

PERAC AUDIT REPORT



Weymouth Contributory
Retirement System



JAN. 1, 2012 - DEC. 31, 2015



TABLE OF CONTENTS

Letter from the Executive Director	1
Statement of Ledger Assets and Liabilities.....	2
Statement of Changes in Fund Balances	3
Statement of Receipts.....	4
Statement of Disbursements.....	5
Investment Income.....	6
Schedule of Allocation of Investments Owned.....	7
Supplementary Investment Regulations.....	8
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	12
Note 2 - Significant Accounting Policies.....	19
Note 3 - Supplementary Membership Regulations.....	21
Note 4 - Administration of the System	24
Note 5 - Actuarial Valuation and Assumptions.....	25
Note 6 - Membership Exhibit.....	26
Note 7 – Leased Premises	28

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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

October 10, 2017

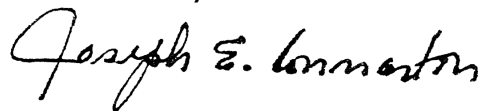
The Public Employee Retirement Administration Commission has completed an examination of the Weymouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2012 to December 31, 2015. This audit was conducted in accordance with the accounting and management 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.

We commend the Weymouth Retirement Board for the exemplary operation of the system.

In closing, I acknowledge the work of examiners Michael Pasternak, George Nsia, and Kevin McCarthy who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,			
	2015	2014	2013	2012
Net Assets Available For Benefits:				
Cash	\$2,966,692	\$7,009,517	\$6,152,179	\$2,280,144
Fixed Income Securities	24,688,714	25,558,640	23,436,456	20,485,824
Equities	20,893,886	20,583,960	12,386,541	10,599,285
Pooled Domestic Equity Funds	43,434,136	44,730,762	52,819,398	44,377,563
Pooled International Equity Funds	29,887,922	27,732,762	28,684,405	25,311,331
Pooled Global Equity Funds	4,871,681	5,662,382	5,522,243	5,782,235
Pooled Domestic Fixed Income Funds	0	0	0	2,178,381
Pooled Global Fixed Income Funds	8,940,754	9,317,527	3,760,829	2,857,584
Pooled Alternative Investment Funds	5,752,756	5,928,729	5,798,083	5,953,717
Pooled Real Estate Funds	17,978,102	16,899,991	15,656,249	14,272,879
Hedge Funds	11,579,939	11,799,400	11,174,749	9,004,775
Interest Due and Accrued	150,708	160,702	178,375	133,782
Prepaid Expenses	3,100	3,100	3,100	3,100
Accounts Receivable	3,955,249	58,750	123,239	904,580
Accounts Payable	(7,068,540)	(3,478,537)	(467,560)	(194,095)
Total	<u>\$168,035,098</u>	<u>\$171,967,686</u>	<u>\$165,228,288</u>	<u>\$143,951,084</u>
Fund Balances:				
Annuity Savings Fund	\$39,027,494	\$38,323,566	\$36,830,435	\$35,359,654
Annuity Reserve Fund	13,162,044	12,633,921	13,132,044	13,253,301
Pension Fund	725,921	671,590	461,657	103,905
Military Service Fund	40,638	39,713	37,394	37,357
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>115,079,001</u>	<u>120,298,895</u>	<u>114,766,757</u>	<u>95,196,868</u>
Total	<u>\$168,035,098</u>	<u>\$171,967,686</u>	<u>\$165,228,288</u>	<u>\$143,951,084</u>

