

Annual Statement

**OF THE FINANCIAL CONDITION
OF THE FALMOUTH RETIREMENT SYSTEM
TO THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
FOR THE YEAR ENDED 12/31/2014**

Annual Statement for the Year Ended December 31, 2014 of the conditions and Affairs of the Falmouth Retirement System.

Organized Under the Laws of the Commonwealth of Massachusetts to the Public Employee Retirement Administration Commission.

Date of Certificate 02/14/1941

Effective Date 07/01/1941

ADMINISTRATION OFFICE

80 Davis Straits, Suite 102
Street & Number

Falmouth, MA 02540
City/Town, State and Zip Code

(508) 457-0578
Telephone Number

We, the undersigned, members of the Falmouth Retirement System certify under penalties of perjury, that that we are the official board members of said retirement system, and that on the thirty-first date of December last, all of the herein-described assets were the absolute property of said retirement system, free and clear from any liens or claims thereon, except as stated, and the following statements, with the schedules and explanations therein contained, annexed, or referred to, are a full and correct exhibit of all of the assets, liabilities, income and disbursements, changes in fund balances, and the conditions and affairs of said retirement system on the said thirty-first date of December last, and for the year ended on that date, according to the best of our information, knowledge, and belief respectively.

Board Of Retirement

Ex-Officio Member

Jennifer P. Petit
(Name)


(Signature)

Appointed Member

Gary W. Anderson
(Name)

Term Expires


(Signature)

Elected Member

Russell R. Ferreira
(Name)

Term Expires 10/30/2016


(Signature)

Elected Member

Paul D. Brodeur (Chairman)
(Name)

Term Expires 12/03/2017


(Signature)

Member Appointed by Other Members

Ellen K. Philbin
(Name)

Term Expires 06/30/2015


(Signature)

Investment Managers

Managers Listed on Next Page

Investment Consultant

Wainwright Investment Counsel, LLC

One Boston Place, 41st Floor, Boston MA 02108

Custodian

State Street Bank

801 Pennsylvania Ave, Kansas City MO 64105



Falmouth Retirement System

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TELEPHONE: (508) 457-0578

FACSIMILE: (508) 540-9962

WWW.FALMOUTHRETIREMENT.ORG

2014 Investment Managers

Baring Asset Management, Inc.

Independence Wharf
470 Atlantic Avenue
Boston, MA 02210-2208

Denver Investments / Bee & Associates

1225 Seventeenth Street, 26th Floor
Denver, CO 80202

Dimensional Fund Advisors

6300 Bee Cave Road, Building One
Austin, TX 78746

Earnest Partners

1180 Peachtree Street, Suite 2300
Atlanta, GA 30309

Intercontinental Real Estate Corporation

1270 Soldiers Field Road
Boston, MA 02135-1003

INVESCO

100 Federal Street, 28th Floor
Boston, MA 02110

Lexington Partners, Inc.

660 Madison Avenue
New York, NY 10021

Metropolitan Real Estate Equity Management, L.L.C.

135 East 57th Street, 16th Floor
New York, NY 10022

Principal Global Investors, L.L.C.

4755 North Outer 40 Road, Suite 108
Chesterfield, MO 63017

P.R.I.M. Board

84 State Street
Boston, MA 02109

RhumbLine Advisers

265 Franklin Street, 21st Floor
Boston, MA 02110

Siguler Guff & Company, L.L.C.

825 Third Avenue, 10th Floor
New York, NY 10022

State Street Global Advisors

State Street Financial Center
One Lincoln Street
Boston, MA 02111

Seizert Capital Partners

185 Oakland Avenue, Suite 100
Birmingham, MI 48009

Lee Munder Capital Group

200 Clarendon Street, 28th Floor
Boston, MA 02116

Mesirow Financial Services, Inc.

350 North Clark Street
Chicago, IL 60610

H.G.K. Asset Management, Inc.

Newport Tower
525 Washington Boulevard
Jersey City, NJ 07310

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	111,345,657.78
Income Current Year	17,749,300.24
Disbursements Current Year	11,099,726.87
Assets Current Year	117,995,231.15

2. ASSET DIFFERENCE

Assets Current Year	117,995,231.15
Assets Previous Year	111,345,657.78
Difference	6,649,573.37

3. INCOME DIFFERENCE

Income Current Year	17,749,300.24
Disbursements Current Year	11,099,726.87
Difference	6,649,573.37

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	29,044,568.26
Total Fund Change Debits Current Year	-22,394,994.89
Difference	6,649,573.37

Note: The difference as a result of tests 2, 3 and 4 should be the same.

