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### **James R. Meynard, CFA**

Executive Director

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## **From the Desk of the Executive Director**

This has been the most unusual of winters. Or, might we say, we really have not had a winter at all. The weather has been truly mild compared to most winters, but strangely enough, we have not heard a lot from the global warming folks. Perhaps that is because they have had it so terribly cold and wintry in Europe. I read just recently that we can thank the jet stream for our warm winter. It has stayed, for the most part in the northern reaches of the continent and, while it has been warmer here, it has also been more turbulent and damaging. One way or another, you just cannot escape the effects of the weather. The article went on to suggest we are in for a hot, dry summer, but should look forward to colder and wetter winters and summers as the cycle rebounds from recent years. It will be interesting to watch.

We have now made our way through the legislative session for 2012 and it was not pretty. This was a difficult year for us. We had several things we wanted to get accomplished, not the least of which was an increase in the dues for the Fund. We did not get anywhere. I, personally, did the poorest job of negotiating and follow-up that I have ever done in my career. I feel that I really let our folks down this year. On the dues issue, I thought we were adequately prepared, but we were not, (see article inside). The other issues I let drop to

focus on the dues increase. Too, the General Assembly was quite pre-occupied with its own all-consuming issues, charter schools, abortion, budget, etc.

Next year, I will have to do better. Our biennial actuarial evaluation is finally complete (see article inside). The new report is better than the last evaluation, for sure. We are on the road to recovery. But, indeed, contrary to the blog circulating recently in the Fire Service, there is no "surplus." There remains a significant deficit both in our annual revenue requirement, known as the Annual Required Contribution, and the Actuarial Unfunded Liability. We will have information in hand when we approach the Committees next year. I promise we will do a better job.

On another note, as a part of expanding our service to you, we expanded our field operations. In effect, we formed the Department of Member Services and assigned David Luther to head that up. Their primary mission is to visit fire departments to assist with pension questions and information and help with record keeping. Heath McGuire joins us, making it a two-person department. The primary reason for this move is the growing backlog of requests for record reviews and investigations that David has incurred over the last year. Heath has been touring with David since coming on board. He has been very well received individually and as a promising resource for the departments.

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*Meet  
Our  
Managers...*

*HarbourVest  
Partners LLC,  
the Fund's  
Alternative  
Investments  
Manager...*

*Continuing with our tradition of introducing our membership to the Fund's individual investment management firms, we are highlighting our portfolio managers.*

The Georgia Firefighters' Pension Fund is currently the only Public Pension Plan in the State that is allowed to invest in alternative investments. Our first investment in this area was with HarbourVest. They were hired as a fund-of-funds manager. Occasionally, they will make direct investments alongside their General Partners. They are a leading global private equity investment firm with a long history of innovation and success. As a privately-held company, they have been investing in Private Equity for over thirty (30) years, gaining invaluable expertise and developing long-term relationships with sought-after partners along the way. They strive to generate strong returns through investing in premier partnerships, in secondary investments, and directly in operating companies.

HarbourVest is headquartered in Boston and has offices in London, Hong Kong, Tokyo, and Bogotá. They have grown to over 240 employees since 1982. Their various investment programs have totaled almost \$40 Billion in commitments during that time. HarbourVest is an active investment manager, handling portfolio construction, due diligence, investment monitoring and reporting, and management details from fund creation to liquidation. They seek private equity investments in three distinct areas—primary partnerships, secondary interests in partnerships and portfolios, and direct investments in operating companies. The team draws upon their years of experience to structure each portfolio, select the investments with the greatest potential for return, and determine appropriate diversification in terms of geography, industry, enterprise value, and

stage of development. The investment period of each program spans three (3) to five (5) years, covering a full private equity market cycle and reducing risk through time diversification.

The Georgia Firefighters' Pension Fund has made commitments in the following four investment strategies: HarbourVest Partners IX-Venture L.P. (the "Venture Fund")

HarbourVest Partners IX-Buyout L.P. (the "Buyout Fund")

HarbourVest Partners IX-Credit Opportunities L.P. (the "Credit Opportunities Fund")

HarbourVest Partners Dover VIII (the "Secondaries Fund")

The bulk of HarbourVest investments are primary, meaning they use their investors' as well as their own money to enter into limited partnership agreements with direct private equity companies (funds). They also allocate some of the money into direct investments into operating companies alongside the general partner. Additionally, they will also invest in secondaries, that is they purchase (at a discount to Fair Market Value) existing portfolios from other general and limited partners. The Venture Fund makes primary (and some secondary and direct) investments in U.S.-based venture capital and other early stage private equity funds. The Buyout Fund makes primary (and some secondary and direct) investments in U.S.-based buyout, recapitalization, turnaround, and other private equity funds. Credit Opportunities makes investments in mezzanine debt, distressed debt, venture debt, and other debt-related private equity funds. Dover VIII invests purely in secondary investments.