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 (2012)	\$34,208,539	\$12,534,619	\$0	\$23,152	\$0	\$82,143,527	\$128,909,837
Receipts	4,006,927	367,721	9,409,524	16,835	1,373,761	17,416,060	32,590,828
Interfund Transfers	(2,565,179)	2,513,779	4,416,749	(2,630)	0	(4,362,719)	0
Disbursements	(290,633)	(2,162,818)	(13,722,368)	0	(1,373,761)	0	(17,549,580)
Ending Balance (2012)	35,359,654	13,253,301	103,905	37,357	0	95,196,868	143,951,084
Receipts	3,737,170	379,764	9,823,623	37	1,521,871	24,319,349	39,781,814
Interfund Transfers	(1,880,475)	1,862,666	4,767,269	0	0	(4,749,460)	0
Disbursements	(385,913)	(2,363,687)	(14,233,140)	0	(1,521,871)	0	(18,504,611)
Ending Balance (2013)	36,830,435	13,132,044	461,657	37,394	0	114,766,757	165,228,288
Receipts	4,037,957	379,851	9,851,136	2,319	1,581,913	10,312,014	26,165,189
Interfund Transfers	(1,519,248)	1,481,705	4,817,420	0	0	(4,779,876)	0
Disbursements	(1,025,578)	(2,359,678)	(14,458,622)	0	(1,581,913)	0	(19,425,792)
Ending Balance (2014)	38,323,566	12,633,921	671,590	39,713	0	120,298,895	171,967,686
Receipts	4,153,483	382,598	10,431,852	924	1,629,090	(665,508)	15,932,439
Interfund Transfers	(2,731,641)	2,739,327	4,546,699	0	0	(4,554,386)	0
Disbursements	(717,914)	(2,593,802)	(14,924,220)	0	(1,629,090)	0	(19,865,027)
Ending Balance (2015)	\$39,027,494	\$13,162,044	\$725,921	\$40,638	\$0	\$115,079,001	\$168,035,098

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Annuity Savings Fund:				
Members Deductions	\$3,647,419	\$3,607,024	\$3,396,943	\$3,224,770
Transfers from Other Systems	377,597	269,696	185,250	452,367
Member Make Up Payments and Re-deposits	56,060	35,335	48,436	52,987
Member Payments from Rollovers	24,861	79,184	69,904	229,423
Investment Income Credited to Member Accounts	<u>47,546</u>	<u>46,720</u>	<u>36,637</u>	<u>47,380</u>
Sub Total	<u>4,153,483</u>	<u>4,037,957</u>	<u>3,737,170</u>	<u>4,006,927</u>
Annuity Reserve Fund:				
Investment Income Credited to the Annuity Reserve Fund	<u>382,598</u>	<u>379,851</u>	<u>379,764</u>	<u>367,721</u>
Pension Fund:				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	356,916	292,609	355,106	349,064
Pension Fund Appropriation	227,317	59,294	331,610	353,689
Settlement of Workers' Compensation Claims	9,834,210	9,479,045	9,136,093	8,700,160
Recovery of 91A Overearnings	12,250	0	0	6,000
	<u>1,159</u>	<u>20,187</u>	<u>814</u>	<u>611</u>
Sub Total	<u>10,431,852</u>	<u>9,851,136</u>	<u>9,823,623</u>	<u>9,409,524</u>
Military Service Fund:				
Contribution Received from Municipality on Account of Military Service	885	2,282	0	16,812
Investment Income Credited to the Military Service Fund	<u>40</u>	<u>37</u>	<u>37</u>	<u>23</u>
Sub Total	<u>924</u>	<u>2,319</u>	<u>37</u>	<u>16,835</u>
Expense Fund:				
Investment Income Credited to the Expense Fund	<u>1,629,090</u>	<u>1,581,913</u>	<u>1,521,871</u>	<u>1,373,761</u>
Pension Reserve Fund:				
Federal Grant Reimbursement	7,324	4,835	18,397	20,249
Interest Not Refunded	1,993	1,834	863	2,872
Miscellaneous Income	0	0	0	1,055
Excess Investment Income	<u>(674,826)</u>	<u>10,305,345</u>	<u>24,300,089</u>	<u>17,391,885</u>
Sub Total	<u>(665,508)</u>	<u>10,312,014</u>	<u>24,319,349</u>	<u>17,416,060</u>
Total Receipts, Net	<u>\$15,932,439</u>	<u>\$26,165,189</u>	<u>\$39,781,814</u>	<u>\$32,590,828</u>

STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2015	2014	2013	2012
Annuity Savings Fund:				
Refunds to Members	\$272,434	\$298,064	\$125,651	\$259,053
Transfers to Other Systems	<u>445,480</u>	<u>727,514</u>	<u>260,262</u>	<u>31,581</u>
Sub Total	<u>717,914</u>	<u>1,025,578</u>	<u>385,913</u>	<u>290,633</u>
Annuity Reserve Fund:				
Annuities Paid	2,489,760	2,343,003	2,242,706	2,144,074
Option B Refunds	<u>104,043</u>	<u>16,675</u>	<u>120,981</u>	<u>18,744</u>
Sub Total	<u>2,593,802</u>	<u>2,359,678</u>	<u>2,363,687</u>	<u>2,162,818</u>
Pension Fund:				
Pensions Paid:				
Regular Pension Payments	9,571,098	9,340,586	9,186,522	8,792,386
Survivorship Payments	734,403	705,805	645,446	648,477
Ordinary Disability Payments	77,941	99,684	111,691	121,948
Accidental Disability Payments	3,443,171	3,272,702	3,243,913	3,131,587
Accidental Death Payments	653,971	609,154	636,441	657,985
Section 101 Benefits	120,116	119,718	109,411	123,746
3 (8) (c) Reimbursements to Other Systems	<u>323,521</u>	<u>310,973</u>	<u>299,716</u>	<u>246,241</u>
Sub Total	<u>14,924,220</u>	<u>14,458,622</u>	<u>14,233,140</u>	<u>13,722,368</u>
Expense Fund:				
Board Member Stipend	22,500	22,500	16,275	15,007
Salaries	191,150	184,287	169,649	161,293
Legal Expenses	28,694	44,023	52,156	15,524
Travel Expenses	11,623	5,375	5,276	5,651
Administrative Expenses	32,845	33,690	37,101	29,668
Actuarial Services	5,500	9,975	1,000	8,500
Accounting Services	8,550	6,700	6,500	6,500
Education and Training	6,320	3,740	3,170	3,255
Furniture and Equipment	6,198	1,694	361	4,258
Management Fees	1,080,316	1,040,358	1,039,290	943,010
Custodial Fees	102,970	97,341	59,001	50,479
Consultant Fees	75,000	75,875	78,500	77,375
Rent Expenses	19,440	19,440	19,440	19,440
Service Contracts	27,047	26,270	24,015	23,681
Fiduciary Insurance	<u>10,939</u>	<u>10,645</u>	<u>10,137</u>	<u>10,122</u>
Sub Total	<u>1,629,090</u>	<u>1,581,913</u>	<u>1,521,871</u>	<u>1,373,761</u>
Total Disbursements	<u>\$19,865,027</u>	<u>\$19,425,792</u>	<u>\$18,504,611</u>	<u>\$17,549,580</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
Investment Income Received From:				
Cash	\$830	\$141	\$299	\$2,094
Fixed Income	935,674	1,262,531	1,039,821	1,105,194
Equities	205,951	182,275	160,359	185,375
Pooled or Mutual Funds	<u>1,905,727</u>	<u>1,853,362</u>	<u>1,730,416</u>	<u>1,373,926</u>
Total Investment Income	<u>3,048,182</u>	<u>3,298,309</u>	<u>2,930,895</u>	<u>2,666,588</u>
Plus:				
Realized Gains	4,609,966	5,724,124	6,049,792	2,150,985
Unrealized Gains	17,672,339	18,179,735	27,964,634	23,612,696
Interest Due and Accrued - Current Year	<u>150,708</u>	<u>160,702</u>	<u>178,375</u>	<u>133,782</u>
Sub Total	<u>22,433,013</u>	<u>24,064,561</u>	<u>34,192,801</u>	<u>25,897,464</u>
Less:				
Paid Accrued Interest on Fixed Income Securities	(52,137)	(328,005)	(136,148)	(78,273)
Realized Loss	(2,379,057)	(2,379,583)	(1,183,415)	(720,600)
Unrealized Loss	(21,504,851)	(12,163,042)	(9,431,952)	(8,327,394)
Interest Due and Accrued - Prior Year	<u>(160,702)</u>	<u>(178,375)</u>	<u>(133,782)</u>	<u>(257,016)</u>
Sub Total	<u>(24,096,746)</u>	<u>(15,049,005)</u>	<u>(10,885,298)</u>	<u>(9,383,282)</u>
Net Investment Income	<u>1,384,449</u>	<u>12,313,865</u>	<u>26,238,398</u>	<u>19,180,770</u>
Income Required:				
Annuity Savings Fund	47,546	46,720	36,637	47,380
Annuity Reserve Fund	382,598	379,851	379,764	367,721
Military Service Fund	40	37	37	23
Expense Fund	<u>1,629,090</u>	<u>1,581,913</u>	<u>1,521,871</u>	<u>1,373,761</u>
Total Income Required	<u>2,059,274</u>	<u>2,008,520</u>	<u>1,938,309</u>	<u>1,788,885</u>
Net Investment Income	<u>1,384,449</u>	<u>12,313,865</u>	<u>26,238,398</u>	<u>19,180,770</u>
Less: Total Income Required	<u>2,059,274</u>	<u>2,008,520</u>	<u>1,938,309</u>	<u>1,788,885</u>
Excess Income (Loss) To The Pension Reserve Fund	<u>(\$674,826)</u>	<u>\$10,305,345</u>	<u>\$24,300,089</u>	<u>\$17,391,885</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2015		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$2,966,692	1.7%
Fixed Income Securities	24,688,714	14.4%
Equities	20,893,886	12.2%
Pooled Domestic Equity Funds	43,434,136	25.4%
Pooled International Equity Funds	29,887,922	17.5%
Pooled Global Equity Funds	4,871,681	2.8%
Pooled Global Fixed Income Funds	8,940,754	5.2%
Pooled Alternative Investment Funds	5,752,756	3.4%
Pooled Real Estate Funds	17,978,102	10.5%
Hedge Funds	11,579,939	6.8%
Grand Total	\$170,994,581	100.0%

