QUINCY CONTRIBUTORY RETIREMENT SYSTEM

FINANCIAL STATEMENTS AND REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2020

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Financial Statements

December 31, 2020

CONTENTS

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Trustees of
Quincy Contributory Retirement System
Quincy, Massachusetts

Report on the Financial Statements
We have audited the accompanying statement of fiduciary net position of the Quincy Contributory Retirement System (the "System") as of December 31, 2020, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements.

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

Auditors' Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to on the previous page present fairly, in all material respects, the fiduciary net position of the Quincy Contributory Retirement System as of December 31, 2020, and the changes in fiduciary net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated January 20, 2022 on our consideration of the Quincy Contributory Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

January 20, 2022

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Management's Discussion and Analysis (Unaudited)

December 31, 2020

This Management Discussion and Analysis ("MD&A") is prepared by the staff of the Quincy Contributory Retirement System ("QCRS", the "System") for the purpose of providing an introduction to and overview of the System's financial statements and the financial activities represented by them. The MD&A is an annotated table of contents for the financial statements, describing generally the functional and operational context in which the System's financial activities take place and providing a narrative discussion, at an informative level, of those financial activities.

The Quincy Contributory Retirement System is a contributory retirement system within the Commonwealth of Massachusetts. Our primary function is to administer the retirement plan according to the provisions of Massachusetts General Law Chapter 32.

- The benefits are defined for all retirement systems pursuant to Chapter 32 and include: Superannuation, Section 5; Ordinary Disability, Section 6; Accidental Disability, Section 7; Accidental Death, Section 9; and Termination, Section 10.

- Chapter 32 also provides for survivor benefits in the case of an actively employed member and a retired member. As a defined benefit plan, the member's benefits are, for the most part, determined using an age factor for the member's age, years of creditable service, and the last three years' average salary.

Unlike a defined contribution plan, where a member's benefit is determined solely by the members' contributions and the investment return on those contributions, much of the benefit paid by contributory retirement systems in Massachusetts is paid by state and local governments. In general, state or local governments must appropriate sufficient funds each year to cover that year's pension costs, minus any amounts appropriated by the retirement board from its pension reserve fund.

The pension reserve fund is an account maintained by the retirement board to pay future pension liabilities. It is funded primarily through investment income earned on the retirement system's assets. To that amount is added any amount required to be appropriated to pay down future unfunded liabilities.

Every retirement system has three sources of funds:

- Direct appropriation from the governmental unit corresponding to the retirement system
- Payroll deductions from members' salaries
- Income on investments

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Management's Discussion and Analysis (Unaudited) - Continued

December 31, 2020

FINANCIAL REPORTING STRUCTURE AND HIGHLIGHTED OVERVIEW OF THE FINANCIAL STATEMENTS

The System's financial statements, briefly described, comprise the following:

Financial Statements

A statement of fiduciary net position of the Quincy Contributory Retirement System as of December 31, 2020 and the related statement of changes in fiduciary net position for the year then ended.

Notes to Financial Statements

Notes that provide additional information that is essential to a full understanding of the data provided in the financial statements themselves.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in the Net Pension Liability and Related Ratios; the Schedule of Contributions; and the Schedule of Investment Return be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board.

Financial Highlights

The following is a summary of financial statement data for the current and prior fiscal year:

Statement of Fiduciary Net Position

	December 31, 2020	December 31, 2019
Assets		
Cash and equivalents	$ 9,668,362	$ 4,392,670
Pension appropriation receivable	2,927,550	2,394,727
Investments, at fair value	404,908,396	367,461,846
Total Assets	417,504,308	374,249,243
Liabilities:		
Accounts payable	353,638	165,271
Net Position Restricted For Pension Benefits	$ 417,150,670	$ 374,083,972

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Management's Discussion and Analysis (Unaudited) - Continued

December 31, 2020

The System's total assets as of December 31, 2020 were $417,150,670. This is primarily made up of investments, at fair value. Total assets increased by $43,255,065, or 11.56% from the prior year primarily due to favorable returns on the System investments in calendar year 2020.

