Powers & Sullivan, LLC
CPAs AND ADVISORS

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2023

(WITH INDEPENDENT AUDITOR'S REPORT THEREON)

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

ANNUAL FINANCIAL STATEMENTS

AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

Financial Section

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Powers & Sullivan, LLC
CPAs AND ADVISORS

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Independent Auditor's Report

To the Honorable Quincy Contributory Retirement Board
Quincy Contributory Retirement System
Quincy, Massachusetts

Opinion

We have audited the accompanying financial statements of the Quincy Contributory Retirement System (System) as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the System's financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2023, and the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform auditing procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis; the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of System' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

Restriction on Use

This report is intended solely for the information and use of System, the Public Employee Retirement Administration Commission and all member units and is not intended to be and should not be used by anyone other than these specified parties.

Powers + Sullivan LLC

October 23, 2024

Management's Discussion and Analysis

As management of the System, we offer readers of these financial statements this narrative overview and analysis of the financial activities for the year ended December 31, 2023. The System complies with financial reporting requirements issued by the Governmental Accounting Standards Board (GASB).

The GASB is the authoritative standard setting body that provides guidance on how to prepare financial statements in conformity with generally accepted accounting principles (GAAP). Users of these financial statements rely on the GASB to establish consistent reporting standards for all governments in the United States. This consistent application is the only way users can assess the financial condition of a public retirement System compared to others.

Financial Highlights

- The System's assets exceeded its liabilities at the close of the most recent year by $837.2 million (net position).
- The System's net position increased by $42.3 million for the year ended December 31, 2023.
- Total investment income was $82.6 million; investment expenses were $7.1 million; and net investment income was $74.5 million.
- Total contributions were $25.8 million including $12.9 million from members, $10.7 million from employers and $2.3 million from other sources.
- Retirement benefits, refunds and transfers amounted to $58.2 million.
- Administrative expenses were $763,000.
- The total pension liability was $915.8 million as of December 31, 2023, while the net pension liability was $78.6 million.
- The fiduciary net position as a percentage of the total pension liability was 91.4%.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's fiduciary financial statements. These fiduciary financial statements are comprised of four components: 1) management's discussion and analysis, 2) fiduciary financial statements, 3) notes to the financial statements and 4) required supplementary information.

Fiduciary Financial Statements

The *statement of net position* presents information on all assets less liabilities with the difference reported as *net position.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The *statement of changes in fiduciary net position* presents information showing how the System's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows.* Thus, additions and deductions are reported in this statement for some items that will only result in cash flows in future periods.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the fiduciary financial statements.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Returns be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the System's financial position. The System's net position exceeded liabilities by $837.2 million at the close of 2023.

The assets accumulated are held to provide pension benefits for qualified retirees along with active and inactive employees of the member units. At year-end the System's net position includes investments of $830.4 million, cash of $5.5 million, as well as accounts receivable of $1.5 million.

In 2023, total contributions received by the System were $25.8million and net investment income was $75.5 million while retirement benefit payments, refunds, transfers and administration expenses were $58.9 million, which resulted in a current increase of $42.3 million.

During 2023, the net position increase was primarily the result of the $75.5 million net investment income which partially offset the City of Quincy's decrease in the annual appropriation due to the fact they contributed an additional $445 million of proceeds from Pension Obligation Bonds in December 2022. Future contributions for both member units will be based on the respective funding ratio of each member unit that may result in future increases. The annual money weighted rate of return was 9.71% and (11.20%) in 2023, and 2022, respectively. Fluctuations in the System's annual investment returns are expected.

The following tables present summarized financial information for the year.

	2023	2022
Statement of Fiduciary Net Position		
Assets:		
Cash	$ 5,549,911	$ 10,981,000
Investments	830,397,238	782,954,929
Accounts receivable	1,454,583	1,092,857
Other assets	234	234
Total assets	837,401,966	795,029,020
Liabilities:		
Accounts payable	216,493	185,393
Net Position Restricted for Pensions	$ 837,185,473	$ 794,843,627

