118,213
Total Deductions	4,122,669	4,025,622
Change in Fiduciary Net Position	$ (1,715,497)	$ 5,194,251

Additions – The amount needed to finance pension benefits is accumulated through the collection of employer and employee contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2018, contributions increased nearly $390,000 to approximately $5.0 million. Employer contributions represent the largest component of contributions; in 2018, employer contributions totaled nearly 70% of total contributions. Employer contributions are actuarially determined.

As previously noted, the money-weighted rate of return, net of investment expense, was approximately -6.0% in 2018 versus 14.5% in 2017. This caused to the significant decrease in net investment income year-over-year.

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments represented approximately 97% of total 2018 and 2017 deductions.

Administrative expenses consist primarily of staff payroll, stipends, information system costs and office expenses and remained relatively consistent year-over-year.

Overall Financial Position

The System's actuarially estimated funding ratio decreased from approximately 61% at December 31, 2017 to 54% at December 31, 2018 as a result of the System's negative net investment return in 2018.

U.S. equity markets rebounded significantly in the first two calendar quarters of 2019, erasing virtually all the 2018 investment losses incurred by the System, which if that trend continues for the duration of 2019, will have a positive impact to the System's funding ratio at December 31, 2019.

The System maintains a large portion of its investments in pooled funds. Some of these funds invest in private companies or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly-held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Webster Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Webster Retirement Board at 350 Main Street, Webster, MA 01570.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

Assets:	
Cash and cash equivalents	$ 2,635,169
Investments, at fair value:	
Equity securities	4,900,965
Mutual funds	17,407,425
PRIT	4,791,069
Private equity funds	7,724,764
Total investments	34,824,223
Receivables:	
Open trades	28,248
Other	980
Total receivables	29,228
Total Assets	37,488,620
Liabilities:	
Accounts payable and accrued expenses	33,613
Open trades	68,996
Total Liabilities	102,609
Net Position Restricted for Pensions	$ 37,386,011

See accompanying notes to basic financial statements.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2018

Additions:	
Employer contributions	$ 3,447,205
Employee contributions	1,132,071
Transfers from other systems	230,491
Reimbursements from other systems	108,363
Receipts from the Commonwealth of Massachusetts	26,178
Total contributions	4,944,308
Investment income:	
Interest and dividends	779,121
Net depreciation in fair value of investments	(2,967,596)
Less investment management fees	(354,961)
Total net investment income	(2,543,436)
Other income	6,300
Total Additions	2,407,172
Deductions:	
Benefits and refunds to Plan members:	
Benefits to retirees and survivors	3,751,835
Member refunds	37,828
Transfers and reimbursements to other systems	207,104
Administrative expenses:	
Operations payroll and related personnel costs	88,374
Other	37,528
Total Deductions	4,122,669
Net Change in Net Position	(1,715,497)
Net Position Restricted for Pensions:	
Beginning of the year	39,101,508
End of the year	$ 37,386,011

See accompanying notes to basic financial statements.

1. DESCRIPTION OF THE PLAN

General – The Webster Contributory Retirement System (the "System") is a multiple employer defined benefit pension plan established and administered by the Webster Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws to provide pension benefits for participants. The System is a component unit of the Town of Webster. The Town of Webster (the "Town") and the Webster Housing Authority (the "WHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the WHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Membership in the System consisted of the following at December 31, 2018:

Retirees and beneficiaries currently receiving benefits	145
Active plan members	271
Inactive plan members	124
Total	540

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one retirement system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service on or after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees may be entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulation on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave their accumulated contributions on deposit may apply for pension benefits upon reaching their eligible retirement age.

Disability Retirements – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Webster Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Webster Retirement Board, 350 Main Street, Webster, Massachusetts 01570.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the fair value of the System's investments by type as of December 31, 2018:

	December 31, 2018	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities	$ 4,900,965	$ 4,900,965	$ -	$ -
Mutual funds:				
Fixed income mutual funds	8,536,337	-	8,536,337	-
Domestic equity mutual funds	8,871,088	-	8,871,088	-
Total investments by fair value level	22,308,390	$ 4,900,965	$ 17,407,425	$ -
Investments measured at NAV				
Private equity funds	4,791,069			
PRIT funds	7,724,764			
Total investments measured at NAV	12,515,833			
Total investments measured at fair value	$ 34,824,223			

Investments Measured at NAV By Asset Class	Fair Value	Unfunded Commitments
Private equity funds	$ 4,791,069	$ -
PRIT funds	7,724,764	1,279,823
	$ 12,515,833	$ 1,279,823

Investments measured at NAV include comingled/pooled funds in private equity or venture funds, and investments in the State Treasurer investment pool, or PRIT.

Private equity holdings generally include investments in which the System is a general partner in a private equity, venture capital fund or similar investment vehicle. The value of these investments are recorded at values determined in good faith by the general partners of the private equity and venture capital firms after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. In addition, fair values of real estate funds are generally based on independent, third-party appraisals. By their very nature, these investments are illiquid and typically cannot be resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the underlying assets for the funds will be liquidated over an average of ten years.

PRIT is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The determination of the fair value of these investments is subjective and the period-end values are reported to the System as NAV. Investments in PRIT are more liquid than investments in private equity holdings, but generally cannot be resold to third parties. The System may liquidate its investment in the PRIT funds at any time with less than thirty days' notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Because of the inherent uncertainty of valuations used in many of the System's investments measured at NAV, estimated values may differ significantly from the values that would have been used had a readily available market for these investments been available at December 31, 2018. These differences could have a material adverse effect on the System's financial statements.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition – Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Contributions appropriated by the Town and WHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the various funds on the basis of a rate determined annually by PERAC.