Changes in Fiduciary Net Position

	December 31, 2020	December 31, 2019
Additions		
Contributions	$ 48,420,554	$ 45,750,044
Investment income (loss), net	47,275,328	54,059,788
Total Additions	95,695,882	99,809,832
Deductions		
Benefits	47,996,105	46,799,618
Refunds	506,502	487,833
Administrative costs	572,652	507,604
Reimbursement to other systems	3,553,925	2,917,029
Total Deductions	52,629,184	50,712,084
Net increase (decrease) in fiduciary net position	43,066,698	49,097,748
Fiduciary net position at beginning of year	374,083,972	324,986,224
Prior Period Adjustment	-	-
Fiduciary net position at end of year	$ 417,150,670	$ 374,083,972

The amount needed to finance benefits is accumulated through collection of employer and employee's contributions and through earnings on the investments. Employer contributions increased by $2,670,510, or 5.84% in fiscal year 2020. The System had net investment income of $47,275,328 and 54,059,788 in 2020 and 2019, respectively. This is primarily due to declining market conditions in fiscal year 2020.

Primary deductions of the System include payments of pension benefits to plan members and beneficiaries, refunds of member contributions, reimbursement payments in accordance with Massachusetts General Law, Chapter 32, Section 3(8)c, and the cost of administering the System. The total deductions increased by $1,917,100, or 3.78% in fiscal year 2020.

REQUESTS FOR INFORMATION

Questions concerning this Management Discussion and Analysis, other parts of the System's financial statements or the System's financial activities should be directed to the Quincy Contributory Retirement System, 1245 Hancock Street, Suite 39, Quincy, Massachusetts 02169 or (617) 376-1075.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Statement of Fiduciary Net Position

December 31, 2020

Assets:	
Cash and equivalents	$ 9,668,362
Pension appropriation receivable	2,927,551
Investments, at fair value	404,908,395
Total Assets	417,504,308
Liability:	
Accounts payable	353,638
Fiduciary Net Position - Restricted for Pension Benefits	$ 417,150,670

The accompanying notes are an integral part of the financial statements.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Statement of Changes in Fiduciary Net Position

For the Year Ended December 31, 2020

Additions:	
Contributions:	
Employer	$ 35,642,220
Plan members	10,630,981
Commonwealth of Massachusetts (COLA)	292,526
Workers' compensation settlements	24,300
Reimbursements from other systems	1,830,527
Total Contributions	48,420,554
Investment Income, net:	
Appreciation in fair value of investments	53,462,927
Investment expense	(6,187,599)
Investment Income, net	47,275,328
Total Additions	95,695,882
Deductions:	
Benefits	47,996,105
Refunds	506,502
Administrative costs	572,652
Reimbursements to other systems	3,553,925
Total Deductions	52,629,184
Increase in Fiduciary Net Position	43,066,698
Fiduciary Net Position, Beginning of Year	374,083,972
Fiduciary Net Position, End of Year	$ 417,150,670

The accompanying notes are an integral part of the financial statements.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Financial Statements

December 31, 2020

Note 1 - **Summary of Plan Information and Provisions**

Plan Description

The Quincy Contributory Retirement System (the "System") is a multi-employer, cost-sharing, defined benefit pension plan established for the employees of the Quincy Housing Authority ("QHA") and the City of Quincy (the "City"), except for school department employees who serve in a teaching capacity. The System provides for retirement, disability and death benefits to plan members and their beneficiaries.

The Governor of Massachusetts declared a state of emergency due to the COVID-19 outbreak from March 2020 to June 2021. The COVID-19 crisis created volatility in the financial markets and uncertainty in the overall economy. Management cannot reasonably estimate the duration or effect on operations.

The Quincy Contributory Retirement System is an integral part of the general-purpose financial statements of the City of Quincy. The System serves as an investment and administrative agent for the City with respect to the pension plan.

Management of the System is vested in the Quincy Contributory Retirement System's Board of Trustees (the "Board"), which consists of five members - two elected by System members, two appointed by the Board, and one ex-officio member. Cost-of-living adjustments ("COLA") are provided at the discretion of the Board.

