Plymouth

Retirement System Audit Report

jan. 1, 2014 - dec. 31, 2018

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman* JOHN W. PARSONS, ESQ., *Executive Director*

Auditor SUZANNE M. BUMP | KATHLEEN M. FALLON | KATE FITZPATRICK | JAMES M. MACHADO | ROBERT B. McCARTHY | JENNIFER F. SULLIVAN

November 12, 2020

The Public Employee Retirement Administration Commission (PERAC) has completed a review of the audits of the Plymouth Retirement System conducted by the firm of Powers & Sullivan, LLC Certified Public Accountants (CPAs). Powers & Sullivan 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, 2014 to December 31, 2018.

We conducted an inspection of the work papers prepared by Powers & Sullivan. 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 Powers & Sullivan 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 procurements of investments complied with 23B and that management fees paid were in accordance with contracts, 4) that travel and credit card expenses were properly documented and accounted for, 5) that retirement contributions are accurately deducted, 6) that retirement allowances were correctly calculated, and 7) that required member documentation is maintained.

To achieve these objectives, we inspected certain records of the Plymouth Retirement Board in the above areas. Specifically, we reviewed the minutes of the Board meetings for compliance with fiduciary oversight, verified cash balances, examined a sample of investment procurements and recalculated management fees charged. We tested a sample of travel expenses and credit card statements 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

FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

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.

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 Powers & Sullivan 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, 2018, December 31, 2017, December 31, 2016, December 31, 2015, and December 31, 2014.

In closing, I wish to acknowledge the work of Powers & Sullivan, who conducted these examinations, PERAC examiners, Elaine Pursley and Junior Yanga, who conducted limited procedures to supplement the field work, and express my appreciation to the Plymouth Retirement Board and staff for their courtesy and cooperation.

Sincerely,

John W. Parsons, Esq.
Executive Director

EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Board Travel Expenses and Board Credit Cards:
The Plymouth Retirement Board's Travel Regulations, approved on October 8, 2003, state that "the Board Members and/or staff are authorized to use the credit card to pay for approved travel-related expenses while attending an education conference or seminar ... A Board credit card shall not be used for any other purpose except as described herein." Approved travel-related expenses include transportation, lodging and meals.

In our testing of credit card expenses, we noted that Board credit cards were used for computer purchases, monthly email subscriptions for Board members, food for Board meetings and Request for Proposal publications in a newspaper.

We noted inconsistent documentation to support travel expense reimbursements. For example, mapping software directions were missing for some mileage reimbursements. Also, there were no explanations for some travel expenses charged on the Retirement Board's credit cards.

Recommendation: Pursuant to the Board's own Travel Regulations, and in conformance with 840 CMR 2.11(2), the Board credit cards should only be used for travel-related expenses. Supplies or items used on a regular basis and which can be readily anticipated should not be purchased with the Board credit cards. Also, the Board should be consistent in the required documentation for travel reimbursements.

Board Response:
The Board acknowledges PERAC's finding regarding credit card usage for items other than travel expenses. The Board also acknowledged PERAC's finding on travel expense reimbursement requests. MapQuest printouts will be attached to all mileage reimbursement requests and staff will make sure invoices/explanations are attached to all travel expense reimbursement requests.

2. Monthly Financial Reporting at Board Meetings:
We noted in our review of Board meeting minutes that Board members reviewed monthly trial balances. No other monthly accounting was shared with the Board. There was no review of cash reconciliations or comparison of actual expenses to the budget.

Recommendation: The Board should be provided with a monthly financial reports packet, which includes the trial balance, cash receipts, cash disbursements, investment manager statements, and cash reconciliations with bank statements. All financial reports reviewed at a meeting should be listed out in the minutes for best documentation. Dates of the financial reports should be included in the minutes to show the timeliness of the information provided. In addition, Board members should review budget to actual operating expenses at least on a quarterly basis. This should also be documented in the minutes.

Board Response:
The Board began receiving monthly financial reports at their meeting on August 28, 2020 and has continued to receive them at each meeting thereafter. The financial reports are available at the

meetings and are also emailed to Board members in advance of the meeting. Documents for review are as follows:

Trial Balance
Cash Receipts
Cash Disbursements
Adjustments
Rockland Trust Checking & Money Market Account Statements
Treasurer's Reconciliation of Rockland Trust Checking & Money Market Accts

3. Executive Session Meetings:
The Board held three meetings that opened in executive session. Before going into an executive session, the Board must convene in open session in accordance with the Open Meeting Law. While in the open session, the chair must state the reason for the executive session and state whether they will reconvene in open session at the end of the executive session. A roll call vote must be taken in open session to enter the executive session. At these three meetings, the reason for the executive session was presented and the roll call vote was taken at the beginning of the executive session and the open session was held afterwards.

Roll call voting during the executive sessions was not documented by name and vote. In accordance with the Open Meeting Law, roll call voting is required for all votes during each executive session.

Recommendation: The Board must comply with the Open Meeting Law with regards to executive session meetings.

Board Response:
The Board has acknowledged the errors contained in the executive session minutes and will make the appropriate changes going forward.

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, 2018	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$1,468,039	0.9%
Equities	28,987,440	17.1%
Pooled Domestic Equity Funds	20,370,805	12.0%
Pooled International Equity Funds	30,219,714	17.8%
Pooled Domestic Fixed Income Funds	37,240,791	22.0%
Pooled Alternative Investment Funds	13,436,623	7.9%
Pooled Real Estate Funds	19,993,428	11.8%
Pooled International Balanced Funds	6,956,632	4.1%
Hedge Funds	7,553,525	4.5%
PRIT Core Fund	3,119,979	1.8%
Grand Total	$169,346,976	100.0%

For the year ending December 31, 2018, the rate of return for the investments of the Plymouth Retirement System was -3.13%. For the five-year period ending December 31, 2018, the rate of return for the investments of the Plymouth Retirement System averaged 5.99%. For the 34-year period ending December 31, 2018, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Plymouth Retirement System was 8.61%.

The composite rate of return for all retirement systems for the year ending December 31, 2018 was -2.25%. For the five-year period ending December 31, 2018, the composite rate of return for the investments of all retirement systems averaged 6.22%. For the 34-year period ending December 31, 2018, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.00%.

SUPPLEMENTARY INFORMATION (Continued)

ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Director Of Finance 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:	Lynne Barrett		
Appointed Member:	Gerald Coughlin	Term Expires:	6/30/23
Elected Member:	Thomas M. Kelley, Chairman	Term Expires:	6/30/22
Elected Member:	Dale Webber	Term Expires:	6/30/22
Appointed Member:	Robert Ness	Term Expires:	6/30/23

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 Plymouth Retirement Board has adopted Supplemental Regulations which are available on the PERAC website at https://mass.gov/plymouth-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, 2019.

The actuarial liability for active members was	$140,767,643
The actuarial liability for vested terminated members was	2,132,998
The actuarial liability for non-vested terminated members was	788,518
The actuarial liability for retired members was	208,478,998
The total actuarial liability was	$352,168,157
System assets as of that date were (actuarial value)	175,352,831
The unfunded actuarial liability was	$176,815,326
The ratio of system's assets to total actuarial liability was	49.8%
As of that date the total covered employee payroll was	$45,227,165

The normal cost for employees on that date was 9.1% of payroll

The normal cost for the employer (including expenses) was 11.0% of payroll

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

Investment Return: 7.0% per annum

Rate of Salary Increase: Service based table with ultimate rates 4.25%, 4.50% and 4.75% for groups 1, 2 and 4, respectively

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2019

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)
1/1/2019	$175,352,831	$352,168,157	$176,815,326	49.8%	$45,227,165	390.9%
1/1/2017	$158,477,637	$316,067,214	$157,589,577	50.1%	$43,541,368	361.9%
1/1/2015	$137,887,635	$280,191,708	$142,304,073	49.2%	$39,498,474	360.3%
1/1/2013	$119,488,051	$247,186,506	$127,698,455	48.3%	$35,740,789	357.3%
1/1/2010	$111,588,652	$205,870,040	$94,281,388	54.2%	$35,664,649	264.4%

SUPPLEMENTARY INFORMATION (Continued)

MEMBERSHIP EXHIBIT

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Retirement in Past Years										
Superannuation	23	34	36	43	35	32	42	44	37	44
Ordinary Disability	0	0	0	1	3	1	2	2	1	0
Accidental Disability	1	1	1	2	2	1	4	2	4	3
Total Retirements	24	35	37	46	40	34	48	48	42	47
Total Retirees, Beneficiaries and Survivors	560	585	597	625	631	648	677	709	732	746
Total Active Members	986	928	900	878	867	864	885	896	884	888
Pension Payments										
Superannuation	$7,202,430	$7,762,227	$8,133,737	$8,515,462	$8,969,568	$9,294,446	$9,806,345	$10,350,873	$10,942,065	$11,417,787
Survivor/Beneficiary Payments	200,825	207,873	214,960	279,936	334,451	394,408	412,646	430,040	459,172	519,767
Ordinary Disability	132,125	134,716	136,258	139,310	102,661	83,780	80,511	151,227	164,971	167,148
Accidental Disability	1,936,073	1,996,203	2,093,921	2,247,914	2,259,132	2,277,069	2,435,023	2,565,483	2,738,483	2,903,876
Other	744,075	763,029	768,411	870,339	899,621	447,381	500,959	598,576	610,002	614,914
Total Payments for Year	$10,215,528	$10,864,048	$11,347,287	$12,052,961	$12,565,433	$12,497,083	$13,235,484	$14,096,198	$14,914,691	$15,623,491

SUPPLEMENTARY INFORMATION (Continued)

LEASED PREMISES

The Plymouth Retirement Board leased approximately 2,408 square feet of space for its offices located at 10 Cordage Park Circle, Suite 235, Plymouth, MA. The initial lease was amended twice and extended to end October 31, 2020. The lease was terminated effective March 31, 2019. The landlord was JD Cordage, LLC.

