

FISCAL YEAR 2015 ANNUAL REPORT

AN OFFICIAL PUBLICATION OF THE GEORGIA FIREFIGHTERS' PENSION FUND



To the Members of the Georgia Firefighters' Pension Fund

BOARD OF TRUSTEES

Timothy S. Milligan

Chairman of the Board
Assistant Chief & Fire Marshal
City of Marietta
Fire Department
Active Member
Appointed by the Governor

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CFO and Director
of the OPB
State of Georgia
Governor's Designee

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R. Lee Todd

Trustee
Chief Station 1
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Fire Department
Active Member
Appointed by the Governor

BOARD COUNSEL

David C. Will, Esq.

Special Assistant
Attorney General
& Board Counsel
Founding Partner:
ROYAL—WILL Law Firms

The Board of Trustees and the Staff are proud to present to you the Fiscal Year 2015 Annual Report. Please take some time to read it. It contains important membership and financial statistics, as well as the Income Statement, Balance Sheet and Portfolio Breakout.

The membership of the Fund continued to move in its recent trends. The total number of active members in the Fund stayed almost flat, increasing about 1% to 13,350 members. The number of retirees/beneficiaries rose by 189 to 4,793. This represents a 4% increase. Over the last 5 years, the retiree growth rate has been approximately 5%. We anticipate this growth to continue. As of June 30th 2015, The Fund had 1,465 Active members who had reached vesting status with the Fund and were eligible to begin drawing benefits. The pipeline of future retirees remains strong.

Benefits paid out to retirees and their beneficiaries during the year grew to over \$39.4 Million. This was over 5% (approx. \$1.9 Million) more than was paid out the previous year. The 5%-plus growth in payouts is very much in line with what the Fund has experienced over the last 3 – 5 years. It's been 7 years since a COLA has been issued (July of 2008). During that time, payouts to retirees/beneficiaries have increased by over \$13 Million annually. We expect this growth to continue. Unfortunately, dues and tax receipts have grown by less than \$8 Million during this same time period. We are thankful, however, that they continue to grow.

Non-investment revenue growth was up during the year. Dues receipts grew approximately 2% to \$3.93 Million. Premium Tax Receipts increased by 4.8% to just shy of \$31.5 Million. It was nice to see that our tax revenue continued to rise as it is, by far, our biggest source of non-investment revenue. It is our belief that tax revenue should grow at a 4-6% rate for the near to mid-term.

The investment portfolio only managed a 1.6% return for the Fiscal Year. Exposure to International Equities and the Energy Sector were the main detractors to the Fund. Fixed Income and REIT exposures were accretive to the Fund. Since March, we have shifted the International portfolio from one that is index-based, to one that is actively managed. We hired an emerging markets manager in March of this year and two Developed World managers in September. Early performance returns have been very favorable against respective International Index benchmarks. We truly believe International Equity is an area where active investing can add value.

We anticipate that the Equity and Bond markets will continue to be choppy in the near to medium term, as the market figures out how to handle anticipated interest rate hikes, a near-collapse in the commodity markets, the global war on terror, etc. As we are not market-timers and cannot predict the future, we will continue to focus our efforts on selecting the best managers to invest our money and making sure that money stays invested according to our policy and guidelines. Despite a mediocre 2015, our 3 and 5-year performance numbers continue to match up extremely well against our peers.

Our goal here at the Pension, as always, is to provide our member, retirees and their beneficiaries with excellent customer service and record-keeping, as well as safe-guarding the assets and investing in a most prudent manner.

We thank you all for your service.



C. Morgan Wurst



Key Statistics

Members

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Active:				
Full-Time	10,148	9,983	9,842	9,664
Volunteer	3,163	3,202	3,210	3,247
Part-Time	39	14	21	33
Total Active	13,350	13,199	13,073	12,944
% Change from prior year	1%	1%	1%	0%
Inactive:				
Total Inactive	2,369	2,328	2,338	2,308
% Change from prior year	2%	0%	1%	3%
Retirees:				
Total Retirees	4,743	4,554	4,341	4,156
% Change from prior year	4%	5%	4%	5%

Total Fund Membership

Total Fund Membership	20,462	20,081	19,752	19,408
% Change from prior year	2%	2%	2%	1%

