PERAC AUDIT REPORT

Quincy
Contributory Retirement System

JAN. 1, 2011 - DEC. 31, 2013

PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
COMMONWEALTH OF MASSACHUSETTS

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PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

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Auditor SUZANNE M. BUMP | KATE FITZPATRICK | ELIZABETH FONTAINE | JOHN B. LANGAN | JAMES M. MACHADO | ROBERT B. McCARTHY

September 4, 2015

The Public Employee Retirement Administration Commission has completed an examination of the Quincy Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2011 to December 31, 2013. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Bill Walsh, Mike Pasternak, Sam O'Brien and Jim Tivnan who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,

Joseph E. Connarton

Joseph E. Connarton
Executive Director

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EXPLANATION OF FINDINGS AND RECOMMENDATIONS

1. Members Contributions Collected through Payroll Deductions

Payroll registers were inspected to validate that retirement payroll deductions were being properly withheld. This review noted many pay codes were coded as qualified for retirement or coded as excluded for retirement that did not conform to the definition referenced in 840 CMR 15.03. Our observation determined that refunds were required for member's contributions in several cases. Meal allowances for snow plow drivers are currently included as regular compensation; this contradicts the distinction between the use of tools as a basis for compensation as intended in 840 CMR 15.03. We observed that Vacation Buy Back compensation for public safety personnel were included for retirement contributions. The stated position of the Quincy Retirement Board is that it should be excluded. PERAC Memo #39/2012 provides definitive guidance for analyzing the status of payments made on this issue. A $300 base code was negotiated when changes were made to the health insurance. The retirement board has determined this should be included in retirement qualified compensation. However, the City of Quincy Administration disagrees with this determination and continues to exclude this category from regular compensation.

Recommendation: The Quincy Retirement Board needs to ensure compliance with the requirements outlined in 840 CMR 15.03(3) which states in part; "to be considered regular compensation, any compensation to an employee must be compensation received exclusively as wages…. and….include pre-determined, non-discretionary, guaranteed payments. Payments specifically excluded from the definition of regular compensation are itemized in subsection (f) of the regulation." The Retirement Board must be notified of all new pay codes to determine whether they qualify as retirement compensation. The Retirement Board must direct the various payroll officials to comply with their determination of retirement qualified compensation. The determination of the Board based on their analysis of the threshold requirements referenced in the guidance provided in PERAC Memo #39/2012 must be followed. The System should periodically review complete payroll registers to assess the level of compliance. All persons responsible for processing retirement deductions should receive copies of correspondence relating to new laws, regulations and other changes involving eligibility and contribution rates.

Board Response:

The board's staff, after conversation and guidance from the PERAC auditors, has reviewed the pay codes and has informed the city of what should be included and excluded from retirement deductions and thus regular compensation.

2. Management Fees

Our review disclosed that several management fees were directly withdrawn from the principal value of the invested funds. These fees were not disclosed for authorization by the Board and not included in the general ledger category. They were not reported on Schedule 7 of the Annual Statement. This method distorts the actual costs associated with the investments of the system. It is within the Board's fiduciary responsibility to review all management fees, including ones withdrawn directly from the funds, to ensure that the fees are being determined based upon the contractual obligation of the system to the manager.

Recommendation: The Quincy Retirement Board must provide an accurate account of all management fees pertaining to their investments. All management fees must be disclosed on Schedule 7 of the PERAC Annual Statement. These fees must be included on a warrant for

ratification by the Board at its next regularly scheduled meeting. The Expense Fund should reflect the direct costs of the operation and activities of the Quincy Retirement System. The investment consultant is a primary reference source for determining these fees. It is the recommendation to reflect the direct source reports of the specific manager. These have been found to be a more reliable basis than the reports by the custodian.

Board Response:
The accounting of the Management fees has been updated in accordance with the auditors' recommendation; however, until December 2014 there had been no specific memo addressing the Commissions wishes to have the accounting done differently. We think that a change in the accounting process or focus should have warranted a memo of instruction during the audit period.

PERAC Response:
In lieu of issuing a Memo on this topic, the **Instructions For Preparing the Annual Statement for 2012** provided guidance on this subject. This correlated with the introduction of the "new" Schedule 7. Schedule 7 requests the system to provide quarterly information on the fees assessed, accrued and/or paid by the system to all of the Investment Managers contracted by the system to handle any portion of the invested assets. We request you disclose the Managers name and the fees associated with the vendor for each quarter of the year. The additional step is to reconcile or compare the results reported on this schedule to the total reported in the general ledger accounts for these investment related fees.