The Board leases approximately 4,000 square feet of space at 212 South Meadow Road, Unit 3, Plymouth, MA. They signed a five year lease which will expire February 29, 2024. The landlord is HallCo Properties, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2018:

For the year ending:	Annual Rent
2019	$71,992 +CPI Increase
2020	73,800
2021	76,010
2022	78,290
2023	80,642
2024 (through February)	13,506
Total future minimum lease payments required	$394,240

Notes: CPI: Consumer Price Index; United States Department of Labor. CPI Increase was charged by JD Cordage, LLC.

Plymouth paid $9,331 of security deposit to JD Cordage, LLC as an early termination payment in March 2019.

Last month's rent (February 2024) and one month's rent of security deposit was paid to HallCo Properties in January 2019.

SUPPLEMENTARY INFORMATION (Continued)

OTHER POST EMPLOYMENT BENEFITS (OPEB)

Chapter 113 of the Acts of 2012 allowed the Town of Plymouth to establish an Other Post Employment Benefits Trust Fund for the purpose of meeting future OPEB costs payable by the town. Section 2(b) states that the fund shall be subject to PERAC's triennial audit.

The Town administers a single-employer defined benefit healthcare plan ("the Other Post Employment Benefit Plan"). The plan provides lifetime healthcare insurance for eligible retirees and their spouses through the Town's health insurance plan.

The actuarial valuation of the Town of Plymouth's OPEB Trust Fund was prepared by KMS Actuaries as of July 1, 2018 and updated to June 30, 2019 in accordance with GASB Statement No. 74. The components of the net OPEB liability of the Town of Plymouth at June 30, 2019, were as follows:

Total OPEB liability	$773,370,737
Less: OPEB plan's fiduciary net position	5,163,522
Net OPEB liability	$768,207,215
The OPEB plan's fiduciary net position as a percentage of the total OPEB liability	0.67%

ACTUARIAL METHODS AND ASSUMPTIONS

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value
Discount Rate	3.5%, net of investment expenses, including inflation
Healthcare Cost Trend Rate	8.0% decreasing to 3.9% ultimate rate
Salary Increases	3.5% per year

PLAN MEMBERSHIP

Actives	1,591
Inactives	1,276
Total	2,867

OPEB Schedules - GASB Disclosure Information

The Schedule of Changes in the Town of Plymouth's Net OPEB Liability and related Ratios presents multi-year trend information on changes in the Plan's total OPEB liability, changes in the Plan's net position and ending net OPEB liability. It also demonstrates the Plan's net position as a percentage of

the total liability and the Plan's net other postemployment benefit liability as a percentage of covered-employee payroll.

The Schedule of the Town of Plymouth's Contributions presents multi-year trend information on the Town's actual contributions to the other postemployment benefit plan and related ratios.

The Schedule of Investment Returns presents multi-year trend information on the money-weighted investment on the Plan's other postemployment assets, net of investment expense.

These schedules are intended to present information for ten years. Until a ten-year trend is compiled, information is presented for those years for which information is available.

SCHEDULE OF CHANGES IN THE TOWN OF PLYMOUTH'S NET OPEB LIABILTIY AND RELATED RATIOS

	FY 2019	FY 2018	FY 2017
Total OPEB Liability			
Service Cost	$ 21,914,725	$ 23,038,206	$ 27,863,367
Interest	23,742,073	22,140,028	19,356,363
Differences between expected and actual experience	15,849,776	-	-
Changes of assumptions	129,379,977	(31,391,364)	(86,284,600)
Benefit payments	(18,182,695)	(17,036,667)	(16,651,413)
Net change in Total OPEB liability	$ 172,703,856	$ (3,249,797)	$ (55,716,283)
Total OPEB Liability - beginning	600,666,881	603,916,678	659,632,961
Total OPEB Liability- ending	$ 773,370,737	$ 600,666,881	$ 603,916,678
Plan Fiduciary Net Position			
Contributions- employer	$ 19,153,288	$ 17,980,980	$ 17,363,363
Net Investment Income	370,873	228,269	171,891
Benefit payments	(18,182,695)	(17,036,667)	(16,651,413)
Administrative expenses	-	-	-
Net change in Plan Fiduciary Net Position	$ 1,341,466	$ 1,172,582	$ 883,841
Plan Fiduciary Net Position - beginning	3,822,056	2,649,474	1,765,633
Plan Fiduciary Net Position - ending	$ 5,163,522	$ 3,822,056	$ 2,649,474
Net OPEB Liability - ending	$ 768,207,215	$ 596,844,825	$ 601,267,204
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	0.67%	0.64%	0.44%
Covered-Employee Payroll	$ 108,493,908	$ 104,133,239	$ 92,397,157
Net OPEB Liability as a Percentage of Covered-Employee Payroll	708.06%	573.15%	650.74%
Money-Weighted Rate of Return	7.88%	6.50%	7.11%

SUPPLEMENTARY INFORMATION (Continued)

SCHEDULE OF TOWN OF PLYMOUTH'S CONTRIBUTIONS

Measurement Date	Actuarially Determined Contribution (a)	Contributions in relation to the Actuarially Determined Contribution (b)	Contribution Deficiency / (Excess) (a-b)	Covered Employee-Payroll (c)	Contributions as a percentage of Covered-Employee Payroll (b/c)
6/30/2019	$44,515,201	$19,153,288	$25,361,913	$108,493,908	17.65%
6/30/2018	$44,853,623	$17,980,980	$26,872,643	$104,133,239	17.27%
6/30/2017	$39,477,033	$17,363,363	$22,113,670	$92,397,157	18.79%

SCHEDULE OF INVESTMENT RETURNS

Fiscal Year	Annual Money-Weighted Rate of Return
2019	7.88%
2018	6.50%
2017	7.11%

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2018

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Financial Section

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Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Contributory Retirement System, which comprise the statement of assets, liabilities, and fund balances as of December 31, 2018, and the related statement of changes in fund balance, statement of income, statement of disbursements, and statement of investment income for the year then ended, and the related notes to the 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 the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Commonwealth of Massachusetts' Division of Public Employee Retirement Administration Rules and Regulations 840 CMR 25.00: "The Conduct of Field Examinations of Contributory Retirement Systems," in existence as of August 27, 2004. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plymouth Contributory Retirement System as of December 31, 2018, and the results of its operations and changes in its fund balances for the year then ended, on the basis of the financial reporting provisions of PERAC as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Plymouth Contributory Retirement System on the basis of the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of PERAC. Our opinion is not modified with respect to this matter.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plymouth Contributory Retirement System's financial statements. The schedule of funding progress, as listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management of the member units, the Plymouth Contributory Retirement Board, others within the Town of Plymouth, Massachusetts, and PERAC and is not intended to be and should not be used by anyone other than these specified parties.

Powers + Sullivan, LLC

January 31, 2020

Financial Statements

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STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2018

Assets	
Cash and cash equivalents	$ 1,468,040
Investments	167,878,937
Receivables:	
Departmental and other	28,044
Prepaid expenses	9,331
Total assets	169,384,352
Liabilities	
Accounts payable	(142,708)
Net assets available for pension benefits	$ 169,241,644
Fund Balance	
Annuity savings fund	$ 44,812,214
Annuity reserve fund	16,228,818
Special military service credit fund	44,476
Pension fund	6,461,117
Pension reserve fund	101,695,019
Total fund balance	$ 169,241,644

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2018

	Annuity Savings Fund	Annuity Reserve Fund	Special Military Service Credit Fund	Pension Fund
Income:				
Receipts	$ 4,974,764	$ 5,338	$ -	$ 14,194,614
Investment income (loss)	61,004	489,258	63	-
Total income	5,035,768	494,596	63	14,194,614
Disbursements	(647,918)	(3,026,092)	-	(16,591,297)
Net increase (decrease) in fund balance before interfund transfers in (out)	4,387,850	(2,531,496)	63	(2,396,683)
Interfund transfers in (out)	(2,063,100)	2,082,720	(18,931)	1,750,431
Net increase (decrease) in fund balance	2,324,750	(448,776)	(18,868)	(646,252)
Fund balance, beginning of year	42,487,464	16,677,594	63,344	7,107,369
Fund balance, end of year	$ 44,812,214	$ 16,228,818	$ 44,476	$ 6,461,117

See notes to financial statements.

Pension Reserve Fund	Expense Fund	Total All Funds
$ 43,421	$ -	$ 19,218,137
(7,918,342)	1,775,090	(5,592,927)
(7,874,921)	1,775,090	13,625,210
-	(1,775,090)	(22,040,397)
(7,874,921)	-	(8,415,187)
(1,751,120)	-	-
(9,626,041)	-	(8,415,187)
111,321,060	-	177,656,831
$ 101,695,019	$ -	$ 169,241,644

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2018

Members' deductions	$ 4,481,492
Transfers of members' accounts from other systems	444,516
Members' makeup payments and redeposits	26,560
Members' payments from rollovers	22,196
Recovery of pension from reinstatement	5,818.00
Reimbursements from other systems for Pension Fund	390,384
Pension fund appropriation	13,539,858
State Retirement Board, cost of living adjustment	197,106
Interest not refunded	2,804
Federal grant reimbursement	36,051
Recovery of 91A overearnings	66,786
Miscellaneous income	4,566
Investment income	(5,592,927)
Total income	$ 13,625,210

See notes to financial statements.

STATEMENT OF DISBURSEMENTS

YEAR ENDED DECEMBER 31, 2018

Refunds of members' accounts from Annuity Savings Fund	$	339,574
Option B refunds from Annuity Reserve Fund		28,035
Annuity portion of retirement allowance payments from Annuity Reserve Fund		2,998,055
Superannuation and termination retirement allowance payments from Pension Fund		11,417,787
Survivor allowance payments from Pension Fund		519,767
Ordinary disability payments from Pension Fund		167,148
Accidental disability payments from Pension Fund		2,903,876
Accidental death benefits from Pension Fund		566,513
Section 101 benefits from Pension Fund		48,401
Reimbursements to other systems from Pension Fund		841,060
Investment management and custodial fees from Expense Fund		1,254,642
COLA's paid from Pension Fund		90,146
Chapter 389 benefit increase paid from Pension Fund		36,600
Staff salaries from Expense Fund		301,132
Legal expenses from Expense Fund		52,517
Travel expenses from Expense Fund		3,880
Administrative expenses from Expense Fund		162,023
Furniture and Equipment from Expense Fund		898
Transfer of members' accounts to other systems from Annuity Savings Fund		308,343
Total disbursements	$	22,040,397

See notes to financial statements.