For the year ending December 31, 2015, the rate of return for the investments of the Weymouth Retirement System was 0.84%. For the five-year period ending December 31, 2015, the rate of return for the investments of the Weymouth Retirement System averaged 7.45%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Weymouth Retirement System was 9.81%.

The composite rate of return for all retirement systems for the year ending December 31, 2015 was 0.91%. For the five-year period ending December 31, 2015, the composite rate of return for the investments of all retirement systems averaged 7.49%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.14%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

January 5, 2012

With respect to the Weymouth Retirement Board (“WRB”) investment in the SSGA Real Asset Non-Lending Fund, since this is an institutional commingled fund, in which the manager makes investment recommendations and actions on behalf of all investors in the Fund rather than any particular investor, to the extent that 840 CMR 17.04(3)(b) conflicts with the provisions of the State Street Bank and Trust Company Investment Funds for Tax Exempt Retirement Plans Fifth Amended and Restated Declaration of Trust, (the “Declaration of Trust”); the Amended and Restated Fund Declaration for the SSGA Real Estate Non-Lending Fund (the “Fund”); and the Amendment to the Investment Management Agreement and the Investment Management Agreement (“Agreement”), between State Street Global Advisors and the WRB, those provisions will not apply.

In addition, regarding this investment the following shall apply:

840 CMR 21.01(3)(a) and (b): Futures contracts on indexes or commodities may be used in lieu of investment directly in the securities making up the index, or, to enhance the strategy’s replication of the index returns.

840 CMR 21.01(4)(a)(b)(c) and 21.01(5) – Over the counter and exchange traded options may be used for purposes of managing risks and gaining exposure to certain asset classes, indexes, or currencies.

December 14, 2011

With respect to the Weymouth Retirement Board (“WRB”) investment in the Aberdeen EAFE Plus Fund, LLC, since this is an institutional commingled fund, in which the manager makes investment recommendations and actions on behalf of all investors in the Fund rather than any particular investor, to the extent that the provisions of 840 CMR 17.04(3)(b) and 17.04(10)(a)(1) conflict with the provisions of the Investment Management and Subscription Agreement (“Agreement”), Confidential Placement Memorandum (“PPM”) or the Limited Liability Company Operating Agreement (“LLC Operating Agreement”) between the Fund and the Manager, the provisions of the Agreement, PPM or the LLC Operating Agreement between the Fund and the Manager shall apply.