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

Massachusetts Contributory Retirement System benefits are uniform from system to system, with certain exceptions such as cost-of-living adjustments which can be adopted by the Board from time to time. The System provides for retirement allowance benefits up to a maximum of 80% of a member's highest three-year average rate of regular compensation. For persons who became members on or after April 2, 2012, average salary is the average annual rate of regular compensation received during the five consecutive years that produce the highest average, or, if greater, during the last five years, whether or not consecutive, preceding retirement. Benefit payments are based upon a member's age, length of creditable service, level of compensation, veteran status, cost-of-living adjustments and group classification. There are three classes of membership in the System:

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, firefighters, and other specified hazardous positions.

Members normally become vested after ten years of creditable service. However, if hired prior to 1978, a superannuation retirement allowance may be received at age 55 with no vesting requirement. If hired after January 1, 1978, and before April 2, 2012, a superannuation retirement allowance may be received upon the completion of 20 years of service or upon reaching age 55 with ten years of service. A person who became a member after April 2, 2012, is eligible for a superannuation retirement allowance upon reaching age 60 with ten years of service if in Group 1, 55 years of age with ten years of service if in Group 2, or age 55 in Group 4.

A retirement allowance consists of two parts: an annuity and a pension. A member's accumulated total deductions and the interest they generate constitute the annuity. The differential between the total retirement benefit and the annuity is the pension.

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

The pension portion of any retirement benefit is paid from the Pension Fund of the System. The governmental unit employing the member must annually appropriate and contribute the amount of current-year pension assessment. MGL Chapter 32 requires that systems be on an actuarially determined funding schedule to be fully funded by 2040. Under the current funding schedule, the System will be fully funded by 2037.

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

Employees who resign from service and who are not eligible to receive a retirement allowance or are under the age of 55 are entitled to request a refund of their accumulated total deductions.

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

Membership
Membership in the System is mandatory immediately upon the commencement of employment for all non-teaching, permanent, full-time employees. Part-time, provisional, temporary, seasonal, or intermittent employees who are regularly employed for an average of at least 20 hours per week, minimum of 520 hours, and have completed six months of service must also become members of the System.

The following is a summary of the System's membership data at December 31, 2020:

Retirees and beneficiaries currently receiving benefits	1,478
Terminated employees entitled to benefits but not yet receiving them	261
Fully vested, partially vested and nonvested active employees covered by the System	1,641
Total Members	3,380

Basis of Accounting
The System maintains accounting records and operates under the regulations set forth by the General Laws of the Commonwealth of Massachusetts, Chapter 32. The accompanying financial statements of the System have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the recognized standard-setting body for establishing governmental accounting and financial reporting principles.

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

Use of Estimates
The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions about future events. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as reported amounts of revenues and expenses during the reporting period. Management evaluates the estimates and assumptions on an ongoing basis using historical experience and other factors that management believes to be reasonable under the circumstances. Adjustments to estimates and assumptions are made as facts and circumstances require. As future events and their effects cannot be determined with certainty, actual results may differ from the estimates used in preparing the accompanying financial statements. Significant estimates and assumptions are required as part of determining the value of receivables and determining actuarial valuations and discounts rates used to determine the total pension liability.

Methods Used to Value Investments
Investments are reported at fair value. Fair value is determined by the quoted market price at the close of business on December 31, 2020. Purchases and sales of mutual funds are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded when declared.

Cash and Equivalents
Cash and equivalents are reported at principal balance. Interest income from these investments is recorded as earned. Investments with maturities of three months or less are considered cash equivalents.

Receivables
Receivables consist mainly of member deductions, pension fund appropriations and interest accrued on investments. As of December 31, 2020, management has determined that an allowance for doubtful accounts was not required.

Investment Policy
The System's policy regarding to the allocation of invested assets is established and may be amended by the Quincy Contributory Retirement Board by a majority vote of its members. It is the policy of the Quincy Contributory Retirement Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The System's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans.