Derivatives – The System may invest in derivative products, mainly currency hedges, to minimize the currency risk on international investments. The System's investments are managed by independent, professional money managers whose investment performance is subject to periodic review. At December 31, 2018, the System maintained investments with PRIT (see Note 4) totaling approximately $4.8 million, a portion of which may include derivative products at the discretion of the PRIT fund managers.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant (or similar position), two members elected by the participants in or retired from the service of the System, one member appointed by the Town's Board of Selectmen and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		Term Expires
Ex-Officio Member:	Mr. Timothy Bell, Town Accountant	No Specified Date
Appointed Member:	Ms. Eleanor P. Doros	No Specified Date
Elected Member:	Mr. Robert T. Craver	June 30, 2020
Elected Member:	Mr. Louis T. Polletta	June 30, 2019
Fifth Member (non-member):	Mr. Daniel Bonnette (Chair)	December 31, 2020

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC. All retirement allowances are approved by the Board. Expenses incurred by the System must be approved by at least two members of the Board.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted a revised investment policy statement in December 2016. The investment objective is to fully fund the System by generating sufficient long-term, inflation-adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board seeks to generate long-term investment performance that meets or exceeds actuarially-targeted rates of return. Furthermore, the Board establishes investment benchmarks by asset class to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these assets classes were as follows:

Asset Class	Target Policy Range	Long-Term Expected Rate of Return
Domestic equity	32.0% to 42.0%	8.38% to 10.34%
International equity	10.0% to 20.0%	8.14%
Fixed income	18.0% to 28.0%	5.49% to 6.21%
Real estate	8.0% to 10.0%	7.250%
Private equity	3.0% to 7.0%	13.04%
Hedge funds	8.0% to 12.0%	6.79%
Cash	0.0% to 3.0%	2.74%

Investment Management – Wainwright Investment Counsel ("Wainwright") provided investment advisory services to the System throughout all of 2018. Wainwright is engaged to serve at the System's investment advisor to December 31, 2018.

At December 31, 2018, the System had contracted with the following firms to serve as investment managers:

Investment Advisor	Investment Type
H.G.K. Asset Management, Inc.	International Equity
Lee Munder Capital Group	Mid-Cap Domestic and International Equity
Loomis, Sayles & Company L.P.	Fixed Income
P.R.I.M. Board	Various
RhumbLine Advisers	Domestic Equity – Russell 1000

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2018 money-weighted rate of return was approximately -6.04%.

Custody of Investments – Peoples United Bank is the custodian of the System's investment portfolio. Peoples United Bank held the investment securities of the system at December 31, 2018 and provided investment transaction and reporting services from July 1, 2018 to December 31, 2018. Previously, State Street Bank and Trust serves as custodian to the System.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution and the Depositors Insurance Fund ("DIF") for amounts in excess of the FDIC limit. All of the System's bank deposits were fully insured by the FDIC and DIF at December 31, 2018.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. The System was not exposed to custodial credit risk on its investments in 2018.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. Such risk is reduced by the fact that the System maintains its excess funds in highly liquid bank accounts; thereby, allowing for timely reallocation should the need arise.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign Currency Risk: Deposits and Investments – Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not directly hold any investments denominated in foreign currency at December 31, 2018.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's Investors Services and Standard and Poor's Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System does maintain a significant portion (approximately 93%) of its monetary assets as investment holdings at December 31, 2018.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2018, uninsured short-term investment funds with fair values of $453,312 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Concentration of Credit Risk: Investments – The following investments held by the System were in excess of 5% of total investments as of December 31, 2018:

Loomis Sayles Investment Grade Fixed Income Fund	24.5%
HGK Trinity Street International Equity Fund GP, LLC	13.8%
LMCG Mid-Cap Core Fund	13.0%
Rhumbline Russell 1000 Funds	12.5%
PRIT Core Real Estate Fund	10.8%
PRIT Hedge Funds	9.9%
	84.5%

5. FUNDING POLICY

GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method. Chapter 32 of the Massachusetts General Laws governs the contributions of retirement system members and their employers.

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their regular compensation; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on regular compensation in excess of $30,000.

Employer Contributions – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on an independent actuarial study.

Employer contributions of $3,447,205 were made in 2018 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 30% in 2018.

Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2018 is not to exceed 3% annually on the first $16,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2032.

The components of the System's net pension liability were as follows at December 31, 2018 (dollar amounts in thousands):

Total pension liability	$	68,835
Plan fiduciary net position		37,386
Net pension liability	$	31,449
Plan fiduciary net position as a percentage of total pension liability		54.3%

The total pension liability was determined by an actuarial valuation as of January 1, 2018 and updated to roll forward to December 31, 2018. The significant actuarial assumptions used in the January 1, 2018 actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.35%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). The normal cost is then increased by 1.5% and the actuarial liability is then increased 0.75% to reflect the anticipated impact of the assumption changes. Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes.
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

Discount Rate – The discount rate used to measure the total pension liability was 7.35%. The projection of cash flows used to determine the discount rate assumed plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2018 are summarized in the investment policy table in Note 4.

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2018 calculated using the then-current discount rate, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower and 1.0% higher than the then-current rate (dollar amounts in thousands):

	1% Decrease (6.35%)	Current Discount (7.35%)	1% Increase (8.35%)
Net pension liability	$ 39,194	$ 31,449	$ 24,882

7. NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for pensions, as of December 31, 2018, were comprised of four funds:

Description	Amount	Purpose
Annuity Savings Fund	$ 10,342,606	Active members' contribution balance
Annuity Reserve Fund	3,492,464	Retired members' contribution balance
Pension Fund	3,097,203	Amounts appropriated to fund future retirement
Pension Reserve Fund	20,453,738	Remaining net assets
Total	$ 37,386,011	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * * *

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
(dollar amounts are in thousands)

	2018	2017	2016	2015	2014
Total pension liability:					
Service cost	$ 1,793	$ 1,716	$ 1,642	$ 1,444	$ 1,382
Interest	4,699	4,594	4,309	4,246	4,052
Differences between expected and actual experience	607	-	(1,469)	1	-
Changes in assumptions	1,510	-	2,790	-	-
Benefit payments, including refunds	(3,828)	(3,575)	(3,519)	(2,947)	(3,025)
Net change in total pension liability	4,781	2,735	3,753	2,744	2,409
Total pension liability - beginning of year	64,054	61,319	57,566	54,822	52,413
Total pension liability - end of year (a)	$ 68,835	$ 64,054	$ 61,319	$ 57,566	$ 54,822
Plan fiduciary net position:					
Contributions - employer	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,731
Contributions - employee	1,132	1,094	1,029	1,035	941
Contributions - nonemployer contributing entities	365	203	215	236	262
Net investment income	(2,543)	4,659	2,057	53	1,640
Benefit payments, including refunds	(3,997)	(3,907)	(3,766)	(3,351)	(3,174)
Administrative expenses	(126)	(118)	(110)	(87)	(97)
Other	6	12	11	6	5
Net change in plan fiduciary net position	(1,716)	5,195	2,504	786	2,308
Plan fiduciary net position - beginning of year	39,102	33,907	31,403	30,617	28,309
Plan fiduciary net position - end of year (b)	$ 37,386	$ 39,102	$ 33,907	$ 31,403	$ 30,617
Net pension liability - end of year (a) - (b)	$ 31,449	$ 24,952	$ 27,412	$ 26,163	$ 24,205
Plan fiduciary net position as a percentage of the total pension liability	54.31%	61.05%	55.30%	54.55%	55.85%
Covered payroll	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Net pension liability as a percentage of covered payroll	274.78%	235.82%	259.07%	259.71%	240.27%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

