

FISCAL YEAR 2019 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 pleased to present you with the Fiscal Year (FY) 2019 Annual Report. As a member of the Pension Fund, it's in your best interest to know what's going on in the Fund and what assets are in the Portfolio. Inside this report, you will find statistical information on the membership of the Fund, the FY 2019 Financial Statements and a breakout of the Fund's Investment Portfolio.

The number of active members stayed basically flat, only growing by 44 to 13,546. 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 line with the growth rates we've experienced over 3-year, 5-year and 10-year timeframes, as well. This growth is likely to continue well into the future. There are nearly 2,000 members who have reached vested status (at least 50 yrs. old with at least 15 yrs. of Pension Creditable Service) that are eligible to begin drawing benefits if they were to retire right now.

Benefits paid out to retirees and/or their beneficiaries during the year totaled almost \$50.8 Million. That is almost 7.4% more than was paid out in FY 2018. The increase came as a result of an increase in the number of retirees as well as 2 one-time cost-of-living adjustments (COLA) of 1%.

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 6.1% to \$37.9 Million. As these premium tax receipts make up the bulk of our non-investment revenue, we are encouraged to see an increase in this revenue stream. Growth in this area is usually indicative of growth in the economy of the State....so let's hope it continues.

The investment portfolio returned 5.9% for the Fiscal year, basically meeting our targeted 6.0% rate of return. But it was a very choppy ride. The September quarter saw us get off to a great start with about a 2.5% return. The next quarter (December) was abysmal, with the Fund experience close to a negative 9% return. The March quarter saw us rebound by 9%. The final quarter (June 2019) was extremely volatile, but a nice run in June saw us post about a 3.5% rate of return.

Domestic Equities returned 6.3%. International Equities were a little disappointing, delivering a flat return just above zero. Surprisingly, Fixed Income led the way for the portfolio, generating an 8% return. Fixed Income benefitted by the Fed reducing interest rates, as well as some investor flight to quality. Our alternative investments returned 12.9% for the year. Our allocation to Alternative Investments is much less than we would like, but this is due to investment restrictions in our State Law.

At the time of this newsletter and very much like it was last year, we are quite optimistic about the economy, but are wary of both the Equity and Fixed Income markets. Valuations are above normal (by historical standards) for domestic equities and quite high for Fixed Income. It looks like there may be some opportunities in International Equities, particularly the Emerging Market Stocks. Unfortunately, trade tensions still exist with China. The Middle East is hardly a Goldilocks scenario, either. These markets can turn on a dime, so timing the market is likely a fool's errand. More than ever, we will remain true to our Investment Policy, listen to the advice of our consultant and stick 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 safeguard the Assets and invest in a most prudent manner. We thank you all for your service.



C. Morgan Wurst



Key Statistics

Members

	<u>06/30/2019</u>	<u>06/30/2018</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Active:				
Full-Time	10,520	10,364	10,138	10,177
Volunteer	2,964	3,081	3,077	3,013
Part-Time	62	57	61	51
Total Active	13,546	13,502	13,276	13,241
% Change from prior year	0.3%	1.7%	0.3%	-0.8%
Inactive:				
Total Inactive	2,756	2,669	2,646	2,586
% Change from prior year	3.3%	0.9%	2.3%	9.2%
Retirees:				
Total Retirees	5,827	5,573	5,294	5,058
% Change from prior year	4.6%	5.3%	4.7%	6.0%
Total Fund Membership	22,129	21,744	21,216	20,885
% Change from prior year	1.8%	2.5%	1.6%	1.9%
Full Benefit (No Options - Age 55, 25 years service)	931	913	895	882
Early Retirement (No Options - Age 50, 15 years service)	391	383	376	370
Average Benefit Payment	742	726	713	702

Financial

	<u>06/30/2019</u>	<u>06/30/2018</u>	<u>06/30/2017</u>	<u>06/30/2016</u>
Market Value of Portfolio	933,528,809	897,404,936	844,439,623	767,644,748
% Change from Prior Year	4.0%	6.3%	10.0%	0.1%
Portfolio Allocation:				
Equity (Includes Private Equity)	66%	65%	65%	65%
Fixed Income	33%	32%	32%	34%
Cash	1%	3%	3%	1%
	100%	100%	100%	100%
Current Yr. Insurance Premium Tax Receipts	37,887,961	35,715,255	34,097,708	32,683,880
% Change from Prior Year	6.1%	4.7%	4.3%	3.8%
Membership Receipts	4,065,670	3,997,873	4,002,199	4,001,793
% Change from Prior Year	1.7%	-0.1%	0.0%	1.8%
Total Benefits Paid	50,767,748	47,285,284	44,336,825	41,620,517
% Change from Prior Year	7.4%	6.7%	6.5%	5.6%
Dues & Taxes Received less Benefits Paid	(8,814,117)	(7,572,156)	(6,236,918)	(4,934,844)