In addition, regarding this investment the following shall apply:

840 CMR 16.07(4) - the Manager shall report key personnel staffing changes to the Retirement Board and the Commission on or before the effective date of such changes or as soon as reasonably practical after such staffing changes.

840 CMR 21.01(3)(a) and (b) - Futures currency contracts may be used for the purposes of managing risks and gaining exposure to certain asset classes or currencies (including short exposures);

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

840 CMR 21.01(4)(a)(b)(c) and 21.01(5) - Over the counter and exchange traded options may be used for the purposes of managing risks and gaining exposure to certain asset classes or currencies (including short exposures);

840 CMR 21.01(6) - Letter or restricted stock may be invested in, pursuant to the provisions of the Investment Management and Subscription Agreement ("Agreement"), Confidential Placement Memorandum ("PPM") or the Limited Liability Company Operating Agreement ("LLC Operating Agreement").

840 CMR 21.01(8) - With respect to the Weymouth Retirement Board's ("WRB") investment in the Aberdeen EAFE Plus Fund, securities may be loaned from the portfolio to qualified brokers, dealers, banks, and other financial institutions needing to borrow securities to complete certain transactions for the purpose of earning additional income. While the Fund may earn additional income from lending securities, such activity is incidental to its investment objective. In connection with such loans, the Fund will receive collateral consisting of cash or U.S. Government securities, which will be maintained at all times in an amount equal to at least 100% of the current market value of the loaned securities.

December 14, 2011

With respect to the Weymouth Retirement Board ("WRB") investment in the the Brandywine Global Opportunistic Fund, since this is an institutional commingled fund, in which the manager makes investment recommendations and actions on behalf of all investors in the Fund rather than any particular investor, to the extent that 840 CMR 17.04(3)(b) conflicts with the provisions of the Brandywine Global Investment Management Trust and Amended and Restated Agreement and Declaration of Trust, Dated as of July 1, 2007, Effective as of November 16, 2009 (the "Declaration of Trust"); the Confidential Private Placement Memorandum of Brandywine Global Investment Management Trust (the "Memorandum"); or the Investment Management and Subscription Agreement (the "Subscription Agreement") between Brandywine Global Investment Management, LLC and the WRB, those provisions will not apply.

In addition, regarding this investment the following shall apply:

(840 CMR 21.01(3)(a) and (b): Forward currency contracts may be used as part of legitimate hedging strategies involving more than 25% of non-portfolio holdings, futures contracts may be used as part of duration hedging strategies and forward currency contracts unrelated to an underlying portfolio holding may be owned as a result of limitations in certain markets.

December 6, 2010

Regulation Number 16.08: The Weymouth Retirement Board is authorized to invest in HarbourVest Partners IX. This investment will consist of investments in three separate pooled funds: the Buyout Fund, the Venture Fund, and the Credit Opportunities Fund. All PERAC regulations pertaining to pooled funds, including the terms of the tobacco restrictions, will apply to these three funds. As noted in PERAC Memorandum #34 (2010), the investment regulations generally apply to the general partners of this investment, not the underlying portfolio companies.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

In assessing compliance with 19.01(2)(j), PERAC will recognize that this is a pooled fund investment. 19.01(7)(a)(6) does not apply to this investment since fees will be based on committed capital. The provisions of 19.01(10) apply to actions taken by the retirement board and does not establish an obligation for HarbourVest Partners; consequently, enforcement of these provisions and any penalties resulting therefrom will be directed towards the Board and not to HarbourVest Partners. To the extent that 21.01(6) refers to preferred shares, it does not apply to this investment. 21.01(5) does not prohibit the manager from owning warrants issued by portfolio companies.

September 23, 2009

21.01(1): The Weymouth Retirement Board is authorized to invest in the Advent Legacy Securities PPIF, which is part of the US Treasury's Public-Private Investment Program. As part of this program, the manager may employ leverage up to 1x.