SCHEDULE OF CONTRIBUTIONS
(dollar amounts are in thousands)

	2018	2017	2016	2015	2014
Actuarially-determined contribution	$ 3,447	$ 3,252	$ 3,068	$ 2,894	$ 2,651
Contributions in relation to the actuarially-determined contribution	3,447	3,252	3,068	2,894	2,651
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
Covered payroll	$ 11,445	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Contribution as a percentage of covered payroll	30.12%	30.73%	29.00%	28.73%	26.32%

SCHEDULE OF INVESTMENT RETURNS

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	-6.04%	14.51%	7.07%	0.72%	6.80%

These schedules are presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is completed, information is presented for those years in which information is available.

See accompanying independent auditors' report.

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2018.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2018 actuarial valuation were as follows:

Actuarial cost method:	Entry age normal
Investment rate of return:	7.35%
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). The normal cost is then increased by 1.5% and the actuarial liability is then increased 0.75% to reflect the anticipated impact of the assumption changes. Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes.
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). The actuarial liability is then increased by 0.75% to reflect the anticipated impact of the assumption changes. It is assumed that 55% of pre-retirement deaths are job-related for group 1 and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated September 11, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 11, 2019

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited the accompanying schedule of employer allocations of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2018. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2018, and the related notes thereto.

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 financial statements 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 column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column 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 of the System as of and for the year ended December 31, 2018, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2018, and our report thereon, dated September 11, 2019 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
September 11, 2019

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
YEAR ENDED DECEMBER 31, 2018

Dollar amounts are in thousands

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Webster	$ 3,354	97.3%
Webster Housing Authority	93	2.7%
Total	$ 3,447	100.0%

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
YEAR ENDED DECEMBER 31, 2018

	Town of Webster	Webster Housing Authority	Total
Net pension liability	$ 30,599,877	$ 849,123	$ 31,449,000
Deferred outflows of resources:			
Differences between actual and expected experience	$ -	$ -	$ -
Net difference between projected and actual investment earnings on pension plan investments	3,565,072	98,928	3,664,000
Changes of assumptions	2,526,881	70,119	2,597,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	6,954	-	6,954
Total deferred outflows of resources	$ 6,098,907	$ 169,047	$ 6,267,954
Deferred inflows of resources:			
Differences between actual and expected experience	$ 201,411	$ 5,589	$ 207,000
Changes of assumptions	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	6,954	6,954
Total deferred inflows of resources	$ 201,411	$ 12,543	$ 213,954
Pension expense (income):			
Proportionate share of plan pension expense	$ 4,153,936	$ 115,269	$ 4,269,205
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	7,842	(7,842)	-
Total employer pension expense (income)	$ 4,161,778	$ 107,427	$ 4,269,205

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

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Webster Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2018.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income) as of December 31, 2018.

Measurement Period Ended December 31:	Town of Webster	Webster Housing Authority	Total
2019	$ 1,729,640	$ 44,360	$ 1,774,000
2020	1,279,033	35,967	1,315,000
2021	1,183,680	33,320	1,217,000
2022	1,420,054	34,946	1,455,000
2023	285,089	7,911	293,000
	$ 5,897,496	$ 156,504	$ 6,054,000

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

Report on Examination of
Basic Financial Statements
And Additional Information
Year Ended December 31, 2017

Report on Compliance and Internal Control
Year Ended December 31, 2017

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

TABLE OF CONTENTS
DECEMBER 31, 2017

	Page(s)
INDEPENDENT AUDITORS' REPORT	1 – 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 – 5
BASIC FINANCIAL STATEMENTS:	
Statement of Fiduciary Net Position	6
Statement of Changes in Fiduciary Net Position	7
Notes to Basic Financial Statements	8 – 18
REQUIRED SUPPLEMENTARY INFORMATION – UNAUDITED:	
Schedule of Changes in Net Pension Liability and Related Ratios	19
Schedule of Contributions	20
Schedule of Investment Returns	20
Notes to Required Supplementary Information	21
OTHER REPORTS:	
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	22 – 23
Independent Auditors' Report on Audit of Specific Elements, Accounts and Items of Financial Statements	24 – 25
Pension Plan Schedules:	
Schedule of Employer Allocations	26
Schedule of Pension Amounts by Employer	27
Notes to Pension Plan Schedules	28

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INDEPENDENT AUDITORS' REPORT

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited the accompanying financial statements of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 auditors consider 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 opinions.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the schedules of changes in net pension liability and related ratios, contributions and investment returns as listed in the 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 sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated July 23, 2018 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 23, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Webster Contributory Retirement System's (the "System") financial performance provides an overview of the System's financial activities for the calendar years ended December 31, 2017. You should read it in conjunction with the basic financial statements, footnotes and required supplementary information that follows this discussion.

Financial Highlights

The System's funding objective is to meet long-term benefit obligations through contributions and investment income. The System's actuary estimates that the System is approximately 61% funded at December 31, 2017.

The System's fiduciary net position increased nearly $5.2 million during 2017. This increase was primarily attributable to the System's strong investment performance. Net of investment management fees, the System's investment portfolio returned over 14.5%, which greatly exceeded its targeted long-term investment return.

Overview of the Financial Statements

This discussion and analysis is intended as an introduction to the System's basic financial statements. The basic financial statements are comprised of a Statement of Fiduciary Net Position, Statement of Changes in Fiduciary Net Position, Notes to Financial Statements and Required Supplementary Information.

Statement of Fiduciary Net Position – presents information on the System's assets, deferred outflows of resources, liabilities, deferred inflows of resources and fiduciary net position restricted for pensions. This statement reflects the System's investments at fair value, as well as cash, receivables and other assets and liabilities. Over time, the increase or decrease in fiduciary net position serves as a useful indicator of the System's financial health and condition.

Statement of Changes in Fiduciary Net Position – presents information showing how the System's fiduciary net position changed during the year. It reflects contributions by members and participating employers along with deductions for retirement benefits, refunds, withdrawals and administrative expenses. Investment income, including realized and unrealized gains on pooled investments, during the year is also presented.