Fair Value Hierarchy

The fair value hierarchy categorizes inputs to valuation techniques used to measure fair value into three levels. Level 1 inputs are quoted market prices for identical assets or liabilities in active markets that a government can access at the measurement date. Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for an asset or liability, directly or indirectly. Level 3 inputs are unobservable inputs. The highest priority is assigned to Level 1 inputs and the lowest to Level 3 inputs. If the fair value is measured using inputs from more than one level of the hierarchy, the measurement is considered to be based on the lowest priority input level that is significant to the entire measurement. Valuation techniques used should maximize the use of the observable inputs and minimize the use of unobservable inputs.

The asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following is a description of the valuation methodologies used for assets at fair value on a recurring basis.

Partnerships/Joint Ventures: Based upon the valuation of the funds in which the partnership has invested. The total assets of the funds and the return on the funds are calculated using the official net asset value ("NAV") of the fund, which is used as a practical expedient. The partnerships have various objectives with some investing in private debt, equity and real assets and most have no redemption frequency, notification period or unfunded commitments.

Equity Securities and Mutual Funds: Value based on quoted prices in active markets of similar instruments.

Real Estate Investment Trusts ("REITs"): Value based on quoted prices in active markets of similar instruments.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the System believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Related Party Investments
The Quincy Contributory Retirement System, as of December 31, 2020, held no securities issued by the City or other related parties.

Administrative Costs
Administrative costs are paid by the System through investment income.

Adopted Governmental Accounting Pronouncements
GASB Statement 84, *Fiduciary Activities,* is effective for reporting periods beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The implementation of this Statement did not have a material effect on the financial statements.

New Governmental Accounting Pronouncements
GASB Statement 87 – *Leases* is effective for periods beginning after June 15, 2021. Implementation of this Statement will require lessees to recognize on their statement of net position the rights and obligations resulting from leases categorized as operating leases as assets, liabilities, or deferred inflows / outflows of resources. It provides for an election on leases with terms of less than twelve months to be excluded from this standard.

GASB Statement 92 – *Omnibus 2020* is effective for reporting periods beginning after June 15, 2021. The objective of this Statement is to improve comparability in financial reporting for leases, pensions, OPEB, and asset retirement obligations.

Management has not completed its review of the requirements of these standards and its applicability.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Financial Statements - Continued

December 31, 2020

Note 2 - **Cash Deposits with Financial Institutions**

Custodial credit risk is associated with the failure of a depository financial institution. In the event of a depository financial institution's failure, the System would not be able to recover its balance in excess of amounts insured by the Federal Deposit Insurance Corporation ("FDIC") and other third-party insurance. The System's policy is to mitigate as much custodial risk associated with its cash assets as possible. Deposits in the bank in excess of the insured amounts are uninsured and uncollateralized. Deposits with financial institutions are included as cash and equivalents in the Statement of Fiduciary Net Position. At December 31, 2020, cash at the financial institution was insured by FDIC up to $250,000. Management monitors the financial condition of the banking institution, along with its cash balances to keep this potential risk to a minimum.
Deposits are carried at cost and reflect the following at December 31, 2020:

	Statement of Fiduciary Net Position Carrying Amount	Bank Balance
Cash Reports:		
Insured	$ 500,000	$ 500,000
Uninsured	9,168,362	9,870,079
	$ 9,668,362	$ 10,370,079

Note 3 - **Pension Appropriation Receivable**

The pension appropriation receivable at December 31, 2020 consists mainly of appropriation amounts owed by the Quincy Housing Authority of $1,130,476 and $1,797,075 owed by Quincy College. Both of these balances were received in their entirety during 2021.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Financial Statements - Continued

December 31, 2020

Note 4 - **Investments**

Fair Market Value of Investments

The investments of the System are valued at fair value on a recurring basis. Investments as of December 31, 2020 are summarized in the fair value hierarchy as follows:

	Fair Value	Level 1	Level 2	Level 3
Equity	$ 319,548,161	$ 12,781,987	$ -	$ 306,766,174
Limited Partnerships	53,455,198	-	-	53,455,198
REITs	31,905,036	-	-	31,905,036
Total Investments at Fair Value	$ 404,908,395	$ 12,781,987	$ -	$ 392,126,408

Investment Risk

The System invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market and credit risks. Due to the level of risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect account balances and the amounts reported in the Statement of Fiduciary Net Position.

