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From the Desk of the Executive Director

Greetings once again from the Pension Fund!

Notwithstanding the weather, we are having quite a busy winter season here at the Pension Fund. The General Assembly is in session, of course, and we have a slate of issues we would like to have addressed. The state auditors are in for their annual inspection and evaluation of our books and financial controls, having already evaluated our computer system controls. And we are planning for our annual spring investment manager review and portfolio evaluation. The bit of nasty weather we have had just adds to the excitement of getting it all done.

Speaking of the General Assembly, it has been all over the local news that our legislators are planning for a speedy session in order to get out on time and begin campaigning for reelection, or possibly election to a different office. While the activity at the Capitol seems to bear that out, there is also a sense that they are there to do the people's business. From my perspective, I sense that they, the legislators, want to get things done. There is a very business-like, no nonsense atmosphere in the building. This could be a very productive session by comparison to some in prior years. And for us, that will be a good thing. We have some items on our agenda that have been lingering for a few years, and it would be nice to get them through without a lot of fanfare or further delay. Inside, I have a brief article on the various initiatives we are pursuing this session on behalf of the fund and our participants.

We have had good performance in the portfolio, both in the last fiscal

year and as we have closed out the calendar year. Our fund is quite healthy and growing to meet the needs of future retirees. But, on a statistical basis, our actuarial status does not support a COLA as the newly appointed Deputy Director explains in an article inside. Recently, some retirees have suggested that if the government can pay a COLA with Social Security, then we should be able to, also. That system is targeted to be broke in less than 20 years, and yet, they continue to offer raises, increase our debt, and print money. Under our Georgia Code, this system is planned to last in perpetuity. We cannot just print money. Therefore, we cannot and should not pay COLA with funds set aside for future benefits. What we can do is manage the fund in a prudent and patient manner such that the benefit is preserved for the long term.

Change is in the air here at the pension fund. As some of you may know from watching the website, or perhaps you have been to an Association meeting, or if you are plugged into the rumor mill, you may be aware that I am leaving the Pension Fund. After more than eleven years on what I thought would be a relatively short assignment, I feel that I have met all of my goals and I am leaving the fund in capable hands and good condition. I have truly enjoyed working with the Fire Service and its many branches and associations. I have made what I hope are some life-long and lasting friendships. Not being one to sit on the porch and ponder, I am sure you will see me around from time to time.



Jim Meynard

Meet our Managers... Cooke & Bieler

For this issue of the newsletter, we would like to profile Cooke & Bieler. They have been investing on behalf of the Fund for nearly 10 years, making them one of our most senior managers. They are large cap value investors focusing on companies trading at a discount. Cooke & Bieler was founded in Philadelphia as a partnership in 1949. Early on, they focused on managing individual accounts for wealthy Philadelphians and similar clients. In 1963, Cooke & Bieler won their first pension account, marking the beginning of a significant shift to a large institutional client base. They currently have 32 employees and over \$5 billion in assets under management.

Cooke and Bieler believes the cornerstone of their philosophy is what differentiates them from other managers. They employ a "business owner's approach" to stock market investing whereby they recognize a stock for what it is, an ownership interest in a business. As such, their decision to buy/sell a stock is made in much the same way that a business owner would decide to buy/sell a business. Thus, they view investing as the process of buying a long-term ownership interest in a business enterprise as opposed to owning a stock for the short term. As a conservative manager of equity portfolios, their investment objective is to provide a competitive long-term rate of return but to do so in a low risk manner providing competitive results in strong markets and outperformance (preservation of capital) in down markets. This fundamental belief is the basis of their "high quality, low risk" approach to investing.

The firm believes the most important stock attributes to the investment process include the following: financial strength, superior profitability, exceptional management, and a consistent ability to deliver above-average, long-term earnings/dividend growth. By virtue of these defining features, high-quality firms stand as attractive, low-risk investment vehicles.

The firm's primary approach to managing risk is to develop a strong fundamental understanding of the business risks faced by each of the companies in which they invest. Using this analysis they invest only in

companies that have sustainable competitive advantages and strong financial positions (characterized by high levels of profitability, strong balance sheets, industry leadership and strong management). They further decrease risk by investing only in companies that are selling at significant discounts to intrinsic value. Finally, they continuously monitor exposure to various industry segments. The effectiveness of this approach is demonstrated in their excellent performance in down markets (their clients experienced only one down year with negative returns in the last thirty years).