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

Required Supplementary Information – includes this management's discussion and analysis and various unaudited schedules.

Financial Analysis

Fiduciary Net Position

The System's total assets as of December 31, 2017 approximated $39.1 million and principally consisted of investments recorded at fair value. Total assets increased by approximately $5.2 million year-over-year. This increase was primarily due to the appreciation in investments.

	December 31, 2017	December 31, 2016
Assets		
Cash and cash equivalents	$ 3,895,482	$ 2,224,744
Investments	35,236,311	30,212,961
Receivables and other current assets	2,708	1,500,544
Total Assets	39,134,501	33,938,249
Total Liabilities	32,993	30,992
Fiduciary Net Position	$ 39,101,508	$ 33,907,257

Change in Fiduciary Net Position

The System's 2017 investment return of approximately 14.5% far exceeded its targeted long-term return of 7.5% and was the primary contributor to the nearly $5.2 million increase in fiduciary net position.

	Year Ending December 31, 2017	Year Ending December 31, 2016
Additions		
Contributions	$ 4,549,163	$ 4,311,384
Investment earnings, net of management fees	4,659,365	2,057,346
Other income	11,345	11,196
Total Additions	9,219,873	6,379,926
Deductions		
Benefits and refunds to Plan members	3,907,409	3,765,827
Administrative and other expenses	118,213	109,610
Total Deductions	4,025,622	3,875,437
Change in Fiduciary Net Position	$ 5,194,251	$ 2,504,489

Additions – The amount needed to finance pension benefits is accumulated through the collection of employer and employee contributions, reimbursements from the Commonwealth of Massachusetts for pre-1998 Cost of Living Adjustments and through earnings on investments. In 2017, contributions increased nearly $238,000 to approximately $4.5 million. Employer contributions represent the largest component of contributions; in 2017, employer contributions totaled nearly 88% of total contributions. Employer contributions are actuarially determined.

The System's investment portfolio produced net investment income of nearly $4.7 million in 2017 versus approximately $2.1 million in 2016. The System's money-weighted return on investments, net of investment management fees, was approximately 14.5% and 7.3% in 2017 and 2016, respectively.

Deductions – The primary deductions for the System include the payment of pension benefits to participants and beneficiaries, refunds of contributions and the costs of administering the system. Benefit payments represented approximately 97% of total 2017 and 2016 deductions.

Administrative expenses consist primarily of staff payroll, stipends, information system costs and office expenses and remained relatively consistent year-over-year.

Overall Financial Position

The System's actuary estimates that the System is 61% funded as of December 31, 2017. Furthermore, based on this actuarial study, the System projects to be fully funded by 2032. Meeting this targeted date will require that the System's investment performance meet or exceed the discount rate used in actuarial studies, which is currently set at 7.5%.

The System maintains a large portion of its investments in pooled funds. Some of these funds invest in private companies or real estate. The determination of the value of these investments is very subjective and the ultimate amount of gains and losses in some of these funds will not be determined until the underlying assets (i.e., the real estate or stock in the private companies) are sold. Furthermore, these types of investments are not as liquid as investments in savings accounts, money markets, certificates of deposits, government securities or debt and equity securities in publicly-held U.S. corporations. You should refer to Notes 2 and 4 to these financial statements.

Management believes that the volatility in the worldwide markets may continue for the foreseeable future. Accordingly, management intends to actively monitor the System's investment positions to best maximize returns while mitigating risk as best as it can.

Contacting the System's Financial Management Personnel

Our discussion and analysis is designed to provide the Webster Retirement Board, our membership, taxpayers, investors and creditors with a general overview of the System's financial results and to demonstrate the System's accountability for the funding it receives. If you have any questions about this report or need additional financial information, contact the Webster Retirement Board at 350 Main Street, Webster, MA 01570.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

ASSETS	
Cash and cash equivalents	$ 3,895,482
Investments	35,236,311
Employee contributions receivable	2,708
Total accounts receivable and other current assets	39,134,501
Total assets	39,134,501
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
Accounts payable and accrued expenses	32,993
Total liabilities	32,993
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION RESTRICTED FOR PENSIONS	$ 39,101,508

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2017

ADDITIONS	
Contributions:	
Employer contributions – appropriations	$ 3,252,080
Employee contributions – member deductions and payments	1,093,951
Transfers from other systems	85,656
Reimbursements from other systems	108,138
Receipts from the Commonwealth of Massachusetts	9,338
Total contributions	4,549,163
Investment income:	
Interest and dividend income	704,633
Net appreciation (depreciation) in fair value of investments	4,237,415
Less management fees	(282,683)
Net investment income	4,659,365
Other income	11,345
Total additions	9,219,873
DEDUCTIONS	
Benefits, transfers of, and refunds to members:	
Benefit payments	3,425,829
Member refunds	131,983
Transfers to other systems	216,047
Reimbursements to other systems	133,550
Administrative expenses:	
System operations payroll	82,913
Other administrative expenses	35,300
Total deductions	4,025,622
NET CHANGE IN NET POSITION	5,194,251
NET POSITION RESTRICTED FOR PENSIONS	
Beginning of year	33,907,257
End of year	$ 39,101,508

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

1. DESCRIPTION OF THE PLAN

General – The Webster Contributory Retirement System (the "System") is a multiple employer defined benefit pension plan established and administered by the Webster Retirement Board under the provisions of Chapter 32 of the Massachusetts General Laws to provide pension benefits for participants. The System is a component unit of the Town of Webster. The Town of Webster (the "Town") and the Webster Housing Authority (the "WHA") contribute to the System.

Employees of the Town (with the exception of teachers and certain administrative personnel employed by the School Department who participate in a separate plan) and the WHA are covered by the System. Participation in the System is mandatory immediately upon the commencement of employment for all permanent, full-time employees.

Membership in the System consisted of the following at December 31, 2017:

Retirees and beneficiaries currently receiving benefits	144
Active plan members	267
Inactive plan members	113
Total	524

Plan Benefits – Massachusetts contributory retirement system benefits are uniform from one retirement system to another. For employees with service dates beginning before April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive three-year average annual rate of regular compensation. For those employees who began their service on or after April 2, 2012, the System provides for retirement allowance benefits up to a maximum of 80% of a participant's highest consecutive five-year average annual rate of regular compensation. Benefit payments are based upon a participant's age, length of creditable service, level of compensation and group classification.