## Senate Committee Tables Dues Request

As you may be aware from prior newsletters, the Board of Trustees decided to seek a dues increase from the General Assembly this legislative session. The process is not simple, and rightfully so. The interests of all involved must be considered and protected. We must first secure a sponsor to create a bill that specifies the dues increase. Then we must seek the approval of one of the Retirement Committees, either House or Senate, and with that approval, secure the passage of a floor vote, wherein the bill then goes before the other Retirement Committee, and if approved, to the full floor for a vote. If it gets through this gauntlet, it goes to the Governor to be signed into law and implemented. It is the lawmakers' responsibility to consider if the request, as presented, is reasonable and responsible and to vote accordingly on the bill.

Normally, we introduce our legislation through the House Retirement Committee, led by Chairman Howard Maxwell, (R-Cartersville). He suggested we try the Senate due to the work load in the House.

Senator Charlie Bethel, (R-Dawson), agreed to sponsor our bill and Senator Tim Golden, (R-Valdosta), Committee Chair, co-sponsored it. When it came for a hearing, we presented data, which we believed clearly indicated that we were falling behind in revenue relative to benefit payments, and that an increase in dues would help, but not completely, close that gap. Senator Heath, (R-Bremen), questioned whether we really needed to raise dues. We went back and forth with the Senator over earnings and growth rates, but did not persuade him.

Chief Scott Carter, Cartersville Fire Department and President of the

GSFA, asked to speak and testified that the Association was in full support of a dues increase but was concerned for the size of the increase and asked the panel to consider amending the bill to phase in the increase \$5 per year instead of the proposed \$10 in one year. He noted the hardship the dues increase will inflict on some individuals and departments in these tough economic times. Chief Carter spoke passionately of having to delay his entry to the fund for lack of resources to meet dues payments.

The panel had some discussions among themselves, then Chairman Golden tabled the bill pending additional study. Later, Senator Bethel asked if the Fund had an actuarial study supporting our dues request. We told him that we did not. We apologized; we thought the data we provided was adequate to make the case. Nonetheless, both he and Senator Heath indicated they would be more comfortable with a detailed study supporting the request. We have not determined the cost of obtaining such a study.

This was an unfortunate development and may be just a sign of the times. Several years ago, when the POAB sought a doubling of their dues, it went through with hardly a question being asked. Unfortunately, we are caught in a bit of a conundrum. We should have asked for an increase in dues, I suppose, some time ago, even though the Fund was doing very well. Then, we believe, it would have been hard to justify. And therein lies the problem. Now that we need to increase dues, is it too late for a modest increase?



*Jim Meynard*

Continuous effort -  
not strength  
or intelligence -  
is the key  
to unlocking  
our potential.  
*-Winston Churchill*

It takes 20 years  
to build a reputation  
and five minutes  
to ruin it.  
If you think  
about that,  
you'll do things  
differently.  
*-Warren Buffett*

## Rules and Regulations

This is the seventh of a continuing series regarding the Rules and Regulations that were effective September 9, 2009. We have received some questions regarding the changes that were made, so we are going to explain each Rule in the newsletters going forward until we have covered all of them. We understand that things happen that seem complicated. We want to help the membership understand what they need to know about the Fund and how to address these issues. In this writing we will explain the twelfth and thirteenth Rule.

### **Rule 513-7-1-.12 Retirement. Amended.**

When you prepare to retire from the fire department you must submit a Retirement Application sixty (60) days in advance of your planned retirement date. (This is to allow the Pension office adequate time to perform a detailed edit of your creditable service and accurately calculate your pension.) The form must be signed by the Fire Chief of your department. If you are a Fire Chief retiring, you must obtain your supervisor's (e.g. Mayor, City Manager, etc.) signature. Along with the Retirement Application you must include a form to select a survivor option and a beneficiary (if one has not already been chosen). This information will be verified by our Retirement Specialist. There are three options available:

1. Regular Retirement – No Survivor Benefits – A named beneficiary is required in order to receive the final pension payment after the retiree's death.
2. Option A – Joint and Survivor – Your beneficiary must be your legal spouse.
3. Option B – Ten Year Certain and Life – Your beneficiary may be a spouse or any non-spousal relationship.

If you need to change your beneficiary, you may do so by completing

a "Change of Beneficiary Form" and submitting the form to the Pension Fund Office. In order for the change to be valid, the form must be received in the Fund Office prior to the member's death.