The following table sets forth a summary of changes in the fair value of the Level 3 investments for the year ended June 30, 2021:

Balance, beginning of year	**$ 353,974,566**
Purchase of investments	**72,366,341**
Realized loss on investments	**(4,448,795)**
Unrealized gain on investments	**51,835,637**
Settlement of liquidated funds	**(81,601,341)**
Balance, end of year	**$ 392,126,408**

Rate of Return
For the year ended December 31, 2020, the annual money-weighted rate of return on the System's investments, net of investment expense, was 12.85%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposit Risk
At December 31, 2020, the System's investment balances are protected up to a total of $500,000 by Securities Investor Protection Corporation, ("SIPC"). The System's investments are held by State Street Bank and Trust Company, an investment custodian, in the System's name.

Concentrations
As of December 31, 2020, the System did not hold investments in any one organization that represents 5% or more of the System's fiduciary net position.

Note 5 - **Net Pension Liability**

Actuarial Assumptions
The total pension liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement that was updated December 31, 2020:

Inflation rate	3.00%
Cost-of-living adjustment	3.00% of $15,000
Salary increases	3.75% ultimate rate
Investment rate of return	7.25%
Actuarial cost method	Entry Age Normal Cost Method

Mortality rates were based on the RP-2014 mortality table adjusted to 2006, projected generationally using MP-2019.

The actuarial assumptions used in the January 1, 2020 valuation were based on the results of an actuarial experience study for the period of January 1, 2019 to December 31, 2019.

Net Pension Liability

The components of the net pension liability at December 31, 2020 are as follows:

Total pension liability	$ 815,929,608
Fiduciary net position	(417,150,670)
Net pension liability	$ 398,778,938
Fiduciary net position as a percentage of the total pension liability	51.1%

Rate of Return

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

Best estimates of arithmetic real rates of return for each major asset class included in the System's target asset allocation as of December 31, 2020 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Equity	24.0	4.60
Developed Foreign Equity	13.0	4.90
Emerging Market Equity	12.0	5.88
Private Equity	10.0	6.86
High Yield Bonds	6.0	2.06
Bank Loans	2.0	1.86
Emerging Market Bonds	2.0	1.76
Investment Grade Bonds	5.0	-0.29
Long-Term Government Bonds	7.0	0.39
TIPS	4.0	-0.29
Real Estate	10.0	4.70
Natural Resources	3.0	6.07
Core Infrastructure	2.0	4.80
Total Return	100.0%	

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Financial Statements - Continued

December 31, 2020

Discount Rate
The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on System's plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity Analysis
Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability as of December 31, 2020, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Net pension liability	$ 483,867,153	$ 398,778,938	$ 326,359,601

Note 6 - **Lease Commitments**

The System occupies its office facilities under a lease agreement that expires in June 2022. The lease requires monthly payments ranging from $2,300 to $3,000 plus other related expenses. Rent expense for the year ended December 31, 2020 was $32,650.

Future minimum lease payments subsequent to December 31, 2020, are as follows:

Years Ending December 31,	
2021	34,500
2022	15,000
Total	$ 49,500

Note 7 - **Contingencies**

There are various pending claims arising in the ordinary course of operations; however, management believes that the probable liability resulting from such claims and litigation would not materially affect the System's financial position.

Note 8 - **Subsequent Event**

Subsequent to year end the City of Quincy issued bonds in the amount of $475,000,000 and used the proceeds from these bonds to fund the Retirement System.