Full Benefit (No Options - Age 55, 25)	882	882	882	882
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Early Retirement (No Options - Age 50, Average Benefit Payment)	370 702	370 700	370 701	370 702
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Financial

	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>	<u>6/30/2012</u>
Market Value of Portfolio	766,681,696	762,035,006	654,414,546	571,029,394
% Change from Prior Year	1%	16%	15%	-2%
Portfolio Allocation:				
Equity (Includes Private Equity)	65%	65%	64%	60%
Fixed Income	34%	33%	35%	38%
Cash	1%	2%	1%	2%
	100%	100%	100%	100%
Current Yr. Insurance Premium Tax	31,489,129	30,034,219	28,404,265	27,003,042
% Change from Prior Year	5%	6%	5%	5%
Membership Receipts	3,931,125	3,862,103	2,340,047	2,325,706
% Change from Prior Year	2%	65%	1%	1%
Total Benefits Paid	39,420,799	37,530,118	35,919,081	34,286,808
% Change from Prior Year	5%	4%	5%	5%
Dues & Taxes Received less Benefits	(4,000,545)	(3,633,796)	(5,174,769)	(4,958,060)

Portfolio Allocation & Statistics

June 30, 2015

<u>Domestic Equity Managers</u>	<u>Market Value</u>	<u>% of Portfolio</u>	<u>Fiscal Year</u> <u>Return</u>	<u>Inception Date</u>
Sawgrass Capital Management	40,877,839	5.3%	8.4%	May 2008
Cooke & Bieler	58,440,052	7.6%	8.1%	May 2004
Dimensional Fund Advisors	39,029,182	5.1%	3.5%	August 2010
Burgundy Asset Management	62,425,697	8.1%	5.5%	February 2004
SSgA - Russell 1000 Large Cap Growth	31,438,344	4.1%	10.5%	August 2011
SSgA - S&P Mid Cap 400	36,047,201	4.7%	6.4%	April 2011
Energy Opportunities	36,161,488	4.7%	-29.3%	September 2006
Heitman (REIT)	34,293,545	4.5%	9.8%	November 2009
Total - Domestic Equity Managers	338,713,349	44.2%	2.8%	
International Equity Managers				
SSgA - MSCI EAFE Index (replaces ACWI Index)	99,229,450	12.9%		April 2015
Burgundy Asset Management (replaces	42,832,384	5.6%		April 2015
Total - International Equity Managers	142,061,834	18.5%	-5.6%	
TOTAL COMBINED EQUITY	480,775,183	62.7%	0.4%	
Fixed Income Managers				
DoubleLine Capital - ABS	49,132,184	6.4%	5.0%	December 2012
Voya (former ING Core Plus)	54,014,977	7.0%	1.8%	October 2003
DoubleLine Capital - MBS	46,045,121	6.0%	3.3%	March 2012
Orleans Capital	26,625,692	3.5%	-0.8%	March 2009
Sage	23,106,236	3.0%	1.3%	March 2009
Victory Capital	57,610,969	7.5%	7.9%	May 2004
TOTAL FIXED INCOME	256,535,179	33.5%	3.7%	
Total Invested in Private Equity Fund of Funds	19,341,385	2.5%	5.6%	June 2011
Cash (does not include \$22,094 in Operating Cash)				
State Street Money Market	10,029,949	1.3%		N/A
TOTAL CASH	10,029,949	1.3%	N/A	
TOTAL PORTFOLIO	766,681,696	100%	1.6%	

*Reflects returns of MSCI ACWI ex-US Index Fund which was replaced April 2015 as a result of a reallocation of the International Portfolio

Income Statement
Fiscal Year Ending June 30, 2015
(Unaudited)

Fund Income

Membership Receipts	3,931,125
Other Member Income	261,523
Current Year Insurance Premium Tax	31,489,129
Other Income	44,767
Total Fund Receipts	35,726,543

Member Expenses

Benefit Payments to Members	39,420,799
Other Member Expenses*	834,763
*(consists of Member Withdrawals, Volunteer Lost Credit, Member Returns and Dues in refund-available status)	
Total Member Expenses	40,255,562

