

GFPPF NEWS

THE OFFICIAL NEWSLETTER OF THE GEORGIA FIREFIGHTERS' PENSION FUND

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James R. Meynard
Executive Director

From the Desk of the Executive Director:

HI THERE! IT'S SUMMER. It's hot. It's dry again here in North Georgia. Every day it seems it wants to rain, but all we get is thunder and wind. Sort of what my grandkids say about me - thunder and wind. Oh well, someday they will understand. Depends, I guess. We have really had a busy quarter. There is a lot going on with the Fund. Our new Field Coordinator, David Luther, is making a mark around the state already. We knew this was a sorely needed function for the Fund, and now we are pleased to be able to provide this service. In creating this fund, the General Assembly, in part, intended to promote competence and professionalism in the Fire Service. We are becoming evermore positioned to fulfill that part of our mission. David has visited several departments already and delivered a couple of presentations. He has scheduled a bunch more. We are finding our recently issued Volunteer Records System to be a real success. David has also taken responsibility for getting the Rules and Regulations out for publication; notes on that inside, too. Speaking of initiatives, David will host a meeting of Volunteer Chiefs to sort out pension requirements for creditable service. See inside for more details.

This spring, we sequestered the Board for a couple of days to take a good look at where we are and where we are going. We asked ourselves, "What's the plan?" Ben has written some notes for you to share the results of that meeting. It was really interesting. We used rather conservative estimates to envision where we think we will be in 10 to 12 years. Now we have to be prepared to handle that outcome without overdoing resources.

Another initiative on tap is membership cards. Sharon has prepared some

information for you regarding this item that is pretty exciting for us. It includes adding online access and updating of certain information for members without having to submit a hard copy or get a notary seal and signature. We are getting caught up to the modern world!

As many of you know already, the Board approved a reduced COLA for July 1, payable July 31. Inside, I offer an explanation of what went into the decision to do something other than a full allowance. This was not an easy decision for this Board. Whether you agree with the decision or not; I trust that after reading the article you will accept that it was a decision not lightly taken and in the best long-term interest of the fund and its participants.

The capital markets continue in disarray. I do not have to repeat the problems of the housing and energy markets, nor the issues with the falling dollar. Politics are lending an unprecedented amount of uncertainty to the financial markets, and that puts many of the players on the sidelines as they shun uncertainty. All we can do for now is defend and ride it out. We are well positioned for the most part, but it will be painful for the short run.

■ *Jim Meynard, Executive Director*

Board Approves July Cola

On June 18, 2008, at the regularly scheduled meeting of the Board of Trustees, the Board approved a 0.75% cost of living adjustment for all current and future retirees of the Fund. See article inside for additional details regarding this increase.

Meet Our Managers

*Continuing with our tradition of introducing our membership to the Fund's individual investment management firms, we are highlighting one of our portfolio managers. **Hyperion Brookfield Asset Management, Inc.** is our mortgage securities investor.*

HYPERION BROOKFIELD ASSET MANAGEMENT, INC. is an institutional, fixed income specialist headquartered in New York City with offices in Atlanta, Boston, and San Diego. It was founded in 1989 by Lewis Ranieri, former Vice Chairman of Salomon Brothers, who is credited with the creation of the mortgage pass through security as well as structured mortgage securities. The firm manages approximately \$21 billion in assets on behalf of clients that range the entire institutional investor spectrum: public & corporate pension funds, insurance companies, financial institutions, mutual funds, and endowments and foundations.

The firm is known for its pioneer status investing in the credit mortgage-backed securities market. Since the firm's inception, its scope of business has diversified to include a core fixed income strategy and a high yield corporate strategy. Hyperion Brookfield has maintained a strong focus on investing across the entire

mortgage borrower continuum (prime, sub-prime, manufactured housing, etc.) as well as across the entire capital spectrum [AAA rated securities through below-investment-grade (below BBB)].

Hyperion Brookfield invests in residential mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS) on behalf of the Georgia Firefighters' Pension Fund. Investing in the MBS and CMBS sectors is a way to generate incremental yield in asset classes that have a high barrier to entry in terms of talented investment professionals, structured process, and resource costs for proprietary and third party technology.