The retirement allowance consists of two parts – an annuity and a pension. Participants' accumulated total deductions and a portion of the interest they generate constitute the annuity. The difference between the total retirement benefit and annuity is the pension.

Participants who resign from service and who are not eligible to receive a retirement allowance are entitled to request a refund of their accumulated total contributions. In addition, depending upon the number of years of creditable service, such employees may be entitled to receive interest, which has accrued on those contributions. A vested employee who has not reached their eligible retirement age and elects to leave their accumulation on deposit may apply for benefits upon reaching their eligible retirement age.

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

Retirement Requirements – In order to receive retirement benefits, participants must meet one of the following two categories:

Normal Retirement – Generally, normal retirement occurs between ages 65 and 67. However, most participants with a hire date before April 2, 2012, may retire after twenty years of service or at any time after attaining age 55. For most participants hired on or after April 2, 2012, they must attain the age of 60 before they can retire. Participants with hire dates subsequent to January 1, 1978 must have a minimum of ten years' creditable service in order to retire at age 55 or 60, as applicable. Participants become vested after ten years of service. Benefits commencing before age 65 are generally provided at a reduced rate. However, members working in certain occupations may retire with full benefits earlier than age 65.

Participants who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 may request a refund of their accumulated total contributions. In addition, depending on the number of years of creditable service, these employees may be entitled to interest that has accrued on their contributions. A vested employee under the age of 55 who elects to leave their accumulated contributions on deposit may apply for pension benefits upon reaching their eligible retirement age.

Disability Retirements – The System provides for both an ordinary disability retirement, where a participant is permanently incapacitated from a cause unrelated to employment, and an accidental disability retirement, where the disability is the result of an injury or illness received or aggravated in the performance of one's duty. The amount of benefits to be received in such cases is dependent upon several factors, including the age at which the disability retirement occurs, the years of service, average compensation and veteran status. In addition, certain provisions are in place relative to death benefits for beneficiaries of employees who die in active service.

Public Availability of Financial Statements – The Webster Retirement Board issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to the Webster Retirement Board, 350 Main Street, Webster, Massachusetts 01570.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the System have been prepared on the accrual basis of accounting. The accounting records of the System are maintained on a calendar-year basis in accordance with the standards and procedures established by Public Employee Retirement Administration Commission ("PERAC") and Massachusetts law.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America, or GAAP, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents – Cash and cash equivalents include cash on hand, demand deposits and short-term holdings with original maturities of three months or less from the date of acquisition.

Investments – The carrying amounts of the System's investments approximate their fair value. When actively quoted observable prices are not available, the System generally uses either implied pricing from similar investments or valuation models based on net present values of estimated future cash flows (adjusted as appropriate for liquidity, credit, market and/or other risk factors).

The System categorizes its fair value measurements within the fair value hierarchy established by GAAP. This hierarchy is based on valuation inputs used to measure the fair value of the asset or liability. The three levels of the hierarchy are as follows:

- *Level 1* – Inputs are quoted prices in active markets for identical investments at the measurement date.
- *Level 2* – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the investment through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
- *Level 3* – Inputs reflect the System's best estimate of what market participants would use in pricing the investment at the measurement date.

The remaining investments not categorized under the fair value hierarchy are shown at net asset value ("NAV"). These are investments in non-governmental entities for which a readily determinable fair value is not available, such as member units or an ownership interest in partners' capital to which a proportionate share of net assets is attributed. Investments at NAV are commonly calculated by subtracting the fair value of liabilities from the fair value of assets.

The following table presents the fair value of the System's investments by type as of December 31, 2017:

	December 31, 2017	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
Investments by fair value level				
Equity securities	$ 5,450,729	$ 5,450,729	$ -	$ -
Mutual funds:				
Fixed income mutual funds	7,722,047	7,722,047	-	-
Domestic equity mutual funds	9,824,764	5,248,424	4,576,340	-
Total investments by fair value level	22,997,540	$ 18,421,200	$ 4,576,340	$ -
Investments measured at NAV				
Private equity funds	5,664,997			
PRIT funds	6,573,757			
Total investments measured at NAV	12,238,754			
Total investments measured at fair value	$ 35,236,294			

Equity securities and mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities. Certain domestic equity mutual funds are classified in Level 2 based on the composition and fair value of underlying investments contained within these investments, which can be determined using inputs other than the quoted prices that are observable either directly or indirectly.

Investments Measured at NAV By Asset Class	Fair Value	Unfunded Commitments
Private equity funds	$ 5,664,997	$ -
PRIT funds	6,573,757	96,776
	$ 12,238,754	$ 96,776

Investments measured at NAV include comingled/pooled funds in private equity or venture funds, and investments in the State Treasurer investment pool.

Private equity holdings generally include investments in which the System is a general partner in a private equity, venture capital fund or similar investment vehicle. The value of these investments are recorded at values determined in good faith by the general partners of the private equity and venture capital firms after consideration of pertinent information, including current financial position and operative results, price-earnings multiples and available market prices of similar companies' securities, the nature of the securities, marketability, restrictions on disposition and other appropriation and do not necessarily represent amounts which might ultimately be realized, since such amounts depend on future circumstances and cannot reasonably be determined until individual securities are liquidated. In addition, fair values of real estate funds are generally based on independent, third-party appraisals. By their very nature, these investments are illiquid and typically cannot be resold or redeemed. Distributions from each fund will be received as the underlying investments are liquidated. It is expected that the underlying assets for the funds will be liquidated over an average of ten years.

The State Treasurer investment pool, or PRIT, is administered by the Commonwealth of Massachusetts' Pension Reserve Investment Management Board, or PRIM. The determination of the fair value of these investments is subjective and the period-end values are reported to the System as NAV. Investments in PRIT are more liquid than investments in private equity holdings, but generally cannot be resold to third parties. The System may liquidate its investment in the PRIT funds at any time with less than thirty days' notice. Distributions from the PRIT funds are received regularly and deposited into an accompanying short-term cash investment account.

Because of the inherent uncertainty of valuations used in many of the System's investments measured at NAV, estimated values may differ significantly from the values that would have been used had a readily available market for these investments been available at December 31, 2017. These differences could have a material adverse effect on the System's financial statements.

Fair Value of Financial Instruments – The carrying amounts of cash and cash equivalents, accounts receivable and other current assets, accounts payable and accrued expenses approximate their fair value due to the relatively short-term maturities.

