

PERAC AUDIT REPORT



Falmouth
Contributory Retirement System



JAN. 1, 2009 - DEC. 31, 2011



TABLE OF CONTENTS

Letter from the Executive Director	1
Explanation of Findings and Recommendations.....	2
Statement of Ledger Assets and Liabilities.....	4
Statement of Changes in Fund Balances	5
Statement of Receipts.....	6
Statement of Disbursements.....	7
Investment Income	8
Schedule of Allocation of Investments Owned.....	9
Supplementary Investment Regulations	10
Notes to Financial Statements:	
Note 1 - Summary of Plan Provisions	13
Note 2 - Significant Accounting Policies	20
Note 3 - Supplementary Membership Regulations.....	22
Note 4 - Administration of the System	25
Note 5 - Actuarial Valuation and Assumptions.....	26
Note 6 - Membership Exhibit.....	27
Note 7 – Leased Premises	28

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

DOMENIC J. F. RUSSO, *Chairman* | A. JOSEPH DeNUCCI, *Vice Chairman*

PAUL V. DOANE | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. McCARTHY | GREGORY R. MENNIS

JOSEPH E. CONNARTON, *Executive Director*

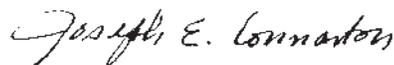
July 31, 2013

The Public Employee Retirement Administration Commission has completed an examination of the Falmouth Retirement System pursuant to G.L. c. 32, § 21. The examination covered the period from January 1, 2009 to December 31, 2011. This audit was conducted in accordance with the accounting and management standards established by the Public Employee Retirement Administration Commission, in regulation 840 CMR 25.00. Additionally, all supplementary regulations approved by PERAC and on file at PERAC are listed in this report.

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

In closing, I acknowledge the work of examiners Martin J. Feeney and William J. Walsh who conducted this examination, and express appreciation to the Board of Retirement and staff for their courtesy and cooperation.

Sincerely,



Joseph E. Connarton
Executive Director



EXPLANATION OF FINDINGS AND RECOMMENDATIONS

I. Board Member Attendance

A review of meeting attendance by Board members revealed a significant level of absenteeism. One member missed 25% of meetings in 2009 and 33% of the meetings in 2010. The result is an attendance rate for the Board member that was well below the minimum considered reasonable. Such a level of absenteeism is considered to be excessive.

The Board member resigned on December 1, 2010. The position on the Board, which is appointed by the Board of Selectmen, has been vacant since December 1, 2010.

Recommendation: The Chairman of the Retirement Board should continue to petition the Board of Selectmen requesting that they fulfill their responsibility to appoint someone as their representative to the Retirement Board as soon as possible.

Board Response:

The Falmouth Retirement Board recognizes the obligation of attendance at their board meetings. The Chairman counsels members of their responsibility to attend the meetings and to not jeopardize their fiduciary duty. In CY 2009, the appointed member did have an attendance rate at the “seventy-five percent minimum considered reasonable” by PERAC audits of other retirement systems. In CY 2010, the attendance rate of the appointed member was below the minimum considered reasonable. On December 1, 2010, this board member resigned, and since that time, the appointed position on the Falmouth Retirement Board has been vacant. On numerous occasions, the Falmouth Retirement Board has petitioned the Board of Selectmen to name their appointed member. To date, the Board of Selectmen has failed to name their appointed member and the appointed position remains vacant. The Falmouth Retirement Board will continue to petition the Board of Selectmen to take action, but the Board of Selectmen has the sole authority to appoint their representative to the Falmouth Retirement Board.

2. Refunds of Member Deductions

An examination of refunds to members during the 2009 – 2011 audit years indicated that two of the refunds sampled returned an incorrect amount of interest to the members. The two former members were originally given refunds based on the regular interest rates being applied to the years they worked, when they actually did qualify for the 3% interest rate. This error was discovered by the Retirement Board, and an additional refund was calculated for these two members for the difference owed with 3% interest included. These refunds were calculated prior to the program change implemented by PTG which resulted in an incorrect calculation. The additional pretax amounts owed to these two members are \$651.06 and \$255.62. The program change should result in eliminating the possibility of any future incorrect calculations.

Recommendation: The Falmouth Retirement System must conform to the guidelines provided in PERAC Memorandum # 31, 2010 for refunds to members who voluntarily terminate service with less than ten years of creditable service. Members who meet the stated eligibility requirements are entitled to 3% interest on their accumulated contributions. The retirement system must recalculate the interest due from or owed to each of these members.

EXPLANATION OF FINDINGS AND RECOMMENDATIONS (Continued)

Board Response:

With the passage of Chapter 131 of the Acts of 2010, the retirement system staff recognized that the two refunds noted would need to be adjusted, and an additional refund was calculated for these two former members. At the time these additional refunds were processed, the system did not have complete guidelines or tools to correctly adjust these two refunds. As a result, the errors did occur. Since that time, the software company has provided a program change to the retirement application. In addition, all departments are being contacted to verify that voluntary and involuntary terminations are being properly noted. These two additional refunds will be processed. As noted, the program changes should result in eliminating the possibility of any future incorrect refund calculations.

