

FISCAL YEAR 2018 ANNUAL REPORT

AN OFFICIAL PUBLICATION OF THE GEORGIA FIREFIGHTERS' PENSION FUND



To the Members of the Georgia Firefighters' Pension Fund

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To the Members of the Georgia Firefighters' Pension Fund

The Board of Trustees and the Staff are please to present you with the Fiscal Year (FY) 2018 Annual Report. We know you all have busy lives, but we encourage you to read this document and the vital information it contains, after all, this is your Fund. Inside, you will find statistical information on the membership of the Fund, the FY 2018 Financial Statements and a breakout of the Fund's Investment Portfolio.

The total number of active members grew by 226 to 13,502. Although the membership growth was just shy of 2%, it's the most new members we've had in any one year since 2009. The total number of retirees/beneficiaries grew by 253 to 5,547. This represents a growth rate of just under 5% for the year which is very much in lines with the growth rates we've experienced over the 3-year, 5-year and 10- year timeframes as well. You can expect this growth to continue, as there are close to 2,000 members who have reached vested status with the Fund and are eligible to begin drawing benefits.

Benefits paid out to retirees and/or their beneficiaries during the year totaled close to \$47.3 Million. That is almost 7% more than was paid out in FY 2017. The 7% increase consisted of two one-time cost-of-living adjustments (COLA) of 1%. The remaining 5% increase was due to the overall increase in the number of retirees.

Non-investment revenue was up during the year. For the fourth year in a row, dues receipts were flat for the year at approximately \$4.0 Million. Insurance Premium Tax Receipts grew by 4.6% to \$35.7 Million. As these premium tax receipts make up the bulk of our non-investment revenue, we are encouraged to see the growth of this revenue stream. Growth in this area is usually indicative of a growing economy, which is what all signs are pointing to here in the state of Georgia. Let's hope this growth continues!

The investment portfolio returned 8.2% for the Fiscal year. For the second year in a row, we were able to generate a return above our targeted 6.0% rate of return. Domestic Equities, particularly in the large-cap growth space were the biggest return drivers this past year. Overall, they generated an investment return of nearly 12%. International Equities delivered a return just shy of 7%, dragged down a bit by the emerging markets. Our alternative investments returned 14% for the year. Unfortunately, State Law does not allow us to participate in them as much as we would like.

Our fixed income portfolio delivered a return of 3.7%. While that seems like a pretty low number, it was actually really good. State Law prevented us from taking part in the higher yielding debt opportunities (high-yield debt, bank loans, etc.) of 2018. Plain vanilla investment-grade corporate bonds and treasuries returned basically nothing for the year. There were a number of interest-rate hikes during the year, as well. The values of bonds decrease when interest rates rise. We were able to benefit from added exposure in the corporate convertible bond space as well as the mortgage-backed security space.

At the time of this newsletter, we are somewhat optimistic about the economy, but are wary of both the stock and bond markets. Valuations have recently fallen back closer to a historical norm for domestic equities. International equities, particularly emerging market stocks, appear to be selling at a discount. Unfortunately, trade tensions with China and Middle East turmoil are very real. It appears that there will be more future rate hikes, so the Bond markets don't seem too appealing, as well. In these somewhat trying times, we will focus on remaining true to our Investment Policy and sticking to our portfolio guidelines.

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.





Key Statistics

Members

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Active:				
Full-Time	10,364	10,138	10,177	10,148
Volunteer	3,081	3,077	3,013	3,163
Part-Time	57	61	51	39
Total Active	13,502	13,276	13,241	13,350
% Change from prior year	2%	0%	-1%	1%
Inactive:				
Total Inactive	2,669	2,646	2,586	2,369
% Change from prior year	1%	2%	9%	2%
Retirees:				
Total Retirees	5,573	5,294	5,058	4,779
% Change from prior year	5%	5%	6%	5%
Total Fund Membership	21,744	21,216	20,885	20,498
% Change from prior year	2%	2%	2%	2%
Full Benefit (No Options - Age 55, 25 years service)	913	895	882	882
Early Retirement (No Options - Age 50, 15 years service)	383	376	370	370
Average Benefit Payment	726	713	702	702

Financial

	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>
Market Value of Portfolio	897,404,936	844,439,623	767,644,748	766,681,696
% Change from Prior Year	6.3%	10.0%	0%	1%
Portfolio Allocation:				
Equity (Includes Private Equity)	65%	65%	65%	65%
Fixed Income	32%	32%	34%	32%
Cash	3%	3%	1%	2%
	100%	100%	100%	100%
Current Yr. Insurance Premium Tax Receipts	35,715,255	34,097,708	32,683,880	31,489,129
% Change from Prior Year	5%	4%	4%	5%
Membership Receipts	3,997,873	4,002,199	4,001,793	3,931,125
% Change from Prior Year	0%	0%	2%	2%
Total Benefits Paid	47,285,284	44,336,825	41,620,517	39,420,799
% Change from Prior Year	7%	7%	6%	5%
Dues & Taxes Received less Benefits Paid	(7,572,156)	(6,236,918)	(4,934,844)	(4,000,545)