	2023	2022
Statement of Changes in Fiduciary Net Position		
Additions:		
Contributions:		
Member contributions	$ 12,859,435	$ 11,351,876
Employer contributions	10,680,015	9,157,970
Other contributions	2,278,319	3,117,101
Total contributions	25,817,769	23,626,947
Net investment income:		
Total investment income (loss)	82,616,824	(83,510,656)
Less, investment expenses	(7,147,745)	(8,402,630)
Net investment income (loss)	75,469,079	(91,913,286)
Total additions	101,286,848	(68,286,339)
Deductions:		
Administration	763,313	728,312
Retirement benefits, refunds and transfers	58,181,689	54,985,047
Total deductions	58,945,002	55,713,359
Net increase (decrease) in fiduciary net position	42,341,846	(123,999,698)
Fiduciary net position at beginning of year	794,843,627	918,843,325
Fiduciary net position at end of year	$ 837,185,473	$ 794,843,627

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the System's Board, 1212 Hancock St. Suite 210A, Quincy, MA 02169.

Financial Statements

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2023

Assets		
CURRENT:		
Cash and cash equivalents	$	5,032,653
PRIT cash fund		517,258
Total cash		5,549,911
Investments:		
Fixed income		18,534,918
Domestic equities		99,060,052
International equities		106,049,393
Pooled domestic fixed income funds		84,628,098
Pooled alternative investments		92,204,918
Real estate funds		39,288,292
PRIT Core General Allocation fund		364,638,051
PRIT Core Fixed Income fund		25,931,400
PRIT Core Private Equity fund		62,116
Total investments		830,397,238
Accounts receivable:		
Member contributions		298,872
Employer pension appropriation		1,096,402
Other accounts receivable		59,309
Total accounts receivable		1,454,583
Interest and dividends		234
Total Assets		837,401,966
Liabilities		
Accounts payable		216,493
Net Position Restricted for Pensions	$	837,185,473

See notes to financial statements.

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

YEAR ENDED DECEMBER 31, 2023

Additions:		
Contributions:		
Employer pension assessments	$	10,680,015
Member contributions		12,859,435
Transfers from other systems		1,033,800
3(8)(c) contributions from other systems		522,192
Workers' compensation settlements		23,000
State COLA reimbursements		343,326
Members' makeup payments and redeposits		333,603
Interest not refunded		5,392
Reimbursement of 91A overearnings		6,233
Other revenue		10,773
Total contributions		25,817,769
Net investment income:		
Investment income		82,616,824
Less: investment expense including carried interest		(7,147,745)
Net investment income		75,469,079
Total additions		101,286,848
Deductions:		
Administration		763,313
Retirement benefits and refunds		55,437,929
Transfers to other systems		1,283,426
3(8)(c) transfer to other systems		1,460,334
Total deductions		58,945,002
Net increase (decrease) in fiduciary net position		42,341,846
Fiduciary net position at beginning of year		794,843,627
Fiduciary net position at end of year	$	837,185,473

See notes to financial statements.

NOTE 1 – PLAN DESCRIPTION

Established in 1937, the System is a multiple-employer, cost-sharing, contributory defined benefit pension plan covering all employees of the governmental member units deemed eligible by the Quincy Contributory 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. Membership in the System is mandatory immediately upon the commencement of employment for all permanent employees working a minimum of 20 hours per week. The System has 2 participating employers.

The System is governed by a five-member Board that establishes the policies under which the System operates. Board members also approve most of the System's financial transactions, including the approval of retirement benefits to members. The day-to-day operations of the System are managed by the Executive Director.

The System is a Massachusetts Contributory Retirement System and is governed by Chapter 32 of the Massachusetts General Laws (MGL). Public Employee Retirement Administration Commission (PERAC) is the state agency responsible for oversight of the Commonwealth's public retirement systems.

Massachusetts contributory retirement system benefits are, with certain exceptions, uniform from system to system. The Plan 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 those hired prior to April 2, 2012. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years (whether or not consecutive) preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, and group classification.

There are three classes of membership in the retirement System Group 1, Group 2, and Group 4. Group 1 consists of general employees, which includes clerical and administrative positions. Group 2 consists of positions that have been specified as hazardous. Lastly, Group 4 consists of police officers, firefighters, and other hazardous positions.

Any individual in whose membership began before January 1, 1978, and who maintains an annuity savings fund account, is eligible to receive a superannuation retirement allowance at age 55 or later, regardless of how many years of credible service he or she has completed.