FINAL DETERMINATION:

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

STATEMENT OF LEDGER ASSETS AND LIABILITIES

	AS OF DECEMBER 31,		
	2011	2010	2009
Net Assets Available For Benefits:			
Cash	\$1,513,626	\$2,639,829	\$819,715
Equities	15,032,185	11,116,967	8,579,354
Pooled Domestic Equity Funds	14,387,318	26,236,850	16,303,337
Pooled International Equity Funds	10,845,912	12,389,937	10,901,506
Pooled Domestic Fixed Income Funds	12,552,087	12,458,435	12,102,443
Pooled International Fixed Income Funds	1,472,640	1,399,529	2,804,261
Pooled Alternative Investment Funds	8,242,201	6,672,726	6,038,516
Pooled Real Estate Funds	9,839,816	5,348,164	6,207,290
PRIT Absolute	7,909,693	8,134,816	0
PRIT Core Fund	0	0	7,653,526
Interest Due and Accrued	285	304	10
Accounts Receivable	2,790,427	2,679,187	2,525,719
Accounts Payable	(291,716)	(5,081,634)	(66,659)
Total	<u>\$84,294,474</u>	<u>\$83,995,110</u>	<u>\$73,869,017</u>
Fund Balances:			
Annuity Savings Fund	\$28,344,892	\$27,308,050	\$26,384,296
Annuity Reserve Fund	7,508,037	7,203,851	6,511,638
Pension Fund	310,967	364,893	1,170,179
Military Service Fund	10,222	3,324	3,314
Expense Fund	0	0	0
Pension Reserve Fund	48,120,355	49,114,991	39,799,590
Total	<u>\$84,294,474</u>	<u>\$83,995,110</u>	<u>\$73,869,017</u>

STATEMENT OF CHANGES IN FUND BALANCES

	Annuity Savings Fund	Annuity Reserve Fund	Pension Fund	Military Service Fund	Expense Fund	Pension Reserve Fund	Total All Funds
Beginning Balance (2009)	\$24,842,601	\$6,337,605	\$1,985,806	\$3,298	\$0	\$31,409,648	\$64,578,958
Receipts	2,668,700	193,418	5,356,244	16	610,848	8,389,942	17,219,168
Interfund Transfers	(933,587)	933,587	0	0	0	0	0
Disbursements	(193,418)	(952,972)	(6,171,871)	0	(610,848)	0	(7,929,110)
Ending Balance (2009)	26,384,296	6,511,638	1,170,179	3,314	0	39,799,590	73,869,017
Receipts	2,675,307	202,206	5,632,556	10	701,272	9,314,355	18,525,705
Interfund Transfers	(1,493,799)	1,492,753	0	0	0	1,046	(0)
Disbursements	(257,754)	(1,002,745)	(6,437,841)	0	(701,272)	0	(8,399,612)
Ending Balance (2010)	27,308,050	7,203,851	364,893	3,324	0	49,114,991	83,995,109
Receipts	2,730,608	220,739	5,775,035	6,898	688,900	62,281	9,484,461
Interfund Transfers	(1,220,941)	1,245,058	1,032,799	0	0	(1,056,917)	(0)
Disbursements	(472,825)	(1,161,611)	(6,861,760)	0	(688,900)	0	(9,185,097)
Ending Balance (2011)	<u>\$28,344,892</u>	<u>\$7,508,037</u>	<u>\$310,967</u>	<u>\$10,222</u>	<u>\$0</u>	<u>\$48,120,355</u>	<u>\$84,294,474</u>

STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Annuity Savings Fund:			
Members Deductions	\$2,477,622	\$2,510,678	\$2,490,638
Transfers from Other Systems	134,191	47,676	1,523
Member Make Up Payments and Re-deposits	58,642	33,148	55,866
Member Payments from Rollovers	0	1,838	0
Investment Income Credited to Member Accounts	<u>60,153</u>	<u>81,966</u>	<u>120,673</u>
Sub Total	<u>2,730,608</u>	<u>2,675,307</u>	<u>2,668,700</u>
Annuity Reserve Fund:			
Investment Income Credited to the Annuity Reserve Fund	<u>220,739</u>	<u>202,206</u>	<u>193,418</u>
Pension Fund:			
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	135,247	128,620	149,377
Pension Fund Appropriation	62,899	131,131	152,092
Pension Fund Appropriation	5,576,889	5,364,805	5,054,775
Settlement of Workers' Compensation Claims	0	8,000	0
Sub Total	<u>5,775,035</u>	<u>5,632,556</u>	<u>5,356,244</u>
Military Service Fund:			
Contribution Received from Municipality on Account of Military Service	6,891	0	0
Investment Income Credited to the Military Service Fund	7	10	16
Sub Total	<u>6,898</u>	<u>10</u>	<u>16</u>
Expense Fund:			
Expense Fund Appropriation	0	0	0
Investment Income Credited to the Expense Fund	<u>688,900</u>	<u>701,272</u>	<u>610,848</u>
Sub Total	<u>688,900</u>	<u>701,272</u>	<u>610,848</u>
Pension Reserve Fund:			
Federal Grant Reimbursement	8,144	7,941	12,332
Pension Reserve Appropriation	0	0	0
Interest Not Refunded	1,596	2,693	991
Miscellaneous Income	0	15	0
Excess Investment Income	<u>52,541</u>	<u>9,303,705</u>	<u>8,376,620</u>
Sub Total	<u>62,281</u>	<u>9,314,355</u>	<u>8,389,942</u>
Total Receipts	<u>\$9,484,461</u>	<u>\$18,525,705</u>	<u>\$17,219,168</u>

STATEMENT OF DISBURSEMENTS

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Annuity Savings Fund:			
Refunds to Members	\$225,686	\$221,434	\$137,326
Transfers to Other Systems	<u>247,139</u>	<u>36,320</u>	<u>56,092</u>
Sub Total	<u>472,825</u>	<u>257,754</u>	<u>193,418</u>
Annuity Reserve Fund:			
Annuities Paid	<u>1,161,611</u>	<u>1,002,745</u>	<u>952,972</u>
Sub Total	<u>1,161,611</u>	<u>1,002,745</u>	<u>952,972</u>
Pension Fund:			
Pensions Paid:			
Regular Pension Payments	5,016,208	4,638,570	4,373,149
Survivorship Payments	255,600	242,117	204,774
Ordinary Disability Payments	51,181	35,018	39,287
Accidental Disability Payments	1,234,489	1,228,361	1,241,280
Accidental Death Payments	121,617	119,611	117,612
Section 101 Benefits	41,417	41,032	81,281
3 (8) (c) Reimbursements to Other Systems	<u>141,246</u>	<u>133,132</u>	<u>114,489</u>
Sub Total	<u>6,861,760</u>	<u>6,437,841</u>	<u>6,171,871</u>
Military Service Fund:			
Return to Municipality for Members Who Withdrew Their Funds	<u>0</u>	<u>0</u>	<u>0</u>
Expense Fund:			
Board Member Stipend	3,000	3,000	3,000
Salaries	124,802	126,977	116,060
Legal Expenses	19,483	27,188	24,658
Medical Expenses	277	1,539	68
Travel Expenses	2,217	1,408	1,874
Administrative Expenses	5,990	7,277	8,796
Professional Services	8,000	9,300	0
Education and Training	1,705	970	1,000
Furniture and Equipment	0	615	6,277
Management Fees	381,860	387,233	325,774
Custodial Fees	36,252	30,477	28,652
Consultant Fees	60,000	60,000	60,000
Rent Expenses	14,624	14,624	14,624
Service Contracts	25,429	25,601	15,388
Fiduciary Insurance	<u>5,262</u>	<u>5,063</u>	<u>4,676</u>
Sub Total	<u>688,900</u>	<u>701,272</u>	<u>610,848</u>
Total Disbursements	<u>\$9,185,097</u>	<u>\$8,399,612</u>	<u>\$7,929,110</u>

INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,		
	2011	2010	2009
Investment Income Received From:			
Cash	\$913	\$3,117	\$2,398
Equities	153,355	88,578	69,840
Pooled or Mutual Funds	372,177	365,083	426,539
Commission Recapture	16,585	0	1,482
Total Investment Income	<u>543,031</u>	<u>456,779</u>	<u>500,259</u>
Plus:			
Realized Gains	1,612,772	1,079,752	321,927
Unrealized Gains	10,361,119	16,914,751	17,919,468
Interest Due and Accrued - Current Year	0	294	10
Sub Total	<u>11,973,891</u>	<u>17,994,797</u>	<u>18,241,405</u>
Less:			
Realized Loss	(192,424)	(400,187)	(717,918)
Unrealized Loss	(11,302,141)	(7,762,230)	(8,721,687)
Interest Due and Accrued - Prior Year	(19)	0	(485)
Sub Total	<u>(11,494,583)</u>	<u>(8,162,417)</u>	<u>(9,440,090)</u>
Net Investment Income (Loss)	<u>1,022,339</u>	<u>10,289,159</u>	<u>9,301,574</u>
Income Required:			
Annuity Savings Fund	60,153	81,966	120,673
Annuity Reserve Fund	220,739	202,206	193,418
Military Service Fund	7	10	16
Expense Fund	688,900	701,272	610,848
Total Income Required	<u>969,798</u>	<u>985,454</u>	<u>924,955</u>
Net Investment Income	<u>1,022,339</u>	<u>10,289,159</u>	<u>9,301,574</u>
Less: Total Income Required	<u>969,798</u>	<u>985,454</u>	<u>924,955</u>
Excess Income To The Pension Reserve Fund	<u>\$52,541</u>	<u>\$9,303,705</u>	<u>\$8,376,620</u>

SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2011		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$1,513,626	1.8%
Equities	15,032,185	18.4%
Pooled Domestic Equity Funds	14,387,318	17.6%
Pooled International Equity Funds	10,845,912	13.3%
Pooled Domestic Fixed Income Funds	12,552,087	15.3%
Pooled International Fixed Income Funds	1,472,640	1.8%
Pooled Alternative Investment Funds	8,242,201	10.1%
Pooled Real Estate Funds	9,839,816	12.0%
PRIT Absolute	7,909,693	9.7%
PRIT Cash Fund	0	0.0%
PRIT Core Fund	0	0.0%
Grand Total	<u>\$81,795,478</u>	<u>100.0%</u>

For the year ending December 31, 2011, the rate of return for the investments of the Falmouth Retirement System was 1.27%. For the five-year period ending December 31, 2011, the rate of return for the investments of the Falmouth Retirement System averaged 1.28%. For the twenty-seven year period ending December 31, 2011, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Falmouth Retirement System was 8.80%.

The composite rate of return for all retirement systems for the year ending December 31, 2011 was 0.27%. For the five-year period ending December 31, 2011, the composite rate of return for the investments of all retirement systems averaged 1.38%. For the twenty-seven year period ending December 31, 2011, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.11%.

SUPPLEMENTARY INVESTMENT REGULATIONS

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

September 14, 2007

19.01(8) The Falmouth Retirement Board is authorized to increase its allocation to Alternative Investments (private equity) from 5.0% to 7.5%. The board has successfully invested in this asset class since 2001 and believes that the additional allocation will provide incremental benefits to the system's performance.

February 15, 2007

17.03 Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Falmouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO Non-US Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

February 14, 2007

17.03 Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Falmouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO Venture Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

17.03 Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Falmouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the Institutional Retirement Trust (IRT) International Equity Trust (the "Fund"), and effective as of the date of the initial investment by the System of any of its, the activities and investments of the Fund, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account ERISA Section 408(b)(8) as well as other statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, Prohibited Transaction Class Exemption 91-38, and other available class exemptions

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

February 13, 2007

17.03 Notwithstanding the provisions of the Public Employee Retirement Administration Commission regulations, the Falmouth Retirement Board may invest funds of the Retirement System (the "System") in the fund known as the INVESCO US Buyouts & Expansion Capital Partnership Fund III, LP (the "Fund"), and effective as of the date of the initial investment by the System of any of its assets in the Fund, while the assets of the System are so invested, the activities and investments of the Fund, and the underlying funds in which the Fund may invest, directly or indirectly, shall be deemed to satisfy the prohibited transaction rules set forth in 840 CMR 16.00 et seq. and 840 CMR 17.03 to the extent such activities satisfy the prohibited transaction rules set forth in Section 406 of the U.S. Employee Retirement Income Security Act of 1974, as amended ("ERISA"), taking into account statutory exemptions under ERISA, and Prohibited Transaction Class Exemption 84-14, as amended, and other available class exemptions.

October 12, 2001

16.08 Exemption of the Board and INVESCO from the second sentence of 840 CMR 17.04(1)(c) – This Regulation deals with the use of non-public information by managers and consultants. PERAC recognizes that, in making the investments contemplated by the INVESCO Funds delineated above, that sentence, which prohibits action until information is publicly disseminated, represents an undue burden on the ability of the Partnerships to operate. Consequently, the Falmouth Retirement Board's request as it applies to 840 CMR 17.04(1)(c) is approved. Exemption of the Board and INVESCO from 840 CMR 17.04(6), except as otherwise provided for in the Partnership Agreement and/or as disclosed in INVESCO's Form ADV – This Regulation deals with the Priority of Transactions and an investment manager's obligation to prioritize board transactions and provide the board with the opportunity to act prior to the manager acting, if applicable. PERAC recognizes that this Regulation may impede the ability of partnerships such as INVESCO's to operate. Upon receipt of a copy of the provisions of the Partnership Agreement and/or disclosures in the INVESCO Form ADV, the Commission will approve the Falmouth request as it applies to 840 CMR 17.04(6).

Exemption of the Board and INVESCO from 840 CMR 19.01(7)(a)(6) with respect to the management fees and the General Partner's Carried Interest to be received by the manager or the General Partner pursuant to the (a) Subscription Agreement, (b) Agreement as defined in the side letter, and/or (c) Manager's Investment Advisory Agreement with respect to the Board's commitments to the Partnerships –PERAC recognizes the fact that the market, at the present time, is such that fee limitations, as outlined in these Regulations, result in limiting the number of partnerships available to the retirement boards. Consequently, the Falmouth Retirement Board's request, as it applies to 840 CMR 19.01(7) (a) (6), is approved.