The CMBS strategy focuses on security selection and relative value among credit rating classes of CMBS. The strategy is managed by Julie Madnick, Senior CMBS Portfolio Manager. She is supported by a team of two senior CMBS underwriters and 10 CMBS sector analysts. The strategy is dedicated to investments in all investment-grade credit levels. However, the majority of the portfolio is invested in BBB+ rated and BBB rated, but well underwritten securities. Investing further down the capital structure (i.e. BBB vs. AAA) leads to higher yields for the Georgia Firefighters' Pension Fund.

Recently, Hyperion Brookfield also began managing an opportunistic residential MBS portfolio on behalf of the Georgia Firefighters' Pension Fund. The strategy is managed by Michelle Russell-Dowe, Senior Residential MBS Portfolio Manager.

She is supported by a team 14 analysts. The mandate seeks to capitalize on investment opportunities in the sub-prime MBS sector which have resulted from the severe price dislocation and from the liquidity and credit crisis. This wholesale re-pricing of credit risk resulted in an unprecedented opportunity for investors. Hyperion Brookfield has the historical, sector, and credit expertise to effectively analyze the underlying risk in sub-prime MBS to take advantage of this opportunity.

While Hyperion Brookfield's detailed research gave us advanced warning and full appreciation of the risks that were present in the MBS markets, the liquidity crunch during the summer of 2007 set in place a very pronounced set of circumstances across most sectors, the magnitude of which we did not fully anticipate. The credit crunch created an extreme liquidity penalty for virtually all MBS sectors. The bonds we hold are performing to expectations from a credit standpoint; however, the illiquid market contributed to significant mark-to-market declines. We do expect over time that these mark-to-market write-downs will be recovered. On the bright side, these extreme discounts have created enormous opportunities where we can find excellent risk adjusted returns in the investment-grade MBS sectors.

■ *Ben Hughes, Assistant Treasurer*

GFPF Board of Trustees' | APRIL 2008

Long Range Planning Session

TWICE A YEAR, the Board of Trustees engage in multi-day training and education sessions directed toward their development and the professional management of the Fund, usually in April and September. In April 2008, the Board invested 2 days toward maximizing the performance of the pension fund. In addition to the normal board meeting topics (reviews of field support, operations, membership changes, budget, portfolio, and initiatives), the Trustees conducted a thorough and intensive planning conference in an effort to improve their ability to make informed long-term decisions. These projections reflected substantial input from our investment consultant (Consulting Services Group), our asset managers, and other select sources. The staff created a dynamic and comprehensive business model to reflect management decisions on benefits and expenses.

Here are some of the highlights of the long range plan. These estimates reflect projection of existing trends and planned changes (the FY '08 numbers are pretty solid; the long-term projections are inherently susceptible to event-driven variances):

As you can see, established pensions such as the GFPF (founded in 1955 and shortly thereafter began

paying benefits) are typically cash flow negative (Benefits exceed the total of Dues + Tax Collections), with the return on the portfolio ideally making up the difference, and then some. Such is and has been the case with this pension fund. The GFPF portfolio has made up the cash flow deficit and advanced the Fund comfortably close to a highly desirable "fully-funded" condition.

These projections, along with input from the actuary, provide a framework for decision making regarding COLAs, benefit improvements, changes in monthly dues, staffing, new initiatives, budgeting, and investments.

The Board also performed one of its periodic extensive reviews of how the portfolio is allocated for both the near term (the near term takes into account opportunistic portfolio enhancements which cannot be "planned") and long term. This also

entailed a review of the Investment Policy Statement which guides management of the portfolio.

The Board has consistently required a project or initiative list which details planned improvements to the operation of the fund. For example, these lists have contained substantial software development projects and the development of the Field Support Department, to name two. During this meeting the Board reviewed much more detailed and extensive project lists which outline numerous improvements.

This type of analysis/planning session ensures that the pension fund does not become a stale, reactionary institution but rather remains a business committed to continual improvement for the members' benefit. Pretty good work from a non-compensated Board!