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2013	2012	2011
Net Assets Available For Benefits:			
Cash	$3,388,681	$1,615,537	$1,990,063
Pooled Domestic Equity Funds	85,047,094	71,618,643	66,333,369
Pooled International Equity Funds	72,366,771	63,889,547	57,571,933
Pooled Domestic Fixed Income Funds	62,698,914	67,334,025	66,086,712
Pooled International Fixed Income Funds	6,432,849	0	0
Pooled Global Fixed Income Funds	11,951,627	11,116,454	9,601,326
Pooled Alternative Investment Funds	22,702,036	22,215,456	20,651,368
Pooled Real Estate Funds	26,698,021	27,063,704	25,655,414
Hedge Funds	5,765,018	12,746,207	11,763,060
PRIT Core Fund	2,678,477	1,879,486	1,201,421
Interest Due and Accrued	60	110	75
Accounts Receivable	4,360,748	3,970,289	3,931,702
Accounts Payable	(125,001)	(127,234)	(67,156)
Total	$303,965,295	$283,322,224	$264,719,286
Fund Balances:			
Annuity Savings Fund	$83,547,821	$79,974,686	$77,336,466
Annuity Reserve Fund	29,715,327	30,864,288	31,509,570
Pension Fund	3,164,067	3,616,075	3,752,382
Military Service Fund	6,445	6,439	6,432
Expense Fund	0	0	0
Pension Reserve Fund	187,531,634	168,860,736	152,114,436
Total	$303,965,295	$283,322,224	$264,719,286

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 (2011)	$74,025,983	$32,481,598	$16,376,417	$6,420	$0	$151,877,093	$274,767,511
Receipts	7,922,423	954,941	22,340,323	13	1,273,602	215,824	32,707,126
Interfund Transfers	(3,568,844)	3,547,325	0	0	0	21,519	(0)
Disbursements	(1,043,095)	(5,474,295)	(34,964,358)	0	(1,273,602)	0	(42,755,351)
Ending Balance (2011)	77,336,466	31,509,570	3,752,382	6,432	0	152,114,436	264,719,286
Receipts	7,658,484	916,246	23,108,199	6	1,362,340	28,941,710	61,986,985
Interfund Transfers	(4,389,103)	4,170,804	12,413,709	0	0	(12,195,410)	0
Disbursements	(631,161)	(5,732,331)	(35,658,216)	0	(1,362,340)	0	(43,384,048)
Ending Balance (2012)	79,974,686	30,864,288	3,616,075	6,439	0	168,860,736	283,322,224
Receipts	8,569,298	907,212	23,903,161	6	1,349,081	30,815,013	65,543,772
Interfund Transfers	(4,133,115)	3,995,943	12,281,287	0	0	(12,144,115)	0
Disbursements	(863,048)	(6,052,117)	(36,636,456)	0	(1,349,081)	0	(44,900,701)
Ending Balance (2013)	$83,547,821	$29,715,327	$3,164,067	$6,445	$0	$187,531,634	$303,965,295

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31, 2013	2012	2011
Annuity Savings Fund:			
Members Deductions	$7,571,867	$7,119,792	$7,050,763
Transfers from Other Systems	452,440	334,606	590,370
Member Make Up Payments and Re-deposits	125,743	59,590	88,550
Member Payments from Rollovers	307,513	40,637	23,051
Investment Income Credited to Member Accounts	111,735	103,859	169,689
Sub Total	8,569,298	7,658,484	7,922,423
Annuity Reserve Fund:			
Recovery of Annuity from Reinstatement	3,824	0	0
Investment Income Credited to the Annuity Reserve Fund	903,389	916,246	954,941
Sub Total	907,212	916,246	954,941
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems	843,225	848,827	619,006
Received from Commonwealth for COLA and Survivor Benefits	292,634	297,842	584,841
Pension Fund Appropriation	22,732,710	21,917,920	21,136,477
Settlement of Workers' Compensation Claims	30,000	6,000	0
Recovery of Pension from Reinstatement	4,592	37,611	0
Recovery of 91A Overearnings	0	0	0
Sub Total	23,903,161	23,108,199	22,340,323
Military Service Fund:			
Investment Income Credited to the Military Service Fund	6	6	13
Sub Total	6	6	13
Expense Fund:			
Investment Income Credited to the Expense Fund	1,349,081	1,362,340	1,273,602
Sub Total	1,349,081	1,362,340	1,273,602
Pension Reserve Fund:			
Federal Grant Reimbursement	38,772	48,799	73,764
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	34,561	6,475	8,069
Miscellaneous Income	26,658	76,121	69
Excess Investment Income	30,715,022	28,810,314	133,922
Sub Total	30,815,013	28,941,710	215,824
Total Receipts, Net	$65,543,772	$61,986,985	$32,707,126