STATEMENT OF INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2018

Gross investment income	$ 3,521,788
Add:	
Profit on the sale of investments	4,722,023
Increase in market value of equity securities	6,944,465
Less:	
Loss on the sale of investments	(1,367,909)
Decrease in market value of equity securities	(19,413,294)
Net investment income (loss)	(5,592,927)
Investment income required:	
Annuity savings fund	61,004
Annuity reserve fund	489,258
Expense fund	1,775,090
Special military service credit fund	63
Total investment income required	2,325,415
Excess (deficiency) investment income transferred to pension reserve fund	$ (7,918,342)

See notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

The Plan is a contributory multiple-employer defined benefit plan covering all employees of governmental member units deemed eligible by the Plymouth Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. The Plan is administered by the Plymouth Contributory Retirement System (the System).

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

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for members who began service prior to April 2, 2012. The retirement allowance is calculated on the highest five-year average for members who began service on or after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service for members who began service prior to April 2, 2012. The age is 60 with 10 years of service for members who began service on or after April 2, 2012. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity. Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension payments as determined by PERAC's actuary. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, a member who voluntarily withdraws with less than 10 years of creditable service is entitled to receive 3% interest on his or her contributions. Members who involuntarily withdraw or those with more than 10 years of creditable service are entitled to interest on his or her contributions at the regular interest rate.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented on the basis of accounting and reporting practices prescribed by the Commonwealth of Massachusetts' Commissioner of PERAC. Financial accounting and reporting standards required by generally accepted accounting principles (GAAP) differ in some respects from the requirements of PERAC. The valuation of assets, liabilities and net position are substantially the same. The main difference between GAAP and PERAC is that the financial statements for the changes in net position/fund balances are presented in different formats.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of PERAC.

The *Annuity Savings Fund* is the fund in which members' contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's 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 10 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. 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 military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military.

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 the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Credit Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, 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 - PLAN ADMINISTRATION

The System is administered by a five-member retirement board consisting of the Town Finance Director, who shall be a member ex officio, two elected members and two members appointed by a majority of the System's elected advisory council.

Ex-officio Member:	Lynne Barrett	Term Expires:	Indefinite
Elected Member:	Thomas M. Kelley	Term Expires:	June 30, 2022
Elected Member:	Dale Webber	Term Expires:	June 30, 2022
Appointed Member:	Shawn H. Duhamel	Term Expires:	June 30, 2020
Appointed Member:	Gerald Coughlin	Term Expires:	June 30, 2020

Board members are required to meet at least once a month and must keep record of all Board 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 Commissioner of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Board and are then submitted to the PERAC actuary for verification prior to payment. All expenses incurred by the System must be approved by at least three members of the Board.

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

$10,000,000	Fiduciary Liability
1,000,000	Dishonesty Coverage

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2018, the carrying amount of the System's deposits totaled $473,443 and the bank balance totaled $598,517 which was covered by Federal Depository Insurance.

Investments

As of December 31, 2018, the System had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Quality Rating
Debt Securities			
Bond Mutual Funds	$ 25,293,657	$ 25,293,657	Ba1 - Aaa
Other Investments			
Equity Securities	40,934,574		
Equity Mutual Funds	46,827,919		
Pooled Real Estate Funds	19,993,428		
Money Market Mutual Funds	994,597		
Alternative Investment Mutual Funds	20,990,148		
International Equity Mutual Funds	10,719,232		
PRIT General Allocation Fund	3,119,979		
Total Investments	$ 168,873,534		

The System has an investment policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 79% of the System's assets can be invested in equities, up to 31.5% in fixed income, up to 12.5% in real estate funds, and up to 10% in hedge/private equity return funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the System's total investment in equity securities of $40,934,573, the share ownership is held in the custodial "street name" of State Street, however, the value representing those stocks is credited to the System and is held in Trust for the Town of Plymouth Retirement System. These investments are evidenced by statements which include individual CUSIP numbers for each security. This recording of ownership is consistent with the normal and usual practice of entities that use a custodial bank. In the U.S., customer securities are held in fiduciary, custodial or other agency capacity and ownership of the securities remain with the customer. Furthermore, should any liens or claims be made against State Street (counterparty), no creditors would have any access to the funds of the customer.

Interest Rate Risk

In order to provide an appropriate level of diversification for the Fund, investment manager(s) with complementary or diverse investment styles will be retained. Each manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to their investment style.

The duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Credit Risk

The fixed income portion of the Fund's assets shall be invested in marketable, fixed income securities of the first four quality grades, as established by one or more of the nationally recognized bond rating services. The average quality of all Bond holdings should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines".

Concentration of Credit Risk

For the System, no purchase of fixed income securities shall be made in any one issue or in any issuer, except U.S. Government obligations, if after the purchase more than 5% of that issue or of the fixed income obligations of that issuer would be owned by the Fund. Fixed Income investments shall be made only in issues with an outstanding value of at least $50 million, valued at par, at the time of purchase.

NOTE 5 - ACTUARIAL VALUATION

The most recent actuarial valuation of the System was prepared as of January 1, 2019, and contained the following information:

The total covered employee payroll was $45,227,165.

The actuarial accrued liability for active members was $140,767,643.

The actuarial accrued liability for retired and inactive members was $211,400,514.

The total actuarial accrued liability was $352,168,157.

The actuarial value of assets was $175,352,831.

The unfunded liability was $176,815,326.

The normal cost for employees was $4,112,603.

The normal cost for the employer was $3,895,895.

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

Mortality: Pre-retirement mortality reflects the RP-2014 Blue Collar Employees table projected generationally with Scale MP-2018 (gender distinct).

Post-retirement mortality reflects the RP-2014 Blue Collar Healthy Annuitant table projected generationally with Scale MP-2018 (gender distinct).

Investment return:	7.00%
Individual salary increase:	4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively.
Cost of living adjustments:	3.0% (of the first $14,000)

Rates of retirement:	Varies based upon age for general employees, police, and fire employees.
Rates of disability:	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Actuarial cost method:	Individual entry age normal actuarial cost method.

NOTE 6 - MEMBERSHIP

The following table represents the System's membership at December 31, 2018:

Active members	888
Inactive members	152
Disabled members	87
Retirees and beneficiaries currently receiving benefits	659
Total	1,786

NOTE 7 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through January 31, 2020, which is the date the financial statements were available to be issued.

Additional Information

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

December 31, 2018

Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
01/01/19	$ 175,353	$ 353,168	$ 176,815	49.7%	$ 45,227	391.0%
01/01/17	158,478	316,067	157,590	50.1%	43,541	361.9%
01/01/15	137,888	280,192	142,304	49.2%	39,498	360.3%
01/01/13	119,488	247,186	127,698	48.3%	35,741	357.3%
01/01/10	111,589	205,870	94,281	54.2%	35,665	264.4%
01/01/08	120,332	175,119	54,787	68.7%	34,232	160.0%
01/01/07	112,790	165,044	52,254	68.3%	32,532	160.6%
01/01/05	94,010	154,190	60,180	61.0%	30,061	200.2%
01/01/03	77,285	124,140	46,855	62.3%	28,957	161.8%
01/01/01	85,389	114,181	28,792	74.8%	27,445	104.9%
01/01/99	71,201	98,269	27,068	72.5%	25,721	105.2%

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2017

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Financial Section

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'owers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Contributory Retirement System, which comprise the statement of assets, liabilities, and fund balances as of December 31, 2017, and the related statement of changes in fund balance, statement of income, statement of disbursements, and statement of investment income for the year then ended, and the related notes to the 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 the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Commonwealth of Massachusetts' Division of Public Employee Retirement Administration Rules and Regulations 840 CMR 25.00: "The Conduct of Field Examinations of Contributory Retirement Systems," in existence as of August 27, 2004. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plymouth Contributory Retirement System as of December 31, 2017, and the results of its operations and changes in its fund balances for the year then ended, on the basis of the financial reporting provisions of PERAC as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Plymouth Contributory Retirement System on the basis of the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of PERAC. Our opinion is not modified with respect to this matter.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plymouth Contributory Retirement System's financial statements. The schedule of funding progress, as listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management of the member units, the Plymouth Contributory Retirement Board, others within the Town of Plymouth, Massachusetts, and PERAC and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

August 17, 2018

Financial Statements

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STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2017

Assets	
Cash and cash equivalents	$ 1,405,509
Investments	176,424,748
Receivables:	
Departmental and other	11,753
Prepaid expenses	9,331
Total assets	177,851,341
Liabilities	
Accounts payable	(194,510)
Net assets available for pension benefits	$ 177,656,831
Fund Balance	
Annuity savings fund	$ 42,487,464
Annuity reserve fund	16,677,594
Special military service credit fund	63,344
Pension fund	7,107,369
Pension reserve fund	111,321,060
Total fund balance	$ 177,656,831

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2017

	Annuity Savings Fund	Annuity Reserve Fund	Special Military Service Credit Fund	Pension Fund
Income:				
Receipts	$ 4,741,583	$ -	$ -	$ 13,039,061
Investment income (loss)	61,118	485,661	63	-
Total income	4,802,701	485,661	63	13,039,061
Disbursements	(865,359)	(2,831,746)	-	(15,685,159)
Net increase (decrease) in fund balance before interfund transfers in (out)	3,937,342	(2,346,085)	63	(2,646,098)
Interfund transfers in (out)	(2,709,582)	2,588,213	-	2,036,809
Net increase (decrease) in fund balance	1,227,760	242,128	63	(609,289)
Fund balance, beginning of year	41,259,704	16,435,466	63,281	7,716,658
Fund balance, end of year	$ 42,487,464	$ 16,677,594	$ 63,344	$ 7,107,369

See notes to financial statements.

