QUINCY
Retirement System
Audit Report
JAN. 1, 2014 - DEC. 31, 2017

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

December 5, 2019

The Public Employee Retirement Administration Commission has completed an examination of the Quincy Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2014 to December 31, 2017. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Elaine Pursley and Junior Yanga who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

John W. Parsons, Esq.
Executive Director

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EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Cash Reconciliations:
Quincy Retirement Board (QRB) has two bank accounts at Eastern Bank but only one bank account was reconciled by the Treasurer's office. The control bank account was reconciled to the Treasurer's "checkbook" balance but not to the Board's General Ledger (GL). There was a difference of approximately $105,000 between the checkbook balance and the GL as of December 31, 2017.

The second bank account is used for the retirees' pension payroll. Eastern Bank provides a reconciliation report for this bank account to the Retirement Board along with the bank statement.

In addition, we noted that Quincy Retirement Board's external auditors found a $1.2M difference in cash between the treasurer's checkbook balance and the GL in 2016. There was a transfer of cash from State Street Bank (SSB) to Eastern Bank in July 2016 that was not recorded in the GL. This was corrected by QRB in July 2017.

Finally, cash reconciliations were not provided to the Board as part of their financial information at monthly board meetings.

Recommendation: The QRB should work with the Treasurer's office to ensure that monthly bank account reconciliations are tied to the GL. Any variance between the GL and the reconciled amount should be reviewed and resolved in a timely manner. The reconciliation report for the payroll bank account should be reviewed by the Treasurer's office each month. Cash reconciliations must be provided to Board members at the monthly meetings.

Board Response:
The Board Chairman and Executive Director met with Quincy City Treasurer and Assistant Treasurer to discuss a new protocol pertaining to the control account ("Treasurer's Checkbook) and the QRB General Ledger. QRB staff will work with the Assistant City Treasurer to ensure the QRB GL corresponds with transactions in the control account. The Senior Accountant will resolve variances and review the payroll bank account with the City Treasurer's office as well.

During the audit process, the PERAC auditors notified the Executive Director that the cash reconciliations should be provided at the monthly board meetings. The Executive Director immediately initiated this process at the following board meeting and the contents of all transactions are contained in a folder that has been regularly reviewed at the meetings by board members.

2. Investments and Management Fees:
The value of pooled funds per the GL was lower than investment manager statements by approximately $4.9M as of December 31, 2017, including a $3.1M difference in the Brookfield Capital Partners Fund IV value.

Approximately $308,000 of management fees was not recorded to GL #5304 Management Fees in 2017. Four investments were missing the entire year's fees, and three more were missing fourth quarter fees.

There was a $7M misstatement in the investment accounts as of December 31, 2015 between the GL and the custodian bank (SSB). This was discovered by the Quincy Retirement Board's external CPA auditors. No GL entries were made for purchases of $4M in the Acadian Emerging Markets Small Cap Fund and $3M in the Beach Point Loan Fund that were recorded in the April 2015 SSB reports. The GL was corrected in 2016.

Recommendation: The QRB should reconcile investment accounts from SSB and investment manager statements to the GL on a monthly basis. All differences should be reviewed and addressed.

The Retirement Board must not "net" management fees for accounting purposes, but should record management fees and gross income for each investment.

Board Response:
The QRB Senior accountant will reconcile investment accounts from the custodian to the GL monthly and will record management fees and gross income for each investment. If questions arise during this process the Senior Accountant will contact PERAC for further guidance.

3. Active Membership-Buybacks:
We found that six active members' buyback calculations used incorrect interest rates.

- Four members purchased prior non-membership time within the Quincy Retirement System and were charged actuarial interest. Buyback interest should have been charged.
- One member entered into an agreement to redeposit a withdrawal within a year of being rehired and was charged actuarial interest. Buyback interest should have been charged.
- One member had a payment plan for a veterans' buyback and was being charged actuarial interest. Veterans' buybacks should not be charged any interest. (This was corrected during fieldwork.)

In addition, we noted that outstanding member buybacks were not recorded to accounts receivable in the GL for 2014-2017.

Recommendation: The Board must review previously calculated service purchases. Overpayments of interest should be returned to the members. A retirement board may not charge interest for veteran service purchases made pursuant to G.L. c. 32, §4(1)(h).

The Retirement Board should record outstanding buybacks to the accounts receivable in the GL at the end of each year.