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

ASSETS & LIABILITIES

	<u>2014</u>	<u>2013</u>	<u>2012</u>
1. 1040 Cash	2,738,996.63	2,178,705.62	4,515,737.05
2. 1100 Short Term Investments	0.00	0.00	0.00
3. 1180 Fixed Income Securities	0.00	0.00	0.00
4. 1170 Equities	25,056,899.24	25,602,189.53	17,924,853.05
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	25,148,607.89	22,472,458.25	16,763,600.84
7. 1173 Pooled International Equity Funds	12,643,710.21	14,456,347.02	12,651,994.70
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	20,373,289.06	14,848,528.57	12,518,790.78
10. 1182 Pooled International Fixed Income Funds	1,392,238.21	1,437,534.00	1,498,412.39
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	7,286,941.75	8,489,973.75	9,478,827.02
13. 1194 Pooled Real Estate Funds	9,930,337.30	7,036,040.29	10,754,792.05
14. 1195 Pooled Domestic Balanced Funds	0.00	0.00	0.00
15. 1196 Pooled International Balanced Funds	0.00	0.00	0.00
16. 1197 Hedge Funds	10,184,809.42	9,645,633.74	8,570,778.00
17. 1198 PRIT Cash	0.00	0.00	0.00
18. 1199 PRIT Fund	0.00	0.00	0.00
19. 1550 Interest Due and Accrued	0.00	255.69	255.69
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	3,340,500.39	5,372,029.08	217,315.91
22. 1910 Land	0.00	0.00	0.00
23. 1920 Buildings	0.00	0.00	0.00
24. 1929 Accumulated Depreciation – Buildings	0.00	0.00	0.00
25. 2020 Accounts Payable (A)	(-101,098.95)	(-194,944.46)	(-189,198.14)
TOTAL	<u>117,995,231.15</u>	<u>111,344,751.08</u>	<u>94,706,159.34</u>
FUNDS			
1. 3293 Annuity Savings Fund	29,827,728.99	28,486,626.50	28,594,910.72
2. 3294 Annuity Reserve Fund	9,210,992.15	9,210,678.77	8,300,426.67
3. 3295 Military Service Fund	10,252.71	10,242.47	10,232.24
4. 3296 Pension Fund	8,646,248.48	-164,269.46	84,863.29
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	70,300,008.82	73,802,379.50	57,715,726.42
TOTAL ASSETS AT MARKET VALUE	<u>117,995,231.15</u>	<u>111,345,657.78</u>	<u>94,706,159.34</u>

(A) Specific details for Accounts Receivable and Accounts Payable are to be disclosed on Schedule A

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

RECEIPTS

I. Annuity Savings Fund:	2014	2013	2012
(a) 4891 Members' Deductions	2,709,192.26	2,589,577.90	2,485,189.52
(b) 4892 Transfers from Other Systems	245,958.01	145,071.77	75,475.49
(c) 4893 Member Make Up Payments and Redeposits	48,027.12	71,780.07	41,581.81
(d) 4900 Member Payments from Rollovers	11,162.21	18,865.51	21,612.54
(e) Investment Income Credited to Members' Accounts	45,999.99	55,619.84	41,492.40
Subtotal	3,060,339.59	2,880,915.09	2,665,351.76
2. Annuity Reserve Fund:			
(a) 4750 Recovery of Annuity from Reinstatement	0.00	0.00	0.00
(b) Investment Income Credited to Annuity Reserve Fund	270,979.39	258,756.03	238,776.97
Subtotal	270,979.39	258,756.03	238,776.97
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	217,906.66	139,920.76	135,577.58
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	79,235.74	94,674.30	165,862.90
(c) 4894 Pension Fund Appropriation	6,617,943.00	6,350,372.00	5,823,935.00
(d) 4840 Workers Compensation Settlement	11,000.00	7,000.00	0.00
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	0.00	0.00	464.66
Subtotal	6,926,085.40	6,591,967.06	6,125,840.14
4. Military Service Fund:			
(a) 4890 Contributions Received from Municipality	0.00	0.00	0.00
(b) Investment Income Credited	10.24	10.23	10.22
Subtotal	10.24	10.23	10.22
5. Expense Fund:			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	945,005.93	941,886.63	748,620.44
Subtotal	945,005.93	941,886.63	748,620.44
6. Pension Reserve Fund:			
(a) 4897 Federal Grant Reimbursement	4,664.00	5,031.00	4,914.00
(b) 4895 Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 Interest Not Refunded	5,607.98	2,885.78	2,181.33
(d) 4825 Miscellaneous Income	0.00	0.00	0.00
(e) Excess Investment Income	6,536,607.71	17,040,229.00	10,514,192.64
Subtotal	6,546,879.69	17,048,145.78	10,521,287.97
TOTAL RECEIPTS	17,749,300.24	27,721,680.82	20,299,887.50