REQUIRED SUPPLEMENTARY INFORMATION

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Changes in the Net Pension Liability and Related Ratios (Unaudited)

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Total Pension Liability:										
Service cost	$ 14,786,426	$ 14,217,717	$ 13,670,881	$ 12,661,777	$ 12,174,786	$ 10,038,512	$ 10,424,753			
Interest	57,982,177	56,302,371	53,008,861	53,165,588	51,660,742	51,092,338	49,770,644			
Changes of benefit terms	7,251,751	-	-	-	-	3,078,458	-	(Historical information prior to implementation of GASB 67 is not r		
Differences between expected and actual experience	(6,534,048)	-	(10,089,925)	-	-	1,858,637	-			
Changes of assumptions	9,088,622	-	33,835,300	-	-	3,665,324	-			
Benefit payments, including refunds of member contributions	(49,909,179)	(47,473,576)	(46,643,416)	(45,475,055)	(44,335,235)	(43,531,889)	(43,044,059)			
Net Change in Total Pension Liability	32,665,749	23,046,512	43,781,701	20,352,310	19,500,293	26,201,380	17,151,338			
Total Pension Liability, Beginning of Year	783,263,859	760,217,347	716,435,646	696,083,336	676,583,043	650,381,663	633,230,325			
Total Pension Liability, End of Year	815,929,608	783,263,859	760,217,347	716,435,646	696,083,336	676,583,043	650,381,663			
Fiduciary Net Position:										
Contributions - employer	35,642,220	32,789,500	30,850,704	28,410,468	26,077,326	24,784,041	23,673,089			
Contributions - member	10,630,981	10,229,640	9,543,107	9,439,683	8,729,596	8,503,208	8,661,380			
Net investment income (loss)	47,275,328	54,059,788	(10,604,727)	57,894,014	9,118,144	156,718	13,166,200			
Benefit payments, including refunds of member contributions	(49,909,179)	(47,473,576)	(46,643,416)	(45,475,055)	(44,335,235)	(43,531,889)	(43,044,059)			
Administrative expense	(572,652)	(507,604)	(498,132)	(463,169)	(466,625)	(461,545)	(611,927)			
Other changes	-	-	(1,864,754)	-	-	-	-			
Net Change in Fiduciary Net Position	43,066,698	49,097,748	(19,217,218)	49,805,941	(876,794)	(10,549,467)	1,844,683			
Fiduciary Net Position, Beginning of Year	374,083,972	324,986,224	344,203,442	294,397,501	295,274,295	305,823,762	303,979,079			
Fiduciary Net Position, End of Year	417,150,670	374,083,972	324,986,224	344,203,442	294,397,501	295,274,295	305,823,762			
Net Pension Liability, End of Year	$ 398,778,938	$ 409,179,887	$ 435,231,123	$ 372,232,204	$ 401,685,835	$ 381,308,748	$ 344,557,901			
Fiduciary net position as a percentage of the total pension liability	51.1%	47.8%	42.7%	48.0%	42.3%	43.6%	47.0%			
Covered payroll	$ 106,483,560	$ 103,475,444	$ 98,970,327	$ 96,535,798	$ 92,374,654	$ 87,269,494	$ 83,775,407			
Net pension liability as a percentage of covered payroll	374.5%	395.4%	439.8%	385.6%	434.8%	436.9%	411.3%			

Note: Information is provided by the System's actuary.

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Contributions (Unaudited)

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined contribution	$ 35,642,220	$ 32,789,500	$ 30,842,375	$ 28,360,805	$ 26,078,901	$ 24,742,790	$ 23,626,173			
Contributions in relation to the actuarially determined contribution	(35,642,220)	(32,789,500)	(30,842,375)	(28,360,805)	(26,078,901)	(24,742,790)	(23,626,173)			
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -			
Covered payroll	$ 106,483,560	$ 103,475,444	$ 98,970,327	$ 96,535,798	$ 92,374,654	$ 87,269,494	$ 85,522,289			
Contributions as a percentage of covered payroll	33.47%	31.69%	31.16%	29.38%	28.23%	28.35%	27.63%			

(Historical information prior to implementation of GASB 67 is not required)

Notes to Schedule

Methods and assumptions used to determine contribution rates:

Valuation date:	January 1, 2020
Actuarial cost method	Entry age normal
Amortization method	Varying contribution increases
Remaining amortization period	18 years for the fresh start base
Asset valuation method	Fair market value
Salary increases	3.75% ultimate rate
Investment rate of return	7.25% per year
Cost-of-living adjustment	3% of $15,000