Board Response:
The QRB staff will provide a review for the board pertaining to buybacks during the period of 2014-2017. Further, records from that period will be vetted for interest rates charged, veteran status and redeposits/interest charges. We will reimburse those that have overpaid interest and insure that veterans weren't charged interest. Outstanding buybacks will be recorded on the GL annually.

This process will take time but we have already started to review the files for the 2014-2017 time period.

4. New Retirement Allowance Calculations:
We tested new retirement allowances calculated during the audit period and found the following issues:

- Some retirees were underpaid due to lower regular compensation earnings used in the calculations than what was found in payrolls. We noted there was inconsistent treatment of pay codes from year to year.
- Two retirees were out on workers' compensation during the three highest years of earnings. Their retirement calculations should have used the regular compensation rate prior to receiving workers' compensation for the time on leave, rather than using the actual earnings for the three years prior to the time on leave.
- One retiree had contributed at an 8% base rate for retirement but should have been at 7% due to a transfer in from a different board.

Recommendation: The QRB must review and recalculate the retirement allowances for these retirees. In addition, the QRB needs to review pay codes with payroll departments to ensure that retirement deductions are properly taken out of regular compensation for active members.

Board Response:
The QRB staff will recalculate the retirement allowances for the selected files and review the payroll codes on a timely basis with member units.

5. Executive Session Meeting Minutes:
There were no minutes for the 36 executive sessions between March 2015 and November 2018. Also, we found a transcript of an executive session meeting on November 9, 2017 but no open session meeting with the same date.

Recommendation: The Board must create and maintain accurate minutes for all executive session meetings held. Executive session can only be entered into from open session in accordance with the Open Meeting Law.

Board Response:
The Executive Director took corrective action for Executive Session minutes protocols and agenda voting. After reviewing the minutes at the following scheduled board meeting, the board votes to accept them and the minutes are signed by the members. The minutes are kept in a binder in the QRB offices. Additionally, regular meeting minutes are posted on the Quincy Retirement Board website.

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31, 2017	2016	2015	2014
Net Assets Available For Benefits:				
Cash	$2,735,653	$563,823	$3,625,679	$3,861,955
Equities	11,447,271	9,448,990	3,828,880	0
Pooled Domestic Equity Funds	70,842,480	63,409,326	66,457,431	77,382,144
Pooled International Equity Funds	97,342,855	84,687,183	72,132,914	74,966,979
Pooled Domestic Fixed Income Funds	84,840,163	61,120,155	56,592,719	59,236,296
Pooled International Fixed Income Funds	8,287,148	7,183,667	8,487,432	9,361,182
Pooled Global Fixed Income Funds	0	0	8,772,566	9,303,833
Pooled Alternative Investment Funds	24,095,777	22,725,942	22,273,305	23,517,081
Pooled Real Estate Funds	32,523,398	34,927,327	31,767,872	29,552,201
Hedge Funds	0	0	5,974,055	6,087,273
PRIT Core Fund	4,529,058	3,758,727	3,370,903	3,197,603
Interest Due and Accrued	234	234	145	55
Accounts Receivable	7,666,971	5,410,315	5,040,710	9,498,978
Accounts Payable	(226,242)	(338,188)	(109,204)	(141,818)
Total	$344,084,765	$292,897,501	$288,215,405	$305,823,762
Fund Balances:				
Annuity Savings Fund	$100,497,272	$95,239,653	$92,195,554	$88,156,570
Annuity Reserve Fund	24,105,407	25,823,163	26,462,134	27,964,109
Pension Fund	13,499,049	0	2,697,703	2,841,813
Military Service Fund	6,471	6,465	6,458	6,452
Expense Fund	0	0	0	0
Pension Reserve Fund	205,976,567	171,828,220	166,853,556	186,854,817
Total	$344,084,765	$292,897,501	$288,215,405	$305,823,762

