

# PERAC AUDIT REPORT



Falmouth Contributory  
Retirement System



JAN. 1, 2012 - DEC. 31, 2015





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# PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

PHILIP Y. BROWN, ESQ., *Chairman*

JOSEPH E. CONNARTON, *Executive Director*

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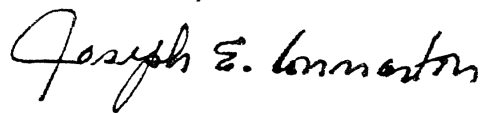
June 26, 2017

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, 2012 to December 31, 2015. 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 noted in the finding presented in this report.

In closing, I acknowledge the work of examiners Michael Pasternak and Kevin McCarthy 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 FINDING AND RECOMMENDATION

## **Member Retirement Deductions:**

Payroll registers were reviewed from the town, school, and housing authority to ensure that retirement deductions were correct based upon the members' earnings types and membership date. It was observed that:

- Several non-faculty/admin school employees in the sample received lump-sum payments for unused vacation time and it was treated as pensionable. According to PERAC Memo #39/2012 a Board could classify payments for unused vacation time as regular compensation if it followed the steps outlined in the Memo to determine whether the payments for vacation leave were regular compensation. The Board needs to follow the steps outlined in Memo #39/2012 to make this determination. If the payments are determined not to be regular compensation, the members should receive refunds of the excess withholdings.
- Three school employees received pay for "Kids Club" and the 2% deduction was incorrectly computed, withholding less than 2%.

**Recommendation:** Although the Retirement System staff works closely with payroll staff to ensure members' retirement withholdings are accurate, continued oversight is required. It is recommended the staff periodically review a complete payroll register from the town, school, and housing authority and investigate any suspected problems. This practice will provide continuing oversight to confirm the accuracy of contributions. Incorrectly withheld retirement deductions mentioned above should be refunded to the members. FRB should also determine if any other members made contributions on lump-sum payments and issue refunds as necessary.

## **Board Response:**

It is agreed that there were some very specific retirement deduction errors within the school payroll system. In April 2016, the school system restructured their payroll system which created new payroll centers, added new payroll codes, and adjusted payroll frequency. The member retirement deduction errors observed appear to be isolated to these new categories with the school payroll system. The retirement system staff, along with the payroll staff for the Falmouth Public Schools have undertaken a periodic review of their payroll system to insure that going forward, member retirement deductions are withheld correctly from the appropriate payroll payments. In addition, corrective action is being taken to remedy the retirement deductions of those members that have been affected.