Members hired after January 1, 1978 and prior to April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 20 years of service or upon the completion of 10 years of service and upon reaching the age of 55.

Members hired on or after April 2, 2012, are eligible to receive a superannuation retirement allowance upon the completion of 10 years of service and upon reaching the age of 60 for Groups 1 & 2 or age 55 for Group 4.

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.

Active members contribute between 5 and 9% of their gross regular compensation. The percentage rate is keyed to the date upon which an employee's membership commences. Members hired on or after January 1, 1979, contribute an additional 2% of annual regular compensation in excess of $30,000. Deductions are deposited in the Annuity Savings Fund and earn interest at a rate determined by the 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 System and all related 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 assessment. Chapter 32 of the MGL requires Massachusetts retirement systems to adopt funding schedules designed to reduce the unfunded actuarial liability of the system to zero by no later than June 30, 2040. The System adopted Section 22d of Chapter 32 in April of 1989.

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 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 are entitled to request a refund of their accumulated total deductions.

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 of the System have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

The System is a special-purpose government engaged only in fiduciary activities. Accordingly, the financial statements are reported using the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, additions are recorded when earned and deductions are recorded when the liabilities are incurred.

Cash and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with an original maturity of three months or less from the date of acquisition. Investments are carried at fair value. The fair values were determined by the closing price for those securities traded on national stock exchanges and at the average bid-and-asked quotation for those securities traded in the over-the-counter market. The fair value of private equities are based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. Real estate assets are reported at fair value utilizing an income approach to valuation along with independent appraisals and estimates by management.

Accounts Receivable

Accounts receivable consist of member contributions, pension fund appropriations, 3(8)c reimbursements from other systems, and other miscellaneous reimbursements. These receivables are considered 100% collectible and therefore the System does not report an allowance for uncollectibles.

Fair Value Measurements

The System reports required types of financial instruments in accordance with the fair value standards. These standards require an entity to maximize the use of observable inputs (such as quoted prices in active markets) and minimize the use of unobservable inputs (such as appraisals or valuation techniques) to determine fair value. Fair value standards also require the government to classify these financial instruments into a three-level hierarchy, based on the priority of inputs to the valuation technique or in accordance with net asset value practical expedient rules, which allow for either Level 2 or Level 3 depending on lock up and notice periods associated with the underlying funds.

Instruments measured and reported at fair value are classified and disclosed in one of the following categories:

Level 1 – Quoted prices are available in active markets for identical instruments as of the reporting date. Instruments, generally included in this category, encompass actively traded equity and debt securities, U.S. government obligations, and mutual funds with quoted market prices in active markets.

Level 2 – Pricing inputs are other than quoted in active markets, which are either directly or indirectly observable as of the reporting date, and fair value is determined through the use of models or other valuation methodologies. Certain fixed income securities, primarily corporate bonds, are classified as Level 2 because fair values are estimated using pricing models, matrix pricing, or discounted cash flows.

Level 3 – Pricing inputs are unobservable for the instrument and include situations where there is little, if any, market activity for the instrument. The inputs into the determination of fair value require significant management judgment or estimation.

In some instances, the inputs used to measure fair value may fall into different levels of the fair value hierarchy and are based on the lowest level of input that is significant to the fair value measurement.

Market price is affected by a number of factors, including the type of instrument and the characteristics specific to the instrument. Instruments with readily available active quoted prices generally will have a higher degree of market price observability and a lesser degree of judgment used in measuring fair value. It is reasonably possible that change in values of these instruments will occur in the near term and that such changes could materially affect amounts reported in these financial statements. For more information on the fair value of the System's financial instruments, see Note 4 – Cash and Investments.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of fiduciary net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of fiduciary net position that applies to a future period(s) and so will not be recognized as an outflow of resources (deduction) until then. The System did not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of fiduciary net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (addition) until that time. The System did not have any items that qualify for reporting in this category.

NOTE 3 – PLAN ADMINISTRATION

The System is administered by a five-person Board of Retirement consisting of the City of Quincy's City Auditor or other officer having similar duties and responsibilities, who shall be a member ex-officio, a second member appointed by the Mayor, 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, who shall not be an employee, a retiree, or official of the governmental unit members shall be appointed by the other four members. If the fifth member is not chosen within 30 days of the expiration of the term of the fifth member that member shall be chosen by the Mayor.