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance 2014	$83,547,821	$29,715,327	$3,164,067	$6,445	$0	$187,531,634	$303,965,295
Receipts	8,780,435	852,320	24,720,558	6	2,293,811	11,659,383	48,306,514
Interfund Transfers	(3,478,507)	3,490,107	12,324,599	0	0	(12,336,199)	0
Disbursements	(693,180)	(6,093,645)	(37,367,411)	0	(2,293,811)	0	(46,448,047)
Ending Balance 2014	88,156,570	27,964,109	2,841,813	6,452	0	186,854,817	305,823,762
Receipts	8,849,783	803,367	25,763,894	6	2,226,290	(8,222,840)	29,420,501
Interfund Transfers	(4,059,754)	4,064,507	11,773,668	0	0	(11,778,421)	0
Disbursements	(751,046)	(6,369,849)	(37,681,673)	0	(2,226,290)	0	(47,028,857)
Ending Balance 2015	92,195,554	26,462,134	2,697,703	6,458	0	166,853,556	288,215,405
Receipts	9,187,328	755,367	27,450,633	6	2,403,459	13,393,391	53,190,185
Interfund Transfers	(5,310,381)	5,116,108	8,613,000	0	0	(8,418,726)	0
Disbursements	(832,848)	(6,510,447)	(38,761,336)	0	(2,403,459)	0	(48,508,089)
Ending Balance 2016	95,239,653	25,823,163	0	6,465	0	171,828,220	292,897,501
Receipts	10,154,432	736,539	29,177,836	6	2,438,935	58,017,643	100,525,391
Interfund Transfers	(4,279,188)	4,314,279	23,834,206	0	0	(23,869,297)	0
Disbursements	(617,625)	(6,768,573)	(39,512,993)	0	(2,438,935)	0	(49,338,126)
Ending Balance 2017	$100,497,272	$24,105,407	$13,499,049	$6,471	$0	$205,976,567	$344,084,765

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2017	2016	2015	2014
Annuity Savings Fund:				
Members Deductions	$9,217,632	$8,668,750	$8,476,104	$7,990,424
Transfers from Other Systems	600,727	342,661	245,673	528,235
Member Make Up Payments and Re-deposits	37,990	23,592	18,119	102,160
Member Payments from Rollovers	184,096	37,254	8,985	40,561
Investment Income Credited to Member Accounts	113,988	115,070	100,902	119,056
Sub Total	10,154,432	9,187,328	8,849,783	8,780,435
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	736,539	755,367	803,367	852,320
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems	630,216	765,474	773,229	572,425
Received from Commonwealth for COLA and Survivor Benefits	180,415	625,867	230,334	516,461
Pension Fund Appropriation	28,360,805	26,030,208	24,742,790	23,626,173
Settlement of Workers' Compensation Claims	6,400	29,085	16,000	5,500
Recovery of 91A Overearnings	0	0	1,541	0
Sub Total	29,177,836	27,450,633	25,763,894	24,720,558
Military Service Fund:				
Investment Income Credited to the Military Service Fund	6	6	6	6
Expense Fund:				
Investment Income Credited to the Expense Fund	2,438,935	2,403,459	2,226,290	2,293,811
Pension Reserve Fund:				
Federal Grant Reimbursement	49,663	47,118	41,251	46,916
Interest Not Refunded	6,379	6,308	3,902	15,791
Miscellaneous Income	2	20	169	0
Excess Investment Income	57,961,600	13,339,945	(8,268,163)	11,596,675
Sub Total	58,017,643	13,393,391	(8,222,840)	11,659,383
Total Receipts, Net	$100,525,391	$53,190,185	$29,420,501	$48,306,514

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2017	2016	2015	2014
Annuity Savings Fund:				
Refunds to Members	$510,333	$436,281	$451,691	$556,272
Transfers to Other Systems	107,292	396,567	299,355	136,908
Sub Total	617,625	832,848	751,046	693,180
Annuity Reserve Fund:				
Annuities Paid	6,742,291	6,508,351	6,252,856	6,080,749
Option B Refunds	26,282	2,096	116,993	12,897
Sub Total	6,768,573	6,510,447	6,369,849	6,093,645
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	27,866,722	27,346,271	26,931,940	26,972,450
Survivorship Payments	1,963,825	1,963,999	1,867,745	1,725,968
Ordinary Disability Payments	112,276	110,159	116,975	134,246
Accidental Disability Payments	6,085,114	5,886,112	5,611,980	5,567,914
Accidental Death Payments	1,654,523	1,652,856	1,644,908	1,710,839
Section 101 Benefits	85,975	93,227	109,092	133,677
3 (8) (c) Reimbursements to Other Systems	1,248,090	1,207,228	950,337	882,973
State Reimbursable COLAs Paid	496,470	501,483	448,697	239,346
Sub Total	39,512,993	38,761,336	37,681,673	37,367,411
Expense Fund:				
Board Member Stipend	15,000	15,000	15,000	15,000
Salaries	270,352	251,638	264,079	234,062
Legal Expenses	15,654	13,590	16,072	22,566
Medical Expenses	189	52	112	92
Travel Expenses	9,130	3,935	10,419	10,342
Administrative Expenses	21,746	30,348	21,084	22,831
Actuarial Services	8,250	18,225	5,000	12,575
Accounting Services	13,500	13,850	14,850	12,500
Education and Training	4,600	3,700	1,713	981
Furniture and Equipment	14,549	796	5,614	0
Management Fees	1,747,437	1,720,669	1,534,749	1,670,916
Custodial Fees	38,306	34,774	51,247	24,752
Consultant Fees	182,000	181,750	178,750	163,250
Rent Expenses	40,158	57,582	51,354	50,227
Service Contracts	29,183	29,075	28,616	26,830
Fiduciary Insurance	28,881	28,474	27,631	26,887
Sub Total	2,438,935	2,403,459	2,226,290	2,293,811
Total Disbursements	$49,338,126	$48,508,089	$47,028,857	$46,448,047