## **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,			
	2015	2014	2013	2012
<b>Net Assets Available For Benefits:</b>				
Cash	\$2,052,626	\$2,738,997	\$2,178,706	\$4,515,737
Equities	21,496,780	25,056,899	25,602,190	17,924,853
Pooled Domestic Equity Funds	21,932,034	25,148,608	22,472,458	16,763,601
Pooled International Equity Funds	17,119,770	12,643,710	14,456,347	12,651,995
Pooled Domestic Fixed Income Funds	19,877,137	20,373,289	14,848,529	12,518,791
Pooled International Fixed Income Funds	2,785,175	1,392,238	1,437,534	1,498,412
Pooled Alternative Investment Funds	6,069,379	7,286,942	8,489,974	9,478,827
Pooled Real Estate Funds	11,285,793	9,930,337	7,036,040	10,754,792
Hedge Funds	11,185,174	10,184,809	9,645,634	8,570,778
Interest Due and Accrued	0	0	0	0
Accounts Receivable	3,474,400	3,340,500	5,373,191	217,572
Accounts Payable	(96,531)	(101,099)	(194,944)	(189,198)
<b>Total</b>	<u>\$117,181,737</u>	<u>\$117,995,231</u>	<u>\$111,345,658</u>	<u>\$94,706,159</u>
<b>Fund Balances:</b>				
Annuity Savings Fund	\$30,103,944	\$29,827,729	\$28,486,627	\$28,594,911
Annuity Reserve Fund	10,081,999	9,210,992	9,210,679	8,300,427
Pension Fund	8,637,514	8,646,248	(164,269)	84,863
Military Service Fund	10,263	10,253	10,242	10,232
Expense Fund	0	0	0	0
Pension Reserve Fund	<u>68,348,018</u>	<u>70,300,009</u>	<u>73,802,380</u>	<u>57,715,726</u>
<b>Total</b>	<u>\$117,181,737</u>	<u>\$117,995,231</u>	<u>\$111,345,658</u>	<u>\$94,706,159</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 (2012)	\$28,344,892	\$7,508,037	(\$721,832)	\$10,222	\$0	\$49,153,155	\$84,294,474
Receipts	2,665,352	238,777	6,125,840	10	748,620	10,521,288	20,299,888
Interfund Transfers	(1,790,269)	1,790,095	1,958,890	0	0	(1,958,717)	0
Disbursements	(625,064)	(1,236,483)	(7,278,035)	0	(748,620)	0	(9,888,202)
Ending Balance (2012)	28,594,911	8,300,427	84,863	10,232	0	57,715,726	94,706,159
Receipts	2,880,915	258,756	6,591,967	10	941,887	17,048,146	27,721,681
Interfund Transfers	(2,041,004)	2,041,911	960,586	0	0	(961,493)	0
Disbursements	(948,195)	(1,390,415)	(7,801,686)	0	(941,887)	0	(11,082,182)
Ending Balance (2013)	28,486,627	9,210,679	(164,269)	10,242	0	73,802,380	111,345,658
Receipts	3,060,340	270,979	6,926,085	10	945,006	6,546,880	17,749,300
Interfund Transfers	(1,246,018)	1,246,015	10,049,253	0	0	(10,049,250)	0
Disbursements	(473,219)	(1,516,681)	(8,164,820)	0	(945,006)	0	(11,099,727)
Ending Balance (2014)	29,827,729	9,210,992	8,646,248	10,253	0	70,300,009	117,995,231
Receipts	2,945,624	285,790	7,156,974	10	962,382	(488,513)	10,862,267
Interfund Transfers	(2,213,601)	2,213,581	1,463,498	0	0	(1,463,478)	0
Disbursements	(455,808)	(1,628,365)	(8,629,207)	0	(962,382)	0	(11,675,761)
Ending Balance (2015)	<u>\$30,103,944</u>	<u>\$10,081,999</u>	<u>\$8,637,514</u>	<u>\$10,263</u>	<u>\$0</u>	<u>\$68,348,018</u>	<u>\$117,181,737</u>

# STATEMENT OF RECEIPTS

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
<b>Annuity Savings Fund:</b>				
Members Deductions	\$2,708,923	\$2,709,192	\$2,589,578	\$2,485,190
Transfers from Other Systems	98,148	245,958	145,072	75,475
Member Make Up Payments and Re-deposits	58,808	48,027	71,780	41,582
Member Payments from Rollovers	33,083	11,162	18,866	21,613
Investment Income Credited to Member Accounts	<u>46,662</u>	<u>46,000</u>	<u>55,620</u>	<u>41,492</u>
Sub Total	<u>2,945,624</u>	<u>3,060,340</u>	<u>2,880,915</u>	<u>2,665,352</u>
<b>Annuity Reserve Fund:</b>				
Investment Income Credited to the Annuity Reserve Fund	<u>285,790</u>	<u>270,979</u>	<u>258,756</u>	<u>238,777</u>
<b>Pension Fund:</b>				
3 (8) (c) Reimbursements from Other Systems Received from Commonwealth for COLA and Survivor Benefits	166,060	217,907	139,921	135,578
	42,114	79,236	94,674	165,863
Pension Fund Appropriation	6,948,800	6,617,943	6,350,372	5,823,935
Settlement of Workers' Compensation Claims	0	11,000	7,000	0
Recovery of 91A Overearnings	<u>0</u>	<u>0</u>	<u>0</u>	<u>465</u>
Sub Total	<u>7,156,974</u>	<u>6,926,085</u>	<u>6,591,967</u>	<u>6,125,840</u>
<b>Military Service Fund:</b>				
Investment Income Credited to the Military Service Fund	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
<b>Expense Fund:</b>				
Investment Income Credited to the Expense Fund	<u>962,382</u>	<u>945,006</u>	<u>941,887</u>	<u>748,620</u>
<b>Pension Reserve Fund:</b>				
Federal Grant Reimbursement	4,206	4,664	5,031	4,914
Interest Not Refunded	5,940	5,608	2,886	2,181
Excess Investment Income	<u>(498,659)</u>	<u>6,536,608</u>	<u>17,040,229</u>	<u>10,514,193</u>
Sub Total	<u>(488,513)</u>	<u>6,546,880</u>	<u>17,048,146</u>	<u>10,521,288</u>
<b>Total Receipts, Net</b>	<u>\$10,862,267</u>	<u>\$17,749,300</u>	<u>\$27,721,681</u>	<u>\$20,299,888</u>

