PERAC AUDIT REPORT

Plymouth County

Contributory Retirement System

JAN. 1, 2010 - DEC. 31, 2012

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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July 28, 2014

The Public Employee Retirement Administration Commission has completed an examination of the Plymouth County Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2010 to December 31, 2012. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Martin J. Feeney, William J. Walsh and Susan W. Kerr who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

<u>1. Cash / Bank Reconciliations:</u>

The most recent reconciliation of the bank account provided to the auditor has an unidentified variance. As of August 2013, the bank reconciliation has an unidentified variance between the reconciled bank balance and the general ledger of $3,968.99. As of September 2013, the bank reconciliation has an unidentified variance between the reconciled bank balance and the general ledger of $4,592.54, an increase of $623.55.

There should be separate bank reconciliations for all cash accounts that agree to the general ledger. Currently, all accounts are reconciled together and totals cover multiple bank accounts. The outstanding checks and miscellaneous adjustments had not been specifically identified and listed in detail. The current procedure is to reference the Retirement Allowance Paid, subtract the direct deposit amounts and the checks that clear on the current bank statement for the current month. The result is an adjusted bank balance that does not specifically identify what checks remain outstanding.

Retirement Board staff prepare an independent reconciliation, but since they also post all transactions to the software system, the required separation of duties is not evident. Sound internal control procedures would dictate that all bank accounts are reconciled by someone other than the employee who is responsible for posting all financial activity to the system.

The Plymouth County Treasurer's office should provide a complete and formal reconciliation of the retiree payroll or expense accounts.

In reviewing the current business practice of funding expenses it was determined that the staff employee who posts all financial activity also has the authority to move money between the Citizens Bank accounts. There is also no formal procedure for approving these transfers.

Recommendation: The Plymouth County Treasurer shall be the custodian of the retirement system's funds according to G.L. c. 32, § 23(2) (a). As custodian of the retirement fund, the Treasurer is obligated to perform a monthly reconciliation of all retirement system cash accounts. This process is necessary to maintain proper internal control by segregating reconciliation duties. This process must be completed in a timely manner. A complete list of unpaid checks and similar reconciling items should be compiled and included with the monthly bank reconciliation. The check number, date issued, payee, and amount of the check should be included as part of the reconciliation provided to the Retirement Board. Any discrepancies with general ledger balances must be promptly identified and resolved. The Plymouth County Treasurer should formally approve the bank reconciliations on a monthly basis in accordance with the Reconciliation Policy of the Board. We recommend that the Board review these reconciliations at their monthly meetings. Segregation of duties is essential to maintaining proper internal controls.

<u>Board Response:</u>

The County Treasurer will now do the monthly bank reconciliations and provide them to the Board.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

2. Membership Payroll Deductions:
The auditor sampled members' deduction rates to determine that correct percentages are being withheld, and that the additional 2% deduction is withheld from those members who earn over $30,000 annually and were hired after January 1, 1979. The following observations were made.

- The additional 2% deduction for several units was not being calculated correctly. In all cases, more was being deducted than should have been. Each of these members should be fully refunded for the extra deductions taken.
- There were two instances where these members joined the system prior to 1/1/1979, and 2% deductions were being taken on the payroll registers. They should be fully refunded for the 2% deductions that have been taken.

Recommendation: The System must comply with G.L. c. 32, § 22(1) (b), and PERAC Memo #43/1999, which discusses the additional 2% deductions. A more extensive review process must be considered to ensure compliance with these requirements. The System should be notified of all new pay codes to determine whether they qualify as retirement compensation. In addition, the System should periodically review complete payroll registers for compliance. All persons charged with processing retirement deductions should receive copies of correspondence relating to new laws, regulations and other changes involving eligibility and contribution rates.

Board Response:
The staff is reviewing the deduction rate issues and will make all necessary adjustments.

3. Membership Files:
The auditor reviewed the selected files of members and came across 4 instances in which the member's file was missing. These individuals were on the payroll registers with deductions being taken. To help ensure that there are no errors in retirement deductions, it is important to have an enrollment form on file, along with any records pertaining to prior service. The County can determine if the member had prior service and if the current deductions being taken are correct based on creditable service. Although the Board has sent letters to the various units that employ these members, nothing has been sent back to the Board to put on file for these missing member's folders.

