

# Annual Statement

· OF THE FINANCIAL CONDITION  
· OF THE FALMOUTH RETIREMENT BOARD  
· TO THE PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION  
· FOR THE YEAR ENDED 12/31/2016  
·

**Annual Statement for the Year Ended December 31, 2016 of the conditions and Affairs of the Falmouth Retirement Board.**

**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 Board 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** 10/30/2019

  
Russell R. Ferreira (Chairman)  
(Name)

  
(Signature)

**Elected Member**

**Term Expires** \_\_\_\_\_

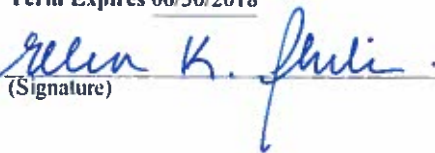
Vacant  
(Name)

\_\_\_\_\_  
(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

80 DAVIS STRAITS, SUITE 102 • FALMOUTH, MA 02540

TELEPHONE: (508) 457-0578

FACSIMILE: (508) 540-9962

WWW.FALMOUTHRETIREMENT.ORG

## 2016 Investment Managers

### **Baring Asset Management, Inc.**

Independence Wharf  
470 Atlantic Avenue  
Boston, MA 02210-2208

### **Denver Investments / Bee & Associates**

1225 Seventeenth Street, 26<sup>th</sup> 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, 28<sup>th</sup> Floor  
Boston, MA 02110

### **Lexington Partners, Inc.**

660 Madison Avenue  
New York, NY 10021

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

135 East 57<sup>th</sup> Street, 16<sup>th</sup> 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, 21<sup>st</sup> Floor  
Boston, MA 02110

### **Siguler Guff & Company, L.L.C.**

825 Third Avenue, 10<sup>th</sup> 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, 28<sup>th</sup> 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 Board for the Year Ended December 31, 2016.**

**ANNUAL STATEMENT BALANCE TESTS**

**1. ASSET BALANCE**

Assets Previous Year	117,181,737.38
Income Current Year	22,229,405.03
Disbursements Current Year	12,360,729.86
Assets Current Year	127,050,412.55

**2. ASSET DIFFERENCE**

Assets Current Year	127,050,412.55
Assets Previous Year	117,181,737.38
Difference	9,868,675.17

**3. INCOME DIFFERENCE**

Income Current Year	22,229,405.03
Disbursements Current Year	12,360,729.86
Difference	9,868,675.17

**4. FUND CHANGE DIFFERENCE**

Total Fund Change Credits Current Year	26,464,129.38
Total Fund Change Debits Current Year	-16,595,454.21
Difference	9,868,675.17

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

Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.

ASSETS & LIABILITIES

	2016	2015	2014
1. 1040 Cash	1,692,135.61	2,052,625.73	2,738,996.63
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	26,535,056.32	21,496,780.39	25,056,899.24
5. 1101 Pooled Short Term Funds	0.00	0.00	0.00
6. 1172 Pooled Domestic Equity Funds	25,220,627.60	21,932,034.26	25,148,607.89
7. 1173 Pooled International Equity Funds	19,227,492.14	17,119,770.22	12,643,710.21
8. 1174 Pooled Global Equity Funds	0.00	0.00	0.00
9. 1181 Pooled Domestic Fixed Income Funds	20,648,969.67	19,877,137.35	20,373,289.06
10. 1182 Pooled International Fixed Income Funds	2,789,782.01	2,785,174.96	1,392,238.21
11. 1183 Pooled Global Fixed Income Funds	0.00	0.00	0.00
12. 1193 Pooled Alternative Investments	4,532,640.00	6,069,378.75	7,286,941.75
13. 1194 Pooled Real Estate Funds	11,195,734.19	11,285,793.03	9,930,337.30
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	11,668,327.42	11,185,173.66	10,184,809.42
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	0.00
20. 1350 Prepaid Expenses	0.00	0.00	0.00
21. 1398 Accounts Receivable (A)	3,648,316.42	3,474,400.00	3,340,500.39
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)	(-108,668.83)	(-96,530.97)	(-101,098.95)
<b>TOTAL</b>	<b>127,050,412.55</b>	<b>117,181,737.38</b>	<b>117,995,231.15</b>
<b>FUNDS</b>			
1. 3293 Annuity Savings Fund	30,204,786.99	30,103,944.19	29,827,728.99
2. 3294 Annuity Reserve Fund	11,185,780.81	10,081,998.88	9,210,992.15
3. 3295 Military Service Fund	10,273.22	10,262.96	10,252.71
4. 3296 Pension Fund	8,965,343.05	8,637,513.63	8,646,248.48
5. 3298 Expense Fund	0.00	0.00	0.00
6. 3297 Pension Reserve Fund	76,684,228.48	68,348,017.72	70,300,008.82
<b>TOTAL ASSETS AT MARKET VALUE</b>	<b>127,050,412.55</b>	<b>117,181,737.38</b>	<b>117,995,231.15</b>