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2013	2012	2011
Annuity Savings Fund:			
Refunds to Members	$554,082	$445,470	$726,196
Transfers to Other Systems	308,966	185,691	316,899
Sub Total	863,048	631,161	1,043,095
Annuity Reserve Fund:			
Annuities Paid	5,906,318	5,690,006	5,474,295
Option B Refunds	145,798	42,324	0
Sub Total	6,052,117	5,732,331	5,474,295
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	26,316,738	25,807,345	25,331,813
Survivorship Payments	1,645,402	1,582,209	1,543,183
Ordinary Disability Payments	136,020	142,988	120,304
Accidental Disability Payments	5,430,088	5,264,361	5,227,951
Accidental Death Payments	1,714,933	1,661,724	1,625,223
Section 101 Benefits	135,861	132,495	125,227
3 (8) (c) Reimbursements to Other Systems	782,476	787,273	748,476
State Reimbursable COLA's Paid	474,938	279,822	242,181
Sub Total	36,636,456	35,658,216	34,964,358
Expense Fund:			
Board Member Stipend	15,000	15,000	14,750
Salaries	278,978	277,073	265,317
Legal Expenses	22,479	27,515	28,201
Medical Expenses	120	102	50
Travel Expenses	5,567	11,822	5,353
Administrative Expenses	20,826	19,008	32,195
Professional Services	17,000	4,500	(231)
Education and Training	2,941	4,950	2,838
Furniture and Equipment	0	0	3,786
Management Fees	760,661	749,153	711,629
Custodial Fees	27,088	20,730	22,121
Consultant Fees	97,750	94,417	88,000
Rent Expenses	50,572	50,635	51,994
Service Contracts	24,500	61,871	22,860
Fiduciary Insurance	25,598	25,564	24,741
Sub Total	1,349,081	1,362,340	1,273,602
Total Disbursements	$44,900,701	$43,384,048	$42,755,351

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2013	2012	2011
Investment Income Received From:			
Cash	$115	$1,314	$3,660
Equities	27,371	44,496	12,775
Pooled or Mutual Funds	1,720,748	1,071,870	1,208,895
Total Investment Income	1,748,233	1,117,680	1,225,331
Plus:			
Realized Gains	1,146,159	316,483	415,718
Unrealized Gains	51,117,305	47,865,220	41,688,562
Interest Due and Accrued - Current Year	60	110	75
Sub Total	52,263,523	48,181,813	42,104,354
Less:			
Realized Loss	(51,161)	(914)	(6,069)
Unrealized Loss	(20,881,253)	(18,105,738)	(40,790,916)
Interest Due and Accrued - Prior Year	(110)	(75)	(533)
Sub Total	(20,932,524)	(18,106,727)	(40,797,518)
Net Investment Income	33,079,233	31,192,766	2,532,167
Income Required:			
Annuity Savings Fund	111,735	103,859	169,689
Annuity Reserve Fund	903,389	916,246	954,941
Military Service Fund	6	6	13
Expense Fund	1,349,081	1,362,340	1,273,602
Total Income Required	2,364,211	2,382,451	2,398,245
Net Investment Income	33,079,233	31,192,766	2,532,167
Less: Total Income Required	2,364,211	2,382,451	2,398,245
Excess Income (Loss) To The Pension Reserve Fund	$30,715,022	$28,810,314	$133,922

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

	AS OF DECEMBER 31, 2013	
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	$3,388,681	1.1%
Pooled Domestic Equity Funds	85,047,094	28.4%
Pooled International Equity Funds	72,366,771	24.1%
Pooled Domestic Fixed Income Funds	62,698,914	20.9%
Pooled International Fixed Income Fund	6,432,849	2.1%
Pooled Global Fixed Income Funds	11,951,627	4.0%
Pooled Alternative Investment Funds	22,702,036	7.6%
Pooled Real Estate Funds	26,698,021	8.9%
Hedge Funds	5,765,018	1.9%
PRIT Core Fund	2,678,477	0.9%
Grand Total	$299,729,488	100.0%

For the year ending December 31, 2013, the rate of return for the investments of the Quincy Retirement System was 12.76%. For the five-year period ending December 31, 2013, the rate of return for the investments of the Quincy Retirement System averaged 11.21%. For the twenty-nine-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Quincy Retirement System was 8.50%.