Ex Officio Member/Chairperson….....	Susan O'Connor
Appointed Member…......................	Eric Mason
Elected Member….........................	Ernest M. Arienti
Elected Member….........................	Paul Brown
Fifth Member….............................	Richard D. Fitzpatrick

Board members are required to meet at least once a month. The Board must keep a record of all 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 three members of the Board.

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk - Deposits

At December 31, 2023, the carrying amount of the System's deposits totaled $1,955,943 and the bank balance of $2,796,158 was covered by Federal Depository Insurance.

Investments

The System's investments were as follows:

		December 31, 2023
Investment Type		
Fixed income	$	18,534,918
Domestic equities		99,060,052
International equities		106,049,393
Pooled domestic fixed income funds		84,628,098
Pooled alternative investments		92,204,918
Real estate funds		39,288,292
PRIT core general allocation fund		364,638,051
PRIT core fixed income fund		25,931,400
PRIT core private equity fund		62,116
Money market mutual funds		3,593,968
Total Investments	$	833,991,206

The System has investments in the Pension Reserve Investment Trust (PRIT). This investment pool was established by the Treasurer of the Commonwealth of Massachusetts, who serves as Trustee. PRIT is administered by the Pension Reserves Investment Management Board. The fair values of the positions in each investment Pool are the same as the value of each Pool's shares. The Administration does not have the ability to control any of the investment decisions relative to its funds in PRIT. The effective weighted duration rate for PRIT investments ranged from 2.98 to 14.57 years.

The System's annual money-weighted rate of return on pension plan investments was a gain of 9.71%. The money–weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested, measured monthly.

Fair Market of Investments

The System holds significant amounts of investments that are measured at fair value on a recurring basis. As investing is a key part of the System's activities, the plan shows greater disaggregation in its disclosures. The System chooses a tabular format for disclosing the levels within the fair value hierarchy.

The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

The System had the following recurring fair value measurements as of December 31, 2023:

		Fair Value Measurements Using		
Investment Type	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Other Investments:				
Fixed income	$ 18,534,918	$ -	$ -	$ 18,534,918
Domestic equities	99,060,052	-	-	99,060,052
International equities	106,049,393	-	-	106,049,393
Pooled domestic fixed income funds	75,497,716	-	-	75,497,716
Pooled alternative investments	67,199,113	-	-	67,199,113
Real estate funds	19,580,047	-	-	19,580,047
Money Market Mutual Funds	3,593,968	3,593,968	-	-
Total Investments by fair value level	389,515,207	$ 3,593,968	$ -	$ 385,921,239
Investments Measured at Net Asset Value:				
Pooled domestic fixed income funds	9,130,382			
Pooled alternative investments	25,005,805			
Real estate funds	19,708,245			
Pension Reserve Investment Trust (PRIT)	390,631,567			
Total Investments	$ 833,991,206			

Money market mutual funds classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Fixed income, domestic equities, international equities, pooled domestic fixed income, pooled alternative investments and real estate funds classified in Level 3 of the fair value hierarchy require significant management judgement or estimation.

Remaining investments are valued using the net asset value (NAV) method.

NOTE 5 – MEMBERSHIP

The following table represents the System's membership at December 31, 2023:

Retirees and beneficiaries currently receiving benefits	1,496
Inactive members	286
Active members	1,575
Total	3,357

NOTE 6 – ACTUARIAL VALUATION

Components of the net pension liability as of December 31, 2023, were as follows:

Total pension liability	$	915,758,607
Less: System's fiduciary net position		(837,185,473)
The net pension liability	$	78,573,134
The System's fiduciary net position as a percentage of the total pension liability		91.42%

The total pension liability was determined by an actuarial valuation as of January 1, 2024, using the following actuarial assumptions, applied to all periods included in the measurement date of December 31, 2023:

Valuation date	January 1, 2024
Actuarial cost method	Entry Age Normal Cost Method.
Asset valuation method	Fair Value of Assets, adjusted for payables and receivables, adjusted to phase in investment gains compared to the expected market value and losses evenly over four years. The asset valuation method adjusts the results to no less than 90% and no more than 110% of the fair value of assets adjusted for payables and receivables.
Investment rate of return/Discount rate	6.75% nominal rate, net of investment expense.
Projected salary increases	3.75% per year.
Cost of living adjustments	3.0% of the first $15,000 of retirement income.
Mortality Rates	RP-2014 adjusted to 2006, projected generationally using MP-2021 (sex-distinct). During employment the healthy employee mortality table is used. Post-employment the healthy annuitant table is used. Mortality for disabled retirees follows the same table as non-disabled retirees, set forward 2 years. Death is assumed to be due to the same cause as the disability 40% of the time.