May 11, 2009

16.08: In accordance with Investment Guideline 99-2, the Weymouth Retirement Board is modifying its international equity mandate with State Street Global Advisors. In order to save on fees and to assure benchmark performance, the Board will transfer assets from SSGA's actively-managed "All International Allocation Fund" to the passively managed "MSCI ACWI ex-US Index NL Fund".

October 17, 2008

The provisions of 840 CMR 21.01(2)(3)(4) and (5) shall not apply to the investment of the Weymouth Retirement Board in the fund known as the Westfield Large Cap Growth Fund Limited Partnership.

February 14, 2007

17.04: Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Weymouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. Venture Partnership Fund IV, LP (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, and the underlying funds in which the Fund may invest, 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 statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03: Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Weymouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, LP (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, and the underlying funds in which the Fund may invest, directly or

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

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 statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03: Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Weymouth Retirement Board may invest funds of the Retirement System (the “System”) in the fund known as the INVESCO International Partnership Fund IV, LP (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 statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

September 11, 2006

16.08: In accordance with Investment Guideline 99-2, the Weymouth Retirement Board is authorized to make a modest modification to its international equity mandate with State Street Global Advisors. Assets currently in SSGA’s International Alpha Fund will be moved into the firm’s All International Allocation Strategy. The latter fund also invests in the International Alpha Fund but supplements it with limited, opportunistic investments in other SSGA international equity funds. By gaining exposure to such sectors as emerging markets and international small cap, the Board will be achieving greater diversification within its international equity holdings.

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

The plan is a contributory defined benefit plan covering all Weymouth 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$846.12 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 \$846.12 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

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

DEATH IN ACTIVE SERVICE

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

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

COST OF LIVING

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

If a member's total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member's service within each retirement system. 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

Membership:

January 27, 2011:

Any individual who is permanently employed twenty (20) or more hours per week by the Town of Weymouth, Weymouth School Department, Weymouth Housing Authority or the Weymouth Retirement Board shall become a member of the Weymouth Retirement System ("System") at the time of hire. In addition to the foregoing, an employee, which includes elected and appointed officials, must earn at least \$5,000 per year in regular compensation to be eligible for membership in the System. This regulation codified the Board's longstanding policy of requiring individuals to be permanently employed 20 or more hours per week to become a member of the System, and incorporates the provisions of M.G.L. c. 32, § 4(1)(o), as amended, which precludes creditable service for any individual who does not earn at least \$5,000 per year.

Creditable Service:

June 21, 2013:

Members of the Weymouth Retirement System ("System") who previously rendered service in the Town of Weymouth, in a member unit of the System or as an employee of the Weymouth Retirement Board ("Board") and who were not eligible to participate in the System at the time the service was rendered, shall be eligible to purchase such past service rendered, in monthly increments, consistent with the provisions of M.G.L. c. 32, § 4(2)(c) and the Board's regulation regarding the calculation of creditable service. Members of the System who previously rendered service in another governmental unit in the Commonwealth of Massachusetts and who were not eligible to participate in the retirement system which has jurisdiction over said governmental unit shall be eligible to purchase such past service rendered provided that said service was rendered in a temporary, provisional or substitute position, in monthly increments, consistent with the provisions of M.G.L. 32, § 3(5) and the Board's regulation regarding the calculation of creditable service.

December 7, 2006:

Members of the Weymouth Retirement System shall receive creditable service, in whole month increments, consistent with this regulation in the following manner:

- For a member in service who is employed in a full-time capacity, he/she will receive one (1) month of creditable service for each full month for which the employee receives regular compensation and remits the appropriate contributions to the Weymouth Retirement System, with said service not to exceed one (1) year of creditable service in any calendar year;
- For a member in service who is employed in a part-time capacity throughout his/her entire career, he/she will receive one (1) month of creditable service for each full month for which the employee receives regular compensation and remits the appropriate contributions to the Weymouth

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Retirement System, with said service not to exceed one (1) year of creditable service in any calendar year.

- For a member who has rendered membership service in the Weymouth Retirement System in both a full-time and part-time capacity, the member shall receive full credit for all full-time service and prorated credit for part-time service based on the full-time equivalency of 35 hours per week.