The composite rate of return for all retirement systems for the year ending December 31, 2013 was 15.57%. For the five-year period ending December 31, 2013, the composite rate of return for the investments of all retirement systems averaged 12.13%. For the twenty-nine-year period ending December 31, 2013, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.49%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

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

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

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

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

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

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

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

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

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

June 3, 2010
16.08
In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to make a modest modification to its small cap equity management mandate with Earnest Partners. In transferring its assets from the existing separate account to Earnest Partners' small cap value mutual fund, the Board will achieve a substantial reduction in fees as well as bring its overall small cap allocation back to a neutral orientation.

May 20, 2010
21.01
Notwithstanding the provisions of any statute or regulations of the Public Employee Retirement Administration Commission to the contrary, including the provisions of 840 CMR 21.01 et seq., the Quincy Retirement Board is hereby granted an exemption from restrictions on investment and may invest a portion of the funds of the Quincy Retirement System (the "System") in the fund known as the Adams Street Partnership Fund Program 2010.

January 14, 2010
19.01
For the purpose of further diversifying its portfolio and enhancing its long-term performance, the Quincy Retirement Board is authorized to increase its holdings in alternative investments from 5% to 6%. The Board has been successfully investing in this asset class since 2001.

August 4, 2009
16.08
The Quincy Retirement Board is authorized to invest in State Street Global Advisors' MSCI-EAFE Index Fund. In accordance with PERAC's generally accepted practice with regard to the selection of broad market index products, the Board did not issue a formal RFP for this search but objectively considered the investment and fee characteristics of several major index providers obtained through solicitation by its investment consultant. The Board provided PERAC with a summary of this evaluation. The SSgA fund compared favorably to that of the other respondents and will serve to complement the Board's other SSgA index fund holdings.

June 16, 2009
(1) Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System (the "System") in the fund known as TA Realty Associates Fund IX (consisting of Realty Associates Fund IX Corporation and TA Realty Associates Fund IX, L.P., collectively, the "Fund"), and while the assets of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq., 17.00 et seq., and 840 CMR 21.01, the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, either (A) less than twenty-five percent (25%) of each class of equity interest in the Fund is held by "benefit plan investors" (within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") and the regulations promulgated thereunder), or (B) the Fund qualifies as a "venture capital operating company" and/or "real estate operating company" within the meaning of ERISA and the regulations promulgated thereunder.

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

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

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

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

June 4, 2007
17.03
Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the Institutional Retirement Trust (IRT) International Equity Trust (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited

transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemption 91-38, and other available class exemptions.

December 4, 2006
16.08
In accordance with Investment Guideline 99-2, the Quincy Retirement Board is authorized to modify its passive fixed income management mandate with State Street Global Advisors. The Board's current investment in SSgA's Lehman Index strategy will be supplemented by an allocation to SSgA's TIPS Index strategy. This allocation will give the Board additional diversification within its fixed income portfolio as well as an inflation hedge. The Board and its consultant have determined that, on the basis of both investment capability and fees, the SSgA fund is the best option by which to achieve this objective.

March 30, 2006
19.01(6)
Notwithstanding the provisions of Public Employee Retirement Administration Commission regulations, the Quincy Retirement Board may invest funds of the Quincy Retirement System (the "System") in the fund known as AEW Partners V, L.P. ("the Fund"), and while the funds of the System are so invested, the assets of the System shall be deemed to include, for purposes of applying the rules set forth in 840 CMR 16.00 et seq. and 17.00 et seq.; the System's interest in the Fund but not any of the underlying assets of the Fund; provided that, at all times, the Fund qualified as a "venture capital operating company" or "real estate operating company" within the meaning of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), and the regulations promulgated thereunder.

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

March 23, 2005
16.08
In accordance with Investment Guideline 99-2, the Quincy Retirement System is authorized to modify its large cap equity index mandate with RhumbLine Advisors. Both the S&P 500 Index and the Russell 1000 Index track the universe of large capitalization stocks, and the performance of the two indices are very similar over time. Investing concurrently in the Value and Growth sub-indices of the Russell 1000 will give the Board the flexibility to periodically re-balance between the two sub-indices and should increase returns over time. Thus, the Board is transferring its assets from RhumbLine's S&P 500 Fund to approximately equal-weighted investments in RhumbLine's Russell 1000 Growth Fund and Russell 1000 Value Fund. The Board has had a satisfactory relationship with RhumbLine since 1992.