Recommendation: Along with sending letters to the members units requesting the necessary forms to put on file, the Plymouth County Retirement Board needs to consider additional options as a means to obtaining this important membership documentation. One recommendation to consider would be for the Plymouth County Retirement Board to put together a presentation for their units explaining the importance of receiving these forms in a timely manner, and outline potential consequences of not having this information on file.

Board Response:

The Board is constantly requesting that the units ensure that all enrollment blanks are completed and filed. The Board also attends the Treasurer's meetings and stresses the importance of having completed forms and we will continue to do so.

4. Appropriations:

A review of the fiscal year 2013 appropriation cash receipts shows that one unit only paid $15,214.00 of the total appropriation due of $30,428.00.

Recommendation: The Board should immediately bill the unit for the amount due. To ensure that there are no under payments in the future the Board should perform a reconciliation of the total appropriation due per the PERAC appropriation letter for each fiscal year versus the total amount received for each fiscal year.

Board Response:

The Board determined that the unit in question had two members in their unit in error which resulted in an overbilling. The members were coded in the correct unit and the next actuarial valuation will correct the underpayment.

5. Monitoring 91A Compliance and Post – Retirement Earnings Limitation:

In calendar year 2012, Plymouth County had twelve retirees who failed to fully comply with Chapter 32 Section 91A. This provision of law requires the disability retiree to submit various tax return documents in addition to the Annual Statement of Earned Income to PERAC's Fraud Prevention Manager. There are a number of retirees who have failed to comply for multiple years. The PERAC Fraud Prevention Manager does not have the documentation that is required to be filed. As a result, each member is subject to having their full retirement allowance terminated.

Chapter 32 Section 91 limits the earnings that a retiree can receive from the Massachusetts governmental unit. There were five retirees with excess earnings in 2012, in addition, several other excess earners in each year dating back to 2006. Each year the Board is required to notify PERAC of the board action with regard to the collection of all refunds. Plymouth County, despite repeated requests, has failed to provide the necessary documentation.

Recommendation: The Plymouth County Executive Director has the responsibility to provide all required Board documentation to PERAC's Fraud Prevention Manager. In those instances where section 91A compliance is the issue the Board, after due process, must stop a retiree's retirement allowance until that person complies with all filing requirements. There are four retirees who have failed to fully comply since calendar year 2007; and an increasing number since that date. Once the Board takes a compliance action such as holding a hearing, entering into a repayment plan, or terminating the member's allowance, they must notify PERAC of any action.

Despite the Plymouth County Retirement Board having been made aware of several over earners/non compliers, the Plymouth County Retirement Board had a total recovery of 91(A) overearnings of $ 0, in 2010 and 2011. In 2012, Plymouth County recovered $11,654.00.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS
(Continued)

The Board must also ensure that the Retirement System is complying with the statute as stipulated in G.L. c. 32, § 91A, as it applies to over earners. The ultimate power of the Retirement Board is to collect any refund that is owed as a result of a member exceeding their allowable earnings.

Board Response:
The Director is working on bringing the finding up to date and will keep PERAC informed. We anticipate the entire process to be completed prior to the six month follow-up audit.

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2012	2011	2010
Net Assets Available For Benefits:			
Cash	$23,602,317	$2,092,747	$23,449,883
Short Term Investments	5,637,177	6,256,516	3,618,462
Fixed Income Securities	96,097,091	86,106,641	74,117,684
Equities	187,866,531	180,479,576	221,818,836
Pooled Domestic Equity Funds	31,785,054	27,580,604	32,062,987
Pooled International Equity Funds	76,652,359	68,391,552	57,279,441
Pooled Global Equity Funds	61,084,130	57,671,159	86,469,124
Pooled International Fixed Income Funds	54,519,384	56,430,105	46,453,670
Pooled Alternative Investment Funds	42,774,185	40,485,954	31,804,561
Pooled Real Estate Funds	98,857,827	86,615,716	67,882,420
Hedge Funds	21,795,034	20,597,580	21,169,226
Interest Due and Accrued	910,935	1,025,460	931,625
Prepaid Expenses	31,675	12,555	0
Accounts Receivable	5,351,960	5,106,871	8,958,169
Accounts Payable	(4,147,968)	(2,844,278)	(6,999,639)
Total	$702,817,691	$636,008,757	$669,016,450
Fund Balances:			
Annuity Savings Fund	$225,555,247	$217,793,800	$232,802,132
Annuity Reserve Fund	76,746,575	74,300,256	73,120,870
Pension Fund	0	0	0
Military Service Fund	13,478	13,464	13,437
Expense Fund	0	0	0
Pension Reserve Fund	400,502,392	343,901,236	363,080,011
Total	$702,817,691	$636,008,757	$669,016,450

