

Annual Statement

OF THE FINANCIAL CONDITION
OF THE FALMOUTH RETIREMENT SYSTEM
TO THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION
FOR THE YEAR ENDED 12/31/2015

Annual Statement for the Year Ended December 31, 2015 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

Term Expires _____

Gary W. Anderson
(Name)


(Signature)

Elected Member

Term Expires 10/30/2016

Russell R. Ferreira
(Name)


(Signature)

Elected Member

Term Expires 12/03/2017

Paul D. Brodeur (Chairman)
(Name)


(Signature)

Member Appointed by Other Members

Term Expires 06/30/2018

Ellen K. Philbin
(Name)


(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

2015 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

LMCG Investments, L.L.C.

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 of the Falmouth Retirement System for the Year Ended December 31, 2015.

ANNUAL STATEMENT BALANCE TESTS

1. ASSET BALANCE

Assets Previous Year	117,995,231.15
Income Current Year	<u>10,862,267.45</u>
Disbursements Current Year	<u>11,675,761.22</u>
Assets Current Year	<u>117,181,737.38</u>

2. ASSET DIFFERENCE

Assets Current Year	117,181,737.38
Assets Previous Year	<u>117,995,231.15</u>
Difference	<u>-813,493.77</u>

3. INCOME DIFFERENCE

Income Current Year	10,862,267.45
Disbursements Current Year	<u>11,675,761.22</u>
Difference	<u>-813,493.77</u>

4. FUND CHANGE DIFFERENCE

Total Fund Change Credits Current Year	14,539,346.81
Total Fund Change Debits Current Year	<u>-15,352,840.58</u>
Difference	<u>-813,493.77</u>

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, 2015.

ASSETS & LIABILITIES

	2015	2014	2013
1. 1040 Cash	2,052,625.73	2,738,996.63	2,178,705.62
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	21,496,780.39	25,056,899.24	25,602,189.53
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	21,932,034.26	25,148,607.89	22,472,458.25
7. 1173 Pooled International Equity Funds	17,119,770.22	12,643,710.21	14,456,347.02
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	19,877,137.35	20,373,289.06	14,848,528.57
10. 1182 Pooled International Fixed Income Funds	2,785,174.96	1,392,238.21	1,437,534.00
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	6,069,378.75	7,286,941.75	8,489,973.75
13. 1194 Pooled Real Estate Funds	11,285,793.03	9,930,337.30	7,036,040.29
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	11,185,173.66	10,184,809.42	9,645,633.74
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	0.00	255.69
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	3,474,400.00	3,340,500.39	5,372,029.08
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)	(-96,530.97)	(-101,098.95)	(-194,944.46)
TOTAL	117,181,737.38	117,995,231.15	111,344,751.08
FUNDS			
1. 3293 Annuity Savings Fund	30,103,944.19	29,827,728.99	28,486,626.50
2. 3294 Annuity Reserve Fund	10,081,998.88	9,210,992.15	9,210,678.77
3. 3295 Military Service Fund	10,262.96	10,252.71	10,242.47
4. 3296 Pension Fund	8,637,513.63	8,646,248.48	-164,269.46
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	68,348,017.72	70,300,008.82	73,802,379.50
TOTAL ASSETS AT MARKET VALUE	117,181,737.38	117,995,231.15	111,345,657.78

(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, 2015.

	Balance Dec. 31 Prior year	Receipts	Interfund Transfers	Disbursements	Balance Dec.31 Current Year
Annuity Savings Fund	29,827,728.99	2,945,624.01	-2,213,600.91	-455,807.90	30,103,944.19
Annuity Reserve Fund	9,210,992.15	285,790.00	2,213,581.36	-1,628,364.63	10,081,998.88
Pension Fund	8,646,248.48	7,156,973.95	1,463,498.00	-8,629,206.80	8,637,513.63
Military Service Fund	10,252.71	10.25	0.00	0.00	10,262.96
Expense Fund	0.00	962,381.89	0.00	-962,381.89	0.00
Pension Reserve Fund	70,300,008.82	-488,512.65	-1,463,478.45	0.00	68,348,017.72
Total All Funds	117,995,231.15	10,862,267.45	- 0 -	-11,675,761.22	117,181,737.38

List below all transfers:

Xfer from	Annuity Savings Fund	to	Annuity Reserve Fund	in the amt of	2,213,581.36	on acct of	2015 Retirements
	Control Acct						
Xfer from	Annuity Savings Fund	to	Pension Reserve Fund	in the amt of	19.55	on acct of	Interest not Owed
	Control Acct		Control Acct				
Xfer from	Pension Reserve Fund	to	Pension Fund Control	in the amt of	1,463,498.00	on acct of	Appropriation Transfer per
	Control Acct		Account				PERAC
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	
Xfer from		to		in the amt of		on acct of	

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2015.