- For a member who is employed in a part-time capacity throughout his/her career but who either purchases past refunded service, or has transferred into the Weymouth Retirement System previous service rendered in a full-time capacity, the member's part-time service shall be prorated based on the full-time equivalency of 35 hours per week.

- In the case of School Department employees whose full-time employment requires them to work from on or about September 1st on or about June 30th, including but not limited to cafeteria workers, clerical and secretarial staff, teacher's assistant and teaching professionals, such as therapists, said employees shall receive one month of creditable service for each full month the employee is receiving regular compensation, with ten (10) months being the equivalent of one (1) year of creditable service. School Department employees who are employed in a part-time capacity shall have their creditable service prorated in the same manner as all members of the Weymouth Retirement System as set forth in this regulation.

- The Board recognizes that certain School Department employees, including but not limited to custodians and secretaries, are required to work the entire calendar year, and in such a situation, said employee's creditable service will be calculated based on a twelve (12) month year.

- Creditable service for 10 month employees shall be based on 1,202.5 hours being the equivalent of 1 year, whereas creditable service for 12 month employees shall be based on 1,827 hours per year.

- Any member purchasing past part-time service rendered shall have said service prorated based on 35 hours per week being considered a full week of service. Notwithstanding the foregoing any member who works part-time his/her entire career, and purchases past part-time service rendered, will have all creditable service deemed to be full-time.

Miscellaneous:

September 22, 2003:

Purchase of Past Service Rendered As A Veteran:

Any member of the Weymouth Retirement System ("System") who is a veteran as defined in M.G.L. c. 32, §1 must, within one hundred and eighty (180) days of being notified by the Weymouth Retirement Board ("Board") of his /her eligibility to purchase past service rendered in the armed forces of the United States, make application to purchase said service with the Board. Upon making such application, the member may purchase his/her past military service by remitting a lump-sum payment to the Board, in an amount equal to ten percent (10%) of the regular annual compensation of the member when the member first entered a retirement system subject to the provisions of M.G.L. c. 32, for each year the member wishes to purchase, not to exceed a maximum of four (4) years of service.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Alternatively, any member may elect to purchase his/her past military service rendered by means of an installment plan, with said plan not to exceed ten (10) years. If the member purchases his/her military service in five (5) years or less, then no interest will accrue on the principal amount due. If the member takes between five (5) years and ten (10) years to purchase his/her military service, regular interest will accrue on any principal balance remaining at the end of the fifth (5) year. The installment plan will be by annual payment only, and will be payable each year on the anniversary date of the expiration of the one-hundred eighty (180) days after issuance of the notice to the member of his/her eligibility.

If any member is laid-off or his/her position is eliminated due to budgetary constraints, then the buyback period is tolled, and in the event that the member is rehired or resumes employment with the Town of Weymouth and is then again eligible to contribute to the System, he/she must resume the installment schedule in effect prior to the layoff or termination. If the member voluntarily leaves employment with the Town of Weymouth or is terminated for cause, the buyback period will not be tolled, and the Board will grant creditable service on a prorated basis consistent with the total amount due on the buyback and the amount remitted to the Board prior to the termination of employment.

In the event that a member transfers to another retirement system prior to the completion of the installment plan, the Board will determine the amount of service purchased based on the payments received, and accept liability for said service consistent with the provisions of M.G.L. c. 32, §3(8)(c).

Travel Regulations:

The Weymouth 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/Weymouth>.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

The System is administered by a five-person Board of Retirement consisting of the Town Accountant who shall be a member ex-officio, a second member appointed by the governing authority, a third and fourth member who shall be elected by the members in or retired from the service of such system, and a fifth member appointed by the other four board members.

Ex-officio Member: Patrice A. Cook

Appointed Member: Gregory P. Hargadon Term Expires: Indefinite

Elected Member: Joseph L. Davis Term Expires: 6/30/19

Elected Member: Richard J. Hayes Term Expires: 12/31/17

Appointed Member: Edward J. Masterson, Chairman Term Expires: 11/15/18

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

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

Retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts. Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of \$1,000,000 with a \$10,000 deductible issued through Travelers Casualty and Surety Company. The system also has Fiduciary coverage to a limit of \$50,000,000 under a blanket policy issued through the Massachusetts Association of Contributory Retirement Systems.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by Stone Consulting, Inc. as of January 1, 2016.