Pension Reserve Fund	Expense Fund	Total All Funds
$ 9,823	$ -	$ 17,790,467
23,685,864	1,749,247	25,981,953
23,695,687	1,749,247	43,772,420
-	(1,749,247)	(21,131,511)
23,695,687	-	22,640,909
(1,915,440)	-	-
21,780,247	-	22,640,909
89,540,813	-	155,015,922
$ 111,321,060	$ -	$ 177,656,831

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2017

Members' deductions	$ 4,319,084
Transfers of members' accounts from other systems	345,677
Members' makeup payments and redeposits	23,405
Members' payments from rollovers	53,417
Reimbursements from other systems for Pension Fund	359,806
Pension fund appropriation	12,536,906
State Retirement Board, cost of living adjustment	69,104
Workers compensation lump sum payments	15,000
Interest not refunded	1,338
Federal grant reimbursement	1,000
Recovery of 91A overearnings	58,245
Miscellaneous income	7,485
Investment income	25,981,953
Total income	$ 43,772,420

See notes to financial statements.

STATEMENT OF DISBURSEMENTS

YEAR ENDED DECEMBER 31, 2017

Refunds of members' accounts from Annuity Savings Fund	$ 418,411
Option B refunds from Annuity Reserve Fund	16,928
Annuity portion of retirement allowance payments from Annuity Reserve Fund	2,814,818
Superannuation and termination retirement allowance payments from Pension Fund	10,942,065
Survivor allowance payments from Pension Fund	459,171
Ordinary disability payments from Pension Fund	164,971
Accidental disability payments from Pension Fund	2,738,483
Accidental death benefits from Pension Fund	572,685
Section 101 benefits from Pension Fund	37,317
Reimbursements to other systems from Pension Fund	633,704
Investment management and custodial fees from Expense Fund	1,226,780
COLA's paid from Pension Fund	99,676
Chapter 389 benefit increase paid from Pension Fund	37,087
Staff salaries from Expense Fund	284,589
Legal expenses from Expense Fund	68,319
Travel expenses from Expense Fund	7,053
Administrative expenses from Expense Fund	160,590
Furniture and Equipment from Expense Fund	1,916
Transfer of members' accounts to other systems from Annuity Savings Fund	446,948
Total disbursements	$ 21,131,511

See notes to financial statements.

STATEMENT OF INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2017

Gross investment income	$ 3,397,938
Add:	
Profit on the sale of investments	3,903,181
Increase in market value of equity securities	21,501,425
Less:	
Loss on the sale of investments	(1,194,075)
Decrease in market value of equity securities	(1,626,516)
Net investment income (loss)	25,981,953
Investment income required:	
Annuity savings fund	61,118
Annuity reserve fund	485,661
Expense fund	1,749,247
Special military service credit fund	63
Total investment income required	2,296,089
Excess (deficiency) investment income transferred to pension reserve fund	$ 23,685,864

See notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

The Plan is a contributory multiple-employer defined benefit plan covering all employees of governmental member units deemed eligible by the Plymouth Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. The Plan is administered by the Plymouth Contributory Retirement System (the System).

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

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for members who began service prior to April 2, 2012. The retirement allowance is calculated on the highest five-year average for members who began service on or after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service for members who began service prior to April 2, 2012. The age is 60 with 10 years of service for members who began service on or after April 2, 2012. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity. Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension payments as determined by PERAC's actuary. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, a member who voluntarily withdraws with less than 10 years of creditable service is entitled to receive 3% interest on his or her contributions. Members who involuntarily withdraw or those with more than 10 years of creditable service are entitled to interest on his or her contributions at the regular interest rate.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented on the basis of accounting and reporting practices prescribed by the Commonwealth of Massachusetts' Commissioner of PERAC. Financial accounting and reporting standards required by generally accepted accounting principles (GAAP) differ in some respects from the requirements of PERAC. The valuation of assets, liabilities and net position are substantially the same. The main difference between GAAP and PERAC is that the financial statements for the changes in net position/fund balances are presented in different formats.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of PERAC.

The *Annuity Savings Fund* is the fund in which members' contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's 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 10 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. 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 military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military.

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 the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Credit Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, 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 - PLAN ADMINISTRATION

The System is administered by a five-member retirement board consisting of the Town Finance Director, who shall be a member ex officio, two elected members and two members appointed by a majority of the System's elected advisory council.

Ex-officio Member:	Lynne Barrett	Term Expires:	Indefinite
Elected Member:	Thomas M. Kelley	Term Expires:	June 30, 2019
Elected Member:	Dale Webber	Term Expires:	June 30, 2019
Appointed Member:	Shawn H. Duhamel	Term Expires:	June 30, 2020
Appointed Member:	Gerald Coughlin	Term Expires:	June 30, 2020

Board members are required to meet at least once a month and must keep record of all Board 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 Commissioner of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Board and are then submitted to the PERAC actuary for verification prior to payment. All expenses incurred by the System must be approved by at least three members of the Board.

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

$10,000,000	Fiduciary Liability
1,000,000	Dishonesty Coverage

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2017, the carrying amount of the System's deposits totaled $219,031 and the bank balance totaled $262,820 which was covered by Federal Depository Insurance.

Investments

As of December 31, 2017, the System had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Quality Rating
Debt Securities			
Bond Mutual Funds	$ 22,916,082	$ 22,916,082	Aaa
Other Investments			
Equity Securities	32,968,012		
Equity Mutual Funds	67,257,609		
Pooled Real Estate Funds	17,606,452		
Money Market Mutual Funds	1,186,478		
Alternative Investment Mutual Funds	18,927,242		
International Equity Mutual Funds	13,897,932		
PRIT General Allocation Fund	2,851,419		
Total Investments	$ 177,611,226		

The System has an investment policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 79% of the System's assets can be invested in equities, up to 31.5% in fixed income, up to 12.5% in real estate funds, and up to 10% in hedge/private equity return funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the System's total investment in equity securities of $32,968,012, the share ownership is held in the custodial "street name" of State Street, however, the value representing those stocks is credited to the System and is held in Trust for the Town of Plymouth Retirement System. These investments are evidenced by statements which include individual CUSIP numbers for each security. This recording of ownership is consistent with the normal and usual practice of entities that use a custodial bank. In the U.S., customer securities are held in fiduciary, custodial or other agency capacity and ownership of the securities remain with the customer. Furthermore, should any liens or claims be made against State Street (counterparty), no creditors would have any access to the funds of the customer.

Interest Rate Risk

In order to provide an appropriate level of diversification for the Fund, investment manager(s) with complementary or diverse investment styles will be retained. Each manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to their investment style.

The duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Credit Risk

The fixed income portion of the Fund's assets shall be invested in marketable, fixed income securities of the first four quality grades, as established by one or more of the nationally recognized bond rating services. The average quality of all Bond holdings should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines".

Concentration of Credit Risk

For the System, no purchase of fixed income securities shall be made in any one issue or in any issuer, except U.S. Government obligations, if after the purchase more than 5% of that issue or of the fixed income obligations of that issuer would be owned by the Fund. Fixed Income investments shall be made only in issues with an outstanding value of at least $50 million, valued at par, at the time of purchase.

NOTE 5 - ACTUARIAL VALUATION

The most recent actuarial valuation of the System was prepared as of January 1, 2017, and contained the following information:

The total covered employee payroll was $43,541,368.

The actuarial accrued liability for active members was $129,151,827.

The actuarial accrued liability for retired and inactive members was $186,915,387.

The total actuarial accrued liability was $316,067,214.

The actuarial value of assets was $158,477,637.

The unfunded liability was $157,589,577.

The normal cost for employees was $3,925,018.

The normal cost for the employer was $3,407,638.

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

Mortality:	The RP-2000 mortality table projected generationally with Scale BB and a base year of 2009.
Investment return:	7.25%
Individual salary increase:	4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively.
Cost of living adjustments:	3.0% (of the first $14,000)
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.

Rates of disability:	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Actuarial cost method:	Individual entry age normal actuarial cost method.

NOTE 6 - MEMBERSHIP

The following table represents the System's membership at December 31, 2017:

Active members	884
Inactive members	139
Disabled members	89
Retirees and beneficiaries currently receiving benefits	644
Total	1,756

Additional Information

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

December 31, 2017

Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
01/01/17	$ 158,478	$ 316,067	$ 157,590	50.1%	$ 43,541	361.9%
01/01/15	137,888	280,192	142,304	49.2%	39,498	360.3%
01/01/13	119,488	247,186	127,698	48.3%	35,741	357.3%
01/01/10	111,589	205,870	94,281	54.2%	35,665	264.4%
01/01/08	120,332	175,119	54,787	68.7%	34,232	160.0%
01/01/07	112,790	165,044	52,254	68.3%	32,532	160.6%
01/01/05	94,010	154,190	60,180	61.0%	30,061	200.2%
01/01/03	77,285	124,140	46,855	62.3%	28,957	161.8%
01/01/01	85,389	114,181	28,792	74.8%	27,445	104.9%
01/01/99	71,201	98,269	27,068	72.5%	25,721	105.2%

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2016

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Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Contributory Retirement System, which comprise the statement of assets, liabilities, and fund balances as of December 31, 2016, and the related statement of changes in fund balance, statement of income, statement of disbursements, and statement of investment income for the year then ended, and the related notes to the 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 the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Commonwealth of Massachusetts' Division of Public Employee Retirement Administration Rules and Regulations 840 CMR 25.00: "The Conduct of Field Examinations of Contributory Retirement Systems," in existence as of August 27, 2004. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plymouth Contributory Retirement System as of December 31, 2016, and the results of its operations and changes in its fund balances for the year then ended, on the basis of the financial reporting provisions of PERAC as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Plymouth Contributory Retirement System on the basis of the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of PERAC. Our opinion is not modified with respect to this matter.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plymouth Contributory Retirement System's financial statements. The schedule of funding progress, as listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management of the member units, the Plymouth Contributory Retirement Board, others within the Town of Plymouth, Massachusetts, and PERAC and is not intended to be and should not be used by anyone other than these specified parties.