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



**Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.**

**RECEIPTS**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
<b>1. Annuity Savings Fund:</b>			
(a) 4891 Members' Deductions	2,850,206.18	2,708,923.11	2,709,192.26
(b) 4892 Transfers from Other Systems	227,553.92	98,148.35	245,958.01
(c) 4893 Member Make Up Payments and Redeposits	42,664.46	58,807.82	48,027.12
(d) 4900 Member Payments from Rollovers	9,394.05	33,082.73	11,162.21
(e) Investment Income Credited to Members' Accounts	31,321.03	46,662.00	45,999.99
<b>Subtotal</b>	<b>3,161,139.64</b>	<b>2,945,624.01</b>	<b>3,060,339.59</b>
<b>2. Annuity Reserve Fund:</b>			
(a) 4750 Recovery of Annuity from Reinstatement	0.00	0.00	0.00
(b) Investment Income Credited to Annuity Reserve Fund	319,025.36	285,790.00	270,979.39
<b>Subtotal</b>	<b>319,025.36</b>	<b>285,790.00</b>	<b>270,979.39</b>
<b>3. Pension Fund:</b>			
(a) 4898 3(8)(c) Reimbursements from Other Systems	494,894.86	166,059.81	217,906.66
(b) 4899 Received from Commonwealth for COLA & Survivor Bft	114,257.82	42,114.14	79,235.74
(c) 4894 Pension Fund Appropriation	7,296,200.00	6,948,800.00	6,617,943.00
(d) 4840 Workers Compensation Settlement	0.00	0.00	11,000.00
(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
<b>Subtotal</b>	<b>7,905,352.68</b>	<b>7,156,973.95</b>	<b>6,926,085.40</b>
<b>4. Military Service Fund:</b>			
(a) 4890 Contributions Received from Municipality	0.00	0.00	0.00
(b) Investment Income Credited	10.26	10.25	10.24
<b>Subtotal</b>	<b>10.26</b>	<b>10.25</b>	<b>10.24</b>
<b>5. Expense Fund:</b>			
(a) 4896 Expense Fund Appropriation	0.00	0.00	0.00
(b) Investment Income Credited to Expense Fund	938,849.32	962,381.89	945,005.93
<b>Subtotal</b>	<b>938,849.32</b>	<b>962,381.89</b>	<b>945,005.93</b>
<b>6. Pension Reserve Fund:</b>			
(a) 4897 Federal Grant Reimbursement	5,725.00	4,206.24	4,664.00
(b) 4895 Pension Reserve Appropriation	0.00	0.00	0.00
(c) 4822 Interest Not Refunded	979.13	5,940.41	5,607.98
(d) 4825 Miscellaneous Income	2.79	0.00	0.00
(e) Excess Investment Income	9,898,320.85	-498,659.30	6,536,607.71
<b>Subtotal</b>	<b>9,905,027.77</b>	<b>-488,512.65</b>	<b>6,546,879.69</b>
<b>TOTAL RECEIPTS</b>	<b>22,229,405.03</b>	<b>10,862,267.45</b>	<b>17,749,300.24</b>

Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.