# STATEMENT OF DISBURSEMENTS

FOR THE PERIOD ENDING DECEMBER 31,				
	2015	2014	2013	2012
<b>Annuity Savings Fund:</b>				
Refunds to Members	\$314,231	\$345,873	\$514,783	\$386,064
Transfers to Other Systems	<u>141,577</u>	<u>127,347</u>	<u>433,412</u>	<u>239,000</u>
Sub Total	<u>455,808</u>	<u>473,219</u>	<u>948,195</u>	<u>625,064</u>
<b>Annuity Reserve Fund:</b>				
Annuities Paid	<u>1,628,365</u>	<u>1,516,681</u>	<u>1,390,415</u>	<u>1,236,483</u>
<b>Pension Fund:</b>				
Pensions Paid:				
Regular Pension Payments	6,475,050	6,059,330	5,754,817	5,313,326
Survivorship Payments	303,181	333,189	317,966	283,791
Ordinary Disability Payments	74,278	72,790	71,710	70,630
Accidental Disability Payments	1,336,222	1,312,894	1,289,034	1,294,753
Accidental Death Payments	121,757	127,566	125,647	123,629
Section 101 Benefits	45,725	35,063	34,238	36,781
3 (8) (c) Reimbursements to Other Systems	<u>272,994</u>	<u>223,987</u>	<u>208,273</u>	<u>155,125</u>
Sub Total	<u>8,629,207</u>	<u>8,164,820</u>	<u>7,801,686</u>	<u>7,278,035</u>
<b>Expense Fund:</b>				
Board Member Stipend	2,875	2,250	3,000	3,000
Salaries	153,315	152,173	141,496	135,948
Legal Expenses	22,654	16,291	28,515	20,039
Medical Expenses	66	175	95	393
Travel Expenses	2,076	959	1,884	1,784
Administrative Expenses	14,371	17,438	34,252	10,183
Professional Services	0	0	8,000	8,000
Accounting Services	8,000	8,000	0	0
Education and Training	2,790	2,270	1,975	1,210
Furniture and Equipment	13,420	13,321	24,604	0
Management Fees	502,379	503,364	509,407	412,906
Custodial Fees	62,098	56,669	55,175	38,871
Consultant Fees	100,000	100,000	72,500	70,000
Rent Expenses	38,181	37,950	27,837	14,624
Service Contracts	34,288	28,432	27,703	26,226
Fiduciary Insurance	<u>5,869</u>	<u>5,714</u>	<u>5,444</u>	<u>5,436</u>
Sub Total	<u>962,382</u>	<u>945,006</u>	<u>941,887</u>	<u>748,620</u>
<b>Total Disbursements</b>	<u>\$11,675,761</u>	<u>\$11,099,727</u>	<u>\$11,082,182</u>	<u>\$9,888,202</u>