Powers & Sullivan, LLC

September 22, 2017

Financial Statements

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STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2016

Assets	
Cash and cash equivalents	$ 1,050,968
Investments	154,089,197
Receivables:	
Prepaid expenses	9,331
Total assets	155,149,496
Liabilities	
Accounts payable	(133,574)
Net assets available for pension benefits	$ 155,015,922
Fund Balance	
Annuity savings fund	$ 41,259,704
Annuity reserve fund	16,435,466
Special military service credit fund	63,281
Pension fund	7,716,658
Pension reserve fund	89,540,813
Total fund balance	$ 155,015,922

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2016

	Annuity Savings Fund	Annuity Reserve Fund	Special Military Service Credit Fund
Income:			
Receipts	$ 4,833,376	$ -	$ (1,624)
Investment income (loss)	48,340	473,256	65
Total income	4,881,716	473,256	(1,559)
Disbursements	(392,322)	(2,719,423)	-
Net increase (decrease) in fund balance before interfund transfers in (out)	4,489,394	(2,246,167)	(1,559)
Interfund transfers in (out)	(3,239,144)	3,239,144	-
Net increase (decrease) in fund balance	1,250,250	992,977	(1,559)
Fund balance, beginning of year	40,009,454	15,442,489	64,840
Fund balance, end of year	$ 41,259,704	$ 16,435,466	$ 63,281

See notes to financial statements.

Pension Fund	Pension Reserve Fund	Expense Fund	Total All Funds
$ 12,256,314	$ 75,889	$ -	$ 17,163,955
-	9,573,376	1,661,064	11,756,101
12,256,314	9,649,265	1,661,064	28,920,056
(14,678,117)	-	(1,661,064)	(19,450,926)
(2,421,803)	9,649,265	-	9,469,130
1,880,018	(1,880,018)	-	-
(541,785)	7,769,247	-	9,469,130
8,258,443	81,771,566	-	145,546,792
$ 7,716,658	$ 89,540,813	$ -	$ 155,015,922

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2016

Members' deductions	$ 4,137,945
Transfers of members' accounts from other systems	559,872
Members' makeup payments and redeposits	57,182
Members' payments from rollovers	78,377
Reimbursements from other systems for Pension Fund	377,750
Pension fund appropriation	11,608,246
State Retirement Board, cost of living adjustment	228,119
Military Service contribution	(1,624)
Workers compensation lump sum payments	32,120
Interest not refunded	1,246
Federal grant reimbursement	74,017
Recovery of 91A overearnings	10,079
Miscellaneous income	626
Investment income	11,756,101
Total income	$ 28,920,056

See notes to financial statements.

STATEMENT OF DISBURSEMENTS

YEAR ENDED DECEMBER 31, 2016

Refunds of members' accounts from Annuity Savings Fund	$	238,979
Option B refunds from Annuity Reserve Fund		99,670
Annuity portion of retirement allowance payments from Annuity Reserve Fund		2,619,753
Superannuation and termination retirement allowance payments from Pension Fund		10,350,872
Survivor allowance payments from Pension Fund		430,040
Ordinary disability payments from Pension Fund		151,227
Accidental disability payments from Pension Fund		2,565,483
Accidental death benefits from Pension Fund		563,101
Section 101 benefits from Pension Fund		35,475
Reimbursements to other systems from Pension Fund		433,762
Investment management and custodial fees from Expense Fund		1,144,639
COLA's paid from Pension Fund		109,175
Chapter 389 benefit increase paid from Pension Fund		38,982
Staff salaries from Expense Fund		264,346
Legal expenses from Expense Fund		81,257
Travel expenses from Expense Fund		4,686
Administrative expenses from Expense Fund		163,008
Furniture and Equipment from Expense Fund		3,128
Transfer of members' accounts to other systems from Annuity Savings Fund		153,343
Total disbursements	$	19,450,926

See notes to financial statements.

STATEMENT OF INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2016

Gross investment income	$ 3,184,727
Add:	
Profit on the sale of investments	3,553,101
Increase in market value of equity securities	12,984,974
Less:	
Loss on the sale of investments	(1,237,356)
Decrease in market value of equity securities	(6,729,345)
Net investment income (loss)	11,756,101
Investment income required:	
Annuity savings fund	48,340
Annuity reserve fund	473,256
Expense fund	1,661,064
Special military service credit fund	65
Total investment income required	2,182,725
Excess (deficiency) investment income transferred to pension reserve fund	$ 9,573,376

See notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

The Plan is a contributory multiple-employer defined benefit plan covering all employees of governmental member units deemed eligible by the Plymouth Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. The Plan is administered by the Plymouth Contributory Retirement System (the System).

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

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for members who began service prior to April 2, 2012. The retirement allowance is calculated on the highest five-year average for members who began service on or after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service for members who began service prior to April 2, 2012. The age is 60 with 10 years of service for members who began service on or after April 2, 2012. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity. Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension payments as determined by PERAC's actuary. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, a member who voluntarily withdraws with less than 10 years of creditable service is entitled to receive 3% interest on his or her contributions. Members who involuntarily withdraw or those with more than 10 years of creditable service are entitled to interest on his or her contributions at the regular interest rate.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented on the basis of accounting and reporting practices prescribed by the Commonwealth of Massachusetts' Commissioner of PERAC. Financial accounting and reporting standards required by generally accepted accounting principles (GAAP) differ in some respects from the requirements of PERAC. The valuation of assets, liabilities and net position are substantially the same. The main difference between GAAP and PERAC is that the financial statements for the changes in net position/fund balances are presented in different formats.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of PERAC.

The *Annuity Savings Fund* is the fund in which members' contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's 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 10 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. 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 military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military.

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 the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Credit Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, 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 - PLAN ADMINISTRATION

The System is administered by a five-member retirement board consisting of the Town Finance Director, who shall be a member ex officio, two elected members and two members appointed by a majority of the System's elected advisory council.

Ex-officio Member:	Lynne Barrett	Term Expires:	Indefinite
Elected Member:	Thomas M. Kelley	Term Expires:	June 30, 2019
Elected Member:	Dale Webber	Term Expires:	June 30, 2019
Appointed Member:	Shawn H. Duhamel	Term Expires:	June 30, 2017*
Appointed Member:	Gerald Coughlin	Term Expires:	June 30, 2017*

Board members are required to meet at least once a month and must keep record of all Board 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 Commissioner of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Board and are then submitted to the PERAC actuary for verification prior to payment. All expenses incurred by the System must be approved by at least three members of the Board.

*Both Shawn H. Duhamel and Gerald Coughlin have been re-appointed to terms that end on June 30, 2020.

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

$10,000,000	Fiduciary Liability
1,000,000	Dishonesty Coverage

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2016, the carrying amount of the System's deposits totaled $262,448 and the bank balance totaled $388,583 which was covered by Federal Depository Insurance.

Investments

As of December 31, 2016, the System had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Quality Rating
Debt Securities			
Bond Mutual Funds	$ 16,255,180	$ 16,255,180	AA-
Other Investments			
Equity Securities	30,481,701		
Equity Mutual Funds	61,900,124		
Pooled Real Estate Funds	15,786,959		
Money Market Mutual Funds	788,520		
Alternative Investment Mutual Funds	17,138,481		
International Equity Mutual Funds	10,996,172		
PRIT General Allocation Fund	1,530,580		
Total Investments	$ 154,877,717		

The System has an investment policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 79% of the System's assets can be invested in equities, up to 31.5% in fixed income, up to 12.5% in real estate funds, and up to 10% in hedge/private equity return funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the System's total investment in equity securities of $30,481,701, the share ownership is held in the custodial "street name" of State Street, however, the value representing those stocks is credited to the System and is held in Trust for the Town of Plymouth Retirement System. These investments are evidenced by statements which include individual CUSIP numbers for each security. This recording of ownership is consistent with the normal and usual practice of entities that use a custodial bank. In the U.S., customer securities are held in fiduciary, custodial or other agency capacity and ownership of the securities remain with the customer. Furthermore, should any liens or claims be made against State Street (counterparty), no creditors would have any access to the funds of the customer.

Interest Rate Risk

In order to provide an appropriate level of diversification for the Fund, investment manager(s) with complementary or diverse investment styles will be retained. Each manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to their investment style.

The duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Credit Risk

The fixed income portion of the Fund's assets shall be invested in marketable, fixed income securities of the first four quality grades, as established by one or more of the nationally recognized bond rating services. The average quality of all Bond holdings should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines".

Concentration of Credit Risk

For the System, no purchase of fixed income securities shall be made in any one issue or in any issuer, except U.S. Government obligations, if after the purchase more than 5% of that issue or of the fixed income obligations of that issuer would be owned by the Fund. Fixed Income investments shall be made only in issues with an outstanding value of at least $50 million, valued at par, at the time of purchase.

NOTE 5 - ACTUARIAL VALUATION

The most recent actuarial valuation of the System was prepared as of January 1, 2015, and contained the following information:

The total covered employee payroll was $39,498,474.

The actuarial accrued liability for active members was $116,838,585.

The actuarial accrued liability for retired and inactive members was $163,353,123.

The total actuarial accrued liability was $280,191,708.

The actuarial value of assets was $137,887,635.

The unfunded liability was $142,304,073.

The normal cost for employees was $3,534,253.

The normal cost for the employer was $2,929,943.

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

Mortality:	The RP-2000 mortality table projected generationally with Scale BB and a base year of 2009.
Investment return:	7.50%
Individual salary increase:	4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively.
Cost of living adjustments:	3.0% (of the first $14,000)
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.