DISBURSEMENTS

	2016	2015	2014
<b>1. Annuity Savings Fund:</b>			
(a) 5757 Refunds to Members	143,099.55	314,230.80	345,872.83
(b) 5756 Transfers to Other Systems	251,289.95	141,577.10	127,346.62
<b>Subtotal</b>	<u>394,389.50</u>	<u>455,807.90</u>	<u>473,219.45</u>
<b>2. Annuity Reserve Fund:</b>			
(a) 5750 Annuities Paid	1,881,126.78	1,628,364.63	1,516,681.03
(b) 5759 Option B Refunds	0.00	0.00	0.00
<b>Subtotal</b>	<u>1,881,126.78</u>	<u>1,628,364.63</u>	<u>1,516,681.03</u>
<b>3. Pension Fund:</b>			
(a) 5751 Pensions Paid	8,890,865.04	8,356,213.14	7,940,833.03
Regular Pension Payments	7,040,420.92	6,475,050.01	6,059,330.02
Survivorship Payments	309,394.47	303,181.41	333,188.67
Ordinary Disability Payments	67,104.96	74,278.31	72,790.32
Accidental Disability Payments	1,301,452.37	1,336,221.65	1,312,894.30
Accidental Death Payments	123,557.04	121,757.04	127,566.38
Section 101 Benefits	48,935.28	45,724.72	35,063.34
(b) 5755 3(8)(c) Reimbursements To Other Systems	255,499.22	272,993.66	223,987.43
(c) 5752 COLAs Paid	0.00	0.00	0.00
(d) 5753 Chapter 389 Beneficiary Increase Paid	0.00	0.00	0.00
<b>Subtotal</b>	<u>9,146,364.26</u>	<u>8,629,206.80</u>	<u>8,164,820.46</u>
<b>4. Military Service Fund:</b>			
(a) 4890 Return to Municipality for Members who Withdrew Funds	0.00	0.00	0.00
<b>Subtotal</b>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
<b>5. Expense Fund:</b>			
(a) 5118 Board Member Stipend	3,000.00	2,875.00	2,250.00
(b) 5119 Salaries	160,815.47	153,314.96	152,173.20
(c) 5304 Management Fees	479,104.43	502,378.91	503,363.55
(d) 5305 Custodial Fees	64,769.25	62,097.69	56,669.30
(e) 5307 Investment Consultant Fees	100,000.00	100,000.00	100,000.00
(f) 5308 Legal Expenses	15,441.45	22,654.39	16,290.77
(g) 5309 Medical Expenses	597.31	66.29	174.62
(h) 5310 Fiduciary Insurance	6,047.00	5,869.00	5,714.00
(i) 5311 Service Contracts	35,574.41	34,287.72	28,431.65
(j) 5312 Rent Expense	38,874.00	38,181.00	37,950.00
(k) 5315 Professional Services	0.00	0.00	0.00
(l) 5316 Actuarial Services	0.00	0.00	0.00
(k) 5317 Accounting Services	8,000.00	8,000.00	8,000.00
(n) 5320 Education And Training	3,050.00	2,790.00	2,270.00
(o) 5589 Administrative Expenses	20,695.75	14,371.38	17,438.29
(p) 5599 Furniture and Equipment	1,137.96	13,419.62	13,321.09
(q) 5719 Travel	1,742.29	2,075.93	959.46
(r) 5829 Depreciation Expense: Building	0.00	0.00	0.00
<b>Subtotal</b>	<u>938,849.32</u>	<u>962,381.89</u>	<u>945,005.93</u>
<b>TOTAL DISBURSEMENTS</b>	<u>12,360,729.86</u>	<u>11,675,761.22</u>	<u>11,099,726.87</u>



**Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.**

**INVESTMENT INCOME**

	<b>2016</b>	<b>2015</b>	<b>2014</b>
Investment Income received from:			
(a) Cash (from Schedule 1)	1,588.31	1,840.51	3,590.14
(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)	512,437.48	318,712.75	330,458.41
(e) Pooled Funds (from Schedule 5)	1,278,907.30	1,062,301.37	1,237,839.37
(f) Commission Recapture	0.00	0.00	0.00
<b>4821 TOTAL INVESTMENT INCOME</b>	<b>1,792,933.09</b>	<b>1,382,854.63</b>	<b>1,571,887.92</b>
Plus:			
4884 Realized Gains (Profits)	1,203,156.11	3,868,058.44	2,903,306.48
4886 Unrealized Gains (Increase in Market Value)	17,764,854.60	11,220,605.64	12,838,731.72
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	988,493.11	619,182.25	1,120,862.99
4887 Unrealized Losses (Decrease in Market Value)	8,584,923.87	15,056,151.62	8,394,204.18
1550 Interest Due and Accrued on Fixed Income Securities Prior Year	0.00	0.00	255.69
<b>NET INVESTMENT INCOME</b>	<b>11,187,526.82</b>	<b>796,184.84</b>	<b>7,798,603.26</b>
Income required:			
Annuity Savings Fund (from Supplementary Schedule)	31,321.03	46,662.00	45,999.99
Annuity Reserve Fund	319,025.36	285,790.00	270,979.39
Expense Fund	938,849.32	962,381.89	945,005.93
Military Service Fund	10.26	10.25	10.24
<b>TOTAL INCOME REQUIRED</b>	<b>1,289,205.97</b>	<b>1,294,844.14</b>	<b>1,261,995.55</b>
Net Investment Income	11,187,526.82	796,184.84	7,798,603.26
Less Income Required	1,289,205.97	1,294,844.14	1,261,995.55
<b>EXCESS INCOME TO PENSION RESERVE FUND</b>	<b>9,898,320.85</b>	<b>-498,659.30</b>	<b>6,536,607.71</b>

Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.

**MEMBERSHIP FOR CURRENT YEAR**

	<b>Group 1</b>	<b>Group 2 &amp; 4</b>	<b>TOTAL</b>
<b>ACTIVE MEMBERS</b>			
Active Membership, Dec. 31st, Previous Year	447	124	571
Inactive Membership, Dec. 31st, Previous Year	114	8	122
Enrolled During Current Year	59	5	64
Transfers Between Groups	0	0	0
Reinstatements of Disabled Members	0	0	0
<b>SUBTOTAL</b>	59	5	64
Deduct:			
Death	0	0	0
Withdrawals	24	1	25
Retirements	21	4	25
<b>SUBTOTAL</b>	45	5	50
Active Membership, Dec. 31st, Current Year	458	123	581
Inactive Membership, Dec. 31st, Current Year	117	9	126

**RETIRED MEMBERS, BENEFICIARIES & SURVIVORS**

Retired, Beneficiary and Survivor Membership, Dec. 31st, Previous Year	263	114	377
Retirements During the Year			
Superannuation	21	4	25
Ordinary Disability	0	0	0
Accidental Disability	0	0	0
Termination Retirement Allowance	0	0	0
Beneficiary of Deceased Retiree	0	0	0
Survivor Benefits from Active Membership	0	0	0
<b>SUBTOTAL</b>	21	4	25
Deduct:			
Deaths of Retired Members	11	2	13
Termination of Survivor Benefits	1	0	1
Reinstatements of Disabled Pensions	0	0	0
<b>SUBTOTAL</b>	12	2	14
Retired Membership, Dec. 31st, Current Year			
Superannuation	237	73	310
Ordinary Disability	0	2	2
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
<b>Total Retired, Beneficiary and Survivor Membership, Dec. 31st, Current Year</b>	<b>272</b>	<b>116</b>	<b>388</b>
<b>TOTAL MEMBERSHIP</b>			
Active, Inactive, Retired, Beneficiary and Survivor, Dec. 31st, Current Year	847	248	1,095

Annual Statement of the Falmouth Retirement Board for the Year Ended December 31, 2016.

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)	3,648,100 00	12/31/2016
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 Thomas Garland	216 42	12/31/2016
	0 00	
	0 00	
	0 00	
<b>TOTAL RECEIVABLES</b>	<b>3,648,316 42</b>	
<b>Accounts Payable</b>		
5316 Actuarial Services	0 00	
5317 Accounting Services	-8,000 00	12/31/2016
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	-60,741 07	12/31/2016
5305 Custodial Fees	-10,941 27	12/31/2016
5307 Investment Consultant Fees	-25,000 00	12/31/2016
5308 Legal Expenses	-956 23	12/31/2016
5309 Medical Expenses	0 00	
5310 Fiduciary Insurance	0 00	
5311 Service Contracts	-499 49	12/31/2016
5312 Rent Expense	0 00	
5315 Professional Services Expense	0 00	
5589 Administrative Expenses	-1,374 56	12/31/2016
5599 Furniture and Equipment	-1,137 96	12/31/2016
5719 Travel	0 00	
Investments Purchased But Not Paid For (list individually)		
overpayment of member deductions	-18 23	12/31/2016
	0 00	
	0 00	
	0 00	
<b>TOTAL PAYABLES</b>	<b>-108,668 83</b>	