Investment policy: The System's policy in regard to the allocation of invested assets is established by the Board. Plan assets are managed on a total return basis with a long-term objective of achieving a fully funded status for the benefits provided through the pension plan.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected nominal rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2023, are summarized in the following table:

Asset Class	Long-Term Expected Asset Allocation	Long-Term Expected Nominal Rate of Return
Growth/Equity		
U.S. equity	24.0%	5.5%
Developed market equity	11.0%	5.9%
Emerging market equity	6.0%	5.9%
Private equity	14.0%	8.2%
Credit		
High yield bonds	5.0%	3.9%
Bank loans	2.0%	3.7%
Private debt	3.0%	6.2%
Rate Sensitive		
Investment grade bonds	9.0%	1.9%
Long-term strips	7.0%	2.2%
TIPS	4.0%	1.8%
Real Assets		
Real estate	10.0%	8.1%
Infrastructure (priate)	3.0%	6.0%
Other		
Opportunistic	2.0%	5.1%
	100.0%	

Discount rate: The discount rate used to measure the total pension liability was 6.75% as of December 31, 2023 and December 31, 2022. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the actuarially determined contribution rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 6.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount (6.75%)	1% Increase (7.75%)
Quincy Contributory Retirement System's net pension liability as of December 31, 2023	$ 175,621,284	$ 78,573,134	$ (3,738,968)

Contributions: Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs.

NOTE 7 – COMMITMENTS AND CONTINGENCIES

There are no legal actions or claims pending that would materially affect the financial position at December 31, 2023.

NOTE 8 – IMPLEMENTATION OF GASB PRONOUNCEMENTS

There were no GASB pronouncements required to be implemented in 2023, that impacted the System's financial statements.

None of the issued GASB statements that are required to be implemented in future years are anticipated to impact the System's financial statements.

NOTE 9 – SUBSEQUENT EVENTS

Management has evaluated subsequent events through October 23, 2024, which is the date the financial statements were available to be issued.

Required Supplementary Information

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

	December 31, 2014	December 31, 2015	December 31, 2016	December 31, 2017
Total pension liability:				
Service cost	$ 10,424,753	$ 10,038,512	$ 12,174,786	$ 12,661,777
Interest	49,770,644	51,092,338	51,660,742	53,165,588
Changes in benefit terms	-	3,078,458	-	-
Differences between expected and actual experience	-	1,858,637	-	-
Changes in assumptions	-	3,665,324	-	-
Benefit payments	(43,044,059)	(43,531,889)	(44,335,235)	(45,475,055)
Net change in total pension liability	17,151,338	26,201,380	19,500,293	20,352,310
Total pension liability - beginning	633,230,325	650,381,663	676,583,043	696,083,336
Total pension liability - ending (a)	$ 650,381,663	$ 676,583,043	$ 696,083,336	$ 716,435,646
Plan fiduciary net position:				
Employer pension appropriation	$ 23,673,089	$ 24,784,041	$ 26,077,326	$ 28,410,468
Member contributions	8,661,380	8,503,208	8,729,596	9,439,683
Other contributions (deductions)	-	-	-	-
Net investment income (loss)	13,166,200	156,718	9,118,144	57,894,014
Administrative expenses	(611,927)	(461,545)	(466,625)	(463,169)
Retirement benefits and refunds	(43,044,059)	(43,531,889)	(44,335,235)	(45,475,055)
Net increase (decrease) in fiduciary net position	1,844,683	(10,549,467)	(876,794)	49,805,941
Fiduciary net position - beginning of year	303,979,079	305,823,762	295,274,295	294,397,501
Fiduciary net position - end of year (b)	$ 305,823,762	$ 295,274,295	$ 294,397,501	$ 344,203,442
Net pension liability - ending (a)-(b)	$ 344,557,901	$ 381,308,748	$ 401,685,835	$ 372,232,204
Plan fiduciary net position as a percentage of the total pension liability	47.02%	43.64%	42.29%	48.04%
Covered payroll	$ 83,775,407	$ 87,269,494	$ 92,374,654	$ 96,535,798
Net pension liability as a percentage of covered payroll	411.29%	436.93%	434.84%	385.59%

See notes to required supplementary information.