The actuarial liability for active members was	\$111,142,103
The actuarial liability for disabled retired members was	40,856,443
The actuarial liability for inactive members was	1,200,656
The actuarial liability retirees and beneficiaries was	<u>122,897,164</u>
The total actuarial liability was	\$276,096,366
System assets as of that date were (actuarial value)	<u>168,035,098</u>
The unfunded actuarial liability was	<u>\$108,061,268</u>
The ratio of system's assets to total actuarial liability was	60.9%
As of that date the total covered employee payroll was	\$38,312,300

The normal cost for employees on that date was 9.2% of payroll
 The normal cost for the employer was 4.3% of payroll

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

Investment Return: 7.875% per annum
 Rate of Salary Increase: 3.50% to 8.50% per annum and varies by group and service.

SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2014 (Dollars in thousands)

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)
1/1/2016	\$168,035	\$276,096	\$108,061	60.90%	\$38,312	228.10%
1/1/2014	\$165,228	\$255,773	\$90,545	64.6%	\$35,786	253.0%
1/1/2012	\$128,910	\$232,013	\$103,103	55.6%	\$34,841	295.9%
1/1/2010	\$120,566	\$207,894	\$87,328	58.0%	\$33,366	261.7%
1/1/2007	\$137,333	\$190,920	\$53,587	71.9%	\$34,808	154.0%
1/1/2005	\$113,780	\$174,530	\$60,750	65.2%	\$30,671	198.1%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Retirement in Past Years										
Superannuation	11	11	21	24	21	22	26	25	22	26
Ordinary Disability	0	0	0	1	1	0	1	1	0	0
Accidental Disability	6	3	1	4	6	2	0	1	2	1
Total Retirements	17	14	22	29	28	24	27	27	24	27
Total Retirees, Beneficiaries and Survivors	635	630	635	640	621	627	629	617	619	610
Total Active Members	861	895	864	804	805	834	834	826	816	842
Pension Payments										
Superannuation	\$6,957,904	\$7,028,802	\$7,453,642	\$7,815,633	\$8,085,555	\$8,480,031	\$8,792,386	\$9,186,522	\$9,340,586	\$9,571,098
Survivor/Beneficiary Payments	411,650	440,485	478,812	544,767	577,107	566,274	648,477	645,446	705,805	734,403
Ordinary Disability	113,147	96,778	99,089	117,120	131,175	142,880	121,948	111,691	99,684	77,941
Accidental Disability	2,272,805	2,225,092	2,389,918	2,629,108	2,834,416	3,120,692	3,131,587	3,243,913	3,272,702	3,443,171
Other	965,482	1,075,816	1,027,780	1,050,430	1,045,756	1,029,154	1,027,971	1,045,568	1,039,845	1,097,608
Total Payments for Year	<u>\$10,720,988</u>	<u>\$10,866,973</u>	<u>\$11,449,241</u>	<u>\$12,157,058</u>	<u>\$12,674,009</u>	<u>\$13,339,031</u>	<u>\$13,722,368</u>	<u>\$14,233,140</u>	<u>\$14,458,622</u>	<u>\$14,924,220</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Weymouth Retirement Board leases approximately 1,823 square feet of space for its offices located at 807 Broad Street, Weymouth, MA 02189. They most recently signed a 1-year lease term (\$10.66 per sq ft) which expired May 31, 2015; however, there are automatic one-year renewals for up to four additional years ending May 31, 2019. The landlord is Childs Weymouth, LLC.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2015:

<u>For the year ending:</u>	<u>Annual Rent</u>
2016	\$ 19,440
2017	19,440
2018	19,440
2019	<u>8,100</u>
Total Future minimum lease payments required	<u>\$ 66,420</u>

Note: Security Deposit of \$3,100.00 was prepaid in May 2004.

PERAC

Five Middlesex Avenue | Suite 304

Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac