

# **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 30<sup>th</sup> 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	<b>13,276</b>	<b>13,241</b>	<b>13,350</b>	<b>13,199</b>
% Change from prior year	0%	-1%	1%	1%
Inactive:				
Total Inactive	<b>2,646</b>	<b>2,586</b>	<b>2,369</b>	<b>2,328</b>
% Change from prior year	2%	9%	2%	0%
Retirees:				
Total Retirees	<b>5,294</b>	<b>5,058</b>	<b>4,743</b>	<b>4,554</b>
% Change from prior year	5%	6%	4%	5%

### **Total Fund Membership**

	<b>21,216</b>	<b>20,885</b>	<b>20,462</b>	<b>20,081</b>
% 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	<b>844,439,623</b>	<b>767,644,748</b>	<b>766,681,696</b>	<b>762,035,006</b>
% 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	<b>34,097,708</b>	<b>32,683,880</b>	<b>31,489,129</b>	<b>30,034,219</b>
% Change from Prior Year	4%	4%	5%	6%
Membership Receipts	<b>4,002,199</b>	<b>4,001,793</b>	<b>3,931,125</b>	<b>3,862,103</b>
% Change from Prior Year	0%	2%	2%	65%
Total Benefits Paid	<b>44,336,825</b>	<b>41,620,517</b>	<b>39,420,799</b>	<b>37,530,118</b>
% Change from Prior Year	7%	6%	5%	4%
Dues & Taxes Received less Benefits Paid	<b>(6,236,918)</b>	<b>(4,934,844)</b>	<b>(4,000,545)</b>	<b>(3,633,796)</b>

## 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
<b>Total - Domestic Equity Managers</b>	<b>361,851,361</b>	<b>42.8%</b>	<b>14.8%</b>	
<b>International Equity Managers</b>				
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
<b>Total - International Equity Managers</b>	<b>164,160,524</b>	<b>19.4%</b>	<b>17.3%-6.6%</b>	
<b>TOTAL COMBINED EQUITY</b>	<b>526,011,885</b>	<b>62.2%</b>	<b>15.5%</b>	
<b>Fixed Income Managers</b>				
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
<b>TOTAL FIXED INCOME</b>	<b>271,972,360</b>	<b>32.2%</b>	<b>5.1%</b>	
<b>Total Invested in Private Equity Fund of Funds</b>	<b>26,309,257</b>	<b>3.1%</b>	<b>15.4%</b>	June 2011
<b>Cash</b>				
State Street Money Market	20,146,121	2.4%	--	N/A
<b>TOTAL CASH</b>	<b>20,146,121</b>	<b>2.4%</b>	<b>--</b>	
<b>TOTAL PORTFOLIO</b>	<b>844,439,623</b>	<b>100%</b>	<b>11.7%</b>	

**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
<b>Total Fund Receipts</b>	<b>38,476,549</b>

**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)

<b>Total Member Expenses</b>	<b>45,457,529</b>
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**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

<b>Total Fund Expenses</b>	<b>1,335,948</b>
<b>Net Operating Income</b>	<b>(8,316,928)</b>

**Investment Income**

Total Realized Investment Income	44,265,194
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**Investment Expenses**

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

<b>Total Investment Expenses</b>	<b>4,544,663</b>
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<b>Net Realized Investment Income</b>	<b>39,720,531</b>
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**NET OF OPERATIONS & REALIZED INVESTMENTS**

**31,403,603**

**Balance Sheet****June 30, 2017**

(Unaudited)

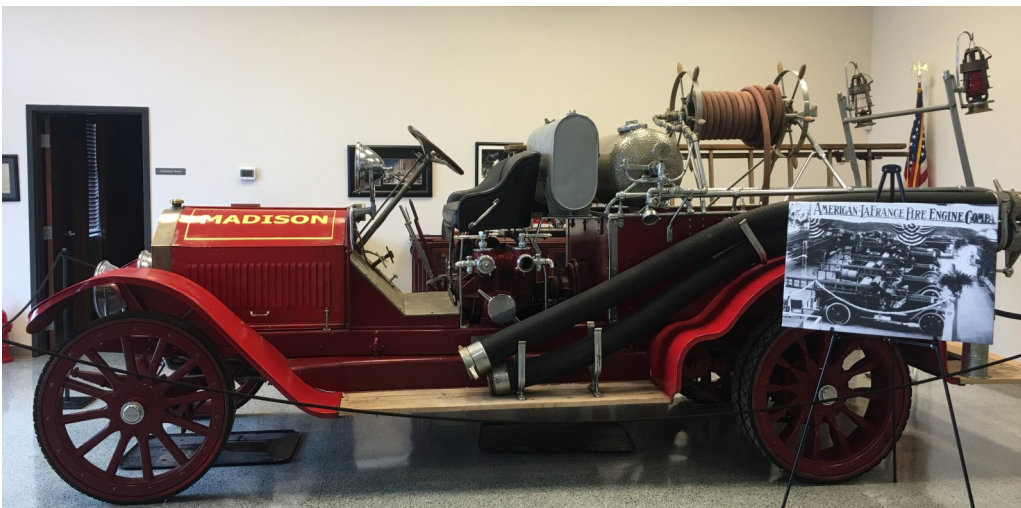
Operating Cash	57,898	
Accounts Receivable	<u>291</u>	
Total Current Assets		<u>58,190</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	239,515	
less: (accumulated depreciation)	<u>(634,498)</u>	
Net Fixed Assets & Supplies		<u>1,220,894</u>
Gross Portfolio @ cost	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
<b>Total Assets</b>		<b><u>845,577,624</u></b>
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>
<b>Total Net Equity</b>		<b><u>845,577,624</u></b>

# 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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website at  
[www.gfpf.org](http://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](mailto:morgan@gfpf.org)

**Renee Smith**  
Executive Assistant  
[renee@gfpf.org](mailto:renee@gfpf.org)

**Tracy Wells-Ransom**  
Deputy Director  
[tracy@gfpf.org](mailto:tracy@gfpf.org)

**David W. Luther**  
Director—Member Services  
[luther@gfpf.org](mailto:luther@gfpf.org)

**Sharon H. Drake**  
Director of Operations  
[sharon@gfpf.org](mailto:sharon@gfpf.org)

**Cindy Cannon**  
Retirement Specialist  
[cindy@gfpf.org](mailto:cindy@gfpf.org)

**Darlene McMillan**  
Accountant  
[darlene@gfpf.org](mailto:darlene@gfpf.org)

**P. Heath McGuire**  
Field Coordinator  
[heath@gfpf.org](mailto:heath@gfpf.org)

**Leanna Johnson**  
Membership Records Specialist  
[leanna@gfpf.org](mailto:leanna@gfpf.org)

**Andrea Brown**  
Receptionist  
[andrea@gfpf.org](mailto:andrea@gfpf.org)

**Pat Ciancuielli**  
Dues & Revenue Specialist  
[pat@gfpf.org](mailto:pat@gfpf.org)

**Bryan Owens**  
Field Representative  
[bryan@gfpf.org](mailto:bryan@gfpf.org)

[www.gfpf.org](http://www.gfpf.org)

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2171 East View Parkway  
Conyers, Georgia 30013-5756