# INVESTMENT INCOME

	FOR THE PERIOD ENDING DECEMBER 31,			
	2015	2014	2013	2012
<b>Investment Income Received From:</b>				
Cash	\$1,841	\$3,590	\$1,140	\$4,502
Equities	318,713	330,458	246,903	302,153
Pooled or Mutual Funds	<u>1,062,301</u>	<u>1,237,839</u>	<u>905,904</u>	<u>622,455</u>
<b>Total Investment Income</b>	<u>1,382,855</u>	<u>1,571,888</u>	<u>1,153,947</u>	<u>929,110</u>
<b>Plus:</b>				
Realized Gains	3,868,058	2,903,306	5,177,778	1,120,133
Unrealized Gains	11,220,606	12,838,476	19,234,837	14,593,496
Interest Due and Accrued - Current Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sub Total	<u>15,088,664</u>	<u>15,741,783</u>	<u>24,412,615</u>	<u>15,713,629</u>
<b>Less:</b>				
Paid Accrued Interest on Fixed Income Securities	0	0	0	0
Realized Loss	(619,182)	(1,120,863)	(97,530)	(406,416)
Unrealized Loss	(15,056,152)	(8,394,204)	(7,172,531)	(4,693,200)
Interest Due and Accrued - Prior Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>(30)</u>
Sub Total	<u>(15,675,334)</u>	<u>(9,515,067)</u>	<u>(7,270,060)</u>	<u>(5,099,646)</u>
<b>Net Investment Income</b>	<u>796,185</u>	<u>7,798,603</u>	<u>18,296,502</u>	<u>11,543,093</u>
<b>Income Required:</b>				
Annuity Savings Fund	46,662	46,000	55,620	41,492
Annuity Reserve Fund	285,790	270,979	258,756	238,777
Military Service Fund	10	10	10	10
Expense Fund	<u>962,382</u>	<u>945,006</u>	<u>941,887</u>	<u>748,620</u>
<b>Total Income Required</b>	<u>1,294,844</u>	<u>1,261,996</u>	<u>1,256,273</u>	<u>1,028,900</u>
Net Investment Income	<u>796,185</u>	<u>7,798,603</u>	<u>18,296,502</u>	<u>11,543,093</u>
Less: Total Income Required	<u>1,294,844</u>	<u>1,261,996</u>	<u>1,256,273</u>	<u>1,028,900</u>
<b>Excess Income (Loss) To The Pension Reserve Fund</b>	<u>(\$498,659)</u>	<u>\$6,536,608</u>	<u>\$17,040,229</u>	<u>\$10,514,193</u>

## SCHEDULE OF ALLOCATION OF INVESTMENTS OWNED

(percentages by category)

AS OF DECEMBER 31, 2015		
	MARKET VALUE	PERCENTAGE OF TOTAL ASSETS
Cash	\$2,052,626	1.8%
Equities	21,496,780	18.9%
Pooled Domestic Equity Funds	21,932,034	19.3%
Pooled International Equity Funds	17,119,770	15.0%
Pooled Domestic Fixed Income Funds	19,877,137	17.5%
Pooled International Fixed Income Funds	2,785,175	2.4%
Pooled Alternative Investment Funds	6,069,379	5.3%
Pooled Real Estate Funds	11,285,793	9.9%
Hedge Funds	<u>11,185,174</u>	<u>9.8%</u>
<b>Grand Total</b>	<b><u>\$113,803,868</u></b>	<b><u>100.0%</u></b>

For the year ending December 31, 2015, the rate of return for the investments of the Falmouth Retirement System was 0.69%. For the five-year period ending December 31, 2015, the rate of return for the investments of the Falmouth Retirement System averaged 8.15%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the rate of return on the investments of the Falmouth Retirement System was 8.94%.

The composite rate of return for all retirement systems for the year ending December 31, 2015 was 0.91%. For the five-year period ending December 31, 2015, the composite rate of return for the investments of all retirement systems averaged 7.49%. For the 31-year period ending December 31, 2015, since PERAC began evaluating the returns of the retirement systems, the composite rate of return on the investments of all retirement systems averaged 9.14%.

## 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.

### 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 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 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 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

## SUPPLEMENTARY INVESTMENT REGULATIONS (Continued)

August 22, 2000 from INVESCO that clarifies the possible use of options, futures, or other 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.



# 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 104 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 4 classes of membership in the retirement system, but one of these classes, Group 3, is made up exclusively of the State Police. The other 3 classes are as follows:

#### **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.

In addition, members of Group 1 who join the system on or after April 2, 2012 will have their withholding rate reduced to 6% after achieving 30 years of creditable service.

### 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 person who became a member before April 2, 2012 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.

A person who became a member on or after April 2, 2012 is eligible for a superannuation retirement allowance (service retirement) upon meeting the following conditions:

- attainment of age 60 with 10 years of service if classified in Group 1, or
- attainment of age 55 with 10 years of service if classified in Group 2, or
- attainment of age 55 if classified in Group 4.