You will begin receiving monthly retirement benefit payments when retirement eligibility requirements are satisfied and your Retirement Application has been approved by the Board.

If you are a part-time firefighter or a volunteer firefighter your Fire Chief must submit a notarized Creditable Service Affidavit indicating that you have met the requirements for creditable service since the previous year's affidavit was filed.

You cannot be employed by a fire department nor engaged in a compensated capacity and receive benefits from the Pension Fund. However, full-time, part-time and volunteer firefighters, who receive benefits from the Pension Fund, may volunteer to donate their time, service and resources to assist their local fire department so long as they are not compensated in any manner. The determining factor whether a firefighter is compensated, or not compensated, is if a Form W-2 or Form 1099 is issued to report taxable income, then compensation will be presumed, and benefits will be suspended.

A retired firefighter who purchases any items, whether for personal equipment or on behalf of the fire department, must keep an authentic, certified receipt available for the Pension Fund to view, for a period of seven (7) years.

If you are a retired firefighter and receiving benefits and you choose to return to paid service with a fire department you must notify the Pension Fund within thirty (30) days of re-employment. Benefits will be suspended as long as you are re-employed. However, you may rejoin

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**CONTINUED**

**COST**

**SAVINGS!!!!**

The  
GFPF NEWS  
and  
Annual Report  
are  
Created,  
Edited,  
Published  
and  
Printed  
In-house.

...continued from Page 4...Rules and Regulations...

the Pension Fund and earn additional creditable service. When you subsequently retire, your benefits will be resumed at the prior level plus the additional benefit you earned and any increases that were granted in the interim.

In addition you must notify the Pension Fund office of any of the following changes: mailing address, direct deposit information, marital status (i.e., divorce, death of spouse, re-marriage), beneficiary, tax withholding or returning to service with a fire department in a capacity where you are compensated and would qualify for membership in the Pension Fund.

#### **Rule 513-7-1-.13 Waiting Legal Age Status. Amended.**

If you are no longer employed with the fire service and you are not fifty (50) years of age (for early retirement) or fifty-five (55) years of age (for full

retirement), but you have earned at least fifteen (15) years of creditable service you may be placed in "Waiting Legal Age" status. You must complete an application for retirement, choose at what age or date you wish to begin receiving retirement benefits and submit the documentation to the Pension Fund. Any time prior to the chosen date you may revoke the election and apply for early retirement benefits, if otherwise eligible.

Any person who is in "Waiting Legal Age" status and who returns to work with a fire department revokes their election for retirement and must notify the Pension Fund within thirty (30) days after returning to active service. When this occurs you will automatically be placed on "Leave of Absence" awaiting a new member application, if you choose to re-join the Fund.



*Sharon Drake*

### **Biennial Actuarial Report Issued!**

After working through the transition to a new actuary, then suffering the pain of extracting a clean actuary file from our system while in this complete system rework, we were finally able to coax a report from our new actuary Cavanaugh Macdonald Consulting, LLC. Ed Koebel, Managing Partner, presented the report at the March 21<sup>st</sup> meeting of the Board of Trustees. He explained terms and ramifications and answered questions from the Board. This was an especially important presentation for our Board in that Cavanaugh Macdonald is new to us, and we have two (2) new members on the Board.

Regarding the report, there is good news and not so good news. The good news is that, overall, we are in much better condition than we were at the last valuation, which was taken as of July 1, 2009. That was the depths of the meltdown. Then we were 66% funded and had an unfunded liability of \$454 million. The July 1, 2011 valuation shows that we are 76.4% funded, with an unfunded liability of \$191 million. That is a vast improvement. (If you like to play with this stuff, you might also take note that we use a 6% actuarial assumed rate of return. Most funds use 7½% or 7¾%. At 7½% we would be close to fully funded!)

Of note, our benefit payments are \$33 million. Our actuarial Annual Required Contribution (ARC) is \$30 million. Our real case revenue (tax + dues) is \$26 million. We are not quite meeting our funding requirements, actuarially or on a cash flow basis, which is what we tried to tell the Senators.

The full report is available on our new website. If you have any questions please feel free to call me or Morgan Wurst.



*Jim Meynard*

If you laid all  
of the economists  
in the world,  
end-to-end,  
they still could not  
reach a conclusion!

*-Heard on CNBC,  
November 9, 2011*

When there is  
not enough time  
to do it right,  
there is always  
enough time  
to do it over.

*-Anonymous*

The question is not  
what you look at,  
but what you see.

*-Henry David Thoreau*

## GFPF Comings and Goings

**David Luther Accepts Director—Member Services position...**The Georgia Firefighters' Pension Fund is pleased to announce that effective July 1, 2011, David W. Luther was promoted to the position of Director—Member Services, reporting to the Executive Director, James R. Meynard.