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Investment Return (Unaudited)

Last 10 Fiscal Years

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Annual money-weighted rate of return, net of investment expense	12.85%	16.11%	-3.09%	20.16%	3.15%	0.07%	4.18%	(Historical information prior to implementation of GASB 67 is not required)		

See notes to the Required Supplementary Information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Required Supplementary Information (Unaudited)

For the Year Ended December 31, 2020

Note 1 - **Changes in the Net Pension Liability and Related Ratios**

The Schedule of Changes in the Net Pension Liability and Related Ratios includes the detailed changes in the System's total pension liability, changes in the System's net position, and the ending net pension liability. It also presents the Plan's net position as a percentage of the total pension liability and the net pension liability as a percentage of covered payroll. Covered payroll consisted of $106,483,560 and $103,475,444 as of December 31, 2020 and 2019, respectively.

Note 2 - **Contributions**

Employers are required to pay an annual appropriation as established by PERAC. The total appropriation includes the amounts to pay the pension portion of each member's retirement allowance, an amount to amortize the actuarially determined unfunded liability to zero in accordance with the System's funding schedule, and additional appropriations in accordance with adopted early retirement incentive programs. The total appropriations are payable on July 1 and January 1. Employers may choose to pay the entire appropriation in July at a discounted rate.

Note 3 - **Money-Weighted Rate of Return**

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

Note 4 - **Changes of Assumptions**

The January 1, 2020 actuarial valuation included an update of the mortality assumption, and a reduction of the discount rate from 7.50% to 7.25%. These changes increased the Total Pension Liability by $9.1 million. The 2020 valuation also reflected an increase of the COLA Base, from $13,000 to $15,000; this increased the Net Pension Liability by $7.3 million.

Note 5 - **Changes of Plan Provisions**

None.

SUPPLEMENTAL INFORMATION

INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTAL INFORMATION

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

We have audited the accompanying schedule of employer allocations and the rows titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense (the "specific rows") included in the Schedule of Pension Amounts by Employer and the related notes to the schedules of the Quincy Contributory Retirement System (the "System"), as of and for the year ended December 31, 2020.

Management's Responsibility for the Schedules

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

Auditors' Responsibility

Our responsibility is to express an opinion on the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer are free from material misstatement.

Our audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified row totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and specified row totals included in the schedule of pension amounts by employer.

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

Opinion

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense for all participating entities of the Quincy Contributory Retirement System as of and for the year ended December 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

Report on Audited Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America, the financial statements of Quincy Contributory Retirement System as of and for the year ended December 31, 2020, and our report thereon dated January 20, 2022, expressed an unmodified opinion on those financial statements.

Restriction on Use

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

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

January 20, 2022

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Employer Allocations

December 31, 2020

Employer	Fiscal Year 2021 Appropriations (Excluding ERI) *	Employer Allocation Percentage
City of Quincy (excluding Quincy College)	$ 28,419,849	95.50%
Quincy Housing Authority	1,339,155	4.50%
Total	$ 29,759,004	100.00%

* - This amount represents fiscal year 2021 appropriations that are not related to early retirement incentive ("ERI") payments.

See notes to supplemental information.

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Schedule of Pension Amounts by Employer

