

FISCAL YEAR 2016 ANNUAL REPORT

AN OFFICIAL PUBLICATION OF THE GEORGIA FIREFIGHTERS' PENSION FUND



To the Members of the Georgia Firefighters' Pension Fund

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Fire Department
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Appointed by the Governor

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APPOINTED BY
THE GOVERNOR

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David C. Will, Esq.

Special Assistant
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& 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 2016 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.

If you've followed the makeup of the membership of the Fund over the years, you'll know the membership has been flat, while retiree growth has continued at a quick pace. 2016 was no different. The total number of active members in the Fund stayed almost flat.....actual decreasing about 1% to 13,241 members. The total number of retirees/beneficiaries grew by 279 to 5,058. Yes, you read it right, the Pension Fund now makes over 5,000 benefit payments to retirees and their beneficiaries. This represents a 6% 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 2016, The Fund had 1,700 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 \$41.6 Million. This was almost 6% (approx. \$2.2 Million) more than was paid out the previous year. The 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 grew just under 2% to \$4.0 Million. Premium Tax Receipts grew by 3.8% to just shy of \$32.7 Million. While it is nice to see that the tax receipts are continuing to grow, it is a little disconcerting that they are not matching or exceeding to growth of the benefits paid out to retirees and their beneficiaries.

The investment portfolio only managed a 1.5% return for the Fiscal Year. This is the second year in a row the Fund has experienced low single-digit returns. It was very difficult to find good returns in Fiscal year 2016. Both the domestic fixed income and domestic equity markets did not generate great gains. The international markets were downright abysmal. When measured against other Pension Funds from around the country, our 1.5% total fund return actually outperformed most other public pensions. Our 1, 3, 5 and 7-year performance numbers continue to measure very well against our peers. Because of our outsized performance since the financial crisis, the Board was finally able to grant a COLA effective in July. 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.

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.

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>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Active:				
Full-Time	10,177	10,148	9,983	9,842
Volunteer	3,013	3,163	3,202	3,210
Part-Time	51	39	14	21
Total Active	13,241	13,350	13,199	13,073
% Change from prior year	-1%	1%	1%	1%
Inactive:				
Total Inactive	2,586	2,369	2,328	2,338
% Change from prior year	9%	2%	0%	1%
Retirees:				
Total Retirees	5,058	4,743	4,554	4,341
% Change from prior year	6%	4%	5%	4%

Total Fund Membership

Total Fund Membership	20,885	20,462	20,081	19,752
% Change from prior year	2%	2%	2%	2%

Full Benefit (No Options - Age 55, 25)	882	882	882	882
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Early Retirement (No Options - Age 50, Average Benefit Payment)	370 702	370 702	370 700	370 701
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Financial

	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u>	<u>6/30/2013</u>
Market Value of Portfolio	767,644,748	766,681,696	762,035,006	654,414,546
% Change from Prior Year	0.1%	1%	16%	15%
Portfolio Allocation:				
Equity (Includes Private Equity)	65%	65%	65%	64%
Fixed Income	34%	34%	33%	35%
Cash	1%	1%	2%	1%
	100%	100%	100%	100%
Current Yr. Insurance Premium Tax	32,683,880	31,489,129	30,034,219	28,404,265
% Change from Prior Year	4%	5%	6%	5%
Membership Receipts	4,001,793	3,931,125	3,862,103	2,340,047
% Change from Prior Year	2%	2%	65%	1%
Total Benefits Paid	41,620,517	39,420,799	37,530,118	35,919,081
% Change from Prior Year	6%	5%	4%	5%
Dues & Taxes Received less Benefits	(4,934,844)	(4,000,545)	(3,633,796)	(5,174,769)

Portfolio Allocation & Statistics

June 30, 2016

<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	41,270,689	5.4%	6.0%	May 2008
Cooke & Bieler	59,128,731	7.7%	1.2%	May 2004
Dimensional Fund Advisors	35,959,200	4.7%	-5.3%	August 2010
Burgundy Asset Management	58,309,852	7.6%	0.0%	February 2004
SSgA - Russell 1000 Large Cap Growth	30,229,900	3.9%	2.9%	August 2011
SSgA - S&P Mid Cap 400	36,536,423	4.8%	1.4%	April 2011
Energy Opportunities	32,377,465	4.2%	-10.5%	September 2006
Heitman (REIT)	42,394,674	5.5%	27.0%	November 2009
Total - Domestic Equity Managers	336,206,934	43.8%	2.4%	
International Equity Managers				
*Artisan International Growth	43,729,466	5.7%	-12.0%	October 2015
*Gryphon International EAFE Growth	47,695,173	6.2%	-14.4%	October 2015
Burgundy Asset Management	48,900,377	6.4%	2.3%	April 2015
Total - International Equity Managers	140,325,016	18.3%	-6.6%	
TOTAL COMBINED EQUITY	476,531,950	62.1%	-0.2%	
Fixed Income Managers				
DoubleLine Capital - ABS	48,287,372	6.3%	4.6%	December 2012
Voya (former ING Core Plus)	53,980,511	7.0%	5.7%	October 2003
DoubleLine Capital - MBS	48,012,220	6.3%	4.3%	March 2012
SSgA Intermediate U.S. Credit Index	26,820,376	3.5%	5.1%	August 2015
Sage	24,138,388	3.1%	6.7%	March 2009
Victory Capital	58,446,145	7.6%	1.3%	May 2004
TOTAL FIXED INCOME	259,685,012	33.8%	4.1%	
Total Invested in Private Equity Fund of Funds	23,392,387	3.0%	12.7%	June 2011
	23,392,387			
Cash (does not include \$192,283 in Operating Cash)				
State Street Money Market	8,035,401	1.0%	--	N/A
TOTAL CASH	8,035,401	1.0%	--	
TOTAL PORTFOLIO	767,644,750	100%	1.5%	