■ *Ben Hughes, Assistant Treasurer*

	FY '08a	FY '13p	FY '20p
Total Members	18K	25K	36K
Benefits Paid	\$27MM	\$46MM	\$79MM
Dues Received*	\$3MM	\$3MM	\$4MM
Ins Premium Tax	\$25MM	\$32MM	\$47MM
Portfolio @ Mkt	\$604MM	\$824MM	\$1,246MM
Avg Mthly Benefit**	\$661	\$737	\$859

* monthly dues were projected at a constant \$15/month for all periods

** these are calculated averages; a Regular retiree @ 55 yrs old w/25 yrs svc = appx 18% higher

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Board Approves Reduced COLA

Executive Director Explains

THIS COLA CYCLE, the Trustees approved a COLA that is less than the full 1.5% that has been approved in recent years. (Please note that I use the term “approve” rather than “grant.” The Board is not granting or giving increases. These increases are there if the fund can afford them. The Board is approving the increase, much like a supervisor would approve any other expenditure.) Over the last several years, I have tried to keep the membership informed as much as possible regarding the management of the fund and decisions regarding COLA, investments, etc. While this is not a democratic process, i.e. you do not have a vote, we do not have anything to hide or be embarrassed by. The books are open as are the decisions. The newsletter and the web are the vehicles to communicate what we are doing. We even tried to do an “Annual Meeting” last year, but hardly anyone showed up, so I concluded that the newsletter is doing an adequate job of keeping you informed.

So, regarding the COLA, it is really based on three things: tax revenues, asset performance, and cost containment. First and foremost, consider our tax revenues. This year we did well, and we were able to launch an audit, because we now have a full time accounting person.



We are recouping some back taxes related to erroneous reporting that will benefit the fund. But, looking out to the future, with a slowing economy particularly in housing and related fire insurance, we are concerned that our insurance tax receipts will not hold up to the present levels. General tax receipts for the state are already down. We expect that our receipts for the next several years may be soft as well. That is concern number one.

We are presently funded at the 99% level. That is, our assets cover 99% of our liabilities. (The average public fund is around 75%.) But, we are adding new participants each month and participants are earning creditable service each month. And, you guys are living longer in retirement. So, the liabilities are growing. Normally, the assets are growing, too. Nonetheless, this was a bad year and the next one coming does not look particularly good. We smooth the asset returns over five years to avoid knee-jerk reactions

to one or two bad years. We are well positioned, asset wise, for the recovery when, not if, it comes. But, it may take a while. There will be sluggish portfolio performance in the meantime. This is concern number two.

We continue to grow. We run a \$600+ million portfolio and a 15,500+ member fund with ten people. Cost containment is important, but we do have to spend some money and I hope we spend it well. We occasionally make a mistake, but try to be conscientious when dealing with pension money. When we spend money, it is directed at providing better service near term or long term to the participant. I have no concerns here.

Finally, there is the conundrum. When all is well, inflation is down and the economy is humming, we can and do provide COLAs easily. The retirees least need them then. But, like now, inflation is growing and threatening, markets are tough, taxes are shrinking, and we are concerned. Granting COLAs requires more thought and deliberation. The Board did just that and saved a little dry powder for a rainy day. Unfortunately, that is when folks on a fixed income feel it the worst. So, we did something rather than nothing.

On another note, we will finish the work on implementing the mortality study soon. I promise. I apologize for the delay.

■ **Jim Meynard**, Executive Director

The Georgia Freedom Firefighters!!!

GFPF PROUDLY PRESENTS with honor John Shull, Georgia Freedom Firefighter, and 1st Lieutenant Company Executive Officer attached to Bravo Company, 3rd Battalion, 47th Infantry Regiment, US Army, Fort Benning, Georgia, actively serving since 2004, as a member of 82nd CRC (Component Repair Company) Georgia Army National Guard. John previously served 6 years in the US Navy, SEABEE Unit supporting the Navy and Marine Corps, for a total military career of 10 years to date. Lieutenant Shull concurrently serves as a Fire Medic with the Columbus Fire Department and EMS for 9 years, but he is on military leave-of-absence, since July 2007, extended through June 2009.