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2010)	$225,412,482	$69,777,931	$0	$13,397	$0	$291,854,042	$587,057,852
Receipts	22,587,592	2,105,806	45,169,327	40	4,766,078	83,646,516	158,275,360
Interfund Transfers	(11,280,635)	11,344,373	12,356,810	0	0	(12,420,548)	0
Disbursements	(3,917,307)	(10,107,240)	(57,526,136)	0	(4,766,078)	0	(76,316,762)
Ending Balance (2010)	232,802,132	73,120,870	0	13,437	0	363,080,011	669,016,450
Receipts	22,678,366	2,173,230	49,667,157	27	5,213,410	(4,349,778)	75,382,412
Interfund Transfers	(9,791,646)	9,796,833	14,823,809	0	0	(14,828,996)	0
Disbursements	(27,895,052)	(10,790,677)	(64,490,966)	0	(5,213,410)	0	(108,390,105)
Ending Balance (2011)	217,793,800	74,300,256	0	13,464	0	343,901,236	636,008,757
Receipts	23,154,102	2,225,427	55,530,677	13	7,590,408	66,752,794	155,253,422
Interfund Transfers	(11,512,157)	11,521,686	10,142,109	0	0	(10,151,638)	0
Disbursements	(3,880,499)	(11,300,795)	(65,672,786)	0	(7,590,408)	0	(88,444,487)
Ending Balance (2012)	$225,555,247	$76,746,575	$0	$13,478	$0	$400,502,392	$702,817,691

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2012	2011	2010
Annuity Savings Fund:			
Members Deductions	$21,168,376	$20,528,744	$19,894,957
Transfers from Other Systems	1,159,689	1,337,864	1,556,426
Member Make Up Payments and Re-deposits	512,392	322,487	469,138
Investment Income Credited to Member Accounts	313,645	489,271	667,072
Sub Total	23,154,102	22,678,366	22,587,592
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	2,225,427	2,173,230	2,105,806
Sub Total	2,225,427	2,173,230	2,105,806
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	1,921,197	2,388,892	1,417,072
Received from Commonwealth for COLA and Survivor Benefits	924,563	2,132,546	1,527
Pension Fund Appropriation	52,616,763	45,094,501	43,730,628
Settlement of Workers' Compensation Claims	56,500	51,219	20,100
Recovery of 91A Overearnings	11,654	0	0
Sub Total	55,530,677	49,667,157	45,169,327
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	0	0	0
Investment Income Credited to the Military Service Fund	13	27	40
Sub Total	13	27	40
Expense Fund:			
Investment Income Credited to the Expense Fund	7,590,408	5,213,410	4,766,078
Sub Total	7,590,408	5,213,410	4,766,078
Pension Reserve Fund:			
Federal Grant Reimbursement	139,054	109,989	199,210
Pension Reserve Appropriation	(38,673)	31,794	(10,808)
Interest Not Refunded	47,835	20,290	35,329
Miscellaneous Income	19,278	0	2,141
Excess Investment Income (Loss)	66,585,300	(4,511,851)	83,420,645
Sub Total	66,752,794	(4,349,778)	83,646,516
Total Receipts, Net	$155,253,422	$75,382,412	$158,275,360

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2012	2011	2010
Annuity Savings Fund:			
Refunds to Members	$1,869,980	$1,479,664	$1,720,950
Transfers to Other Systems	2,010,519	26,415,388	2,196,357
Sub Total	3,880,499	27,895,052	3,917,307
Annuity Reserve Fund:			
Annuities Paid	11,171,887	10,418,627	9,734,115
Option B Refunds	128,907	372,050	373,125
Sub Total	11,300,795	10,790,677	10,107,240
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	48,665,696	46,192,632	43,912,918
Survivorship Payments	2,552,450	2,343,079	2,330,124
Ordinary Disability Payments	666,321	642,117	630,121
Accidental Disability Payments	9,044,443	8,639,215	8,293,663
Accidental Death Payments	1,285,245	1,238,006	1,274,127
Section 101 Benefits	493,488	417,415	359,055
3 (8) (c) Reimbursements to Other Systems	2,965,142	5,018,503	726,129
Sub Total	65,672,786	64,490,966	57,526,136
Expense Fund:			
Board Member Stipend	12,030	10,471	10,835
Salaries	552,155	588,631	574,065
Legal Expenses	45,507	98,940	74,299
Medical Expenses	312	393	0
Travel Expenses	19,895	18,153	15,218
Administrative Expenses	211,419	165,102	158,408
Professional Services	168,361	93,623	81,292
Furniture and Equipment	0	180	0
Management Fees	5,956,190	3,655,491	3,237,075
Custodial Fees	321,464	310,894	328,365
Consultant Fees	150,000	151,000	155,263
Rent Expenses	79,501	49,554	56,934
Service Contracts	10,012	8,473	15,173
Fiduciary Insurance	63,562	62,505	59,152
Sub Total	7,590,408	5,213,410	4,766,078
Total Disbursements	$88,444,487	$108,390,105	$76,316,762

* ***On June 30, 2011, the transfer of County Sheriff's Department Personnel went to the State Retirement Board.***

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2012	2011	2010
Investment Income Received From:			
Cash	$822,244	$295,566	$493,413
Short Term Investments	428	1,761	5,701
Fixed Income	4,842,949	4,564,252	4,735,921
Equities	3,297,388	2,669,894	2,973,425
Pooled or Mutual Funds	9,157,647	6,204,608	5,305,966
Total Investment Income	18,120,655	13,736,082	13,514,426
Plus:			
Realized Gains	13,416,957	11,957,750	14,883,654
Unrealized Gains	83,742,117	54,850,102	110,141,980
Interest Due and Accrued - Current Year	910,935	1,025,460	931,625
Sub Total	98,070,009	67,833,312	125,957,259
Less:			
Paid Accrued Interest on Fixed Income Securities	(343,192)	(482,539)	(386,965)
Realized Loss	(5,107,900)	(11,257,355)	(9,583,423)
Unrealized Loss	(32,999,318)	(65,533,787)	(37,406,075)
Interest Due and Accrued - Prior Year	(1,025,460)	(931,625)	(1,135,580)
Sub Total	(39,475,870)	(78,205,307)	(48,512,044)
Net Investment Income	76,714,794	3,364,087	90,959,641
Income Required:			
Annuity Savings Fund	313,645	489,271	667,072
Annuity Reserve Fund	2,225,427	2,173,230	2,105,806
Military Service Fund	13	27	40
Expense Fund	7,590,408	5,213,410	4,766,078
Total Income Required	10,129,494	7,875,937	7,538,996
Net Investment Income	76,714,794	3,364,087	90,959,641
Less: Total Income Required	10,129,494	7,875,937	7,538,996
Excess Income (Loss) To The Pension Reserve Fund	$66,585,300	($4,511,851)	$83,420,645

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2012	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$23,602,317	3.4%
Short Term Investments	5,637,177	0.8%
Fixed Income Securities (at book value)	96,097,091	13.7%
Equities	187,866,531	26.8%
Pooled Domestic Equity Funds	31,785,054	4.5%
Pooled International Equity Funds	76,652,359	10.9%
Pooled Global Equity Funds	61,084,130	8.7%
Pooled International Fixed Income Fund	54,519,384	7.8%
Pooled Alternative Investment Funds	42,774,185	6.1%
Pooled Real Estate Funds	98,857,827	14.1%
Hedge Funds	21,795,034	3.1%
Grand Total	$700,671,089	100.0%

For the year ending December 31, 2012, the rate of return for the investments of the Plymouth County Retirement System was 12.62%. For the five-year period ending December 31, 2012, the rate of return for the investments of the Plymouth County Retirement System averaged 2.23%. For the twenty-eight year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Plymouth County Retirement System was 9.23%.