Portfolio Allocation & Statistics

June 30, 2019

<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	47,603,164	5.1%	16.7%	May 2008
Cooke & Bieler	68,622,909	7.4%	9.8%	May 2004
Dimensional Fund Advisors	40,250,764	4.3%	-10.9%	August 2010
Burgundy Asset Management	77,208,392	8.3%	10.7%	February 2004
SSgA - Russell 1000 Large Cap Growth	41,740,216	4.5%	11.5%	August 2011
SSgA - S&P Mid Cap 400	44,505,348	4.8%	1.4%	April 2011
T. Rowe Price	34,886,963	3.7%	-5.9%	January 2018
Heitman (REIT)	42,029,828	4.5%	13.4%	November 2009
Total - Domestic Equity Managers	396,847,584	42.4%	6.3%	
International Equity Managers				
Artisan International Growth	54,310,434	5.8%	9.1%	October 2015
Gryphon International EAFE Growth	63,306,287	6.8%	-6.0%	October 2015
Burgundy Asset Management	58,997,885	6.3%	-0.2%	April 2015
Total - International Equity Managers	176,614,606	18.9%	0.2%	
TOTAL COMBINED EQUITY	573,462,190	61.3%	4.4%	
Fixed Income Managers				
DoubleLine Capital - ABS	107,832,490	11.6%	6.7%	December 2012
Voya (former ING Core Plus)	58,699,440	6.3%	7.9%	October 2003
DoubleLine Capital - MBS				
Loomis Sayles	39,722,522	4.3%	8.8%	March 2017
Sage	34,824,618	3.7%	8.4%	March 2009
Victory Capital	68,814,791	7.4%	9.6%	May 2004
TOTAL FIXED INCOME	309,893,861	33.1%	8.0%	
Total Invested in Private Equity Fund of Funds	40,322,826	4.3%	12.9%	June 2011
Cash				
State Street Money Market	11,820,591	1.3%	4.9%	N/A
TOTAL CASH	11,820,591	1.3%	4.9%	
TOTAL PORTFOLIO	935,499,468	100%	5.9%	



Income Statement

Fiscal Year Ending June 30, 2019

(Unaudited)

Fund Income

Membership Receipts	4,065,670
Other Member Income	387,228
Insurance Premium Tax (includes prior years recv'd. late)	37,901,849
Other Income	63,654
Total Fund Receipts	42,418,401

Member Expenses

Benefit Payments to Members	50,767,748
Other Member Expenses*	1,148,546

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

Total Member Expenses	51,916,294
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Fund Expenses

Personnel	1,039,602
Travel, Training, and Development	65,592
Supplies	16,709
Printing and Postage	13,732
Utilities	29,934
Maintenance & Repairs	55,389
Fees and Contracts	90,960
Benefit Payment Services and Actuary Fees	124,596
Miscellaneous	13,463
Depreciation	59,481

Total Fund Expenses	1,509,457
Net Operating Income	(11,007,350)

Investment Income

Total Realized Investment Income	44,578,702
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Investment Expenses

Custodial Services	492,262
Asset Management Fees	4,745,668
Consulting Services	140,000
Total Investment Expenses	5,377,930

Net Realized Investment Income	39,200,771
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NET OF OPERATIONS & REALIZED INVESTMENTS

28,193,421

Balance Sheet**June 30, 2019**

(Unaudited)

Operating Cash	61,192	
Accounts Receivable	<u>0</u>	
Total Current Assets		<u>61,192</u>
Land	84,882	
Building & Improvements	1,534,994	
Other Gross Fixed Assets & Supplies	260,942	
less: (accumulated depreciation)	<u>(758,781)</u>	
Net Fixed Assets & Supplies		<u>1,122,038</u>
Gross Portfolio @ cost	784,419,875	
Dividend/Interest/Tax Reclaim Receivable	1,672,033	
less: (net trades payable)	<u>(11,916,224)</u>	
Net Portfolio (at cost)		<u>774,175,684</u>
Unrealized Investment Gains	161,712,493	161,712,493
Total Assets		<u>937,071,407</u>
Employee Payables	71,399	
Member Payables	1,528,778	
Operating Accounts Payable	5,860	
Investment/Actuary Fees Payable	<u>1,115,150</u>	
Total Current Liabilities		<u>2,721,187</u>
Surplus - Net Assets/Equity	894,870,608	
Change in Market Value	<u>39,479,612</u>	
Total Capital		<u>934,350,220</u>
Total Net Equity		<u>937,071,407</u>

GFPF ANNUAL REPORT

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Reminder for Retirees

- If you are a retired Firefighter and drawing benefits under the Joint and Survivor option, and your spouse is deceased or you have become divorced; 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 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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