Revenue Recognition – Contributions are recognized as additions in the period in which they become due pursuant to formal commitments, statutory or contractual requirements. Contributions appropriated by the Town and WHA are on a fiscal-year basis. Investment purchases and sales are recorded on their trade dates. Interest and dividends are recorded when earned. Investment income is allocated to the various funds on the basis of a rate determined annually by PERAC.

Derivatives – The System may invest in derivative products, mainly currency hedges, to minimize the currency risk on international investments. The System's investments are managed by independent, professional money managers whose investment performance is subject to periodic review. At December 31, 2017, the System maintained investments with PRIT (see Note 4) totaling approximately $6.6 million, a portion of which may include derivative products at the discretion of the PRIT fund managers.

3. SYSTEM ADMINISTRATION

The System is administered by a five-person Board consisting of the Town Accountant (or similar position), two members elected by the participants in or retired from the service of the System, one member appointed by the Town's Board of Selectmen and one member appointed by the other members of the Board.

At the time of this report, the Board was comprised as follows:

		Term Expires
Ex-Officio Member:	Mr. Timothy Bell, Town Accountant	No Specified Date
Appointed Member:	Ms. Eleanor P. Doros	No Specified Date
Elected Member:	Mr. Robert T. Craver	June 30, 2020
Elected Member:	Mr. Louis T. Polletta	June 30, 2019
Fifth Member (non-member):	Mr. Daniel Bonnette (Chair)	December 31, 2020

The Board is required to meet at least once a month and keep a record of its proceedings. The Board annually submits a financial statement of condition for the System with the Commissioner of PERAC. All retirement allowances are approved by the Board. Expenses incurred by the System must be approved by at least two members of the Board.

4. DEPOSITS AND INVESTMENTS

Massachusetts General Laws Chapter 32 and PERAC regulations require the System to invest funds only in preapproved investment instruments, which include but are not necessarily limited to bank deposits, money markets, certificates of deposit, U.S. obligations, repurchase agreements, certain corporate bonds and equities and investment pools.

Investment Policy – The investment of the System's funds is the responsibility of the Board. The Board adopted a revised investment policy statement in December 2016. The investment objective is to fully fund the System by generating sufficient long-term, inflation-adjusted capital appreciation while providing sufficient liquidity to meet short-term withdrawal requirements. The Board seeks to generate long-term investment performance that meets or exceeds actuarially-targeted rates of return (currently at 7.5%). Furthermore, the Board establishes investment benchmarks by asset class to compare its actual performance against.

The System's investment policy requires diversification within its investment portfolio. The System's portfolio target weights and the long-term expected rates of return for each of these assets classes were as follows:

Asset Class	Target Policy Range	Long-Term Expected Rate of Return
Domestic equity	32.0% to 42.0%	8.38% to 10.34%
International equity	10.0% to 20.0%	8.14%
Fixed income	18.0% to 28.0%	5.49% to 6.21%
Real Estate/ Real Assets	8.0% to 10.0%	7.250%
Private equity	3.0% to 7.0%	13.04%
Hedge funds	8.0% to 12.0%	6.79%
Cash	0.0% to 3.0%	2.74%

Investment Management – Wainwright Investment Counsel ("Wainwright") provided investment advisory services to the System throughout all of 2017. Wainwright is engaged to serve at the System's investment advisor to December 31, 2018.

At December 31, 2017, the System had contracted with the following firms to serve as investment managers:

Investment Advisor	Investment Type
H.G.K. Asset Management, Inc.	International Equity
Lee Munder Capital Group	Mid-Cap Domestic and International Equity
Loomis, Sayles & Company L.P.	Fixed Income
P.R.I.M. Board	Various
RhumbLine Advisers	Domestic Equity – Russell 1000

Rate of Return – The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The 2017 money-weighted rate of return was approximately 14.51%.

Custody of Investments – State Street Bank and Trust is the custodian of the System's investment portfolio. State Street Bank and Trust held the investment securities of the system at December 31, 2017 and provided investment transaction and reporting services for all of 2017.

Custodial Credit Risk: Deposits – Deposits are subject to the risk of bank failure. The System may be unable to recover the full amount of its deposits in any one bank institution in the event of a bank failure. The System's policy for custodial credit risk of deposits is to rely on Federal Deposit Insurance Corporation ("FDIC") insurance coverage for the first $250,000 of deposits held at each financial institution and the Depositors Insurance Fund ("DIF") for amounts in excess of the FDIC limit. All of the System's bank deposits were fully insured by the FDIC and DIF at December 31, 2017.

Custodial Credit Risk: Investments – Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the System will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. The System's policy for custodial credit risk of investments intends that all investments are either insured and/or registered in the name of the System. The System was not exposed to custodial credit risk on its investments in 2017.

Interest Rate Risk: Deposits – This is the risk that fair value losses may arise due to increasing interest rates. Such risk is reduced by the fact that the System maintains its excess funds in highly liquid bank accounts; thereby, allowing for timely reallocation should the need arise.

Interest Rate Risk: Investments – Debt securities are subject to interest rate risk. Debt securities may be adversely affected by changes in interest rates, which may negatively affect the fair value of individual debt instruments. The System does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Foreign Currency Risk: Deposits and Investments – Foreign currency risk is the risk that fluctuations in exchange rates will adversely affect the fair value of an investment or deposit. The System did not directly hold any investments denominated in foreign currency at December 31, 2017.

Securities Credit Risk: Investments – In the case of investments, there is the risk that in the event of an invested party will be unable to fulfill its obligations, such as to provide required payments to investors, to meet current or future performance expectations, to abide by industry regulations and proper operational practices, ceasing to exist, or filing for bankruptcy. In those instances, the System may not be able to recover the full amount of its principal investment and/or investment earnings. As previously noted, PERAC and Massachusetts statutory regulations have been enacted to reduce this risk. In evaluating its credit risk, the System relies on credit ratings assigned by Moody's Investors Services and Standard and Poor's Financial Services. The System does voluntarily self-impose certain investment restrictions; however, those can be changed at the Board's discretion. The System does maintain a significant portion (approximately 90%) of its monetary assets as investment holdings at December 31, 2017.

None of the System's investments were subject to credit quality ratings from leading credit rating agencies. At December 31, 2017, uninsured short-term investment funds with fair values of $343,475 were reported as cash equivalents. These funds represent temporary holdings of excess cash resources. The System intends to reinvest these amounts in less than one year. Accordingly, the fair values of these amounts have been classified as cash equivalents in these financial statements.