The composite rate of return for all retirement systems for the year ending December 31, 2012 was 13.84%. For the five-year period ending December 31, 2012, the composite rate of return for the investments of all retirement systems averaged 1.83%. For the twenty-eight year period ending December 31, 2012, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.27%.

SUPPLEMENTARY INVESTMENT REGULATIONS

The Plymouth County Retirement System submitted the following supplementary investment regulations, which were approved by the Public Employee Retirement Administration Commission on:

October 26, 2009
16.08
In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Association is authorized to modify its domestic equity index mandate with RhumbLine Advisors. As part of a restructuring of its domestic equity portfolio, the Board will transfer assets from the RhumbLine Russell 200 Index Fund to the firm's Russell 1000 Growth Pooled Index Fund.

July 7, 2009
19.01(8)
The Plymouth County Retirement Association is authorized to increase its allocation to alternative investments from 5.0% to 7.5%. The Association has been investing in alternative investments for several years and may use the increased allocation to increase its exposure to perceived opportunities created by the credit and financial crisis.

June 7, 2009
19.01(4)
The Board is authorized to increase its allocation to real estate from 10% to 15% of the total market value of the portfolio at the time of investment. With the uncertain schedule of capital calls during a time of great financial market volatility, it is remotely possible that the allocation could rise as high as 20% as a result of market dislocations.

October 11, 2007
16.08
Notwithstanding the provisions of any statute or regulation to the contrary, specifically including the provisions of 840 CMR 21.01, the Plymouth County Retirement Association is hereby granted an exemption from restrictions on investment for the purpose of investing $20,000,000 of the Plymouth County Retirement Association's assets in the Eaton Vance Loan Opportunities Fund, Ltd., a private placement investment.

September 27, 2002
16.08
In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Board is authorized to make the following two modifications to existing investment mandates. The large cap equity mandate with Freedom Capital Management is being transferred from the commingled Equity Style Fund to a separately managed large cap growth account. The Equity Style Fund switched between a large cap growth concentration and a large cap value concentration at the manager's discretion. The Board has concluded that having a permanent large cap growth mandate would be more consistent with its asset allocation goals. The Board has had a satisfactory relationship with Freedom Capital since 1999.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

The assets in the Putnam Core Growth Trust are being transferred to the Putnam Mid Cap Growth Trust. The Core Trust includes holdings of large, mid, and small cap stocks. The Board has concluded that its overall asset allocation would be best served by reducing this mandate to focus only on the mid-cap segment. The Board has had a successful relationship with Putnam since 1997.

July 20, 2001
16.08
In accordance with PERAC Investment Guideline 99-2, the Plymouth County Retirement Association is authorized to change its domestic small cap equity mandate with Aeltus Investment Management from a separate account to a commingled fund for the purpose of achieving operational efficiency and reduced costs.

September 1, 2000
16.08
In accordance with PERAC Investment Guideline 99-3, the Plymouth County Retirement Association may invest in Charles River Partnership XI. The Association has had a satisfactory and successful relationship with Charles River Ventures from its prior investments in Charles River Partnerships VI, VII, VIII, IX, and X, and has submitted the appropriate documentation in support of this request.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

There are 105 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

Participation is mandatory for all full-time employees. Eligibility with respect to part-time, provisional, temporary, seasonal or intermittent employment is governed by regulations promulgated by the retirement board, and approved by PERAC. Membership is optional for certain elected officials.

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

Group 1:

General employees, including clerical, administrative, technical and all other employees not otherwise classified.

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

Member contributions vary depending on the most recent date of membership:

Prior to 1975:	5% of regular compensation
1975 - 1983:	7% of regular compensation
1984 to 6/30/96:	8% of regular compensation
7/1/96 to present:	9% of regular compensation
1979 to present:	an additional 2% of regular compensation in excess of $30,000.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6 % after achieving 30 years of creditable service.