Jamie O'Neil is the portfolio manager for our large cap value account with the firm. Jamie received his undergraduate degree in Economics, graduating cum laude with distinction and competing as captain of the varsity soccer team at Colby College. He was an investment officer in the Capital Markets Department of Mellon Bank for three years before entering Harvard Business School to earn his MBA. He served as a summer intern in 1987, joining Cooke and Bieler upon his graduation the following year. He has been employed by Cooke & Bieler for 25 years.

Thad Fletcher is our client service representative. Thad received his undergraduate degree in Mathematics from Georgetown University and earned his MBA in Finance from the Wharton School. Thad has over 25 years of experience in the economic and the financial services industry. Prior to joining Cooke and Bieler in 2002, Thad was a Principal with Columbia Partners in Washington, D.C. focusing on public fund marketing and client service.



Morgan Wurst

"Nothing is as frustrating as arguing with someone who knows what he's talking about."

Sam Ewing

Pension Fund Legislative Update

This legislative season, we are asking the General Assembly for several changes and improvements to our Code section for the benefit of our participants and the protection of the Fund. The following is a list of the bills that have been proposed and/or introduced. As a staff looking out for your best interest, we hope and trust you will continue to support our efforts with the legislators.

HB 460 – This bill was introduced last session and then sent to the auditors for evaluation for its fiscal impact. It returns this year with no impact and is now making its way through the process. This bill does two things. First, if a firefighter member of the fund becomes incarcerated and then is used to fight fires in the local community as an inmate firefighter that service does not count as pension creditable service. Secondly, if an incarcerated individual becomes trained as a firefighter and then is used as a volunteer in the community while incarcerated, that individual cannot join the fund and use the training and fire attendance for pension creditable service.

SB 235 – This bill was introduced last session and then sent to the auditors for evaluation for its fiscal impact. It returns this year as having some minimal impact to be evaluated as it makes its way. This bill redefines, **for pension fund purposes**, a firefighter as either compensated in a permanent job and working at least 1,040 hours a year or as a volunteer. This definition eliminates the issue of discerning between full-time and part-time firefighters and sets a minimum standard for compensated, permanently employed firefighters. The bill also provides for a special buyback provision for those part-

time firefighters who were denied participation in the fund in the recent period when the issue of part-time participation surfaced.

HB 844 – This is a new bill this session. It is intended to recognize the value of the benefit of the Firefighters' Pension Fund by raising the penalty to a felony from a misdemeanor, and the fine to \$5,000 from \$500 for anyone **convicted** of defrauding the fund. The bill also empowers the Board of Trustees with the authority to remove members who are found to have attempted to defraud or colluded in an attempt to defraud the fund for benefits. As we continue to improve record keeping and reporting, we are finding that the misdemeanor level of penalty is not a sufficient deterrent to false reporting, nor is it worth pursuing for prosecution. However, a full felony and the loss of benefits for co-conspirators seem fitting for the rewards at stake.

HB 937 – This is a new bill this session. This initiative is long overdue. It is a bill to define the term "in good standing" with the pension fund. This term is used throughout Title 47-7 to determine when a participant is entitled to certain benefits such as retirement and leave of absence, yet it has never been defined. It is important, especially when a participant is not "in good standing," not vested, and becomes deceased. In that instance, the participant's beneficiary **is not** entitled to the death benefit, only a refund of the participant's paid-in dues.

Drafted – This bill is drafted, but not introduced as of this writing. It is a request to allow the staff to invest a larger portion of the fund in alternative investments with additional controls on the alloca-

tion. The Firefighters' Pension Fund staff invests the alternative investing allocation in private equity, which has a very long term horizon. We feel that we need a slightly larger allocation to provide the fund with an adequate cache of working capital to support a long term program.

Drafted – This bill is drafted but not introduced as of this writing. It is a request to allow the staff to invest in Master Limited Partnerships, (MLP). MLPs are publicly traded partnerships, similar to Real Estate Investment Trusts, (REIT), which must pay out a certain portion of their income as dividends in order to garner tax exemptions. As a result, the securities typically boast a high yield and are favorably rated. MLPs are predominantly used in the energy sector in pipelines and infrastructure.

Look for these bills to be presented to the respective Retirement Committees and on the floor of the respective Chambers in the coming weeks. If you have any questions or comments relative to any of these issues, please do not hesitate to call us here at the office.