Portfolio Allocation & Statistics

June 30, 2018

<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	42,753,154	4.8%	16.7%	May 2008
Cooke & Bieler	64,631,414	7.2%	4.1%	May 2004
Dimensional Fund Advisors	45,151,975	5.0%	15.6%	August 2010
Burgundy Asset Management	71,801,007	8.0%	13.1%	February 2004
SSgA - Russell 1000 Large Cap Growth	37,420,099	4.2%	22.5%	August 2011
SSgA - S&P Mid Cap 400	43,893,832	4.9%	13.5%	April 2011
T. Rowe Price	37,067,698	4.1%	1.7%	January 2018
Heitman (REIT)	37,070,533	4.1%	4.3%	November 2009
Total - Domestic Equity Managers	379,789,712	42.3%	11.8%	
International Equity Managers				
Artisan International Growth	49,786,343	5.5%	7.8%	October 2015
Gryphon International EAFE Growth	67,373,564	7.5%	12.7%	October 2015
Burgundy Asset Management	54,463,103	6.1%	-0.3%	April 2015
Total - International Equity Managers	171,623,010	19.1%	6.9%	
TOTAL COMBINED EQUITY	551,412,722	61.4%	10.2%	
Fixed Income Managers				
DoubleLine Capital - ABS	51,830,608	5.8%	2.3%	December 2012
Voya (former ING Core Plus)	54,392,256	6.1%	0.1%	October 2003
DoubleLine Capital - MBS	51,121,454	5.7%	2.8%	March 2012
Loomis Sayles	34,610,483	3.9%	0.1%	March 2017
Sage	30,208,499	3.4%	0.0%	March 2009
Victory Capital	64,802,964	7.2%	12.2%	May 2004
TOTAL FIXED INCOME	286,966,264	32.0%	3.7%	
Total Invested in Private Equity Fund of Funds	34,849,018	3.9%	14.0%	June 2011
Cash				
State Street Money Market	24,176,932	2.7%	2.1%	N/A
TOTAL CASH	24,176,932	2.7%	2.1%	
TOTAL PORTFOLIO	897,404,936	100%	8.0%	

Income Statement

Fiscal Year Ending June 30, 2018

(Unaudited)

Fund Income

Membership Receipts	3,997,873
Other Member Income	361,471
Insurance Premium Tax (includes prior years recv'd. late)	35,715,255
Other Income	29,559
Total Fund Receipts	40,104,158

Member Expenses

Benefit Payments to Members	47,285,284
Other Member Expenses*	953,506

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

Total Member Expenses	48,238,790
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Fund Expenses

Personnel	1,024,468
Travel, Training, and Development	71,317
Supplies	29,743
Printing and Postage	17,549
Utilities	30,479
Maintenance & Repairs	51,773
Fees and Contracts	74,769
Benefit Payment Services and Actuary Fees	112,200
Miscellaneous	11,171
Depreciation	60,802

Total Fund Expenses	1,484,270
Net Operating Income	(9,618,902)

Investment Income

Total Realized Investment Income	46,969,799
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Investment Expenses

Custodial Services	277,162
Asset Management Fees	4,641,617
Consulting Services	136,250

Total Investment Expenses	5,055,029
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Net Realized Investment Income	41,914,769
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NET OF OPERATIONS & REALIZED INVESTMENTS	32,295,867
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Balance Sheet**June 30, 2018**

(Unaudited)

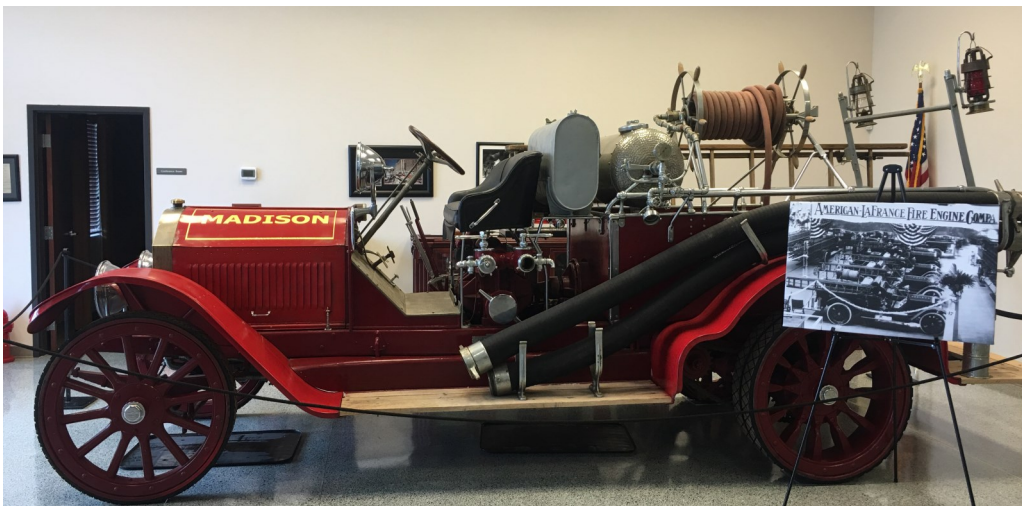
Operating Cash	180,854	
Accounts Receivable	<u>0</u>	
Total Current Assets		<u>180,854</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	260,942	
less: (accumulated depreciation)	<u>(699,300)</u>	
Net Fixed Assets & Supplies		<u>1,181,519</u>
Gross Portfolio @ cost	760,454,569	
Dividend/Interest/Tax Reclaim Receivable	2,078,103	
less: (net trades payable)	<u>(16,585,931)</u>	
Net Portfolio (at cost)		<u>745,946,742</u>
Unrealized Investment Gains	150,020,232	150,020,232
Total Assets		<u>897,329,345</u>
Employee Payables	59,162	
Member Payables	1,373,395	
Operating Accounts Payable	3,370	
Investment/Actuary Fees Payable	<u>1,022,810</u>	
Total Current Liabilities		<u>2,458,737</u>
Surplus - Net Assets/Equity	843,413,792	
Change in Market Value	<u>51,456,816</u>	
Total Capital		<u>894,870,608</u>
Total Net Equity		<u>897,329,345</u>

GFPF ANNUAL REPORT

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*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.



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