RECEIPTS

	2015	2014	2013
1. Annuity Savings Fund:			
(a) 4891 Members' Deductions	2,708,923.11	2,709,192.26	2,589,577.90
(b) 4892 Transfers from Other Systems	98,148.35	245,958.01	145,071.77
(c) 4893 Member Make Up Payments and Redeposits	58,807.82	48,027.12	71,780.07
(d) 4900 Member Payments from Rollovers	33,082.73	11,162.21	18,865.51
(e) Investment Income Credited to Members' Accounts	46,662.00	45,999.99	55,619.84
Subtotal	2,945,624.01	3,060,339.59	2,880,915.09
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	285,790.00	270,979.39	258,756.03
Subtotal	285,790.00	270,979.39	258,756.03
3. Pension Fund:			
(a) 4898 3(8)(c) Reimbursements from Other Systems	166,059.81	217,906.66	139,920.76
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	42,114.14	79,235.74	94,674.30
(c) 4894 Pension Fund Appropriation	6,948,800.00	6,617,943.00	6,350,372.00
(d) 4840 Workers Compensation Settlement	0.00	11,000.00	7,000.00
(e) 4751 Recovery of Pension from Reinstatement	0.00	0.00	0.00
(f) 4841 Recovery of 91A Overearnings	0.00	0.00	0.00
Subtotal	7,156,973.95	6,926,085.40	6,591,967.06
4. Military Service Fund:			
(a) 4890 Contributions Received from Municipality	0.00	0.00	0.00
(b) Investment Income Credited	10.25	10.24	10.23
Subtotal	10.25	10.24	10.23
5. Expense Fund:			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	962,381.89	945,005.93	941,886.63
Subtotal	962,381.89	945,005.93	941,886.63
6. Pension Reserve Fund:			
(a) 4897 Federal Grant Reimbursement	4,206.24	4,664.00	5,031.00
(b) 4895 Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 Interest Not Refunded	5,940.41	5,607.98	2,885.78
(d) 4825 Miscellaneous Income	0.00	0.00	0.00
(e) Excess Investment Income	-498,659.30	6,536,607.71	17,040,229.00
Subtotal	-488,512.65	6,546,879.69	17,048,145.78
TOTAL RECEIPTS	10,862,267.45	17,749,300.24	27,721,680.82

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2015.

DISBURSEMENTS

	2015	2014	2013
1. Annuity Savings Fund:			
(a) 5757 Refunds to Members	314,230.80	345,872.83	514,783.19
(b) 5756 Transfers to Other Systems	141,577.10	127,346.62	433,412.24
Subtotal	<u>455,807.90</u>	<u>473,219.45</u>	<u>948,195.43</u>
2. Annuity Reserve Fund:			
(a) 5750 Annuities Paid	1,628,364.63	1,516,681.03	1,390,414.51
(b) 5759 Option B Refunds	0.00	0.00	0.00
Subtotal	<u>1,628,364.63</u>	<u>1,516,681.03</u>	<u>1,390,414.51</u>
3. Pension Fund:			
(a) 5751 Pensions Paid	8,356,213.14	7,940,833.03	7,593,413.07
Regular Pension Payments	6,475,050.01	6,059,330.02	5,754,817.47
Survivorship Payments	303,181.41	333,188.67	317,966.12
Ordinary Disability Payments	74,278.31	72,790.32	71,710.32
Accidental Disability Payments	1,336,221.65	1,312,894.30	1,289,033.80
Accidental Death Payments	121,757.04	127,566.38	125,646.90
Section 101 Benefits	45,724.72	35,063.34	34,238.46
(b) 5755 3(8)(c) Reimbursements To Other Systems	272,993.66	223,987.43	208,272.74
(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>8,629,206.80</u>	<u>8,164,820.46</u>	<u>7,801,685.81</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	2,875.00	2,250.00	3,000.00
(b) 5119 Salaries	153,314.96	152,173.20	141,496.40
(c) 5304 Management Fees	502,378.91	503,363.55	509,407.19
(d) 5305 Custodial Fees	62,097.69	56,669.30	55,174.73
(e) 5307 Investment Consultant Fees	100,000.00	100,000.00	72,500.00
(f) 5308 Legal Expenses	22,654.39	16,290.77	28,515.47
(g) 5309 Medical Expenses	66.29	174.62	95.00
(h) 5310 Fiduciary Insurance	5,869.00	5,714.00	5,444.00
(i) 5311 Service Contracts	34,287.72	28,431.65	27,703.21
(j) 5312 Rent Expense	38,181.00	37,950.00	27,836.68
(k) 5315 Professional Services	0.00	0.00	8,000.00
(l) 5316 Actuarial Services	0.00	0.00	0.00
(k) 5317 Accounting Services	8,000.00	8,000.00	0.00
(n) 5320 Education And Training	2,790.00	2,270.00	1,975.00
(o) 5589 Administrative Expenses	14,371.38	17,438.29	34,251.54
(p) 5599 Furniture and Equipment	13,419.62	13,321.09	24,603.87
(q) 5719 Travel	2,075.93	959.46	1,883.54
(r) 5829 Depreciation Expense: Building	0.00	0.00	0.00
Subtotal	<u>962,381.89</u>	<u>945,005.93</u>	<u>941,886.63</u>
TOTAL DISBURSEMENTS	<u>11,675,761.22</u>	<u>11,099,726.87</u>	<u>11,082,182.38</u>

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2015.