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31, 2017	2016	2015	2014
Investment Income Received From:				
Cash	$12,771	$6,751	$560	$401
Equities	182,957	72,283	23,477	28,420
Pooled or Mutual Funds	1,601,341	990,199	872,317	1,155,053
Total Investment Income	1,797,068	1,069,233	896,354	1,183,874
Plus:				
Realized Gains	936,747	1,021,866	793,985	450,587
Unrealized Gains	126,336,183	137,079,922	35,214,608	43,172,263
Interest Due and Accrued - Current Year	0	234	145	55
Sub Total	127,272,930	138,102,022	36,008,738	43,622,905
Less:				
Realized Loss	(248,653)	(452,683)	(707,003)	(93)
Unrealized Loss	(67,570,278)	(122,104,579)	(41,335,630)	(29,944,759)
Interest Due and Accrued - Prior Year	0	(145)	(55)	(60)
Sub Total	(67,818,931)	(122,557,407)	(42,042,688)	(29,944,911)
Net Investment Income	61,251,067	16,613,848	(5,137,596)	14,861,868
Income Required:				
Annuity Savings Fund	113,988	115,070	100,902	119,056
Annuity Reserve Fund	736,539	755,367	803,367	852,320
Military Service Fund	6	6	6	6
Expense Fund	2,438,935	2,403,459	2,226,290	2,293,811
Total Income Required	3,289,468	3,273,903	3,130,566	3,265,193
Net Investment Income	61,251,067	16,613,848	(5,137,596)	14,861,868
Less: Total Income Required	3,289,468	3,273,903	3,130,566	3,265,193
Excess Income (Loss) To The Pension Reserve Fund	$57,961,600	$13,339,945	($8,268,163)	$11,596,675

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2017	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$2,735,653	0.8%
Equities	11,447,271	3.4%
Pooled Domestic Equity Funds	70,842,480	21.0%
Pooled International Equity Funds	97,342,855	28.9%
Pooled Domestic Fixed Income Funds	84,840,163	25.2%
Pooled International Fixed Income Funds	8,287,148	2.5%
Pooled Alternative Investment Funds	24,095,777	7.2%
Pooled Real Estate Funds	32,523,398	9.7%
PRIT Core Fund	4,529,058	1.3%
Grand Total	$336,643,803	100.0%

For the year ending December 31, 2017, the rate of return for the investments of the Quincy Retirement System was 16.08%. For the five-year period ending December 31, 2017, the rate of return for the investments of the Quincy Retirement System averaged 8.08%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Quincy Retirement System was 8.31%.

The composite rate of return for all retirement systems for the year ending December 31, 2017 was 17.63%. For the five-year period ending December 31, 2017, the composite rate of return for the investments of all retirement systems averaged 9.83%. For the 33-year period ending December 31, 2017, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.36%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

January 5, 2012
In relation to the investment of the Quincy Retirement System ("System") in Loomis Sayles High Yield Conservative Trust ("Fund"), a constituent investment fund of the Loomis Sayles Trust Company LLC Collective Trust for Employee Benefit Plans ("Trust"), the following will apply:

840 CMR 16.02(5) with respect to indemnification obligations shall not apply to the extent that the System is subject to indemnification obligations as set forth in Section 5(h) of the Adoption Agreement for failure of representations and warranties made by the System to be true and accurate in all respects.