Fund Expenses

Personnel	829,421
Travel, Training, and Development	47,248
Supplies	11,658
Printing and Postage	20,742
Utilities	27,838
Maintenance & Repairs	31,032
Fees and Contracts	154,352
Benefit Payment Services and Actuary Fees	134,503
Miscellaneous	7,523
Depreciation	64,981
Total Fund Expenses	1,329,298
Net Operating Income	(5,858,316)

Investment Income

Total Realized Investment Income	56,043,347
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Investment Expenses

Custodial Services	234,841
Asset Management Fees	3,254,904
Consulting Services	130,000
Total Investment Expenses	3,619,745

Net Realized Investment Income	52,423,602
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NET OF OPERATIONS & REALIZED INVESTMENTS	46,565,285
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Balance Sheet**June 30, 2015**

(Unaudited)

Operating Cash	22,538	
Accounts Receivable	54	
Total Current Assets		<u>22,592</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	242,447	
less: (accumulated depreciation)	<u>(537,177)</u>	
Net Fixed Assets & Supplies		<u>1,325,147</u>
Gross Portfolio @ cost	676,197,734	
Dividend/Interest/Tax Reclaim Receivable	1,606,025	
less: (net trades payable)	<u>(11,414,797)</u>	
Net Portfolio (at cost)		<u>666,388,963</u>
Unrealized Investment Gains	101,416,589	101,416,589
Total Assets		<u>769,153,291</u>
Employee Payables	45,993	
Member Payables	981,211	
Operating Accounts Payable	1,138	
Investment/Actuary Fees Payable	<u>792,000</u>	
Total Current Liabilities		<u>1,820,342</u>
Surplus - Net Assets/Equity	761,090,829	
Change in Market Value	<u>6,242,120</u>	
Total Capital		<u>767,332,949</u>
Total Net Equity		<u>769,153,291</u>



L TO R Back: Timothy S. Milligan, Kerry Cook, David C. Will & M. Dwayne Garriss
L to R Front: R. Lee Todd, Teresa A. MacCartney & C. Morgan Wurst

MISSION STATEMENT

The mission of the Georgia Firefighters' Pension Fund is to provide a supplemental pension benefit to Georgia's firefighters and their beneficiaries through prudent stewardship of the assets held in trust.

VISION STATEMENT

The vision of the Georgia Firefighters' Pension Fund is to uphold a tradition of excellence in service, fiduciary responsibility, and accountability through a dedicated and compassionate workforce that employs progressive technology and promotes professionalism.

CORE VALUES

INTEGRITY – We will always act with honesty and integrity, not compromising the truth.

ACCOUNTABILITY – To the firefighters of the State of Georgia, our fund members and their families for performance, dedication, and ethical practices in the administration of the Fund.

PROFESSIONALISM – We will always conduct ourselves in a professional manner, demonstrated by our speech, actions and compassion.

SERVICE – We will always ensure excellent customer service in a courteous manner.

STEWARDSHIP – As stewards of the Georgia Firefighters' Pension Fund, we will strive to enhance and increase the value of the fund for current members and for generations to come.

**GFPF
ANNUAL REPORT**

2171 East View Parkway
Conyers, Georgia
30013-5756

770-388-5757
678-413-4227 Fax
866-374-0788 Toll Free

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GFPF CONTACTS

Georgia Firefighters' Pension Fund

2171 East View Parkway, Conyers, GA 30013-5756

Phone: 770-388-5757 Toll Free: 866-374-0788 Fax: 678-413-4227

Office Hours: 8:00 a.m.— 5:00 p.m., Monday — Friday

C. Morgan Wurst
Executive Director
morgan@gfpf.org

Renee Smith
Executive Assistant
renee@gfpf.org

Tracy Wells
Assistant Treasurer
tracy@gfpf.org

David W. Luther
Director—Member Services
luther@gfpf.org

Sharon H. Drake
Operations Manager
sharon@gfpf.org

Cindy Cannon
Retirement Specialist
cindy@gfpf.org

Darlene McMillan
Accountant
darlene@gfpf.org

P. Heath McGuire
Field Coordinator
heath@gfpf.org

Leanna Johnson
Membership Records Specialist
leanna@gfpf.org

Andrea Brown
Receptionist
andrea@gfpf.org

Pat Ciancuielli
Dues & Revenue Specialist
pat@gfpf.org

www.gfpf.org

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2171 East View Parkway
Conyers, Georgia 30013-5756