INVESTMENT INCOME

	2015	2014	2013
Investment Income received from:			
(a) Cash (from Schedule 1)	1,840.51	3,590.14	1,139.75
(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)	318,712.75	330,458.41	246,903.48
(e) Pooled Funds (from Schedule 5)	1,062,301.37	1,237,839.37	905,903.72
(f) Commission Recapture	0.00	0.00	0.00
4821 TOTAL INVESTMENT INCOME	1,382,854.63	1,571,887.92	1,153,946.95
Plus:			
4884 Realized Gains (Profits)	3,868,058.44	2,903,306.48	5,177,777.73
4886 Unrealized Gains (Increase in Market Value)	11,220,605.64	12,838,731.72	19,234,837.37
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	619,182.25	1,120,862.99	97,529.60
4887 Unrealized Losses (Decrease in Market Value)	15,056,151.62	8,394,204.18	7,172,530.72
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	0.00	255.69	0.00
NET INVESTMENT INCOME	796,184.84	7,798,603.26	18,296,501.73
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	46,662.00	45,999.99	55,619.84
Annuity Reserve Fund	285,790.00	270,979.39	258,756.03
Expense Fund	962,381.89	945,005.93	941,886.63
Military Service Fund	10.25	10.24	10.23
TOTAL INCOME REQUIRED	1,294,844.14	1,261,995.55	1,256,272.73
Net Investment Income	796,184.84	7,798,603.26	18,296,501.73
Less Income Required	1,294,844.14	1,261,995.55	1,256,272.73
EXCESS INCOME TO PENSION RESERVE FUND	-498,659.30	6,536,607.71	17,040,229.00

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2015.

MEMBERSHIP FOR CURRENT YEAR

ACTIVE MEMBERS

	Group 1	Group 2 & 4	TOTAL
Active Membership, Dec. 31st, Previous Year	446	122	568
Inactive Membership, Dec. 31st, Previous Year	114	9	123
Enrolled During Current Year	46	10	56
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
SUBTOTAL	46	10	56
Deduct:			
Death	2	0	2
Withdrawals	30	0	30
Retirements	13	9	22
SUBTOTAL	45	9	54
Active Membership, Dec. 31st, Current Year	449	124	573
Inactive Membership, Dec. 31st, Current Year	112	8	120

RETIRED MEMBERS, BENEFICIARIES & SURVIVORS

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	261	108	369
Retirements During the Year			
Superannuation	12	9	21
Ordinary Disability	0	0	0
Accidental Disability	0	0	0
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	0	2	2
Survivor Benefits from Active Membership	1	0	1
SUBTOTAL	13	11	24
Deduct:			
Deaths of Retired Members	11	2	13
Termination of Survivor Benefits	1	1	2
Reinstatements of Disabled Pensions	0	0	0
SUBTOTAL	12	3	15
Retired Membership, Dec. 31st, Current Year			
Superannuation	227	72	299
Ordinary Disability	0	3	3
Accidental Disability	12	29	41
Termination	0	0	0
Beneficiaries from Accidental Deaths	2	3	5
Beneficiaries from Section 100	0	0	0
Beneficiaries from Section 101	1	4	5
Beneficiaries under Option C	10	4	14
Option (D) Survivor Allowance	10	1	11
Section 12B Survivor Allowance	0	0	0
Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year	262	116	378
TOTAL MEMBERSHIP			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	823	248	1,071

Annual Statement of the Falmouth Retirement System for the Year Ended December 31, 2015.

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)	3,474,400.00	12/31/2015
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)		
	0.00	
	0.00	
	0.00	
	0.00	
TOTAL RECEIVABLES	3,474,400.00	
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	-54,140.96	12/31/2015
5305 Custodial Fees	-15,800.32	12/31/2015
5307 Investment Consultant Fees	-25,000.00	12/31/2015
5308 Legal Expenses	0.00	
5309 Medical Expenses	0.00	
5310 Fiduciary Insurance	0.00	
5311 Service Contracts	-303.21	12/31/2015
5312 Rent Expense	0.00	
5315 Professional Services Expense	0.00	
5589 Administrative Expenses	-1,286.48	12/31/2015
5599 Furniture and Equipment	0.00	
5719 Travel	0.00	
Investments Purchased But Not Paid For (list individually)		
	0.00	
	0.00	
	0.00	
	0.00	
TOTAL PAYABLES	-96,530.97	