December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021	December 31, 2022	December 31, 2023
$ 13,670,881	$ 14,217,717	$ 14,786,426	$ 16,039,098	$ 16,680,661	$ 18,610,561
53,008,861	56,302,371	57,982,177	58,479,730	60,262,423	59,683,095
-	-	7,251,751	-	-	-
(10,089,925)	-	(6,534,048)	-	(10,311,393)	-
33,835,300	-	9,088,622	-	39,477,786	-
(46,643,416)	(47,473,576)	(49,909,179)	(50,703,485)	(52,152,504)	(56,236,973)
43,781,701	23,046,512	32,665,749	23,815,343	53,956,973	22,056,683
716,435,646	760,217,347	783,263,859	815,929,608	839,744,951	893,701,924
$ 760,217,347	$ 783,263,859	$ 815,929,608	$ 839,744,951	$ 893,701,924	$ 915,758,607
$ 30,850,704	$ 32,789,500	$ 35,642,220	$ 483,002,343	$ 9,157,970	$ 10,680,015
9,543,107	10,229,640	10,630,981	10,661,874	11,636,434	13,193,038
(1,864,754)	-	-	-	-	-
(10,604,727)	54,059,788	47,275,328	59,403,593	(91,913,286)	75,469,079
(498,132)	(507,604)	(572,652)	(671,670)	(728,312)	(763,313)
(46,643,416)	(47,473,576)	(49,909,179)	(50,703,485)	(52,152,504)	(56,236,973)
(19,217,218)	49,097,748	43,066,698	501,692,655	(123,999,698)	42,341,846
344,203,442	324,986,224	374,083,972	417,150,670	918,843,325	794,843,627
$ 324,986,224	$ 374,083,972	$ 417,150,670	$ 918,843,325	$ 794,843,627	$ 837,185,473
$ 435,231,123	$ 409,179,887	$ 398,778,938	$ (79,098,374)	$ 98,858,297	$ 78,573,134
42.75%	47.76%	51.13%	109.42%	88.94%	91.42%
$ 98,970,327	$ 103,475,444	$ 106,483,560	$ 110,956,375	$ 112,263,816	$ 117,079,455
439.76%	395.44%	374.50%	-71.29%	88.06%	67.11%

SCHEDULE OF CONTRIBUTIONS

Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered payroll	Contributions as a percentage of covered payroll
December 31, 2023........	$ 10,680,015	$ (10,680,015)	$ -	$ 117,079,455	9.12%
December 31, 2022........	9,157,970	(9,157,970)	-	112,263,816	8.16%
December 31, 2021........	36,698,253	(481,712,803)	(445,014,550)	110,956,375	434.15%
December 31, 2020........	35,642,220	(35,642,220)	-	106,483,560	33.47%
December 31, 2019........	32,789,500	(32,789,500)	-	103,475,444	31.69%
December 31, 2018........	30,842,375	(30,842,375)	-	98,970,327	31.16%
December 31, 2017........	28,360,805	(28,360,805)	-	96,535,798	29.38%
December 31, 2016........	26,078,901	(26,078,901)	-	92,374,654	28.23%
December 31, 2015........	24,742,790	(24,742,790)	-	87,269,494	28.35%
December 31, 2014........	23,626,173	(23,626,173)	-	85,522,289	27.63%

See notes to required supplementary information.

SCHEDULE OF INVESTMENT RETURNS

Year	Annual money-weighted rate of return, net of investment expense
December 31, 2023………………………	9.71%
December 31, 2022………………………	-11.20%
December 31, 2021………………………	11.57%
December 31, 2020………………………	12.85%
December 31, 2019………………………	16.11%
December 31, 2018………………………	-3.09%
December 31, 2017………………………	20.16%
December 31, 2016………………………	3.15%
December 31, 2015………………………	0.07%
December 31, 2014………………………	4.18%

See notes to required supplementary information.