840 CMR 21.01(1) shall not apply to such purchases provided the purchase is made for the purpose of managing default risk and credit exposure, managing duration and yield curve exposure and otherwise to manage the risk of the Fund.

840 CMR 21.01(2) shall not apply to such sales provided the sale is made for the purpose of managing default risk and credit exposure, managing duration and yield curve exposure and otherwise to manage the risk of the Fund.

840 CMR 21.01(3) shall not apply to such contracts provided the contract is entered into for the purpose of managing default risk and credit exposure, managing duration and yield curve exposure and otherwise to manage the risk of the Fund.

840 CMR 21.01(4) shall not apply to such options provided the option is written for the purpose of managing default risk and credit exposure, managing duration and yield curve exposure and otherwise to manage the risk of the Fund.

840 CMR 21.01(5) shall not apply to such purchases provided the purchase is made for the purpose of managing default risk and credit exposure, managing duration and yield curve exposure and otherwise to manage the risk of the Fund.

January 26, 2011
Regulation Number 16.08
In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to make a modest modification to its fixed income mandate with State Street Global Advisors. In order to reduce the risk of capital losses arising from higher interest rates, the Board is decreasing its existing allocation to the SSGA Aggregate Bond Index Fund and initiating a position in the SSGA U.S. 1-3 Year Government/Credit Bond Strategy. The Board's consultant solicited and considered proposals from other prominent providers of similar short-term strategies before concluding that SSGA's product was the best fit for the Board.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

June 3, 2010

Regulation Number 16.08

In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to make a modest modification to its small cap equity management mandate with Earnest Partners. In transferring its assets from the existing separate account to Earnest Partners' small cap value mutual fund, the Board will achieve a substantial reduction in fees as well as bring its overall small cap allocation back to a neutral orientation.

May 20, 2010

Regulation Number 21.01

Notwithstanding the provisions of any statute or regulations of the Public Employee Retirement Administration Commission to the contrary, including the provisions of 840 CMR 21.01 et seq., the Quincy Retirement Board is hereby granted an exemption from restrictions on investment and may invest a portion of the funds of the Quincy Retirement System (the "System") in the fund known as the Adams Street Partnership Fund Program 2010.

January 14, 2010

Regulation Number 19.01

For the purpose of further diversifying its portfolio and enhancing its long-term performance, the Quincy Retirement Board is authorized to increase its holdings in alternative investments from 5% to 6%. The Board has been successfully investing in this asset class since 2001.

August 4, 2009

Regulation Number 16.08

The Quincy Retirement Board is authorized to invest in State Street Global Advisors' MSCI-EAFE Index Fund. In accordance with PERAC's generally accepted practice with regard to the selection of broad market index products, the Board did not issue a formal RFP for this search but objectively considered the investment and fee characteristics of several major index providers obtained through solicitation by its investment consultant. The Board provided PERAC with a summary of this evaluation. The SSGA fund compared favorably to that of the other respondents and will serve to complement the Board's other SSGA index fund holdings.

June 16, 2009

(1) Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System (the "System") in the fund known as TA Realty Associates Fund IX (consisting of Realty Associates Fund IX Corporation and TA Realty Associates Fund IX, L.P., collectively, the "Fund"), and while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq., 17.00 et seq., and 840 CMR 21.01, the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, either (A) less than twenty-five percent (25%) of each class of equity interest in the Fund is held by "benefit plan investors" (within the meaning of the Employee Retirement Income Security

Act of 1974, as amended ("ERISA") and the regulations promulgated thereunder), or (B) the Fund qualifies as a "venture capital operating company" and/or "real estate operating company" within the meaning of ERISA and the regulations promulgated thereunder.
(2) The limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund's initial investment.

May 28, 2009
Regulation Number 16.08
In accordance with Investment Guideline 99-2, the Quincy Retirement Board is making a modest modification to its passive fixed income mandate with State Street Global Advisors. In order to maintain daily liquidity, the Board will transfer assets from the securities-lending version of SSGA's Passive Bond Market Index Fund to the non-securities-lending version.

March 4, 2008
Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, including 840 CMR 21.01(6), the City of Quincy Retirement Board may exercise its investment discretion to invest funds of the City of Quincy Retirement System (the "system") in the shares of a real estate investment trust known as Hancock Timberland IX Inc. (the "Fund"), as contemplated by 840 CMR 19.01(6), and while funds of the System are invested in shares of the Fund, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., investments of the System shall not be deemed to include any of the underlying assets of the Fund, but shall only include the shares of the Fund; provided that at all times the Fund qualifies as a "real estate operating company" within the meaning of the Employee Retirement Security Act of 1974, as amended ("ERISA") and the regulations promulgated thereunder, or the assets of the Fund are otherwise not treated as "plan assets" of the System and that fees paid to the advisor of the Fund be exempt from 840 CMR 19.01(7)(a)(6) as they are consistent with industry practice.

January 2, 2008
Regulation Number 19.00
Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System ("System") in the fund known as UBS (US) Trumbull Property Income Fund LP ("Fund"), and while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq., the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times the Fund qualifies as a "venture capital operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended, and the regulations promulgated thereunder.

June 4, 2007
Regulation Number 17.03
Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the Institutional Retirement Trust (IRT) International Equity Trust

(the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemption 91-38, and other available class exemptions.

December 4, 2006

Regulation Number 16.08

In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to modify its passive fixed income management mandate with State Street Global Advisors. The Board's current investment in SSGA's Lehman Index strategy will be supplemented by an allocation to SSGA's TIPS Index strategy. This allocation will give the Board additional diversification within its fixed income portfolio as well as an inflation hedge. The Board and its consultant have determined that, on the basis of both investment capability and fees, the SSGA fund is the best option by which to achieve this objective.

March 30, 2006

Regulation Number 19.01(6)

Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System (the "System") in the fund known as AEW Partners V, L.P. ("the Fund"), and while the funds of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq.; the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a "venture capital operating company" or "real estate operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations promulgated thereunder.

The Limitations and restrictions of 840 CMR Section 19.01(6) shall not apply to the Fund for the two-year period commencing on the date of the Fund's initial investment.

March 23, 2005

Regulation Number 16.08

In accordance with Investment Guideline 99-2, the Quincy Retirement System is authorized to modify its large cap equity index mandate with RhumbLine Advisors. Both the S&P 500 Index and the Russell 1000 Index track the universe of large capitalization stocks, and the performance of the two indices are very similar over time. Investing concurrently in the Value and Growth sub-indices of the Russell 1000 will give the Board the flexibility to periodically re-balance between the two sub-indices and should increase returns over time. Thus, the Board is transferring its assets from RhumbLine's S&P 500 Fund to approximately equal-weighted investments in RhumbLine's Russell

1000 Growth Fund and Russell 1000 Value Fund. The Board has had a satisfactory relationship with RhumbLine since 1992.

November 25, 2003
Regulation Number 16.08
In accordance with PERAC Investment Guideline 99-2, the Quincy Retirement Board is authorized to modify its existing fixed income mandate with State Street Global Advisors. In transferring from SSGA's Government/Credit index strategy to its Lehman Aggregate index strategy, the board will be adding exposure to mortgage-backed securities. This added diversification will reduce the account's duration or interest-rate sensitivity.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

There are 104 contributory retirement systems for public employees in Massachusetts. Each system is governed by a retirement board and all boards, although operating independently, are governed by Chapter 32 of the Massachusetts General Laws. This law in general provides uniform benefits, uniform contribution requirements and a uniform accounting and funds structure for all systems.

PARTICIPATION

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

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

Group 1:

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

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

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

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

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

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

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

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

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

- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

DEFERRED VESTED BENEFIT

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

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of $897.72 per year (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member's retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of $15 per year for each year of creditable service, up to a maximum of $300.

ACCIDENTAL DEATH

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

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of $897.72 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries while in the performance of his duties that results in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death. In addition, an eligible family member may receive a one-time payment of $150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE (OPTION D)

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

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

COST OF LIVING

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

March 29, 2010
Employees Who Earn Less Than $5,000.00 per Annum
Consistent with the provisions of G.L. c, 32, § 4(1)(o) which was enacted by the passage of Chapter 21 of the Acts of 2009, §5, employees who earn less than $5,000 in a position shall be precluded from membership in the Quincy Retirement System.

The Quincy Retirement System will not accept liability under M.G.L. Chapter 32, § 3(8)(c) from the date of the acceptance of this supplemental regulation, and going forward into the future.

December 12, 1984
Regular Employed
Full-time Employees: Obliged to join immediately.

Temporary Employees: Obliged to join after six (6) months.