Lieutenant Shull has a major responsibility at Fort Benning under the Training and Doctrine Command. He provides guidance and support for Drill Sergeants preparing new recruits for service in the United States Army, consisting of active, reserve, and National Guard components. Additionally, Lieutenant Shull is second in command of the company; and he serves as an advisor to the company commander providing logistical support (i.e. transportation, weapons, equipment, ammunition, food supplies, general supplies, etc.). Shull performs hands-on medic training of Drill Sergeants to prepare new recruits in battlefield first responder's techniques, to include: intravenous access, needle decompression, and applying a nasal pharyngeal. Lieutenant Shull is the anti-terrorism officer and supervises the planning and operation for "all-threat" conditions, Homeland Security for the 3rd Battalion, 47th Infantry Regiment's 5 companies

We are continuing our segment with military firefighters. Numerous Georgia Firefighters are "strong, fast, larger than life, and fresh from the fight," serving on military leave in the battle against tyranny and terrorism. The Georgia Firefighters' Pension Fund introduces the "white knights upon a fiery steed" of our firefighter brotherhood and dedicates honor and appreciation to our own "Hercules fighting the rising odds for freedom."

Darlene McMillan, Accountant

Please contact Darlene McMillan, at accounting@gfpf.org, or 770-388-5757, with your department's nominees.

LT. JOHN SHULL, GEORGIA FREEDOM FIREFIGHTER



Freedom Firefighter, Lieutenant John Shull, vital leadership contribution and duty to command essential training and preparation of new recruits for military service.

at Sand Hill, Fort Benning. Shull recently attended training at US Army Airborne School, Fort Benning, and completed parachute jump certification.

Lieutenant Shull has been awarded: Army Parachutist Badge; Army Achievement Medal; Navy

and Marine Corps Achievement Medal; National Defense Service Medal; Global War on Terrorism Service Medal; and Army Service Ribbon.

John was born in Los Angeles, California, and grew up in a military home, transferring to various Army bases including Germany and Alaska. John's family was transferred to Fort Benning, where he graduated from Shaw High School. In 1998, he earned a Bachelor's Degree from Troy University. John's father retired from the Army, ending his career while serving at Fort Benning. His parents still reside in Columbus, Georgia. John and his wife, Rennie, are residents of Columbus.

TRIBUTE TO GEORGIA FIREFIGHTERS...

In the planning phase of our facility in Conyers, we provided space for some type of tribute to the firefighters throughout Georgia. The Fund has commissioned an artist to sculpt and produce three life-size, cast bronze sculptures of firefighters in poses mutually agreed upon by GPF and Hanlon Studios. We are very excited about this project; it is coming together quite nicely. Please check out the progress www.gfpf.org. Pictures of the clay models are now available for viewing.

■ *Juanita Whetzel, Executive Assistant*

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Help is on the way...

OUR NEW FIELD COORDINATOR, David Luther, is available to help with any number of issues you may face or questions you may have about the pension fund. He can assist you with proper record keeping procedures, membership problems or to promote the pension fund within your department or administration.

He may even have a solution to your record keeping problems with our new software you have heard so much about. Give David a call for more details. Already, he has conducted more than 20 site visits, finding good training and record keeping practices at several volunteer departments; Trion, Rayle and Tignall being just three of these. He will be making many more visits in the future, some scheduled, to review training practices

and recordkeeping, and some just drop in visits to check records and introduce the fund to you. He will always be available on request of a department. If you know of a department who does not participate in the fund, have them give us a call and David will be glad to pay them a visit. Presentations with question and answer sessions are good ways to learn about the Pension Fund. David has been added to the staff to be your connection to the fund. Use him.

Membership ID Cards

It started as an idea and it developed into a reality. We are developing a Membership I.D. Card, which will be distributed to all active members and retirees in late August or early September. These cards were created for the sole purpose for you to have easy access to pertinent information. The cards will have your Member I.D. number, name, address, department, status, beneficiary, and retirement option, if chosen.