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

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

PARTICIPATION

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

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

Group 1:

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

Group 2:

Certain specified hazardous duty positions.

Group 4:

Police officers, firefighters, and other specified hazardous positions.

MEMBER CONTRIBUTIONS

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

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

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

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

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

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

AMOUNT OF BENEFIT

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

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

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

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

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

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

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

DEFERRED VESTED BENEFIT

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

WITHDRAWAL OF CONTRIBUTIONS

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

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

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

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

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of 797.64 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 797.64 per year, per child (or $312.00 per year in systems in which the local option contained in G.L. c. 32, s. 9(2)(d)(ii) has not been adopted), payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

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

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.

METHODS OF PAYMENT

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

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

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

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

ALLOCATION OF PENSION COSTS

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

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

Membership:
March 29, 2010
EMPLOYEES WHO EARN LESS THAN $5,000 PER ANNUM
Consistent with the provisions of G.L. c, 32, § 4(1)(o) which was enacted by the passage of Chapter 21 of the Acts of 2009, §5, employees who earn less than $5,000 in a position shall be precluded from membership in the Quincy Retirement System.

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

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

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

Part-time Employees:

a. Obliged to join immediately if working 24 hours or more per week on a permanent basis.
b. Obliged to join after six (6) months if working 24 hours or more per week on a temporary basis.

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

Membership must be continued regardless of reduction of hours.

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

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

Travel Regulations
August 12, 2002
The City of Quincy Retirement System has adopted Travel Supplemental Regulations under the provisions of G.L. c. 7, § 50 and G.L. c. 32, § 21(4). Regulations available upon written request, and are also available on the PERAC website http://www.mass.gov/perac/quincytravelreg.html.

NOTE 4 - ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member:	Susan O'Connor		
Appointed Member:	George F. McCray Chairperson	Term Expires:	11/19/17
Elected Member:	Richard P. Crespi	Term Expires:	12/16/16
Elected Member:	Robert E. Foy III	Until a successor is appointed	
Appointed Member:	Richard D. Fitzpatrick	Term Expires:	1/31/17

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.

Fidelity insurance is the only required policy coverage under Ch. 32 §21 and §23 as well as 840 CMR 17.01. The policy is designed to cover specific intentional acts such as theft, fraud or embezzlement and also specify who commits such acts, most commonly employees of the system. This coverage reimburses the system for the losses it suffers as a result of its employees' actions. It does not insure the employees for their illegal acts. Statutorily required coverage is provided by the current fidelity insurance policy to a limit of $50,000,000 with a $10,000 deductible issued through Travelers Casualty and Surety Company.

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Stone Consulting, Inc as of January 1, 2014.

The actuarial liability for active members was	$238,189,691
The actuarial liability for vested terminated members was	3,066,951
The actuarial liability for non-vested terminated members was	1,161,483
The actuarial liability for retired members was	391,379,587
The total actuarial liability was	$633,797,712
System assets as of that date were	296,239,378
The unfunded actuarial liability was	$337,558,334
The ratio of system's assets to total actuarial liability was	46.7%
As of that date the total covered employee payroll was	$80,332,777

The normal cost for employees on that date was	9.15% of payroll
The normal cost for the employer was	3.8% of payroll

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

Investment Return:	8.00% per annum
Rate of Salary Increase:	3.75% per annum

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION
AS OF JANUARY 1, 2014

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)
1/1/2014	$296,239,378	$633,797,711	$337,558,334	46.7%	$80,332,777	420.2%
1/1/2012	$275,220,220	$577,611,600	$302,391,380	47.6%	$75,630,036	399.8%
1/1/2010	$257,134,502	$539,913,538	$282,779,036	47.6%	$76,888,323	367.8%
1/1/2007	$307,082,089	$472,269,186	$165,187,097	65.0%	$66,709,914	247.6%