RATE OF INTEREST

Interest on regular deductions made after January 1, 1984 is a rate established by PERAC in consultation with the Commissioner of Banks. The rate is obtained from the average rates paid on individual savings accounts by a representative sample of at least 10 financial institutions.

RETIREMENT AGE

The mandatory retirement age for some Group 2 and Group 4 employees is age 65. Most Group 2 and Group 4 members may remain in service after reaching age 65. Group 4 members who are employed in certain public safety positions are required to retire at age 65. There is no mandatory retirement age for employees in Group 1.

SUPERANNUATION RETIREMENT

A person who became a member before April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- completion of 20 years of service, or
- attainment of age 55 if hired prior to 1978, or if classified in Group 4, or
- attainment of age 55 with 10 years of service, if hired after 1978, and if classified in Group 1 or 2

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

AMOUNT OF BENEFIT

A member's annual allowance is determined by multiplying average salary by a benefit rate related to the member's age and job classification at retirement, and the resulting product by his creditable service. The amount determined by the benefit formula cannot exceed 80% of the member's highest three year (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last 3 years (whether or not consecutive) preceding retirement.

- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.

- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.

- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 55. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

Member contributions may be withdrawn upon termination of employment. The interest rate for employees who first become members on or after January 1, 1984 who voluntarily withdraw their contributions with less than 10 years of service will be 3%. Interest payable on all other withdrawals will be set at regular interest.

DISABILITY RETIREMENT

The Massachusetts Retirement Plan provides 2 types of disability retirement benefits:

ORDINARY DISABILITY

Eligibility: Non-veterans who become totally and permanently disabled by reason of a non-job related condition with at least 10 years of creditable service (or 15 years creditable service in systems in which the local option contained in G.L. c. 32, s.6(1) has not been adopted).

Veterans with ten years of creditable service who become totally and permanently disabled by reason of a non-job related condition prior to reaching "maximum age". "Maximum age" applies only to those employees classified in Group 4 who are subject to mandatory retirement.

Retirement Allowance: For persons who became members prior to April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she is entitled.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 55. If the member is a veteran, the benefit is 50% of the member's final rate of salary during the preceding 12 months, plus an annuity based upon accumulated member contributions plus credited interest. If the member is over age 55, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

Eligibility: Applies to members who become permanently and totally unable to perform the essential duties of the position as a result of a personal injury sustained or hazard undergone while in the performance of duties. There are no minimum age or service requirements.

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $774.36 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $774.36 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one time payment of $100,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of $6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is $9,000. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is $12,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is $3,000 unless the retirement system has accepted the local option increasing this minimum annual allowance to $6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death

The surviving spouse of such a member in service receives an additional allowance equal to the sum of $1,440 per year for the first child and $1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. Only a certain portion of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, Section 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of $1,000. For many years the COLA base was calculated based upon the first $12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

A member may elect to receive his or her retirement allowance in one of 3 forms of payment.

Option A: Total annual allowance, payable in monthly installments, commencing at retirement and terminating at the member's death.

Option B: A reduced annual allowance, payable in monthly installments, commencing at retirement and terminating at the death of the member, provided, however, that if the total amount of the annuity portion received by the member is less than the amount of his or her accumulated deductions, including interest, the difference or balance of his accumulated deductions will be paid in a lump sum to the retiree's beneficiary or beneficiaries of choice.

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is has not remarried, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or "pops up" to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable "pops up" to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. If a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration will not be undertaken. This is because such a person will receive a separate retirement allowance from each system.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

Cash accounts are considered to be funds on deposit with banks and are available upon demand.

Short Term Investments are highly liquid investments that will mature within twelve months from the date of acquisition.

Investments are reported at their fair value. Securities traded on recognized exchanges are valued at the most recent sales price at year end. If no sale was reported, the mean of the bid and asked price is used when available, or the most recent bid price. Mutual, commingled and pooled funds are valued based on the net asset or unit value at year end. Real estate and alternative investments are valued based on estimates provided by the managers of those respective investments. Purchases and sales of securities are reflected on the date the trade is initiated. Realized gain or loss is largely based on the difference between the cost or the value at the prior year end and the funds realized upon liquidation. Dividend income is generally recorded when received. Interest income is recorded as earned on an accrual basis. Income from alternative investments is recorded as reported by the managing partner. Appreciation or depreciation in the value of investments consists of the unrealized gains and losses reported as the difference between the previous period and the current value.

