

# Georgia Firefighters' Pension Fund

C. Morgan Wurst  
Executive Director

February 12, 2015

The Honorable J. Nathan Deal,  
Governor

The Honorable Paul Battles,  
Chairman, House Retirement Committee

The Honorable Chuck Hufstetler,  
Chairman, Senate Retirement Committee

Gentlemen:

In accordance with the provisions of O.C.G.A. § 47-7-127(e)(5) and O.C.G.A. § 47-20-87(f)(5), this is to provide you with the required annual report on the performance of our alternative investments. As of December 31, 2014, the Trustees have made commitments totaling thirty three million five hundred thousand dollars (\$33,500,000) with two different managers, the first which was placed in June 2011, and periodically thereafter. The breakdown by strategy is as follows:

<b>Fund Type</b>	<b>Committed</b>	<b>Cash Called</b>	<b>Remaining Uncalled Commitments</b>	<b>Return of Capital</b>	<b>Valuation</b>
Secondary	5,000,000	2,200,000	2,800,000	523,345	2,460,509
Buyout	8,000,000	2,480,000	5,520,000	273,775	2,633,313
Credit	2,500,000	775,000	1,725,000	76,228	883,515
Venture	3,000,000	1,515,000	1,485,000	211,447	1,749,700
Blend	15,000,000	7,985,157	7,014,843	407,783	9,605,873
	33,500,000	14,955,157	18,544,843	1,492,578	17,332,910

To date, the Fund has not realized any losses, but has an unrealized profit of \$2,377,753 representing a 17.9% internal rate of return on the funds invested in these strategies, with \$1,492,578 in capital having already been returned to the Fund.

This will also confirm that the aggregate of the funds so invested is within the limitations of the law as specified in O.C.G.A. §§ 47-7-127(d), and 47-20-87(f)(5).

In accordance with O.C.G.A. § 47-20-87(f)(5), this report will be posted on the Fund's website.

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The Private Equity program has performed very much in-line with our original expectations. We continue to believe that private equity, along with other alternative investment classes, are a viable option to increase and diversify portfolio investments and grow a Fund's assets.

Unfortunately, the 5% alternative investment cap contained in O.C.G.A. § 47-20-87(d) also includes all committed, but unpaid amounts. This will prevent us from ever reaching a true 5% investment in private equity. We are almost four years into our private equity program and have only invested 2% of the Fund's assets. We would rather the cap on our private equity investments reflect the actual cash flows / investments made, rather than the amount committed, as it is more accurate for both accounting and transparency purposes and, from a historical perspective, the amount committed is rarely called in its entirety. Absent that change, increasing the cap to 10% is another route to enable a Fund such as ours, the opportunity to get a true 5% investment in private equity. We ask for your support if a bill seeking these types of alternative investments changes for the Georgia Firefighters' Pension Fund (only as they pertain to private equity) is introduced in the next year.

If you have any questions regarding the Fund's alternative investments, or wish to discuss them or any of the Fund's investments or operations, please do not hesitate to contact me.

Thank you for your continued support of the Fund and the firefighters whom we serve.

Sincerely,



C. Morgan Wurst  
Executive Director

cc: Ms. Teresa MacCartney, Trustee  
Mr. M. Dwayne Garriss, Trustee  
Mr. Timothy S. Milligan, Trustee  
Mr. Kerry J. Cook, Trustee