NOTE A – CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also demonstrates the plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll.

NOTE B – CONTRIBUTIONS

Governmental employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate. Accordingly, actual employer contributions may be less than the "total appropriation". The pension fund appropriations are allocated amongst employers based on the actuarial valuation results. An employer may contribute more than the amount required which reduces their specific net pension liability. The City of Quincy issued Pension Obligation Bonds and contributed the net proceeds of approximately $445 million in December 2022. Therefore, their annual appropriation has been reduced significantly for Fiscal Year 2023 and forward. The Quincy Housing Authority has not made any additional contributions.

NOTE C – MONEY-WEIGHTED RATE OF RETURN

The money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense. A money-weighted rate of return expresses investment performance, net of pension plan investment expense, adjusted for the changing amounts actually invested. Inputs to the money-weighted rate of return calculation are determined monthly.

NOTE D – CHANGES IN ASSUMPTIONS

None.

NOTE E – CHANGES IN PLAN PROVISIONS

None.

Audit of Specific Elements, Accounts and Items of Financial Statements

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Independent Auditor's Report

To the Honorable Quincy Contributory Retirement Board
Quincy Contributory Retirement System
Quincy, Massachusetts

Report on the Audit of the Schedule of Employer Allocations and Schedule of Pension Amounts by Employer

Opinions

We have audited the accompanying schedule of employer allocations of the Quincy Contributory Retirement System (System) as of and for the year ended December 31, 2023, and the related notes. We have also audited the total for all entities of the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense included in the accompanying schedule of pension amounts by employer of the System as of and for the year ended December 31, 2023, and the related notes.

In our opinion, the accompanying schedule of employer allocations and schedule of pension amounts by employer present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, total contributions and total pension expense for the total of all participating entities for the System as of and for the year ended December 31, 2023, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Schedules section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Schedules

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

Auditor's Responsibilities for the Audit of the Schedules

Our objectives are to obtain reasonable assurance about whether the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the schedules.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the schedules, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedules.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purposes of expressing an opinion on the effectiveness of the System's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedules.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matter

We have audited, in accordance with GAAS, the financial statements of the System as of and for the year ended December 31, 2023, and our report thereon, dated October 23, 2024, expressed an unmodified opinion on those financial statements.

Restriction on Use

This report is intended solely for the information and use of the System management, the System employers and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Bowers + Sullivan LLC

October 23, 2024

SCHEDULE OF EMPLOYER ALLOCATIONS

FOR THE YEAR ENDED DECEMBER 31, 2023

Employer	Employer Allocation Percentage		Share of Net Pension Liability
City of Quincy	83.99%	$	65,991,994
Quincy College	0.00%		1,460
Quincy Housing Authority	16.01%		12,579,680
Total	100.00%	$	78,573,134