Exemption of the Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) to the extent as otherwise permitted under the applicable agreement – These Regulations prohibit certain transactions as follows: 21.01(2) prohibits the sale of securities not owned by the system at the time of the sale (short sales); 21.01(3)(a) permits the use of forward currency contracts in limited circumstances; 21.01(4) prohibits the use of call options; 21.01(5) prohibits the purchase of options other than as required to close out option positions. PERAC has received a letter dated August 22, 2000 from INVESCO that clarifies the possible use of options, futures, or other

SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

derivatives. In pertinent part, the letter states as follows: “Although the above referenced funds do not expect to use options, futures, or other derivatives other than infrequently, if at all, futures and/or options would be used only for nonspeculative true hedging purposes. In general, we would anticipate their use, if at all, for among other reasons to protect downside risk on public securities of companies distributed to the funds by the underlying portfolio funds we invest in and where a commitment to a fund was made in a non US currency to limit currency risk of the funds.”

PERAC approves the exemption of the Falmouth Retirement Board and INVESCO from 840 CMR 21.01(2), 21.01(3)(a), 21.01(4), and 21.01(5) for the limited purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limit currency risk of the funds where a commitment to a fund was made in a non US currency.

Please be advised that this Supplemental Regulation as it exempts the Falmouth Retirement Board from PERAC Regulations only does so in relation to the INVESCO Funds that are the subject of the Supplementary Regulation. In all other circumstances, these Regulations apply to the Falmouth Retirement Board.

The Supplementary Regulations approved herein are applicable only to the Falmouth Retirement System’s investment in the INVESCO Venture Partnership Fund, the INVESCO U.S. Buyout Partnership Fund, and the INVESCO Non-U.S. Partnership Fund. Exemption from the regulations pertaining to prohibited investments is limited to the purpose of protecting downside risk on public securities of companies distributed to the funds by underlying portfolio funds and to limiting currency risk of the funds where a commitment to a fund was made in a non-U.S. currency.

August 31, 2001

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement System is modifying its international growth equity mandate with State Street Global Advisors to allow for securities lending. There is no change in the fund’s investment strategy, investment universe, or benchmark. The Board understands and is comfortable with the practice of securities lending and is satisfied with State Street Bank’s capabilities in this area

August 8, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its investment mandate with Cutler & Company, its domestic large cap equity manager, to allow for the opportunistic use of mid cap equities when and as deemed appropriate by the manager. The Board has had a successful relationship with Cutler & Company since 1997 and is confident, based on the manager’s performance record, that it can effectively accomplish the modified, slightly expanded, mandate.

May 1, 2000

16.08 In accordance with PERAC Investment Guideline 99-2, the Falmouth Retirement Board may modify its fixed income mandate with Freedom Capital Management to allow the opportunistic investment of up to 15% of the account in high-yield securities. The Board wishes to have exposure to this sub-class and has had a satisfactory relationship with Freedom Capital for over two years as its fixed income manager

NOTES TO FINANCIAL STATEMENTS

NOTE I – SUMMARY OF PLAN PROVISIONS

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

ADMINISTRATION

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

PARTICIPATION

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

There are 3 classes of membership in the Retirement 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 officers, firefighters, and other specified hazardous positions.

NOTES TO FINANCIAL STATEMENTS (Continued)

MEMBER CONTRIBUTIONS

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

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

RATE OF INTEREST

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

RETIREMENT AGE

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

SUPERANNUATION RETIREMENT

A member is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

AMOUNT OF BENEFIT

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

- Salary is defined as gross regular compensation. For employees who become members after January 1, 2011, regular compensation is limited to 64% of the federal limit found in 26 U.S.C. 401(a)(17).
- Average Salary is the average annual rate of regular compensation received during the 3 consecutive years that produce the highest average, or, if greater, during the last three years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age, but the highest rate of 2.5% applies to Group 1 employees who retire at or after age 65, Group 2 employees who retire at or after age 60, and to Group 4 employees who retire at or after age 55. A .1% reduction is applied for each year of age under the maximum age for the member's group. For Group 2 employees who terminate from service under age 55, the benefit rate for a Group 1 employee shall be used.

DEFERRED VESTED BENEFIT

A participant who has completed 10 or more years of creditable service is eligible for a deferred vested retirement benefit.

The participant's accrued benefit is payable commencing at age 55, or the completion of 20 years, or may be deferred until later at the participant's option.

WITHDRAWAL OF CONTRIBUTIONS

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

NOTES TO FINANCIAL STATEMENTS (Continued)

DISABILITY RETIREMENT

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

ORDINARY DISABILITY

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

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

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

ACCIDENTAL DISABILITY

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

Retirement Allowance: 72% of salary plus an annuity based on accumulated member contributions, with interest. Any member injured while working out of title retiring after July 1, 2009, has such allowance based on the salary of the permanent title held on the date of injury. This amount is not to exceed 100% of pay. For those who became members in service after January 1, 1988 or who have not been members in service continually since that date, the amount is limited to 75% of pay. There is an additional pension of \$751.80 per year (or \$312 per year in systems in which the local option contained in G.L. c. 32, § 7(2)(a)(iii) has not been adopted), per child who is under 18 at the time of the member’s retirement, with no age limitation if the child is mentally or physically incapacitated from earning. The additional pension may continue up to age 22 for any child who is a full time student at an accredited educational institution. An additional \$15.00 per year of service, not to exceed \$300 annually may be added to the benefit in systems in which the local option contained in G.L. c. 32, § 7(2)(e) has been adopted.

NOTES TO FINANCIAL STATEMENTS (Continued)

ACCIDENTAL DEATH

Eligibility: Applies to members who die as a result of a work-related injury or if the member was retired for accidental disability and the death was the natural and proximate result of the injury or hazard undergone on account of which such member was retired.

Allowance: An immediate payment to a named beneficiary equal to the accumulated deductions at the time of death, plus a pension equal to 72% of current salary and payable to the surviving spouse, dependent children or the dependent parent, plus a supplement of \$751.80 per year, per child (or \$312 per year in systems in which the local option contained in G.L. c. 32, § 9(2)(d)(ii) has not been adopted) payable to the spouse or legal guardian until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

The surviving spouse of a member of a police or fire department or any corrections officer who, under specific and limited circumstances detailed in the statute, suffers an accident and is killed or sustains injuries resulting in his death, may receive a pension equal to the maximum salary for the position held by the member upon his death.

In addition, an eligible family member may receive a one time payment of \$100,000 from the State Retirement Board.

DEATH AFTER ACCIDENTAL DISABILITY RETIREMENT

Effective November 7, 1996, Accidental Disability retirees were allowed to select Option C at retirement and provide a benefit for an eligible survivor. For Accidental Disability retirees prior to November 7, 1996, who could not select Option C, if the member's death is from a cause unrelated to the condition for which the member received accidental disability benefits, a surviving spouse will receive an annual allowance of \$6,000. For Systems that accept the provisions of Section 28 of Chapter 131 of the Acts of 2010, the amount of this benefit is \$9,000.

DEATH IN ACTIVE SERVICE

Allowance: An immediate allowance equal to that which would have been payable had the member retired and elected Option C on the day before his or her death. For death occurring prior to the member's superannuation retirement age, the age 55 benefit rate is used. The minimum annual allowance payable to the surviving spouse of a member in service who dies with at least two years of creditable service is \$3,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

NOTES TO FINANCIAL STATEMENTS (Continued)

The surviving spouse of such a member in service receives an additional allowance equal to the sum of \$1,440 per year for the first child, and \$1,080 per year for each additional child until all dependent children reach age 18 or 22 if a full time student, unless mentally or physically incapacitated.

COST OF LIVING

If a system has accepted Chapter 17 of the Acts of 1997, and the Retirement Board votes to pay a cost of living increase (COLA) for that year, the percentage is determined based on the increase in the Consumer Price Index used for indexing Social Security benefits, but cannot exceed 3.0%. Section 51 of Chapter 127 of the Acts of 1999, if accepted, allows boards to grant COLA increases greater than that determined by CPI but not to exceed 3.0%. The first \$12,000 of a retiree's total allowance is subject to a COLA. The total COLA for periods from 1981 through 1996 is paid for by the Commonwealth of Massachusetts.

Under the provisions of Chapter 32, § 103(j) inserted by Section 19 of Chapter 188 of the Acts of 2010, systems may increase the maximum base on which the COLA is calculated in multiples of \$1,000. Presently that amount is \$12,000. Each increase must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

METHODS OF PAYMENT

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

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

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

Option C: A reduced annual allowance, payable in monthly installments, commencing at retirement. At the death of the retired employee, 2/3 of the allowance is payable to the member's designated beneficiary (who may be the spouse, or former spouse who is unmarried at the time of retirement for a member whose retirement becomes

NOTES TO FINANCIAL STATEMENTS (Continued)

effective on or after February 2, 1992, child, parent, sister, or brother of the employee) for the life of the beneficiary. For members who retired on or after January 12, 1988, if the beneficiary pre-deceases the retiree, the benefit payable increases (or “pops up” to Option A) based on the factor used to determine the Option C benefit at retirement. For members who retired prior to January 12, 1988, if the System has accepted Section 288 of Chapter 194 of the Acts of 1998 and the beneficiary pre-deceases the retiree, the benefit payable “pops up” to Option A in the same fashion. The Option C became available to accidental disability retirees on November 7, 1996.