Rates of disability:	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Actuarial cost method:	Individual entry age normal actuarial cost method.

NOTE 6 - MEMBERSHIP

The following table represents the System's membership at December 31, 2016:

Active members	896
Inactive members	194
Disabled members	84
Retirees and beneficiaries currently receiving benefits	625
Total	1,799

Additional Information

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

December 31, 2016

Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
01/01/15	$ 137,888	$ 280,192	$ 142,304	49.2%	$ 39,498	360.3%
01/01/13	119,488	247,186	127,698	48.3%	35,741	357.3%
01/01/10	111,589	205,870	94,281	54.2%	35,665	264.4%
01/01/08	120,332	175,119	54,787	68.7%	34,232	160.0%
01/01/07	112,790	165,044	52,254	68.3%	32,532	160.6%
01/01/05	94,010	154,190	60,180	61.0%	30,061	200.2%
01/01/03	77,285	124,140	46,855	62.3%	28,957	161.8%
01/01/01	85,389	114,181	28,792	74.8%	27,445	104.9%
01/01/99	71,201	98,269	27,068	72.5%	25,721	105.2%
01/01/98	59,974	89,541	29,567	67.0%	23,767	124.4%

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2015

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Financial Section

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Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Contributory Retirement System, which comprise the statement of assets, liabilities, and fund balances as of December 31, 2015 and the related statement of changes in fund balance, statement of income, statement of disbursements, and statement of investment income for the year then ended, and the related notes to the 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 the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Commonwealth of Massachusetts' Division of Public Employee Retirement Administration Rules and Regulations 840 CMR 25.00: "The Conduct of Field Examinations of Contributory Retirement Systems," in existence as of August 27, 2004. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plymouth Contributory Retirement System as of December 31, 2015, and the results of its operations and changes in its fund balances for the year then ended, on the basis of the financial reporting provisions of PERAC as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Plymouth Contributory Retirement System on the basis of the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of PERAC. Our opinion is not modified with respect to this matter.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plymouth Contributory Retirement System's financial statements. The schedule of funding progress, as listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management of the member units, the Plymouth Contributory Retirement Board, others within the Town of Plymouth, Massachusetts, and PERAC and is not intended to be and should not be used by anyone other than these specified parties.

Powers + Sullivan, LLC

October 28, 2016

Financial Statements

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STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2015

Assets	
Cash and cash equivalents	$ 1,893,566
Investments	143,875,520
Receivables:	
Departmental and other	55,892
Prepaid expenses	9,331
Total assets	145,834,309
Liabilities	
Accounts payable	(287,517)
Net assets available for pension benefits	$ 145,546,792
Fund Balance	
Annuity savings fund	$ 40,009,454
Annuity reserve fund	15,442,489
Special military service credit fund	64,840
Pension fund	8,258,443
Pension reserve fund	81,771,566
Total fund balance	$ 145,546,792

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2015

	Annuity Savings Fund	Annuity Reserve Fund	Special Military Service Credit Fund
Income:			
Receipts	$ 4,238,182	$ -	$ 1,624
Investment income (loss)	55,172	458,274	63
Total income	4,293,354	458,274	1,687
Disbursements	(612,218)	(2,493,803)	-
Net increase (decrease) in fund balance before interfund transfers in (out)	3,681,136	(2,035,529)	1,687
Interfund transfers in (out)	(1,966,785)	1,966,785	-
Net increase (decrease) in fund balance	1,714,351	(68,744)	1,687
Fund balance, beginning of year	38,295,103	15,511,233	63,153
Fund balance, end of year	$ 40,009,454	$ 15,442,489	$ 64,840

See notes to financial statements.

Pension Fund	Pension Reserve Fund	Expense Fund	Total All Funds
$ 11,164,213	$ 9,293	$ -	$ 15,413,312
-	1,672,725	1,697,196	3,883,430
11,164,213	1,682,018	1,697,196	19,296,742
(13,857,878)	-	(1,697,196)	(18,661,095)
(2,693,665)	1,682,018	-	635,647
2,626,523	(2,626,523)	-	-
(67,142)	(944,505)	-	635,647
8,325,585	82,716,071	-	144,911,145
$ 8,258,443	$ 81,771,566	$ -	$ 145,546,792

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2015

Members' deductions	$	3,930,555
Transfers of members' accounts from other systems		187,199
Members' makeup payments and redeposits		60,239
Members' payments from rollovers		60,188
Reimbursements from other systems for Pension Fund		315,775
Pension fund appropriation		10,748,376
State Retirement Board, cost of living adjustment		80,347
Military Service contribution		1,623
Workers compensation lump sum payments		10,000
Interest not refunded		2,794
Recovery of 91A overearnings		9,715
Miscellaneous income		6,501
Investment income		3,883,430
Total income	$	19,296,742

See notes to financial statements.

STATEMENT OF DISBURSEMENTS

YEAR ENDED DECEMBER 31, 2015

Refunds of members' accounts from Annuity Savings Fund	$	265,174
Option B refunds from Annuity Reserve Fund		51,470
Annuity portion of retirement allowance payments from Annuity Reserve Fund		2,442,333
Superannuation and termination retirement allowance payments from Pension Fund		9,806,345
Survivor allowance payments from Pension Fund		412,646
Ordinary disability payments from Pension Fund		80,511
Accidental disability payments from Pension Fund		2,435,023
Accidental death benefits from Pension Fund		467,272
Section 101 benefits from Pension Fund		33,687
Reimbursements to other systems from Pension Fund		465,117
Investment management and custodial fees from Expense Fund		1,213,581
COLA's paid from Pension Fund		117,615
Chapter 389 benefit increase paid from Pension Fund		39,662
Staff salaries from Expense Fund		253,879
Legal expenses from Expense Fund		79,624
Travel expenses from Expense Fund		6,570
Administrative expenses from Expense Fund		135,649
Furniture and Equipment from Expense Fund		7,893
Transfer of members' accounts to other systems from Annuity Savings Fund		347,044
Total disbursements	$	18,661,095

See notes to financial statements.

STATEMENT OF INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2015

Gross investment income	$ 2,869,066
Add:	
Profit on the sale of investments	3,554,527
Increase in market value of equity securities	9,637,958
Less:	
Loss on the sale of investments	(1,423,122)
Decrease in market value of equity securities	(10,754,999)
Net investment income (loss)	3,883,430
Investment income required:	
Annuity savings fund	55,172
Annuity reserve fund	458,274
Expense fund	1,697,196
Special military service credit fund	63
Total investment income required	2,210,705
Excess (deficiency) investment income transferred to pension reserve fund	$ 1,672,725

See notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

The Plan is a contributory multiple-employer defined benefit plan covering all employees of governmental member units deemed eligible by the Plymouth Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. The Plan is administered by the Plymouth Contributory Retirement System (the System).

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

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for members who began service prior to April 2, 2012. The retirement allowance is calculated on the highest five-year average for members who began service on or after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service for members who began service prior to April 2, 2012. The age is 60 with 10 years of service for members who began service on or after April 2, 2012. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension. The average retirement benefit is approximately 80-85% pension and 15-20% annuity. Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension payments as determined by PERAC's actuary. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, a member who voluntarily withdraws with less than 10 years of creditable service is entitled to receive 3% interest on his or her contributions. Members who involuntarily withdraw or those with more than 10 years of creditable service are entitled to interest on his or her contributions at the regular interest rate.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented on the basis of accounting and reporting practices prescribed by the Commonwealth of Massachusetts' Commissioner of PERAC. Financial accounting and reporting standards required by generally accepted accounting principles (GAAP) differ in some respects from the requirements of PERAC. The valuation of assets, liabilities and net position are substantially the same. The main difference between GAAP and PERAC is that the financial statements for the changes in net position/fund balances are presented in different formats.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of PERAC.

The *Annuity Savings Fund* is the fund in which members' contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's 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 10 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. 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 military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military.

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 the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Credit Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

The *Investment Income Account* is credited with all interest and dividends derived from invested funds. At the end of the year, 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 - PLAN ADMINISTRATION

The System is administered by a five-member retirement board consisting of the Town Finance Director, who shall be a member ex officio, two elected members and two members appointed by a majority of the System's elected advisory council.

Ex-officio Member:	Lynne Barrett	Term Expires:	Indefinite
Elected Member:	Richard A. Manfredi*	Term Expires:	June 30, 2016
Elected Member:	Thomas M. Kelley*	Term Expires:	June 30, 2016
Appointed Member:	Shawn H. Duhamel	Term Expires:	June 30, 2017
Appointed Member:	Gerald Coughlin	Term Expires:	June 30, 2017

*As of June 30, 2016, Richard A. Manfredi was replaced by Dale Webber, and Thomas M. Kelly was re-elected. Both members have terms that expire on June 30, 2019.

Board members are required to meet at least once a month and must keep record of all Board 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 Commissioner of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Board and are then submitted to the PERAC actuary for verification prior to payment. All expenses incurred by the System must be approved by at least three members of the Board.

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

$10,000,000	Fiduciary Liability
1,000,000	Dishonesty Coverage

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2015, the carrying amount of the System's deposits totaled $315,845 and the bank balance totaled $286,914 which was covered by Federal Depository Insurance.

Investments

As of December 31, 2015, the System had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Quality Rating
Debt Securities			
Bond Mutual Funds	$ 15,943,305	$ 15,943,305	AA-
Other Investments			
Equity Securities	26,374,712		
Equity Mutual Funds	58,194,352		
Pooled Real Estate Funds	14,502,850		
Money Market Mutual Funds	1,577,721		
Alternative Investment Mutual Funds	16,697,981		
International Equity Mutual Funds	10,784,138		
PRIT General Allocation Fund	1,378,182		
Total Investments	$ 145,453,241		

The System has an investment policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 79% of the System's assets can be invested in equities, up to 31.5% in fixed income, up to 12.5% in real estate funds, and up to 10% in hedge/private equity return funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the System's total investment in equity securities of $26,374,712, the share ownership is held in the custodial "street name" of State Street, however, the value representing those stocks is credited to the System and is held in Trust for the Town of Plymouth Retirement System. These investments are evidenced by statements which include individual CUSIP numbers for each security. This recording of ownership is consistent with the normal and usual practice of entities that use a custodial bank. In the U.S., customer securities are held in fiduciary, custodial or other agency capacity and ownership of the securities remain with the customer. Furthermore, should any liens or claims be made against State Street (counterparty), no creditors would have any access to the funds of the customer.