The system makes estimates and assumptions that affect the reported values of assets and liabilities and the reported amounts added and deducted during the reporting periods. The fair value of real estate and alternative investment holdings are generally estimated in the absence of reliable exchange values. The actual funds realized upon liquidation may differ from these estimates.

The provisions of Massachusetts General Laws Chapter 32, § 23 (2) generally govern the investment practices of the system. The Board retains an investment consultant to closely monitor the implementation and performance of their investment strategy and advise them of the progress toward full funding of the system. That strategy seeks to balance the exposure to common deposit and investment risks related to custody, credit concentrations, interest rate and foreign currency fluctuations.

Operating expenses include the ordinary and necessary cost of investment and professional services and the other miscellaneous administrative expenses of the system.

NOTES TO FINANCIAL STATEMENTS (Continued)

The Annuity Savings Fund is the fund in which members' contributions are deposited. Voluntary contributions, re-deposits, and transfers to and from other systems, are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw with less than ten years of service is transferred to the Pension Reserve Fund. Upon retirement, members' contributions and interest are transferred to the Annuity Reserve Fund. Dormant account balances must be transferred to the Pension Reserve Fund after a period of ten years of inactivity.

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

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

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

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

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

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

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

The Plymouth County Retirement System submitted the following supplementary membership regulations, which were approved by the Public Employee Retirement Administration Commission on:

Membership
May 26, 2010
That any employee hired after April 30, 2010 with earnings of less than $5,000.00 annually will be excluded from membership to the Plymouth County Retirement Association.

Creditable Service
June 6, 1990
The retirement association will grant one full year of creditable service for retirement purposes to those employees of public school systems employed on a full time basis for a full academic year provided that such annual employment period consists of 180 days. This regulation shall apply to those clerical personnel, school nurses, aides and other employees eligible for membership in the retirement association. For the purposes of this regulation, regularly scheduled school vacations, release periods and holidays shall count toward the 180-day employment period.

Buy-backs
August 2, 1999
Any eligible member entitled to purchase credit for military service must notify the Plymouth County Retirement Board not later than 180 days of being notified of eligibility. Payments must commence within the 180-day period

The Board requires a lump sum payment if the amount due is less than $500.00. If over this amount, the Board will allow installment payments calculated as double the normal deductions. Interest will not be charged prior to the 180 days expiring. Interest will be charged on the unpaid balance of installment payments after expiration of the 180-day period.

August 2, 1999
Any member eligible to purchase military service under the provisions of Chapter 71 of the Acts of 1996 must render payment for the cost of such military service buyback in a lump sum payment or two installments, either of which must be made within a 12 month period commencing with the date of acceptance of the application by the Board.

Military Service Buyback
October 13, 2005
Any eligible member entitled to purchase credit for military service must notify the Plymouth County Retirement Board not later than 180 days of being notified of eligibility.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

The Board requires lump sum if the amount due is less than $500.00. If over this amount the Board will allow installment payments calculated as double the normal deductions. Interest will not be charged prior to the 180 days expiring. Interest will be charged on the unpaid balance of installment payments after the expiration of the 180 day period.

Travel Regulations
The Plymouth County Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations are available upon written request.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the County Treasurer 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:	Thomas J. O'Brien, Chairman		
Appointed Member:	James Harrington	Until a successor is appointed	
Elected Member:	Joseph F. McDonough	Term Expires:	12/31/16
Elected Member:	John F. Sciara	Term Expires:	12/31/15
Appointed Member:	John G. Duggan	Term Expires:	12/31/14

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.

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

Treasurer - Custodian: Ex-officio Member: Elected Members:	)	Coverage provided to a limit of $50,000,000 under a master MACRS sponsored policy issued through a layered program with Travelers, National Union Fire, and Arch
Appointed Members: Staff Employees:	)	Separate fidelity coverage pertaining to ERISA/Crime to a limit of $1,000,000 issued through Travelers Casualty and Surety Company, deductible $10,000.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Sherman Actuarial Services as of January 1, 2013.