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

DISBURSEMENTS

	2014	2013	2012
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	345,872.83	514,783.19	386,063.98
(b) 5756 Transfers to Other Systems	127,346.62	433,412.24	238,999.94
Subtotal	<u>473,219.45</u>	<u>948,195.43</u>	<u>625,063.92</u>
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	1,516,681.03	1,390,414.51	1,236,482.55
(b) 5759 Option B Refunds	0.00	0.00	0.00
Subtotal	<u>1,516,681.03</u>	<u>1,390,414.51</u>	<u>1,236,482.55</u>
3. Pension Fund:			
(a) 5751 Pensions Paid	7,940,833.03	7,593,413.07	7,122,910.08
Regular Pension Payments	6,059,330.02	5,754,817.47	5,313,325.69
Survivorship Payments	333,188.67	317,966.12	283,791.11
Ordinary Disability Payments	72,790.32	71,710.32	70,630.32
Accidental Disability Payments	1,312,894.30	1,289,033.80	1,294,753.02
Accidental Death Payments	127,566.38	125,646.90	123,628.74
Section 101 Benefits	35,063.34	34,238.46	36,781.20
(b) 5755 3(8)(c) Reimbursements To Other Systems	223,987.43	208,272.74	155,124.94
(c) 5752 COLAs Paid	0.00	0.00	0.00
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
Subtotal	<u>8,164,820.46</u>	<u>7,801,685.81</u>	<u>7,278,035.02</u>
4. Military Service Fund:			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
Subtotal	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
5. Expense Fund:			
(a) 5118 Board Member Stipend	2,250.00	3,000.00	3,000.00
(b) 5119 Salaries	152,173.20	141,496.40	135,947.60
(c) 5304 Management Fees	503,363.55	509,407.19	412,906.12
(d) 5305 Custodial Fees	56,669.30	55,174.73	38,871.23
(e) 5307 Investment Consultant Fees	100,000.00	72,500.00	70,000.00
(f) 5308 Legal Expenses	16,290.77	28,515.47	20,039.44
(g) 5309 Medical Expenses	174.62	95.00	393.07
(h) 5310 Fiduciary Insurance	5,714.00	5,444.00	5,436.00
(i) 5311 Service Contracts	28,431.65	27,703.21	26,226.30
(j) 5312 Rent Expense	37,950.00	27,836.68	14,624.00
(k) 5315 Professional Services	0.00	8,000.00	8,000.00
(l) 5316 Actuarial Services	0.00	0.00	0.00
(k) 5317 Accounting Services	8,000.00	0.00	0.00
(n) 5320 Education And Training	2,270.00	1,975.00	1,210.00
(o) 5589 Administrative Expenses	17,438.29	34,251.54	10,182.85
(p) 5599 Furniture and Equipment	13,321.09	24,603.87	0.00
(q) 5719 Travel	959.46	1,883.54	1,783.83
(r) 5829 Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	<u>945,005.93</u>	<u>941,886.63</u>	<u>748,620.44</u>
TOTAL DISBURSEMENTS	<u>11,099,726.87</u>	<u>11,082,182.38</u>	<u>9,888,201.93</u>

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

INVESTMENT INCOME

	2014	2013	2012
Investment Income received from:			
(a) Cash (from Schedule 1)	3,590.14	1,139.75	4,501.73
(b) Short Term Investments (from Schedule 2)	0.00	0.00	0.00
(c) Fixed Income Securities (from Schedules 3A and 3C)	0.00	0.00	0.00
(d) Equities (from Schedules 4A and 4C)	330,458.41	246,903.48	302,153.31
(e) Pooled Funds (from Schedule 5)	1,237,839.37	905,903.72	622,454.51
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	1,571,887.92	1,153,946.95	929,109.55
Plus:			
4884 Realized Gains (Profits)	2,903,306.48	5,177,777.73	1,120,132.84
4886 Unrealized Gains (Increase in Market Value)	12,838,731.72	19,234,837.37	14,593,496.38
1550 Interest Due & Accrued on Fixed Income Securities at End Of Current Year	0.00	0.00	0.00
Less:			
4823 Paid Accrued Interest on Fixed Income Securities	0.00	0.00	0.00
4885 Realized Losses	1,120,862.99	97,529.60	406,416.19
4887 Unrealized Losses (Decrease in Market Value)	8,394,204.18	7,172,530.72	4,693,200.37
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	255.69	0.00	29.54
NET INVESTMENT INCOME	7,798,603.26	18,296,501.73	11,543,092.67
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	45,999.99	55,619.84	41,492.40
Annuity Reserve Fund	270,979.39	258,756.03	238,776.97
Expense Fund	945,005.93	941,886.63	748,620.44
Military Service Fund	10.24	10.23	10.22
TOTAL INCOME REQUIRED	1,261,995.55	1,256,272.73	1,028,900.03
Net Investment Income	7,798,603.26	18,296,501.73	11,543,092.67
Less Income Required	1,261,995.55	1,256,272.73	1,028,900.03
EXCESS INCOME TO PENSION RESERVE FUND	6,536,607.71	17,040,229.00	10,514,192.64