Interest Rate Risk

In order to provide an appropriate level of diversification for the Fund, investment manager(s) with complementary or diverse investment styles will be retained. Each manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to their investment style.

The duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Credit Risk

The fixed income portion of the Fund's assets shall be invested in marketable, fixed income securities of the first four quality grades, as established by one or more of the nationally recognized bond rating services. The average quality of all Bond holdings should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines".

Concentration of Credit Risk

For the System, no purchase of fixed income securities shall be made in any one issue or in any issuer, except U.S. Government obligations, if after the purchase more than 5% of that issue or of the fixed income obligations of that issuer would be owned by the Fund. Fixed Income investments shall be made only in issues with an outstanding value of at least $50 million, valued at par, at the time of purchase.

NOTE 5 - ACTUARIAL VALUATION

The most recent actuarial valuation of the System was prepared as of January 1, 2015, and contained the following information:

The total covered employee payroll was $39,498,474.

The actuarial accrued liability for active members was $116,838,585.

The actuarial accrued liability for retired and inactive members was $163,353,123.

The total actuarial accrued liability was $280,191,708.

The actuarial value of assets was $137,887,635.

The unfunded liability was $142,304,073.

The normal cost for employees was $3,534,253.

The normal cost for the employer was $2,929,943.

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

Mortality:	The RP-2000 mortality table projected generationally with Scale BB and a base year of 2009.
Investment return:	7.50%
Individual salary increase:	4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively.
Cost of living adjustments:	3.0% (of the first $14,000)
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.

Rates of disability: For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).

Actuarial cost method: Individual entry age normal actuarial cost method.

NOTE 6 - MEMBERSHIP

The following table represents the System's membership at December 31, 2015:

Active members	885
Inactive members	187
Disabled members	6
Retirees and beneficiaries currently receiving benefits	671
Total	1,749

Additional Information

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

DECEMBER 31, 2015

Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
01/01/15	$ 137,888	$ 280,192	$ 142,304	49.2%	$ 39,498	360.3%
01/01/13	119,488	247,186	127,698	48.3%	35,741	357.3%
01/01/10	111,589	205,870	94,281	54.2%	35,665	264.4%
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01/01/07	112,790	165,044	52,254	68.3%	32,532	160.6%
01/01/05	94,010	154,190	60,180	61.0%	30,061	200.2%
01/01/03	77,285	124,140	46,855	62.3%	28,957	161.8%
01/01/01	85,389	114,181	28,792	74.8%	27,445	104.9%
01/01/99	71,201	98,269	27,068	72.5%	25,721	105.2%
01/01/98	59,974	89,541	29,567	67.0%	23,767	124.4%
01/01/96	44,735	73,709	28,974	60.7%	21,192	136.7%

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

PLYMOUTH CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2014

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Powers & Sullivan, LLC
Certified Public Accountants

100 Quannapowitt Parkway
Suite 101
Wakefield, MA 01880
T. 781-914-1700
F. 781-914-1701
www.powersandsullivan.com

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Plymouth Contributory Retirement System, as listed in the table of contents as of and for the year ended December 31, 2014, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission (PERAC). Management is also responsible 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Commonwealth of Massachusetts' Division of Public Employee Retirement Administration Rules and Regulations 840 CMR 25.00: "The Conduct of Field Examinations of Contributory Retirement Systems," in existence as of August 27, 2004. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Plymouth Contributory Retirement System as of December 31, 2014, and the results of its operations and changes in its fund balances for the year then ended, on the basis of the financial reporting provisions of PERAC as described in Note 2.

Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. As described in Note 2 to the financial statements, the financial statements are prepared by the Plymouth Contributory Retirement System on the basis of the financial reporting provisions of the Commonwealth of Massachusetts' Public Employee Retirement Administration Commission, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of PERAC. Our opinion is not modified with respect to this matter.

Other Matters

Additional Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Plymouth Contributory Retirement System's financial statements. The schedule of funding progress, as listed in the table of contents, which is the responsibility of management, is presented for the purpose of additional information and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Restriction on Use

Our report is intended solely for the information and use of management of the member units, the Plymouth Contributory Retirement Board, others within the Town of Plymouth, Massachusetts, and PERAC and is not intended to be and should not be used by anyone other than these specified parties.

Powers + Sullivan, LLC

March 18, 2016

Financial Statements

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STATEMENT OF ASSETS, LIABILITIES AND FUND BALANCE

DECEMBER 31, 2014

Assets	
Cash and cash equivalents	$ 4,384,392
Investments	140,610,422
Receivables:	
Departmental and other	82,570
Prepaid expenses	9,331
Total assets	145,086,715
Liabilities	
Accounts payable	(175,570)
Net assets available for pension benefits	$ 144,911,145
Fund Balance	
Annuity savings fund	$ 38,295,103
Annuity reserve fund	15,511,233
Special military service credit fund	63,153
Pension fund	8,325,585
Pension reserve fund	82,716,071
Total fund balance	$ 144,911,145

See notes to financial statements.

STATEMENT OF CHANGES IN FUND BALANCE

YEAR ENDED DECEMBER 31, 2014

	Annuity Savings Fund	Annuity Reserve Fund	Special Military Service Credit Fund
Income:			
Receipts	$ 3,889,117	$ -	$ 1,624
Investment income (loss)	44,556	449,930	61
Total income	3,933,673	449,930	1,685
Disbursements	(772,699)	(2,276,209)	-
Net increase (decrease) in fund balance before interfund transfers in (out)	3,160,974	(1,826,279)	1,685
Interfund transfers in (out)	(1,982,111)	1,984,629	-
Net increase (decrease) in fund balance	1,178,863	158,350	1,685
Fund balance, beginning of year	37,116,240	15,352,883	61,468
Fund balance, end of year	$ 38,295,103	$ 15,511,233	$ 63,153

See notes to financial statements.

Pension Fund	Pension Reserve Fund	Expense Fund	Total All Funds
$ 10,502,749	$ 49,734	$ -	$ 14,443,224
-	5,943,313	1,778,173	8,216,033
10,502,749	5,993,047	1,778,173	22,659,257
(13,001,528)	-	(1,778,173)	(17,828,609)
(2,498,779)	5,993,047	-	4,830,648
5,759,136	(5,761,654)	-	-
3,260,357	231,393	-	4,830,648
5,065,228	82,484,678	-	140,080,497
$ 8,325,585	$ 82,716,071	$ -	$ 144,911,145

STATEMENT OF INCOME

YEAR ENDED DECEMBER 31, 2014

Members deductions	$	3,717,793
Transfers of members' accounts from other systems		102,592
Members' makeup payments and redeposits		48,867
Member payments from rollovers		19,865
Reimbursements from other systems for Pension Fund		320,194
Pension fund appropriation		9,952,200
State Retirement Board, cost of living adjustment		204,994
Military Service contribution		1,624
Workers compensation lump sum payments		16,000
Interest not refunded		1,120
Federal grant reimbursement		43,801
Miscellaneous income		14,174
Investment income		8,216,033
Total income	$	22,659,257

See notes to financial statements.

STATEMENT OF DISBURSEMENTS

YEAR ENDED DECEMBER 31, 2014

Refunds of members' accounts from Annuity Savings Fund	$	250,870
Option B refunds from Annuity Reserve Fund		12,897
Annuity portion of retirement allowance payments from Annuity Reserve Fund		2,263,312
Superannuation and termination retirement allowance payments from Pension Fund		9,294,446
Survivor allowance payments from Pension Fund		394,408
Ordinary disability payments from Pension Fund		83,780
Accidental disability payments from Pension Fund		2,277,068
Accidental death benefits from Pension Fund		415,431
Section 101 benefits from Pension Fund		31,950
Reimbursements to other systems from Pension Fund		335,189
Investment management and custodial fees from Expense Fund		1,242,482
COLA's paid from Pension Fund		128,946
Chapter 389 benefit increase paid from Pension Fund		40,310
Staff salaries from Expense Fund		323,777
Legal expenses from Expense Fund		55,609
Travel expenses from Expense Fund		8,298
Administrative expenses from Expense Fund		147,857
Furniture and Equipment from Expense Fund		150
Transfer of members accounts to other systems from Annuity Savings Fund		521,829
Total disbursements	$	17,828,609

See notes to financial statements.

STATEMENT OF INVESTMENT INCOME

YEAR ENDED DECEMBER 31, 2014

Gross investment income	$ 3,523,280
Add:	
Profit on the sale of investments	2,329,982
Increase in market value of equity securities	10,119,335
Less:	
Loss on the sale of investments	(1,042,749)
Decrease in market value of equity securities	(6,713,815)
Net investment income (loss)	8,216,033
Investment income required:	
Annuity savings fund	44,556
Annuity reserve fund	449,930
Expense fund	1,778,173
Special military service credit fund	61
Total investment income required	2,272,720
Excess (deficiency) investment income transferred to pension reserve fund	$ 5,943,313

See notes to financial statements.

NOTE 1 - PLAN DESCRIPTION

The Plan is a contributory defined benefit plan covering all employees of governmental member units deemed eligible by the Plymouth Retirement Board (the Board), with the exception of school department employees who serve in a teaching capacity. The pensions of such school employees are administered by the Commonwealth of Massachusetts' Teachers Retirement System. The Plan is administered by the Plymouth Contributory Retirement System (the System).