ALLOCATION OF PENSION COSTS

If a member’s total creditable service was partly earned by employment in more than one retirement system, the cost of the "pension portion" is allocated between the different systems pro rata based on the member’s service within each retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS

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

Creditable Service:

3/11/1999

Any active member of the Falmouth Retirement System who can prove prior seasonal, temporary or otherwise non-eligible service as an employee of the Town of Falmouth will be allowed to purchase this type of service as long as documentation can be recovered to support this type of employment and the member is an active member of this system.

The following information will be required to support and calculate contributions owed, plus interest and service rendered: total income gained through this employment; hourly wage received; hours worked; period of time covered. The calculation of creditable service will be based on actual hours worked, the sum of which is to be either reported to this office through payroll records and/or determined using the employees' hourly wage as submitted to this office by the Treasurers' records or computer payroll printout indicating total income paid for the period of time worked.

9/29/1993

Members who are receiving partial workers' compensation benefits and return to employment will be required to contribute to the system regardless of the number of hours employed and will receive full creditable service for such contribution. No contributions either from the member or governmental unit will be required with respect to the workers' compensation benefits paid for partial incapacity.

5/18/1993

Members who are receiving partial workers' compensation benefits and return to employment will be required to contribute to the system regardless of the number of hours employed and will receive full creditable service for such contribution. No contributions either from the member or governmental unit will be required with respect to the workers' compensation benefits paid for partial incapacity.

6/25/1991

Members who have previous CETA employment, on which no retirement deductions were taken due to ineligibility for membership at the time of that employment based on its temporary nature, will be allowed to pay late entry make-up payments and receive creditable service for such CETA employment. Excluded will be intermittent, sporadic employment of limited duration and the type of service that would not create an expectation that he/she would become entitled to the right to membership in a Massachusetts retirement system.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

12/19/1986

In all cases involving a part time provisional seasonal or intermittent employment or service of any employee, including such employment or service in a municipal office or position, the Board shall fix and determine the amount of creditable service; provided that one full work week as defined for such position by a collective bargaining agreement, the Town of Falmouth Salary Administration Plan or Department of Education, equal one full work week of creditable service and that any lesser period shall receive the applicable percentage of creditable service; provided that in the case of food service workers employed in the school lunch program and other full time school department employees (except teachers), the Board shall credit as the equivalent of one year of service actual full time service of not less than 8 months, and provided further that in all other cases, the Board shall credit as full time service (one year) all other actual full time service of not less than 9 months, provided that the Board shall credit as full time service not to exceed five years that period of time during which a reserve or permanent intermittent police officer or a reserve, permanent intermittent or call fire fighter was on his respective list and was eligible for assignment to duty subsequent to his appointment; and provided, further that such service as a permanent intermittent or call fire fighter shall be credited only if such permanent intermittent or call fire fighter was later appointed as a permanent member of the fire department.

Membership

12/22/1986

In order to be eligible for membership in the retirement system, “the employee must work a minimum of 50% of a normal 40 hour work week, therefore 20 hours.” If the employee does not work the minimum 20 hours per week, he or she is not eligible for membership in this contributory retirement system.

12/19/1986

Any person who becomes a member, who was eligible to join the system on July 1, 1941, the effective date of the Retirement System, or who was not eligible to join because of the type of employment, who claims any previous period of part-time, provisional, temporary, temporary provisional, seasonal or intermittent employment or service shall be credited with an accumulated total of actual time worked. The accumulated total shall be credited in full months and any fraction thereof shall be credited to the nearest full month. Nothing in this rule shall be construed to prevent any member from claiming creditable service under any other provisions of Sections 1 to 28 inclusive of chapter.

Regular Compensation:

2/14/1999

Paramedic and EMT specialization pay received by town of Falmouth fire fighters is regular compensation

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 3 - SUPPLEMENTARY MEMBERSHIP REGULATIONS (Continued)

Miscellaneous:

12/27/1993

Regular Deductions

Members who have been receiving workers' compensation benefits and return to work under partial workers' compensation benefits and part-time work shall have deductions made on the part-time employment compensation

Travel Regulations:

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

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 4 - ADMINISTRATION OF THE SYSTEM

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

Ex-officio Member: Mary Ellen Alwardt

Appointed Member: Vacant Serves until a successor is appointed

Elected Member: Russell R. Ferreira Term Expires: 10/30/2013

Elected Member: Paul D. Brodeur Term Expires: 12/31/14
Chairman

Appointed Member: Ellen K. Philbin Term Expires: 6/30/12

The Board members are required to meet at least once a month. The Board must keep a record of all of its proceedings. The Board must annually submit to the appropriate authority an estimate of the expenses of administration and cost of operation of the system. The board must annually file a financial statement of condition for the system with the Executive Director of PERAC.