NOTE 6 - MEMBERSHIP EXHIBIT

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Retirement in Past Years										
Superannuation	17	32	6	22	28	9	27	49	62	81
Ordinary Disability	0	0	0	0	0	0	0	0	0	0
Accidental Disability	2	5	1	3	4	1	4	0	3	8
Total Retirements	19	37	7	25	32	10	31	49	65	89
Total Retirees, Beneficiaries and Survivors	1,835	1,888	1,732	1,801	1,791	1,625	1,691	1,541	1,532	1,515
Total Active Members	1,350	1,408	1,444	1,461	1,492	1,433	1,352	1,350	1,331	1,368
Pension Payments										
Superannuation	$22,179,164	$23,287,201	$23,595,901	$23,612,544	$23,583,745	$24,476,829	$24,381,890	$25,331,813	$25,807,345	$26,316,738
Survivor/Beneficiary Payments	1,240,110	1,302,475	1,326,473	1,406,047	1,414,559	1,415,980	1,582,292	1,543,183	1,582,209	1,645,402
Ordinary Disability	146,145	129,654	141,941	141,239	144,247	131,754	134,411	120,304	142,988	136,020
Accidental Disability	4,248,811	4,392,078	4,704,864	4,770,112	4,963,552	4,910,972	5,193,400	5,227,951	5,264,361	5,430,088
Other	2,229,640	2,494,473	2,588,220	2,437,269	2,584,760	2,737,938	2,883,085	2,741,107	2,861,314	3,108,208
Total Payments for Year	$30,043,870	$31,605,881	$32,357,399	$32,367,211	$32,690,863	$33,673,473	$34,175,078	$34,964,358	$35,658,216	$36,636,456

NOTE 7 – LEASED PREMISES

The Quincy Retirement Board leases approximately 2,056 square feet of space for its offices located on the 5th floor of the South Tower at Suite 506S, 1250 Hancock St, Quincy, MA. 02169. They signed an initial 5-year lease term ($23.00 per sq ft) which will expire July 31, 2017. The current landlord is Quincy Property Owner.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2013. This does not include escalations for real estate taxes and operating expenses:

For the year ending:	Annual Rent
2014	$47,288.00
2015	$47,288.00
2016	$47,288.00
2017 Through July 31, 2017	$27,584.67
Total future minimum lease payments required	$169,448.67

PERAC
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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 26, 2016

George F. McCray, Chairman
Quincy Retirement Board
1250 Hancock Street, Suite 506-S
Quincy, MA 02169

REFERENCE: Report of the Examination of the Quincy Retirement Board for the three-year period from January 1, 2011 through December 31, 2013.

Dear Chairman McCray:

The Public Employee Retirement Administration Commission has completed a follow-up review of the findings and recommendations contained in its audit report of the Quincy Retirement Board for the most recent period referenced above. We conduct these visits as a regular part of the oversight process. They are designed to ensure the timely implementation of corrective action for the recommendations cited in that report. The results are as follows:

1. The Audit Report cited a finding that there were many pay codes either coded as qualified for retirement or excluded from retirement that did not conform to the definition referenced in 840 CMR 15.03.

Follow-up Result: PERAC reviewed the correspondence between the Board's Executive Director and Quincy's Director of Human Resources instructing the City as to the types of compensation that should be included or excluded from pensionable wages. We reviewed all current pay codes and, with the exception of one pay code for the 8% contributors all corrections appear to have been implemented. Subsequent to the on-site visit, the Board also provided evidence that the one incorrect pay code has been fixed. This finding is resolved.

2. The Audit Report cited a finding that several management fees were directly withdrawn from the principal value of the invested funds. These fees were not disclosed for authorization by the Board and not included in the general ledger category nor were they reported on Schedule 7 of the Annual Statement.

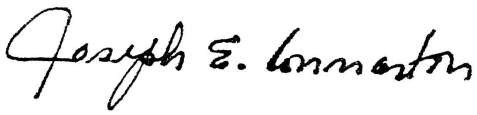
FIVE MIDDLESEX AVENUE, SUITE 304 | SOMERVILLE, MA 02145
PH 617 666 4446 | FAX 617 628 4002 | TTY 617 591 8917 | WWW.MASS.GOV/PERAC

Follow-up Result: PERAC reviewed the 2015 management fees and traced them back to both the general ledger and Schedule 7 of the Annual Statement along with related warrants. All investment managers are now detailed on Schedule 7, reflecting the appropriate costs associated with the investments of the system. This finding is resolved.

The Commission wishes to acknowledge the effort demonstrated by the staff of the Quincy Retirement Board to correct the deficiencies cited in the most recent examination of the system.

Thank you for your continued cooperation in this important matter.

Sincerely,



Joseph E. Connarton
Executive Director

cc: Quincy Retirement Board Members