## 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 (or five year as discussed below) average salary. For veterans as defined in G.L. c. 32, s. 1, there is an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

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). In addition, regular compensation will be limited to prohibit "spiking" of a member's salary to increase the retirement benefit.

- For persons who became members prior to April 2, 2012, 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 3 years (whether or not consecutive) preceding retirement.
- For persons who became members on or after April 2, 2012, Average Salary is the average annual rate of regular compensation received during the 5 consecutive years that produce the highest average, or, if greater, during the last 5 years (whether or not consecutive) preceding retirement.
- The Benefit Rate varies with the member's retirement age. For persons who became members prior to April 2, 2012 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.
- For persons who became members on or after April 2, 2012 and retire with less than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .15% reduction is applied for each year of age under the maximum age for the member's group.
- For persons who became members on or after April 2, 2012 and retire with more than 30 years of creditable service, the highest rate of 2.5% applies to Group 1 employees who retire at or after age 67, Group 2 employees who retire at or after age 62, and to Group 4 employees who retire at or after age 57. A .125% reduction is applied for each year of age under the maximum age for the member's group.

### DEFERRED VESTED BENEFIT

A participant who has attained the requisite years of creditable service can elect to defer his or her retirement until a later date. Certain public safety employees cannot defer beyond age 65. All participants must begin to receive a retirement allowance or withdraw their accumulated deductions no later than April 15 of the calendar year following the year they reach age 70½.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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.

### 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, s. 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 those employees classified in Group 4 who are subject to mandatory retirement.

**Retirement Allowance:** For persons who became members prior to April 2, 2012, the benefit is 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.

For persons in Group 1 who became members on or after April 2, 2012, the benefit is equal to the accrued superannuation retirement benefit as if the member was age 60. 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 60, he or she will receive not less than the superannuation allowance to which he or she would have been entitled had they retired for superannuation.

For persons in Group 2 and Group 4 who became members on or after April 2, 2012, the benefit is 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 would have been entitled had they retired for superannuation.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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. 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 \$846.12 per year (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 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. For systems that have adopted Chapter 157 of the Acts of 2005, veterans as defined in G.L. c. 32, s. 1 receive an additional benefit of \$15 per year for each year of creditable service, up to a maximum of \$300.

### 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 \$846.12 per year, per child (or \$312.00 per year in systems in which the local option contained in G.L. c. 32, s. 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 while in the performance of his duties that results 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 \$150,000.00 from the State Retirement Board. This lump sum payment is also available to the family of a public prosecutor in certain, limited circumstances.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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. For Systems that accept the provisions of Section 63 of Chapter 139 of the Acts of 2012, the amount of this benefit is \$12,000.

### DEATH IN ACTIVE SERVICE

**Allowance:** An immediate allowance equal to that which would have been payable had the member retired and selected Option C on the day before his or her death. For a member who became a member prior to April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 55 benefit rate is used. For a member classified in Group 1 who became a member on or after April 2, 2012 whose death occurred prior to the member's superannuation retirement age, the age 60 benefit rate is used. If the member died after age 60, the actual age is used. For a member classified in Group 2 or Group 4, whose death occurred prior to the member's minimum superannuation retirement age, the benefit shall be calculated using an age 55 age factor. 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 unless the retirement system has accepted the local option increasing this minimum annual allowance to \$6,000, provided that the member and the spouse were married for at least one year and living together on the member's date of death.

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%. Only a certain portion 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, Section 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. For many years the COLA base was calculated based upon the first \$12,000 of a retiree's allowance. Now the maximum base upon which the COLA is calculated varies from system to system. Each increase in the base must be accepted by a majority vote of the Retirement Board and approved by the legislative body.

## NOTES TO FINANCIAL STATEMENTS (Continued)

### 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 has not remarried, 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. In certain circumstances, if a member received regular compensation concurrently from two or more systems on or after January 1, 2010, and was not vested in both systems as of January 1, 2010, such a pro-ration may not be undertaken. This is because such a person may receive a separate retirement allowance from each 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 advise them of the 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:**

##### March 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.

##### September 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.

##### May 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.

##### June 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)

#### December 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.

#### **Regular Compensation:**

##### February 14, 1994

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

#### **Miscellaneous:**

##### December 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 5 - ACTUARIAL VALUATION AND ASSUMPTIONS

The most recent actuarial valuation of the System was prepared by the Public Employee Retirement Administration Commission as of January 1, 2014.