Please join us in welcoming David to his new position.

**Heath McGuire Accepts Field Coordinator position...** The Georgia Firefighters' Pension Fund is pleased to announce that effective January 30, 2012, Phillip Heath McGuire has accepted the position of Field Coordinator, reporting to the Director—Member Services, David W. Luther.

Please join us in welcoming Heath aboard.



*Juanita Whetzel*

## Training Closed

If you are late for the sermon on Sunday, depending on how far into the message the speaker is, you may just be too late to get their point. You could even walk away with a different understanding of the sermon than everyone else. The same goes for other learning or training experiences. If you walked into a CPR/AED class just in time to learn how to remove the pads and turn off the machine, would you feel confident using the device on a medical call? Or, would you want someone who knows what you just learned using it on YOU? Not likely. Training is important, and the time spent training is most likely dependent on the subject matter. The gist of this article concerns the how and why department and member training should be recorded. The integrity of those records (how and where they are recorded and kept) is of major concern for all involved. As we do inquiries and reviews, training records and incident reports must be provided. And while on this subject, the following is what we and some of the other agencies expect. The report should at a minimum, include the date, some type of class description, duration of the class and signatures of attendees. At some point during the training session, the roster should be closed. We are not going to tell you at what point to do

this. This particular point is to be determined by the chief or training officer and likely will depend on the class and its content. As we all know, there are going to be late comers. But, at some point, it just becomes too late to enter the class and receive the same credit for training as the others in attendance. Some of our suggestions are; if you use a lined sheet of paper on which members sign in the order in which they arrive, a line should be drawn under the last name at a given time in the session to indicate sign ins are over. If you use a report on which names are printed and the person signs on top of, or beside their name, those not in attendance, at this point should have their name lined through. This should prevent signatures from being added after the fact. It's just not fair for someone to show up in the last few minutes of a class, or never having attended the class to receive the same credit as the ones who have been there for the duration. After training has ended, the integrity of the records can and should be protected by placing them under lock and key. This is a heads up on what we and some of the other agencies are looking for when called on to review records.



*David Luther*

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...continued from Page 1...From The Desk of the Executive Director...

On a final note, we are continuing to work through our self-inflicted wounds for part-timers. On April 11<sup>th</sup>, we will host a meeting of affected Chiefs and interested parties to sort out some issues and develop proposals for the Board and perhaps the General Assembly for next year, a fiscal bill introduction year. This time I hope we get it right!



*Jim Meynard*

# Georgia Firefighter's Pension Fund

## Vital Statistics as of February 29, 2012

(FINANCIALS ARE PRELIMINARY)

Assets \$563,716,568

Active Members 12,883

Retirees 4,108

### FUND PERFORMANCE

Current Month 2.6%

Calendar Year 2011 (January 1–February 29, 2012) 7.6%

Fiscal Year to Date (July 1, 2011–February 29, 2012) 1.7%

### RETIREMENT BENEFITS

Full Retirement (25 years service/age 55) \$882 per month

Early Retirement (15 years service/age 50) \$370 per month

Average Benefit Payment \$703 per month

### EXPECTED AVERAGE BENEFIT

PAYOUT OVER 25 YEARS

\$210,900

## **GFPF Benefits Subject to State Income Tax**

Occasionally, we get questions in this office related to taxation. Our Board Counsel advises us to take great care in responding to such questions inasmuch as we are not qualified tax consultants. But when the question is directly related to the benefits we distribute, we feel we ought to be able to offer some direction regarding the applicable State Code for taxation of the benefit.

In our section of the Code, 47-7-122, it would seem that your pension benefits are exempt from Georgia State Income Tax. Indeed, the last sentence of 47-7-122 says, “[b]enefits under this chapter are expressly declared to be exempt from any and all taxation, whether imposed by state, county, municipality, or other political subdivision.” However, Georgia’s tax code provides that an individual’s Georgia taxable net income is the taxpayer’s federal adjusted gross income, less what are commonly referred to as the Georgia exemptions. The Georgia Code, O.C.G.A. 48-7-27 was revised for tax years beginning January 1, 1989, to provide “no income from a public pension or retirement fund, program, or system (including those pension or retirement funds, programs, or systems provided for in Title 47) shall be exempt from income taxation in this state, notwithstanding any provision in Title 47 or any other provision of law to the contrary.” (emphasis added). This revision to Title 48 supersedes the provisions of Title 47-7-122 relating to taxation of GFPF benefits. It is our opinion, and that of our counsel, that **these benefits are subject to state income tax.**

The above was excerpted from correspondence from Board Counsel to the Executive Director.



*Jim Meynard*

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