For the Year Ended December 31, 2020

	Employer			
	City of Quincy (excluding Quincy College)	Quincy College	Quincy Housing Authority	Total
Net Pension Liability	$ 363,894,330	$ 19,608,482	$ 15,276,127	$ 398,778,939
Covered Payroll	$ 95,454,762	$ 6,443,332	$ 4,585,466	$ 106,483,560
Deferred Outflows of Resources:				
Changes in assumptions	$ 16,742,361	$ 902,164	$ 702,837	$ 18,347,362
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,668,959	269,996	1,029,338	2,968,293
Total Deferred Outflows of Resources	$ 18,411,320	$ 1,172,160	$ 1,732,175	$ 21,315,655
Deferred Inflows of Resources:				
Differences between expected and actual experience	$ 7,706,559	$ 415,269	$ 323,518	$ 8,445,346
Net difference between projected and actual investment earnings on pension plan investments	23,809,608	1,282,983	999,517	26,092,108
Changes in proportion and differences between employer contributions and proportionate share of contributions	349,888	1,989,264	629,140	2,968,292
Total Deferred Inflows of Resources	$ 31,866,055	$ 3,687,516	$ 1,952,175	$ 37,505,746
Pension Expense:				
Proportionate share of plan pension expense	$ 37,286,531	$ 2,009,188	$ 1,565,272	$ 40,860,991
Net amortization of deferred amounts from changes in proportion and differences between employer contributions and proportionate share of contributions	1,123,223	(963,160)	(160,063)	-
Total Employer Pension Expense	$ 38,409,754	$ 1,046,028	$ 1,405,209	$ 40,860,991
Discount Rate Sensitivity of Net Pension Liability:				
1% decrease (6.25%)	$ 440,998,793	$ 23,763,264	$ 19,105,096	$ 483,867,153
Current discount rate (7.25%)	363,894,330	19,608,482	15,276,127	398,778,939
1% increase (8.25%)	298,270,034	16,072,311	12,017,256	326,359,601
Schedule of Contributions:				
Statutorily required contribution	$ 32,403,793	$ 1,797,075	$ 1,441,352	$ 35,642,220
Contribution in relation to statutorily required contribution	(32,403,793)	(1,797,075)	(1,441,352)	(35,642,220)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Contribution as a percentage of covered payroll	33.9%	27.9%	31.4%	33.5%
Deferred (Inflows) Outflows of Resources Recognized in Future Pension Expense:				
December 30, 2020	$ (3,112,450)	$ (606,667)	$ (159,104)	$ (3,878,221)
December 30, 2021	1,037,054	(616,127)	140,799	561,726
December 30, 2022	(8,217,905)	(936,569)	(127,593)	(9,282,067)
December 30, 2023	(3,161,434)	(355,993)	(74,102)	(3,591,529)
Total Deferred (Inflows) Outflows of Resources	$ (13,454,735)	$ (2,515,356)	$ (220,000)	$ (16,190,091)

QUINCY CONTRIBUTORY RETIREMENT SYSTEM

Notes to the Supplemental Information

For the Year Ended December 31, 2020

Note 1 - **Schedule of Employer Allocations**

Governmental Accounting Standards Board ("GASB") Statement No. 68 requires employers participating in a cost-sharing pension plan to recognize pension liabilities as employees provide services to the government and earn their pension benefits. Employers participating in cost-sharing plans are required to recognize their proportionate share of the plan's collective pension amounts for all benefits provided through the plan including the net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense.

GASB Statement No. 68 requires the allocation of the collective pension amounts to be consistent with the manner in which contributions to the plan are determined. As permissible under GASB Statement No. 68, the Schedule of Employer Allocations is used to demonstrate the allocation of Quincy Contributory Retirement System's (the "System") collective pension amounts. The allocation is based upon the same manner as the portion of the fiscal year 2021 appropriation that is not related to early retirement incentive ("ERI") payments. The liability related to future ERI payments was removed from the collective net pension liability, with the remainder of the net pension liability allocated using the same employer percentages as the non-ERI portion of the fiscal year 2021 appropriation.

Note 2 - **Schedule of Pension Amounts by Employer**

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

Under GASB 68, the difference between projected and actual investment earnings gains and losses on investments are deferred and amortized over a 5-year straight-line method. Differences between expected and actual economic experience, changes in assumptions and proportionate share of changes use a straight-line amortization method over the average expected remaining services lives of active members compared to all active, inactive and retired members.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

O'Connor & Drew P.C.
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Trustees of
Quincy Contributory Retirement System
Quincy, Massachusetts

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States of America, the financial statements of Quincy Contributory Retirement System (the "System"), which comprise the Statement of Fiduciary Net Position as of December 31, 2020, the related Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, and we have issued our report thereon January 20, 2022.

Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

O'Connor + Drew, P.C.

Certified Public Accountants
Braintree, Massachusetts

January 20, 2022