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

SCHEDULE OF PENSION AMOUNTS BY EMPLOYER

FOR THE YEAR ENDED DECEMBER 31, 2023

	City of Quincy	Quincy College	Quincy Housing Authority	Totals
Net Pension Liability				
Beginning net pension liability	$ 85,833,595	$ 604,247	$ 12,420,455	$ 98,858,297
Ending net pension liability	65,991,994	1,460	12,579,680	78,573,134
Deferred Outflows of Resources				
Differences between expected and actual experience	-	-	145,797	145,797
Net difference between projected and actual investment earnings on pension plan investments	92,574,351	2,049	5,993,147	98,569,547
Changes of assumptions	22,688,182	502	837,492	23,526,176
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,128,417	5	63,481	1,191,903
Total Deferred Outflows of Resources	$ 116,390,950	$ 2,556	$ 7,039,917	$ 123,433,423
Deferred Inflows of Resources				
Differences between expected and actual experience	$ 2,425,097	$ 54	$ 4,274,830	$ 6,699,981
Net difference between projected and actual investment earnings on pension plan investments	37,876,635	838	-	37,877,473
Changes of assumptions	-	-	202,798	202,798
Changes in proportion and differences between employer contributions and proportionate share of contributions	63,479	922,861	205,563	1,191,903
Total Deferred Inflows of Resources	$ 40,365,211	$ 923,753	$ 4,683,191	$ 45,972,155
Pension Expense				
Proportionate share of plan pension expense	$ 27,796,475	$ 94,898	$ 3,541,737	$ 31,433,110
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	259,698	(350,633)	90,935	-
Total Employer Pension Expense	$ 28,056,173	$ (255,735)	$ 3,632,672	$ 31,433,110
Contributions				
Statutory required contribution	$ 8,614,070	$ 186,393	$ 1,879,552	$ 10,680,015
Contribution in relation to statutory required contribution	(8,614,070)	(186,393)	(1,879,552)	(10,680,015)
Contribution deficiency/(excess)	$ -	$ -	$ -	$ -
Contributions as a percentage of covered payroll	8.13%	3.40%	33.30%	9.12%
Deferred (Inflows)/Outflows Recognized in Future Pension Expense				
June 30, 2025	$ 22,721,405	$ (255,853)	$ 1,382,295	$ 23,847,847
June 30, 2026	27,029,052	(255,757)	666,082	27,439,377
June 30, 2027	30,916,692	(255,671)	89,213	30,750,234
June 30, 2028	(4,641,410)	(153,916)	219,136	(4,576,190)
Total Deferred (Inflows)/Outflows Recognized in Future Pension Expense	$ 76,025,739	$ (921,197)	$ 2,356,726	$ 77,461,268
Discount Rate Sensitivity				
1% decrease (5.75%)	$ 155,489,259	$ 3,972,436	$ 16,159,589	$ 175,621,284
Current discount rate (6.75%)	$ 65,991,994	$ 1,460	$ 12,579,680	$ 78,573,134
1% increase (7.75%)	$ (9,927,952)	$ (3,356,583)	$ 9,545,567	$ (3,738,968)
Covered Payroll as of the January 1, 2024, valuation	$ 105,955,345	$ 5,479,200	$ 5,644,910	$ 117,079,455

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

NOTE A – Schedule of Employer Allocations

Governmental Accounting Standards Board (GASB) Statement #68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, pension expense, and contributions.

GASB Statement #68 requires the allocation of the collective pension amounts be consistent with the manner in which contributions to the plan are determined. As permissible under GASB Statement #68, The Schedule of Employer Allocations is used to demonstrate the allocation of the System's collective pension amounts.

Massachusetts General Law (MGL) Chapter 32 Section 22 Paragraph 7c dictates that Massachusetts cost sharing defined benefit pension plans allocate the annual required pension fund appropriation to employer units based on their proportionate share of the aggregate of the annual rates of regular compensation of all members in service of the System. The Public Employee Retirement Administration Commission (PERAC) approves each System's proportionate share of the annual required contribution. PERAC can accept alternative allocation methodologies and as such, the System has elected to use an actuarial based allocation methodology. Accordingly, each member unit's proportionate share of the total pension liability is calculated based on each member unit's actual current employees, retirees and inactive participants. The liability of the System is allocated to each member unit. Each member's share of the System's net position at year-end is calculated by first segregating the historical excess contributions of each individual member unit. Investment income is applied to each excess contribution utilizing the PERAC's annual report rate of return for each year since the excess contribution was received. The System's net position, less the excess contributions net of investment income, is then allocated to the member units based on their proportionate share of the total pension liability. The excess contributions net of investment income is then assigned to the appropriate member unit. The difference between the total pension liability and the net position is reported as the net pension liability.

When a member unit accepts an Early Retirement Incentive Program (E.R.I. or ERIP), PERAC completes an analysis of the costs and liabilities attributable to the additional benefits payable in accordance with the ERIP. The accrued liability for the members who accept the ERIP as retirees including the ERIP less the accrued liability for the members as active employees excluding the ERIP represents the increase in accrued liability due to the ERIP. The net increase is amortized for each member unit accepting the ERIP and is separately identified in the System's funding schedule. All Early Retirement Incentive Programs are being amortized using a straight-line basis.

NOTE B – Schedule of Pension Amounts by Employer

The Schedule of Pension Amounts by Employer presents the net pension liability, the various categories of deferred outflows of resources and deferred inflows of resources, contributions and pension expense for all participating employers including differences between expected and actual economic experience; differences between projected and actual investment earnings, net; and changes of assumptions.