*Reflects blended returns from current manager and MSCI EAFE Index Fund which was replaced October 2015 as a result of a reallocation of the International Portfolio

Income Statement
Fiscal Year Ending June 30, 2016
(Unaudited)
Fund Income

Membership Receipts	4,001,793
Other Member Income	244,838
Insurance Premium Tax	32,683,880
Other Income	75,476
Total Fund Receipts	37,005,988

Member Expenses

Benefit Payments to Members	41,620,517
Other Member Expenses*	650,679
*(consists of Member Withdrawals, Volunteer Lost Credit, Member Returns and Dues in refund-available status)	
Total Member Expenses	42,271,196

Fund Expenses

Personnel	879,789
Travel, Training, and Development	56,183
Supplies	13,546
Printing and Postage	20,406
Utilities	25,667
Maintenance & Repairs	33,523
Fees and Contracts	73,549
Benefit Payment Services and Actuary Fees	158,914
Miscellaneous	9,929
Depreciation	48,730
Total Fund Expenses	1,320,237
Net Operating Income	(6,585,446)

Investment Income

Total Realized Investment Income	25,789,794
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Investment Expenses

Custodial Services	236,011
Asset Management Fees	3,810,349
Consulting Services	130,000
Total Investment Expenses	4,176,359

Net Realized Investment Income	21,613,435
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NET OF OPERATIONS & REALIZED INVESTMENTS	15,027,989
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Balance Sheet**June 30, 2016**

(Unaudited)

Operating Cash	192,283	
Accounts Receivable	2,194	
Total Current Assets		<u>194,477</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	240,290	
less: (accumulated depreciation)	<u>(579,414)</u>	
Net Fixed Assets & Supplies		<u>1,280,753</u>
Gross Portfolio @ cost	686,794,582	
Dividend/Interest/Tax Reclaim Receivable	1,455,595	
less: (net trades payable)	<u>(6,953,739)</u>	
Net Portfolio (at cost)		<u>681,296,438</u>
Unrealized Investment Gains	85,925,641	85,925,641
Total Assets		<u>768,697,309</u>
Employee Payables	49,212	
Member Payables	1,076,670	
Operating Accounts Payable	2,026	
Investment/Actuary Fees Payable	<u>892,096</u>	
Total Current Liabilities		<u>2,020,003</u>
Surplus - Net Assets/Equity	767,332,949	
Change in Market Value	<u>(655,643)</u>	
Total Capital		<u>766,677,306</u>
Total Net Equity		<u>768,697,309</u>

Thanks to the City of Madison, the once empty floor space in our display area is again occupied by a beautiful old fire engine. We are so excited to host this vehicle on their behalf. The 1916 American LaFrance fire engine was purchased by the City of Madison Georgia over 100 years ago.

The unit's grand unveiling took place at the 1916 International Association of Fire Engineers Convention held in Providence R.I. The convention was held August 29 through September 1, 1916. The truck was *"much admired by fire chiefs from all over the country"*. The *"motor truck, with apparatus"* made its first local appearance on Saturday September 16, 1916 after being offloaded from a freight car at the Madison Depot. The truck was displayed, *"and given a try out"* the following Monday afternoon at which time it was able to *"throw a single stream of water at least ten to 20 feet above the clock tower on the new court house, a most remarkable feat"*. This story and others about this magnificent piece of modern equipment was chronicled in the local newspaper.

Prior to its arrival at the GFPF office in Conyers, the Madison Fire Department performed a good cleaning and light restoration of the truck. It needed very little work, as it has been well-maintained throughout its lifetime. The shared sentiment was that, as is, and authentic, would be a great way to show off this marvelous piece of history. Our thanks go out to Chief Tim Carter, the Madison Fire Department, The City of Madison and all who helped make this display possible.



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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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