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS

	Group 1	Group 2 & 4	TOTAL
Active Membership, Dec. 31st, Previous Year	453	122	575
Inactive Membership, Dec. 31st, Previous Year	116	13	129
Enrolled During Current Year	33	7	40
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	33	7	40
Deduct:			
Death	1	0	1
Withdrawals	26	5	31
Retirements	12	4	16
SUBTOTAL	39	9	48
Active Membership, Dec. 31st, Current Year	455	122	577
Inactive Membership, Dec. 31st, Current Year	108	11	119

RETIRED MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	266	107	373
Retirements During the Year			
Superannuation	10	4	14
Ordinary Disability	0	0	0
Accidental Disability	1	0	1
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	0	0	0
Survivor Benefits from Active Membership	1	0	1
SUBTOTAL	12	4	16
Deduct:			
Deaths of Retired Members	13	2	15
Termination of Survivor Benefits	2	2	4
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	15	4	19
Retired Membership, Dec. 31st, Current Year			
Superannuation	228	64	292
Ordinary Disability	0	3	3
Accidental Disability	12	30	42
Termination	0	0	0
Beneficiaries from Accidental Deaths	2	3	5
Beneficiaries from Section 100	0	0	0
Beneficiaries from Section 101	1	2	3
Beneficiaries under Option C	11	4	15
Option (D) Survivor Allowance	9	1	10
Section 12B Survivor Allowance	0	0	0
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	263	107	370
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	826	240	1,066

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2014.

Schedule A: Detail of Accounts Receivable and Accounts Payable

Accounts Receivable	Amount	Original Date
4751 Recovery of Pension from Reinstatement	0 00	
4840 Workers Compensation Settlements	0 00	
4841 Recovery of 91A Overearnings	0 00	
4891 Members Deductions	0 00	
4892 Transfers From Other Systems	0 00	
4893 Member Make Up Payments and Redeposits	0 00	
4900 Member Payments from Rollovers	0 00	
4898 3(8)(c) Reimbursements from Other Systems	0 00	
4899 Received from Commonwealth for COLA and Survivor Benefits	0 00	
4884 Realized Gain on Sale of Investments	0 00	
4894 Pension Fund Appropriation (Current Fiscal Year)	3,308,971.50	12/31/2014
4894 Pension Fund Appropriation (Previous Fiscal Year)	0 00	
4890 Contributions Received from Municipality on Account of Military Service	0 00	
4897 Federal Grant Reimbursement	0 00	
4895 Pension Reserve Appropriation	0 00	
Investments Sold But Funds Not Received (list individually)		
Estate of John Teixeira	68.40	12/31/2014
Estate of Eleanor Mendoza	5,472.56	12/31/2014
Estate of Stella Gervais	197.63	12/31/2014
December Open Trades - Earnest Partners	25,790.30	12/31/2014
TOTAL RECEIVABLES	3,340,500.39	
Accounts Payable		
5316 Actuarial Services	0.00	
5317 Accounting Services	0.00	
5320 Education and Training	0.00	
5757 Refunds to Members	0.00	
5756 Transfers to Other Systems	0.00	
5750 Annuities Paid	0.00	
5759 Option B Refund	0.00	
5751 Pensions Paid	0.00	
5755 3(8)(c) Reimbursements to Other Systems	0.00	
5752 COLAs Paid	0.00	
5753 Chapter 389 Beneficiary Increase Paid	0.00	
4885 Realized Loss on Sale of Investments	0.00	
4890 Return to Municipality for Members Who Withdrew Their Funds	0.00	
5118 Board Members' Stipend	0.00	
5119 Salaries	0.00	
5304 Management Fees	-60,273.72	12/31/2014
5305 Custodial Fees	-9,627.81	12/31/2014
5307 Investment Consultant Fees	-25,000.00	12/31/2014
5308 Legal Expenses	0.00	
5309 Medical Expenses	0.00	
5310 Fiduciary Insurance	0.00	
5311 Service Contracts	0.00	
5312 Rent Expense	0.00	
5315 Professional Services Expense	0.00	
5589 Administrative Expenses	0.00	
5599 Furniture and Equipment	-6,197.42	12/31/2014
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)		
	0.00	
	0.00	
	0.00	
TOTAL PAYABLES	-101,098.95	