Part-time Employees
1. Obliged to join immediately if working 24 hours or more per week on a permanent basis.
2. Obliged to join after six (6) months if working 24 hours or more per week on a temporary basis.

Members of the Retirement System have to resign or be discharged in order to withdraw their funds.

Membership must be continued regardless of reduction of hours.

Employees who work 24 hours or more per week must join the Retirement System.

Creditable Service will be pro-rated using a full-time work schedule for the position as a base to calculate part-time credit.

Travel Regulations:
The Quincy Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website http://www.mass.gov/perac/Quincy.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the City Auditor 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:	Susan O'Connor, Chairperson		
Appointed Member:	Michael McFarland	Serves until a successor is appointed	
Elected Member:	Leo Coppens	Term Expires:	12/16/19
Elected Member:	Ernest Arienti	Term Expires:	11/19/20
Appointed Member:	Richard Fitzpatrick	Term Expires:	1/31/20

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 $50,000,000 with a $10,000 deductible issued through Travelers Casualty & Surety Company.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2018.

The actuarial liability for active members was	$296,907,382
The actuarial liability for inactive members was	6,416,484
The actuarial liability for retired members was	430,145,059
The total actuarial liability was	$733,468,925
System assets as of that date were (actuarial value)	330,036,650
The unfunded actuarial liability was	$403,432,275
The ratio of system's assets to total actuarial liability was	45.0%
As of that date the total covered employee payroll was	$94,741,527

The normal cost for employees on that date was	9.3% of payroll
The normal cost for the employer (including admin. expenses) was	5.6% of payroll

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

Investment Return:	7.50% per annum
Rate of Salary Increase:	Select and Ultimate (3.75% ultimate rate)

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2018

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)
1/1/2018	$330,036,650	$733,468,925	$403,432,275	45.0%	$94,741,527	425.8%
1/1/2016	$315,824,962	$674,955,608	$359,130,646	46.8%	$88,087,250	407.7%
1/1/2014	$296,239,375	$633,797,711	$337,558,336	46.7%	$80,332,777	420.2%
1/1/2012	$275,220,220	$577,611,600	$302,391,380	47.6%	$75,630,036	399.8%
1/1/2010	$257,134,502	$539,913,538	$282,779,036	47.6%	$76,888,323	367.8%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Retirement in Past Years										
Superannuation	28	9	27	49	62	81	44	47	44	37
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	4	1	4	0	3	8	2	2	6	4
Total Retirements	32	10	31	49	65	89	46	49	50	41
Total Retirees, Beneficiaries and Survivors	1,791	1,625	1,691	1,541	1,532	1,515	1,488	1,476	1,449	1,428
Total Active Members	1,492	1,433	1,352	1,350	1,331	1,368	1,414	1,440	1,462	1,497
Pension Payments										
Superannuation	$23,583,745	$24,476,829	$24,381,890	$25,331,813	$25,807,345	$26,316,738	$26,972,450	$26,931,940	$27,346,271	$27,866,722
Survivor/Beneficiary Payments	1,414,559	1,415,980	1,582,292	1,543,183	1,582,209	1,645,402	1,725,968	1,867,745	1,963,999	1,963,825
Ordinary Disability	144,247	131,754	134,411	120,304	142,988	136,020	134,246	116,975	110,159	112,276
Accidental Disability	4,963,552	4,910,972	5,193,400	5,227,951	5,264,361	5,430,088	5,567,914	5,611,980	5,886,112	6,085,114
Other	2,584,760	2,737,938	2,883,085	2,741,107	2,861,314	3,108,208	2,966,835	3,153,033	3,454,794	3,485,057
Total Payments for Year	$32,690,863	$33,673,473	$34,175,078	$34,964,358	$35,658,217	$36,636,456	$37,367,411	$37,681,673	$38,761,336	$39,512,993

NOTE 7 – LEASED PREMISES

The Quincy Retirement Board leases approximately 2,000 square feet of space for its offices located at Suites 35, 37, 39, 1245 Hancock Street, Quincy, MA. They signed an initial 5-year lease term which will expire on June 30, 2022. The landlord is Grossman Munroe Realty Trust.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2017:

For the year ending:	Annual Rent
2018	$28,500.00
2019	$30,300.00
2020	$32,100.00
2021	$34,500.00
2022 through June 30, 2022	$18,000.00
Total future minimum lease payments required	$143,400.00

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