The investment of the system's funds is the responsibility of the Board. All retirement allowances must be approved by the Retirement Board. The PERAC Actuary performs verification prior to payment, unless the system has obtained a waiver for superannuation calculations allowing them to bypass this requirement. All expenses incurred by the System must be approved by a majority vote of the Board. Payments shall be made only upon vouchers signed by two persons designated by the Board.

The following retirement board members and employees are bonded by an authorized agent representing a company licensed to do business in Massachusetts as follows:

Treasurer - Custodian:)	\$50,000,000 Fiduciary Liability
Ex-officio Member:)	\$1,000,000 Fidelity (ERISA) Bond
Elected Members:)	Travelers, National Union Fire, and
Appointed Members:)	Arch Insurance
Staff Employees:)	

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the PERAC as of January 1, 2012.

The actuarial liability for active members was	\$74,713,854
The actuarial liability for vested terminated members was	3,439,907
The actuarial liability for non-vested terminated members was	779,610
The actuarial liability for retired members was	<u>74,169,798</u>
The total actuarial liability was	\$153,103,169
System assets as of that date were	<u>90,205,985</u>
The unfunded actuarial liability was	<u>\$62,897,184</u>
The ratio of system's assets to total actuarial liability was	58.9%
As of that date the total covered employee payroll was	\$26,681,972

The normal cost for employees on that date was 8.7% of payroll

The normal cost for the employer was 5.6% of payroll

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

Investment Return: 8.00% per annum
 Rate of Salary Increase: Service Based

GASB STATEMENT NO. 25, DISCLOSURE INFORMATION AS OF JANUARY 1, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Cov. Payroll ((b-a)/c)
1/1/2012	\$90,205,985	\$153,103,169	\$62,897,184	58.9%	\$26,681,972	235.7%
1/1/2010	\$84,949,370	\$138,677,504	\$53,728,134	61.3%	\$27,269,635	197.0%
1/1/2008	\$84,964,799	\$125,750,692	\$40,785,893	67.6%	\$26,227,194	155.5%
1/1/2006	\$70,680,316	\$106,467,179	\$35,786,863	66.4%	\$24,781,804	144.4%

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 6 - MEMBERSHIP EXHIBIT

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Retirement in Past Years										
Superannuation	11	21	13	11	13	15	7	0	18	14
Ordinary Disability	3	0	0	0	0	0	0	1	0	0
Accidental Disability	3	0	2	2	3	2	2	0	1	4
Total Retirements	17	21	15	13	16	17	9	1	19	18
Total Retirees, Beneficiaries and Survivors	286	321	322	317	327	341	334	349	337	342
Total Active Members	591	635	748	711	647	597	617	608	601	579
Pension Payments										
Superannuation	\$2,430,921	\$2,925,546	\$3,107,029	\$3,319,190	\$3,540,331	\$3,861,742	\$4,155,581	\$4,373,149	\$4,638,570	\$5,016,208
Survivor/Beneficiary Payments	148,825	171,280	223,151	248,546	185,149	190,946	201,799	204,774	242,117	255,600
Ordinary Disability	128,134	129,813	128,374	129,117	62,925	47,285	47,946	39,287	35,018	51,181
Accidental Disability	698,116	855,683	896,131	951,453	1,095,869	1,194,030	1,232,700	1,241,280	1,228,361	1,234,489
Other	<u>142,949</u>	<u>124,377</u>	<u>99,950</u>	<u>148,767</u>	<u>260,516</u>	<u>223,532</u>	<u>250,884</u>	<u>313,382</u>	<u>293,775</u>	<u>304,281</u>
Total Payments for Year	<u>\$3,548,945</u>	<u>\$4,206,699</u>	<u>\$4,454,635</u>	<u>\$4,797,073</u>	<u>\$5,144,790</u>	<u>\$5,517,535</u>	<u>\$5,888,910</u>	<u>\$6,171,871</u>	<u>\$6,437,841</u>	<u>\$6,861,760</u>

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 7 – LEASED PREMISES

The Falmouth Retirement Board leases approximately 914 square feet of space for its offices located at 744 Main Street, Falmouth, MA. They signed an initial ten year lease term which will expire June 30, 2013. The landlord is the Town of Falmouth.

The following schedule displays the minimum lease obligations on non-cancelable operating leases as of December 31, 2011:

<u>For the year ending:</u>	<u>Annual Rent</u>
2012	\$14,624.00
2013	\$ 7,312.00
2014	\$ 0.00
2015	<u>\$ 0.00</u>
Total future minimum lease payments required	<u>\$ 21,936.00</u>

PERAC

Five Middlesex Avenue | Third Floor
Somerville, MA | 02145

Ph: 617.666.4446 | Fax: 617.628.4002

TTY: 617.591.8917 | Web: www.mass.gov/perac