Concentration of Credit Risk: Investments – The following investments held by the System were in excess of 5% of total investments as of December 31, 2017:

Loomis Sayles Investment Grade Fixed Income Fund	21.9%
LMCG Mid-Cap Core Fund	14.8%
HGK Trinity Street International Equity Fund GP, LLC	16.1%
Rhumbline Russell 1000 Funds	13.0%
PRIT Core Real Estate Fund	10.1%
PRIT Hedge Funds	7.1%
	83.0%

5. FUNDING POLICY

GAAP requires that the annual minimum provision for pension costs should include normal cost, interest on unfunded past service cost liability, and amortization of unfunded vested benefits, based on an acceptable actuarial cost method. Chapter 32 of the Massachusetts General Laws governs the contributions of retirement system members and their employers.

Employee Contributions – Employees whose creditable service began prior to January 1, 1975, contribute 5% of their regular compensation; those whose service date is subsequent to January 1, 1975, and prior to January 1, 1984, contribute 7%; those whose service date is subsequent to January 1, 1984, and prior to July 1, 1996, contribute 8%, and those whose service date is subsequent to July 1, 1996, contribute 9%. In addition, employees hired on or after January 1, 1979 contribute an additional 2% on regular compensation in excess of $30,000.

Employer Contributions – Under the provisions of Chapter 32 of Massachusetts General Law, participating employers are assessed their share of the total retirement cost based on independent actuarial study.

Employer contributions of $3,252,080 were made in 2017 in accordance with the funding policy. Employer contributions as a percentage of covered payroll was approximately 31% in 2017.

Cost of Living Adjustment (COLA) – Through 1998, the Massachusetts Legislature was able to grant cost-of-living increases to benefits being paid to retirees. These increases were expressed as a percentage of the retiree's allowance subject to a maximum dollar increase. All COLA's granted from 1982 through June 30, 1998, are reimbursed to the System by the Commonwealth of Massachusetts since the Commonwealth was financially responsible for COLA adjustments during this time frame; any COLA's granted thereafter by the Board are required to be funded by the System directly. A COLA may be approved in excess of the Consumer Price Index, or CPI, but for 2017 is not to exceed 3% annually on the first $16,000 of a retirement allowance. The System has historically approved a COLA annually, usually at the maximum 3% rate.

The Commonwealth is expected to continue funding the cost-of-living amounts granted to retirees prior to 1998 for the duration of their selected retirement option.

6. ACTUARIAL VALUATION

The System is statutorily required to adopt the funding schedule that will fully amortize the unfunded actuarial accrued liability by June 30, 2040. As of the latest actuarial valuation, the System has selected a funding schedule that fully amortizes the unfunded actuarial accrued liability by June 30, 2032.

The components of the System's net pension liability were as follows at December 31, 2017 (dollar amounts in thousands):

Total pension liability	$	64,054
Plan fiduciary net position		39,102
Net pension liability	$	24,952
Plan fiduciary net position as a percentage of total pension liability		61.0%

The total pension liability was determined by an actuarial valuation as of January 1, 2016 and updated to roll forward to December 31, 2017. The significant actuarial assumptions used in the January 1, 2016 report were as follows:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increase 5.86% per year until FY 2032 with a final amortization payment in FY 2033.
Remaining amortization period:	16 years
Asset valuation method:	Actuarial value, 5-year smoothing
Investment rate of return:	7.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). It is assumed that 55% of pre-retirement deaths are job-related for group 1and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

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 plan member contributions were made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially-determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Expected Real Rate of Return – The long-term expected rate of return on System investments was determined using a building-block method in which best-estimate ranges of expected future 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 rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the System's target allocation as of December 31, 2017 are summarized in the investment policy table in Note 4.

Sensitivity Analysis – The following illustrates the net position liability at December 31, 2017 calculated using the then-current discount rate, as well as the projection of what the net position liability would be if it were calculated using a discount rate that is 1.0% lower and 1.0% higher than the then-current rate (dollar amounts in thousands):

	1% Decrease (6.5%)	Current Discount (7.5%)	1% Increase (8.5%)
Net pension liability	$ 32,272	$ 24,952	$ 18,751

7. NET POSITION RESTRICTED FOR PENSIONS

Net position restricted for pensions, as of December 31, 2017, were comprised of four funds:

Description	Amount	Purpose
Annuity Savings Fund	$ 9,953,212	Active members' contribution balance
Annuity Reserve Fund	3,077,335	Retired members' contribution balance
Pension Fund	2,812,123	Amounts appropriated to fund future retirement
Pension Reserve Fund	23,258,838	Remaining net assets
Total	$ 39,101,508	

8. COMMITMENTS AND CONTINGENCIES

The System is subject to a variety of claims that arise from time to time in the ordinary course of business. Although management of the System currently believes that resolving claims against the System, individually or in aggregate, will not have a material adverse impact on the System's financial position or its results of operations, these matters are subject to inherent uncertainties and management's views of these matters may change in the future.

* * * * * *

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEARS ENDED DECEMBER 31, 2017

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS

(Dollar Amounts in Thousands)

	2017	2016	2015	2014
Total pension liability:				
Service cost	$ 1,716	$ 1,642	$ 1,444	$ 1,382
Interest	4,594	4,309	4,246	4,052
Differences between expected and actual experience	-	(1,469)	1	-
Changes in assumptions	-	2,790	-	-
Benefit payments, including refunds of member contributions	(3,575)	(3,519)	(2,947)	(3,025)
Net change in total pension liability	2,735	3,753	2,744	2,409
Total pension liability - beginning of year	61,319	57,566	54,822	52,413
Total pension liability - end of year (a)	$ 64,054	$ 61,319	$ 57,566	$ 54,822
Plan fiduciary net position:				
Contributions - employer	$ 3,252	$ 3,068	$ 2,894	$ 2,731
Contributions - members	1,094	1,029	1,035	941
Contributions - nonemployer contributing entities	203	215	236	262
Net investment income	4,659	2,057	53	1,640
Benefit payments, including refunds of member contributions	(3,907)	(3,766)	(3,351)	(3,174)
Administrative expenses	(118)	(110)	(87)	(97)
Other	12	11	6	5
Net change in plan fiduciary net position	5,195	2,504	786	2,308
Plan fiduciary net position - beginning of year	33,907	31,403	30,617	28,309
Plan fiduciary net position - end of year (b)	$ 39,102	$ 33,907	$ 31,403	$ 30,617
Net pension liability - end of year (a) - (b)	$ 24,952	$ 27,412	$ 26,163	$ 24,205
Plan fiduciary net position as a percentage of the total pension liability	61.0%	55.3%	54.6%	55.8%
Covered-employee payroll	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Net pension liability as a percentage of covered-employee payroll	235.8%	259.1%	259.7%	240.3%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED
YEARS ENDED DECEMBER 31, 2017