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

Massachusetts Contributory Retirement System benefits are, with certain exceptions, uniform from system to system. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average annual rate of regular compensation for members who began service prior to April 2, 2012. The retirement allowance is calculated on the highest five-year average for members who began service on or after April 2, 2012. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

Members become vested after ten years of creditable service. A superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching the age of 55 with 10 years of service for members who began service prior to April 2, 2012. The age is 60 with 10 years of service for members who began service on or after April 2, 2012. Normal retirement for most employees occurs at age 65 (except for certain hazardous duty and public safety positions, whose normal retirement is at age 55).

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

Active members contribute between 5 and 11% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. These deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the Public Employee Retirement Administration Commission's (PERAC) actuary. When a member's retirement becomes effective, his/her deductions and related interest are transferred to the Annuity Reserve Fund. Any cost-of-living adjustments granted between 1981 and 1997 and any increase in other benefits imposed by the Commonwealth of Massachusetts' state law during those years are borne by the Commonwealth and are deposited into the Pension Fund. Cost-of-living adjustments granted after 1997 must be approved by the Board and all costs are borne by the System.

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension payments as determined by PERAC's actuary. In past years, retirement systems were paying only the actual retirement benefits that were due each year. Systems had no statutory authorization to put aside money for the future benefits of employees who are currently employed. Large unfunded liabilities resulted from operating under this pay-as-you-go basis. In 1977, legislation authorized local governments to appropriate funds to meet future pension obligations. In 1983, additional legislation was passed requiring the transfer of investment earnings (in excess of the amount credited to member accounts) into the Pension Reserve Fund. These initiatives have significantly reduced the rate of growth of the Retirement System's unfunded liabilities, and in some Systems have actually reduced such liability.

Administrative expenses, which were previously appropriated from the governmental entities whose employees are members of the system, are now paid from investment income.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions. In addition, a member who voluntarily withdraws with less than 10 years of creditable service is entitled to receive 3% interest on his or her contributions. Members who involuntarily withdraw or those with more than 10 years of creditable service are entitled to interest on his or her contributions at the regular interest rate.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements are presented on the basis of accounting and reporting practices prescribed by the Commonwealth of Massachusetts' Commissioner of PERAC. Financial accounting and reporting standards required by generally accepted accounting principles (GAAP) differ in some respects from the requirements of PERAC. The valuation of assets, liabilities and net position are substantially the same. The main difference between GAAP and PERAC is that the financial statements for the changes in net position/fund balances are presented in different formats.

The accounting records of the System are maintained on a calendar year basis in accordance with the standards and procedures established by the Commissioner of PERAC.

The *Annuity Savings Fund* is the fund in which members' contributions are deposited. Voluntary contributions, redeposits, and transfers to and from other systems are also accounted for in this fund. Members' contributions to the fund earn interest at a rate determined by PERAC. Interest for some members who withdraw from the System with less than 10 years of service is transferred to the Pension Reserve Fund. Upon retirement, a member's 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 10 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. 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 military leave for service in the Armed Forces who will receive creditable service for the period of that leave. Creditable service is granted provided the member returns to the same governmental unit within two years of the date of discharge from the military.

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 the amounts set aside by the system for the purpose of establishing a reserve to meet future pension liabilities. Any investment income in excess of the amount required to credit interest to the Annuity Savings Fund, Annuity Reserve Fund and Military Service Credit Fund is credited to the Pension Reserve Fund. Any profit or loss realized on the sale or maturity of any investment or on the unrealized gain or loss of market valued investments as of the valuation date is credited to the Pension Reserve Fund.

The *Expense Fund* contains amounts transferred from investment income for the purpose of administering the System.

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

NOTE 3 - PLAN ADMINISTRATION

The System is administered by a five-member retirement board consisting of the Town Finance Director, who shall be a member ex officio, two elected members and two members appointed by a majority of the System's elected advisory council.

Ex-officio Member:	Lynne Barrett	Term Expires:	Indefinite
Elected Member:	Richard A. Manfredi	Term Expires:	June 30, 2016
Elected Member:	Thomas M. Kelley	Term Expires:	June 30, 2016
Appointed Member:	Shawn H. Duhamel	Term Expires:	June 30, 2017
Appointed Member:	Gerald Coughlin	Term Expires:	June 30, 2017

Board members are required to meet at least once a month and must keep record of all Board 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 Commissioner of PERAC.

The investment of the System's funds is the responsibility of the Board. All retirement allowances must be approved by the Board and are then submitted to the PERAC actuary for verification prior to payment. All expenses incurred by the System must be approved by at least three members of the Board.

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

$10,000,000	Fiduciary Liability
1,000,000	Dishonesty Coverage

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2014, the carrying amount of the System's deposits totaled $475,494 and the bank balance totaled $614,190 which was covered by Federal Depository Insurance.

Investments

As of December 31, 2014 the System had the following investments:

Investment Type	Fair Value	Maturity 6-10 Years	Quality Rating
Debt Securities			
Bond Mutual Funds	$ 16,856,685	$ 16,856,685	AA-
Other Investments			
Equity Securities	27,466,111		
Equity Mutual Funds	48,688,031		
Pooled Real Estate Funds	15,074,173		
Money Market Mutual Funds	3,908,898		
Alternative Investment Mutual Funds	15,915,579		
International Equity Mutual Funds	15,642,396		
PRIT General Allocation Fund	967,447		
Total Investments	$ 144,519,320		

The System has an investment policy that states that assets of the plan shall be invested to ensure that principal is preserved and enhanced, both in real and nominal terms. The policy states that up to 90% of the System's assets can be invested in equities, up to 35% in fixed income, up to 15% in real estate funds, and up to 10% in hedge/private equity return funds.

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of a failure by the counterparty, the System will not be able to recover the value of its investments or collateral security that are in possession of an outside party. Of the System's total investment in equity securities of $27,466,111, the share ownership is held in the custodial "street name" of State Street, however, the value representing those stocks is credited to the System and is held in Trust for the Town of Plymouth Retirement System. These investments are evidenced by statements which include individual CUSIP numbers for each security. This recording of ownership is consistent with the normal and usual practice of entities that use a custodial bank. In the U.S., customer securities are held in fiduciary, custodial or other agency capacity and ownership of the securities remain with the customer. Furthermore, should any liens or claims be made against State Street (counterparty), no creditors would have any access to the funds of the customer.

Interest Rate Risk

In order to provide an appropriate level of diversification for the Fund, investment manager(s) with complementary or diverse investment styles will be retained. Each manager will be required to sign and acknowledge these objectives and policies as well as guidelines specific to their investment style.

The duration of the fixed income portfolio shall be maintained within a range of +/- 15% of the duration of the fixed income benchmark designated in the "Manager Specific Guidelines".

Credit Risk

The fixed income portion of the Fund's assets shall be invested in marketable, fixed income securities of the first four quality grades, as established by one or more of the nationally recognized bond rating services. The average quality of all Bond holdings should be maintained at A or better unless otherwise stated in the "Manager Specific Guidelines".

Concentration of Credit Risk

For the System, no purchase of fixed income securities shall be made in any one issue or in any issuer, except U.S. Government obligations, if after the purchase more than 5% of that issue or of the fixed income obligations of that issuer would be owned by the Fund. Fixed Income investments shall be made only in issues with an outstanding value of at least $50 million, valued at par, at the time of purchase.

NOTE 5 - ACTUARIAL VALUATION

The most recent actuarial valuation of the System was prepared as of January 1, 2013, and contained the following information:

The total covered employee payroll was $35,740,789.

The actuarial accrued liability for active members was $100,020,887.

The actuarial accrued liability for retired and inactive members was $147,165,619.

The total actuarial accrued liability was $247,186,506

The actuarial value of assets was $119,488,051.

The unfunded liability was $127,698,455.

The normal cost for employees was $3,164,267.

The normal cost for the employer was $2,238,863.

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

Mortality:	The RP-2000 mortality table.
Investment return:	7.75%
Individual salary increase:	4.25%, 4.50%, and 4.75% for groups 1, 2, and 4 respectively, per year.
Cost of living adjustments:	3.0% (of the first $14,000)
Rates of retirement:	Varies based upon age for general employees, police, and fire employees.

Rates of disability:	For general employees, it was assumed that 45% of all disabilities are ordinary (55% are service connected). For police and fire employees, 10% of all disabilities are assumed to be ordinary (90% are service connected).
Actuarial cost method:	Individual entry age normal actuarial cost method.

NOTE 6 - MEMBERSHIP

The following table represents the System's membership at December 31, 2014.

Active members	864
Inactive members	170
Disabled members	89
Retirees and beneficiaries currently receiving benefits	559
Total	1,682

Additional Information

SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)

DECEMBER 31, 2014

Actuarial Valuation Date	(1) Actuarial Value Of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age	(3) Unfunded AAL (UAAL) (2) - (1)	(4) Funded Ratio (1) / (2)	(5) Covered Payroll	(6) UAAL as a Percentage of Covered Payroll (3) / (5)
01/01/13	$ 119,488	$ 247,186	$ 127,698	48%	$ 35,741	357%
01/01/10	111,589	205,870	94,281	54%	35,665	264%
01/01/08	120,332	175,119	54,787	69%	34,232	160%
01/01/07	112,790	165,044	52,254	68%	32,532	161%
01/01/05	94,010	154,190	60,180	61%	30,061	200%
01/01/03	77,285	124,140	46,855	62%	28,957	162%
01/01/01	85,389	114,181	28,792	75%	27,445	105%
01/01/99	71,201	98,269	27,068	72%	25,721	105%
01/01/98	59,974	89,541	29,567	67%	23,767	124%
01/01/96	44,735	73,709	28,974	61%	21,192	137%

COMMONWEALTH OF MASSACHUSETTS
Public Employee Retirement Administration Commission
Five Middlesex Avenue, Suite 304 | Somerville, MA 02145
Phone: 617-666-4446 | Fax: 617-628-4002
TTY: 617-591-8917 | Web: www.mass.gov/perac