

FISCAL YEAR 2017 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

Yvonne Turner

Trustee
Deputy Director for the Governor's
Office of Planning & Budget
State of Georgia
Governor's Designee
Appointed by the Governor

M. Dwayne Garriss

Trustee
State Fire Marshal
State of Georgia
Insurance and Safety Fire
Commissioner's Designee

Kerry J. Cook

Vice-Chairman of the Board
Decatur Fire Department (Retired)
Retired Beneficiary
Appointed by the Governor

R. Lee Todd

Trustee
Chief Station 1
Meriwether County
Fire Department
Active Member

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 once again present to you the Fiscal Year 2017 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 total number of active members in the Fund stayed virtually flat and ended the year with 13,276 members. The total number of retirees/beneficiaries grew by 236 to 5,294. This represents a 5% increase over the prior year. Over the last 5 years, the retiree growth rate has been over 5%. We anticipate this growth to increase even more over the coming years. As of June 30th 2017, The Fund had 1,670 Active members who had reached vesting status with the Fund and were eligible to begin drawing benefits.

Benefits paid out to retirees and their beneficiaries during the year grew to over \$44.3 Million. That is almost 7% (approx. \$2.7 Million) more than was paid out the previous year. Part of this was due to a 1.5% COLA given in July of 2016. The remaining 5%-plus growth in payouts is very much in line with what the Fund has experienced over the last 5 to 7 years.

Non-investment revenue growth was up during the year. Dues receipts were flat for the year at \$4.0 Million. Premium Tax Receipts grew by 4.3% to \$34.1 Million. While we are pleased that tax receipts continue to grow at a decent clip, in a perfect world, they would match or exceed the rate at which the benefits to retirees/beneficiaries, continues to grow.

The investment portfolio returned 11.5% for the Fiscal Year. After two years of low single-digit growth, we were pleased to generate returns well above our targeted rate of return (6%). Foreign equities led the way in FY 2017, returning over 17%. The portfolio's domestic equities did not lag by much with a return of almost 15%. The bond portion of the portfolio returned over 5%, which was outstanding given that the Barclay's Aggregate Bond Index was negative for the year. Our outsized fixed income returns are due most to our allocation to Investment-grade convertible bonds, which returned over 14%. Our 1, 3, 5 and 7-year performance numbers continue to measure favorably against our peers. Because of our outsized performance in FY2017, the Board was able to grant a 1% COLA effective July 1, 2017. It is the second COLA they've been able to grant in the last 12+ months. Prior to that, it had been eight years since one was granted. Future COLA's are by no means a given. As always, the Board relies heavily on information provided to them by the Actuary, the Staff and the Consultant before making a decision to grant one.

Here's what I said in last year's report: *"The outlook for 2017 is shaky, at best. At some point in time, interest rates will rise. At the time of this newsletter, it looks like we might get our first interest rate hike before the end of 2016. When interest rates rise, it has a negative impact on the value of the fixed-income instruments we own. The equity market looks fairly valued, but does not appear to be a bargain. We will invest according to our Investment Policy and keep our market views more towards the long-term."* I think everything in that paragraph (high stock market valuation, increasing interest rates, sticking with the Policy, keeping a long-term view, etc.) still applies today!

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 safeguarding the assets and investing in a most prudent manner.

We thank you all for your service.



C. Morgan Wurst



Key Statistics

Members

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Active:				
Full-Time	10,138	10,177	10,148	9,983
Volunteer	3,077	3,013	3,163	3,202
Part-Time	61	51	39	14
Total Active	13,276	13,241	13,350	13,199
% Change from prior year	0%	-1%	1%	1%
Inactive:				
Total Inactive	2,646	2,586	2,369	2,328
% Change from prior year	2%	9%	2%	0%
Retirees:				
Total Retirees	5,294	5,058	4,743	4,554
% Change from prior year	5%	6%	4%	5%

Total Fund Membership

	21,216	20,885	20,462	20,081
% Change from prior year	2%	2%	2%	2%
Full Benefit (No Options - Age 55, 25 years service)	895	882	882	882
Early Retirement (No Options - Age 50, 15 years service)	376	370	370	370
Average Benefit Payment	713	702	702	700