The actuarial liability for active members was	\$83,463,541
The actuarial liability for vested terminated members was	3,630,904
The actuarial liability for non-vested terminated members was	1,610,877
The actuarial liability for retired members was	<u>101,737,028</u>
The total actuarial liability was	190,442,350
System assets as of that date were (actuarial value)	<u>118,988,731</u>
The unfunded actuarial liability was	<u>\$71,453,619</u>
The ratio of system's assets to total actuarial liability was	62.5%
As of that date the total covered employee payroll was	\$28,416,969

The normal cost for employees on that date was 8.9% of payroll  
 The normal cost for the employer was 6.0% of payroll

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

Investment Return: 7.50% per annum  
 Rate of Salary Increase; varies based on years of service and group

#### SCHEDULE OF FUNDING PROGRESS AS OF JANUARY 1, 2016

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 )
1/1/2016	\$118,988,731	\$190,442,350	\$71,453,619	62.50%	\$28,416,969	251.40%
1/1/2014	\$101,194,876	\$169,215,558	\$68,020,682	59.8%	\$27,477,612	247.5%
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

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>Retirement in Past Years</b>										
Superannuation	13	15	7	0	18	14	19	24	14	21
Ordinary Disability	0	0	0	1	0	0	0	0	0	0
Accidental Disability	3	2	2	0	1	4	0	2	1	0
<b>Total Retirements</b>	16	17	9	1	19	18	19	26	15	21
 Total Retirees, Beneficiaries and Survivors	327	341	334	349	337	342	349	369	370	378
 Total Active Members	647	597	617	608	601	579	581	576	577	573
 <b>Pension Payments</b>										
Superannuation	\$3,540,331	\$3,861,742	\$4,155,581	\$4,373,149	\$4,638,570	\$5,016,208	\$5,313,326	\$5,754,817	\$6,059,330	\$6,475,050
Survivor/Beneficiary Payments	185,149	190,946	201,799	204,774	242,117	255,600	283,791	317,966	333,189	303,181
Ordinary Disability	62,925	47,285	47,946	39,287	35,018	51,181	70,630	71,710	72,790	74,278
Accidental Disability	1,095,869	1,194,030	1,232,700	1,241,280	1,228,361	1,234,489	1,294,753	1,289,034	1,312,894	1,336,222
Other	<u>260,516</u>	<u>223,532</u>	<u>250,884</u>	<u>313,382</u>	<u>293,775</u>	<u>304,281</u>	<u>315,535</u>	<u>368,158</u>	<u>386,617</u>	<u>440,475</u>
<b>Total Payments for Year</b>	<u>\$5,144,790</u>	<u>\$5,517,535</u>	<u>\$5,888,910</u>	<u>\$6,171,872</u>	<u>\$6,437,841</u>	<u>\$6,861,759</u>	<u>\$7,278,035</u>	<u>\$7,801,686</u>	<u>\$8,164,820</u>	<u>\$8,629,207</u>

## NOTES TO FINANCIAL STATEMENTS (Continued)

### NOTE 7 – LEASED PREMISES

The Falmouth Retirement Board leases approximately 2,200 square feet of space for its office located at Suite #101, 80 Davis Straits Street, Falmouth, MA. They signed an initial 10-year lease term (\$17.25 per sq ft) which will expire October 31, 2023. The landlord is Merchant's Wharf Trust.

The following schedule displays the minimum lease obligations on non-cancelable operating leases for the next five years and thereafter as of December 31, 2015:

<u>For the year ending:</u>	<u>Annual Rent</u>
2016	\$ 38,874
2017	39,033
2018	39,826
2019	39,989
2020	40,805
2021 and thereafter	<u>114,148</u>
Future minimum lease payments required	\$ <u>312,675</u>

Note: A \$3,000 security deposit was paid on July 26, 2013 and will be returned at the expiration of the lease provided all covenants are met. The last month's rent was also paid at that time.

PERAC

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