The actuarial liability for active members was	$607,797,832
The actuarial liability for retired and inactive members was	711,967,157
The total actuarial liability was	$1,319,764,989
System assets as of that date were	666,899,774
The unfunded actuarial liability was	$652,865,215
The ratio of system's assets to total actuarial liability was	50.5%
As of that date the total covered employee payroll was	$238,655,485

The normal cost for employees on that date was	8.5% of payroll
The normal cost for the employer (excluding administrative expenses) was	3.9% of payroll

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

Investment Return:	8.25% per annum
Rate of Salary Increase:	4.0% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2013

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)
1/1/2013	$666,899,774	$1,319,764,989	$652,865,215	50.5%	$238,655,485	273.6%
1/1/2011	$666,730,812	$1,181,508,931	$514,778,119	56.4%	$228,289,638	225.5%
1/1/2010	$673,709,456	$1,132,847,379	$459,137,923	59.5%	$227,507,647	201.8%
1/1/2009	$579,877,224	$1,159,210,636	$579,333,412	50.0%	$264,541,078	219.0%

NOTE 6 - MEMBERSHIP EXHIBIT

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Retirement in Past Years										
Superannuation	183	31	136	163	30	34	161	168	163	170
Ordinary Disability	1	0	3	1	0	0	3	1	2	1
Accidental Disability	6	0	3	8	2	5	9	9	8	8
Total Retirements	190	31	142	172	32	39	173	178	173	179
Total Retirees, Beneficiaries and Survivors	3,069	3,079	3,211	3,279	3,280	3,363	3,384	3,456	3,493	3,549
Total Active Members	8,623	7,332	7,358	7,440	7,395	7,269	6,603	5,820	5,771	5,768
Pension Payments										
Superannuation	$24,723,696	$27,508,926	$29,933,740	$32,533,378	$35,420,273	$38,178,989	$41,011,239	$43,912,918	$46,192,632	$48,665,696
Survivor/Beneficiary Payments	1,438,781	1,613,550	1,657,022	1,800,176	1,900,514	2,025,290	2,185,905	2,330,124	2,343,079	2,552,450
Ordinary Disability	554,630	549,548	535,707	583,870	556,342	574,212	594,305	630,121	642,117	666,321
Accidental Disability	6,323,439	6,638,057	6,702,590	7,012,396	7,309,685	7,592,738	7,843,454	8,293,663	8,639,215	9,044,443
Other	1,735,243	2,898,657	5,132,431	5,752,107	3,976,670	2,824,027	5,539,145	2,359,311	6,673,924	4,743,876
Total Payments for Year	$34,775,789	$39,208,738	$43,961,490	$47,681,927	$49,163,484	$51,195,256	$57,174,048	$57,526,136	$64,490,966	$65,672,786

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Plymouth County Retirement Board leases approximately 7,453 square feet of space for its offices located at Suite 234, 10 Cordage Park Circle, Plymouth, MA 02360. The Board signed an initial lease dated February 11, 2005 and further amended April 16, 2010 and April 26, 2012 at $ 17 per square foot. The landlord is JD CORDAGE LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2012:

For the year ending:	Annual Rent
2013	$126,701.00 plus CPI increase
2014	$126,701.00 plus CPI increase
2015	$126,701.00 plus CPI increase
2016	$126,701.00 plus CPI increase
2017 (through September 30, 2017)	$ 95,025.78 plus CPI increase

Total future minimum lease payments required $ 601,829.78

The Plymouth County Retirement Board is subletting 1000 square feet of office space at $17.00 per square foot to Mayflower Municipal Health Group. The payments received are credited to the total rent booked to the general ledger.

PERAC has given written approval to Plymouth County for this arrangement.

NOTE 8– TRANSFER OF PLAN ADMINISTRATION SHERIFFS' DEPARTMENT

Chapter 61 of the Acts of 2009, as amended by Chapter 102 of the Acts of 2009, transferred active members of the County Sheriffs' Departments in Barnstable, Bristol, Dukes, Norfolk, Plymouth and Suffolk Counties to the State, effective January 1, 2010.

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