It will also provide contact information for the Pension Fund, i.e. address, phone and fax numbers and web address. In addition, it will contain important information (key reminders) regarding when you must notify the Pension Fund.

At the same time, when we issue the cards, we plan to open the "Members Area" on the website to allow you to change certain information online, without having to submit paper to the pension office. You will be able to do address changes and beneficiary changes, for example, and, when you do, a new Member I.D. card will be sent to you.

■ *Sharon Drake, Operations Manager*

Chief, are you certified?

We know some of you are certifiable, so to speak, but as a Fire Chief and a member of the Pension Fund, you are classified as a Firefighter and therefore must maintain your Georgia Firefighter Standards and Training Council Certification if you are employed full-time.

According to Executive Director Pardue, Chief Officers can be classified as exempt from meeting core competency testing, but must complete at least 40 hours of fire related training each year in order to maintain certification status. These hours must be recorded and reported to Standards and Training during the end-of-year reporting period where the hours will be registered and converted to certification status.

The Pension Fund will use this information to validate pension creditable service each year. Failure to meet this standard could result in a loss of pension creditable service.

■ *Jim Meynard, GFPPF Executive Director and Lyn Pardue, GFSTC Executive Director*

Revised Rules and Regulations on Website

The proposed changes to our Rules and Regulations have been posted to our website. We invite you to take a look at these and let us know what you think. For example, one change will allow a chief to designate two subordinates to sign official pension documentation. This can be done once we have the names and sample signatures on file in our office and designation forms available. We are also clarifying documentation requirements and council representation related to Board hearings. Most other changes are minor, but related to accuracy in keeping with changes to the statute and current operations. If you have any questions or comments, please do not hesitate to e-mail us as indicated by the instructions on the web. When this process is complete, the new Rules and Regulations will be published in our planned Members Handbook.

■ *David Luther, Field Coordinator*

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Georgia Firefighters' Pension Fund

VITAL STATISTICS AS OF JUNE 30, 2008
(financials are preliminary)

Assets	\$614,538,356
Active Members	12,262
Retirees	3,256

FUND PERFORMANCE

Current Quarter	+1.0%
Calendar Year to Date (January 1–June 30, 2008)	-6.5%
Fiscal Year (July 1, 2007–June 30, 2008)	-7.1%

RETIREMENT BENEFITS

Full Retirement (25 yrs service/age 55)	\$875 per month
Early Retirement (15 yrs service/age 50)	\$368 per month
Average Benefit Payment	\$690 per month

EXPECTED AVERAGE BENEFIT PAYOUT OVER 25 YEARS

\$207,000

Volunteer Requirements Clarification

The clarification of the Volunteer requirements in our annual affidavits letter is relatively straight forward. As a rule, all incidents within your ISO Fire District in which a fire was present must be counted. Any other call to which your department responded does not have to be counted but may; however, if it is, it goes in the denominator for all volunteers in the department or section responsible for responding to that call. The point here is that a volunteer would not get credit counted for a call that others eligible to respond are not charged with responding to as well. It also allows you to include, if you choose, to count a false alarm for example, or a canceled call, if everyone showed up in response prior to the cancellation. However, if the call got cancelled when only the driver was dispatched and no one else had yet arrived, the call could be disregarded and not be counted in the denominator, thus it would not penalize those who did not respond.

Volunteer Chiefs' Symposium

The Pension Fund will host a volunteer chiefs' symposium in August, in Conyers. The purpose of the meeting is to explore pension fund standards and requirements for earning creditable service by volunteer firefighters. Over the years, we have come to realize that training, drill and fire call definitions may vary from one department to another. And, the requirement for attendance and make-up may not be consistent throughout the service. Clearly, the Pension Fund should provide consistent definitions that accommodate the needs and challenges of the various departments and allow them to meet the statutory requirements for pension creditable service. To help us accomplish this, we have invited a small number of chiefs from volunteer and combination departments across the state to join us in a round table discussion one Saturday in August. From these discussions, we will develop a set of definitions to present to the Board for acceptance into the Rules and Regulations for volunteer creditable service.

■ *David Luther, Field Coordinator*

GFPF NEWS



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