Financial

	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>
Market Value of Portfolio	844,439,623	767,644,748	766,681,696	762,035,006
% Change from Prior Year	10.0%	0.1%	1%	16%
Portfolio Allocation:				
Equity (Includes Private Equity)	65%	65%	65%	65%
Fixed Income	32%	34%	34%	33%
Cash	3%	1%	1%	2%
	100%	100%	100%	100%
Current Yr. Insurance Premium Tax Receipts	34,097,708	32,683,880	31,489,129	30,034,219
% Change from Prior Year	4%	4%	5%	6%
Membership Receipts	4,002,199	4,001,793	3,931,125	3,862,103
% Change from Prior Year	0%	2%	2%	65%
Total Benefits Paid	44,336,825	41,620,517	39,420,799	37,530,118
% Change from Prior Year	7%	6%	5%	4%
Dues & Taxes Received less Benefits Paid	(6,236,918)	(4,934,844)	(4,000,545)	(3,633,796)

Portfolio Allocation & Statistics

June 30, 2017

<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	44,071,824	5.2%	12.2%	May 2008
Cooke & Bieler	69,902,484	8.3%	25.0%	May 2004
Dimensional Fund Advisors	40,926,284	4.8%	22.7%	August 2010
Burgundy Asset Management	68,207,950	8.1%	22.6%	February 2004
SSgA - Russell 1000 Large Cap Growth	34,113,702	4.0%	20.5%	August 2011
SSgA - S&P Mid Cap 400	41,629,329	4.9%	18.6%	April 2011
Energy Opportunities	27,466,759	3.3%	-15.2%	September 2006
Heitman (REIT)	35,533,029	4.2%	-0.2%	November 2009
Total - Domestic Equity Managers	361,851,361	42.8%	14.8%	
International Equity Managers				
Artisan International Growth	49,966,632	5.9%	14.3%	October 2015
Gryphon International EAFE Growth	59,777,524	7.1%	25.3%	October 2015
Burgundy Asset Management	54,416,368	6.4%	12.1%	April 2015
Total - International Equity Managers	164,160,524	19.4%	17.3%-6.6%	
TOTAL COMBINED EQUITY	526,011,885	62.2%	15.5%	
Fixed Income Managers				
DoubleLine Capital - ABS	49,708,989	5.9%	3.5%	December 2012
Voya (former ING Core Plus)	54,346,646	6.4%	0.7%	October 2003
DoubleLine Capital - MBS	50,672,923	6.0%	4.9%	March 2012
Loomis Sayles	30,569,215	3.6%	1.9%	March 2017
Sage	24,156,790	2.9%	0.1%	March 2009
Victory Capital	62,517,797	7.4%	14.3%	May 2004
TOTAL FIXED INCOME	271,972,360	32.2%	5.1%	
Total Invested in Private Equity Fund of Funds	26,309,257	3.1%	15.4%	June 2011
Cash				
State Street Money Market	20,146,121	2.4%	--	N/A
TOTAL CASH	20,146,121	2.4%	--	
TOTAL PORTFOLIO	844,439,623	100%	11.7%	

Income Statement

Fiscal Year Ending June 30, 2017

(Unaudited)

Fund Income

Membership Receipts	4,002,199
Other Member Income	286,539
Insurance Premium Tax (includes prior years recv'd. late)	34,152,048
Other Income	35,763
Total Fund Receipts	38,476,549

Member Expenses

Benefit Payments to Members	44,336,825
Other Member Expenses*	1,120,704

*(consists of Member Withdrawals, Volunteer Lost Credit, Member Returns and Dues in refund-available status)

Total Member Expenses	45,457,529
------------------------------	-------------------

Fund Expenses

Personnel	920,148
Travel, Training, and Development	53,285
Supplies	10,300
Printing and Postage	19,639
Utilities	27,146
Maintenance & Repairs	34,247
Fees and Contracts	60,573
Benefit Payment Services and Actuary Fees	139,226
Miscellaneous	10,870
Depreciation	60,514

Total Fund Expenses	1,335,948
Net Operating Income	(8,316,928)

Investment Income

Total Realized Investment Income	44,265,194
----------------------------------	------------

Investment Expenses

Custodial Services	235,511
Asset Management Fees	4,177,902
Consulting Services	131,250

Total Investment Expenses	4,544,663
----------------------------------	------------------

Net Realized Investment Income	39,720,531
---------------------------------------	-------------------

NET OF OPERATIONS & REALIZED INVESTMENTS	31,403,603
---	-------------------

Balance Sheet**June 30, 2017**

(Unaudited)

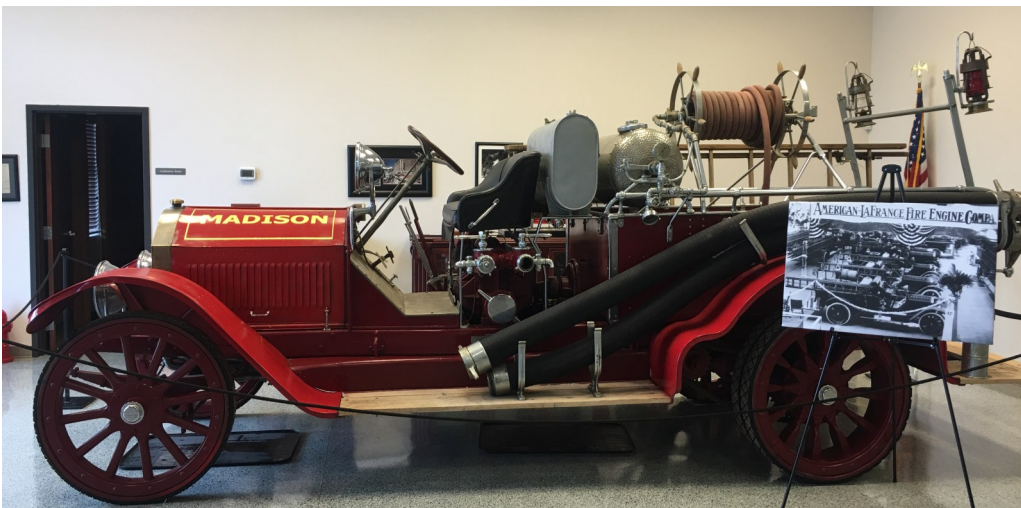
Operating Cash	57,898	
Accounts Receivable	291	
Total Current Assets		<u>58,190</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	239,515	
less: (accumulated depreciation)	<u>(634,498)</u>	
Net Fixed Assets & Supplies		<u>1,220,894</u>
Gross Portfolio @ cost	721,263,045	
Dividend/Interest/Tax Reclaim Receivable	1,996,439	
less: (net trades payable)	<u>(9,901,891)</u>	
Net Portfolio (at cost)		<u>713,357,593</u>
Unrealized Investment Gains	130,940,948	130,940,948
Total Assets		<u>845,577,624</u>
Employee Payables	54,858	
Member Payables	1,203,144	
Operating Accounts Payable	8,319	
Investment/Actuary Fees Payable	<u>674,242</u>	
Total Current Liabilities		<u>1,940,564</u>
Surplus - Net Assets/Equity	766,677,306	
Change in Market Value	<u>76,959,754</u>	
Total Capital		<u>843,637,060</u>
Total Net Equity		<u>845,577,624</u>

GFPF ANNUAL REPORT

2171 East View Parkway
Conyers, Georgia
30013-5756

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

© 2017, GFPF



*Visit us on our
website at
www.gfpf.org*

Reminder for Retirees

- If you are retired and drawing benefits under the Joint and Survivor option, and your spouse is deceased or you have become divorced; you may be entitled to an increase in your benefit payment. You must notify the Pension Fund Office to obtain the necessary forms to convert your benefits to Regular Retirement. Once the completed forms are received, processed, and approved by the Board; the conversion will go into effect the following month. Note: Conversions are not retroactive. You may look under the Payment Source column of your monthly Advice of Deposit Statement to confirm your retirement option.
- You must notify the Pension Fund Office of any address changes. If your mail is being returned and we are unable to reach you; your benefit payments will be suspended until written notice of your correct address is received in the office.
- All Direct Deposits are deposited on the **LAST** day of the month. If the last day of the month falls on a weekend or a holiday; the deposits will be posted the last business day prior to the end of the month. All checks are mailed approximately 4-5 days prior to the end of the month.

The GFPF ANNUAL REPORT is an official publication of the Georgia Firefighters' Pension Fund, published annually for GFPF participants and retirees. This publication shall accept no advertisement for commercial services or products.



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-Ransom
Deputy Director
tracy@gfpf.org

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

Sharon H. Drake
Director of Operations
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

Bryan Owens
Field Representative
bryan@gfpf.org

www.gfpf.org

ANNUAL REPORT



Georgia Firefighters' Pension Fund
2171 East View Parkway
Conyers, Georgia 30013-5756