SCHEDULE OF CONTRIBUTIONS

(Dollar Amounts in Thousands)

	2017	2016	2015	2014
Actuarially-determined contribution	$ 3,252	$ 3,068	$ 2,894	$ 2,651
Contributions in relation to the actuarially-determined contribution	3,252	3,068	2,894	2,651
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered-employee payroll	$ 10,581	$ 10,581	$ 10,074	$ 10,074
Contribution as a percentage of covered-employee payroll	30.7%	29.0%	28.7%	26.3%

SCHEDULE OF INVESTMENT RETURNS

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	14.51%	7.07%	0.72%	6.80%

Note: These schedules are presented to illustrate the requirement to show information for 10 years. However, untila full 10-year trend is compiled, information is presented for those years in which information is available.

See independent auditors' report.

A. CHANGES OF BENEFIT TERMS

The System may be amended or terminated in whole or in part at any time by the Massachusetts Legislature, provided that no such modification, amendment or termination shall be made that would deprive a current member of superannuation pension rights or benefits provided under applicable laws of Massachusetts, if such member has paid the stipulated contributions specified in sections or provisions of such laws. There were no significant changes to the System's benefit terms in 2017.

B. SIGNIFICANT ACTUARIAL ASSUMPTIONS AND METHODS

The significant actuarial assumptions used in the January 1, 2016 report were as follows:

Actuarial cost method:	Entry age normal
Amortization method:	Top payments increase 5.86% per year until FY 2032 with a final amortization payment in FY 2033.
Remaining amortization period:	16 years
Asset valuation method:	Actuarial value, 5-year smoothing
Investment rate of return:	7.5% per annum
Projected salary increases:	Service based table with ultimate ranges of 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively
Cost of living adjustments:	3% on the first $16,000 of benefits
Mortality rates:	Pre-retirement rates reflect the RP-2000 Employees table projected generationally with Scale BB and a base year of 2009 (gender distinct). Post-retirement rates reflect the RP-2000 Healthy Annuitant table projected generationally with Scale BB and a base year of 2009 (gender distinct).
Disabled life mortality:	For disabled retirees, the mortality rate is assumed to be in accordance with RP-2000 Health Annuitant Table projected generationally with Scale BB and a base year of 2012 (gender distinct). It is assumed that 55% of pre-retirement deaths are job-related for group 1and 2 members and 90% are job-related for group 4 members. For members retired under an Accidental Disability, 40% of deaths are assumed to be from the same cause as the disability.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated July 23, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 23, 2018

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INDEPENDENT AUDITORS' REPORT ON AUDIT OF SPECIFIC ELEMENTS, ACCOUNTS AND ITEMS OF FINANCIAL STATEMENTS

To the Webster Retirement Board
Webster Contributory Retirement System
Webster, Massachusetts

We have audited the accompanying schedule of employer allocations of the Webster Contributory Retirement System (the "System"), a component unit of the Town of Webster, Massachusetts, as of and for the year ended December 31, 2017. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2017, and the related notes thereto.

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 financial statements 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 column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Audit Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column 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 of the System as of and for the year ended December 31, 2017, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of the System as of and for the year ended December 31, 2017, and our report thereon, dated July 23, 2018 expressed an unmodified opinion on those financial statements.

Roselli, Clark & Associates

Roselli, Clark & Associates
Certified Public Accountants
Woburn, Massachusetts
July 23, 2018

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF EMPLOYER ALLOCATIONS
FOR THE YEAR ENDED DECEMBER 31, 2017

Employer	Actual Employer Contributions	Employer Allocation Percentage
Town of Webster	$ 3,162,129	97.2%
Wesbter Housing Authority	89,951	2.8%
Total	$ 3,252,080	100.0%

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

WEBSTER CONTRIBUTORY RETIREMENT SYSTEM
(A Component Unit of the Town of Webster, Massachusetts)

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2017

	Town of Webster	Webster Housing Authority	Total
Net pension liability	$ 24,253,344	$ 698,656	$ 24,952,000
Deferred outflows of resources:			
Differences between expected and actual experience	$ -	$ -	$ -
Difference between projected and actual investment earnings on pension plan investments	-	-	-
Changes of assumptions	1,776,816	51,184	1,828,000
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	10,813	10,813
Total deferred outflows of resources	$ 1,776,816	$ 61,997	$ 1,838,813
Deferred inflows of resources:			
Differences between expected and actual experience	$ 935,064	$ 26,936	$ 962,000
Difference between projected and actual investment earnings on pension plan investments	473,364	13,636	487,000
Changes of assumptions	-	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	10,813	-	10,813
Total deferred inflows of resources	$ 1,419,241	$ 40,572	$ 1,459,813
Pension expense (income):			
Proportionate share of plan pension expense	$ 3,237,732	$ 93,268	$ 3,331,000
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	204	(204)	-
Total employer pension expense	$ 3,237,936	$ 93,064	$ 3,331,000

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

A. INTRODUCTION

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, establishes financial reporting requirements for governments that provide employees with pension benefits. GASB 68 requires employers to recognize a net pension liability or net pension asset as employees earn pension benefits. Employers participating in the Webster Contributory Retirement System (the "Retirement System") will recognize their proportionate share of the collective pension amounts for all benefits provided by the Retirement System.

B. METHOD OF PROPORTIONATE SHARE ALLOCATION

The basis for the proportionate share allocation by employer as found in the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer is consistent with the manner in which employer contributions to the Retirement System are determined. The net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense is based upon actual historical employer contributions to the Retirement System from the census data submitted to the Retirement System for pay periods ending December 31, 2017.

C. EXPECTED FUTURE AMORTIZATION OF DEFERRED BALANCES

The following table summarizes the expected amortization of the deferred outflows of resources and inflows of resources into pension expense (income) as of December 31, 2017.

Measurement Period Ended December 31:	Town of Webster	Webster Housing Authority	Total
2018	$ 423,996	$ 12,004	$ 436,000
2019	310,244	9,756	320,000
2020	(139,904)	904	(139,000)
2021	(236,132)	(1,868)	(238,000)
	$ 357,575	$ 21,425	$ 379,000

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