Jim Meynard



2013 Actuarial Value Notes

At the November 20th Board meeting, the Fund's actuary presented the results of the actuarial valuation of the Georgia Firefighters' Pension Fund (the "Fund") as of July 1, 2013. The full actuarial report can be viewed at this address (http://gfpf.org/pdf/2013_Actuarial_Report.pdf)

Every two years, an Actuarial valuation is performed on the Fund. Cavanaugh Macdonald is the actuarial firm which carried out this valuation. Cavanaugh Macdonald is also the Actuary for both of the State Employees and Teachers Pension Plans, as well as the Georgia Sheriffs' Pension Plan. The valuation is full of Fund statistics. Some are easily understood (i.e., the market value of the Fund) and some are a little more difficult to understand (i.e., what is a normal contribution?). Here are some notable statistical changes to the Fund since the July 1, 2011 Valuation:

- ◆ The number of active members grew by approximately 3.5% to 13,066.
- ◆ The number of retirees grew by approximately 9.6% to 4,349
- ◆ The market value of the Fund grew by approximately 13% to \$654,736,591
- ◆ The actuarial value of the Fund fell by approximately 1.9% to \$606,836,423
- ◆ The Funding ratio fell from 76.4% to 69.8%

How does the funding percentage go down when the assets in the portfolio have increased by 13%? The portfolio value used in determining the Funding percentage is based on an amount de-

termined by an actuarial calculation. The actuarial valuation recognizes the portfolio's market gains or losses from each year over a 5-year period, rather than immediately. As such, the 2013 portfolio value still includes almost \$43MM of losses related to Fiscal Year 2009. The majority of the gains realized by the Fund in 2011 and 2013 have yet to find their way into the actuarial value of the portfolio.

If the market value of the portfolio keeps going up, why have there been no COLAS? While the Fund has had impressive growth since 2009, the market value of the Portfolio's assets is just slightly above where it was in 2007. We suffered tremendously during the 2008-2009 financial crisis. Since 2007, the annual benefit payments to our retirees and beneficiaries have gone from approximately \$24Million to approximately \$36Million. All of this has happened without granting a COLA since 2008. The Fund continues to feel the effects of the retirements of the Baby Boomers.

What has to happen to get to the point where the Board can, once again, grant COLAS? Under Georgia Law, there are a variety of conditions that come into play when considering a COLA. Probably the most important is that the Fund be actuarially sound in accordance with Georgia Code Section 47-20-10. To do this, we must meet minimum funding standards, meaning the Fund must receive its Annual Required Contributions (ARC). The ARC is made up of a normal cost contribution and an accrued

liability contribution. The normal cost is the annual cost of benefits reserved for the current members in addition to the dues they pay. The actuarially unfunded portion of the portfolio (calculated to be approx. \$263Million) is treated like 30-year amortized mortgage debt, paid annually instead of monthly.

The accrued liability contribution is our mortgage payment for the year on the actuarially-determined "debt" of the Fund. The actuary has calculated the ARC for 2014 and 2015 to be about \$34.3Million. Insurance Tax receipts are the primary vessel for funding the Fund's ARC requirement.

Currently, we forecast tax receipts of approx. \$29.9Million in 2014 and \$31.4Million in 2015, so we are not currently meeting the minimum funding requirement.

To lower the ARC, the Fund must reduce the normal cost, increase tax receipts, and/or lower the accrued liability contribution. The recent dues increase has reduced our normal cost by almost \$900K annually from approx. \$16.1 to \$15.2Million (2014 and 2015 compared to 2012 and 2013). But membership growth will continue to increase this amount. The accrued liability contribution can be reduced by increasing tax revenue and/or reducing the unfunded actuarial liability. Over the last couple of years, tax receipts have been improving with the economy. We continue to forecast 5% growth in the near to mid-term.

We anticipate the unfunded

actuarial liability to gradually reduce as we recognize some of the recent portfolio market gains, and as losses related to past years (2009) no longer become part of the actuarial calculation of the Fund's value. Of course, this assumes there are no major market corrections and that the Fund continues to meet or exceed the assumed 6% rate of return on the Portfolio.

The Board of Trustees relies on the actuary's recommendation when considering a COLA. Twice a year, the actuary looks at the state of the Fund, its revenue streams, and the state of its membership to determine if a COLA is appropriate for the Fund. They will look at the funded status of the Fund and will place heavy emphasis on whether the Fund is meeting its ARC, when considering the viability of a COLA.



Morgan Wurst

“The difference between stupidity and genius is that genius has its limits.”

Albert Einstein

“All my life, I always wanted to be somebody. Now I see that I should have been more specific.”

Jane Wagner



Georgia Firefighters' Pension Fund

Vital Statistics as of January 31, 2014

(FINANCIALS ARE PRELIMINARY)

Assets \$689,939,304

Active Members 13,085

Retirees 4,461

FUND PERFORMANCE

Current Month (-1.8%)

Calendar Year 2013 (20.1%)

Fiscal Year to Date [July 1, 2013 – January 31, 2014] (8.9%)

RETIREMENT BENEFITS

Full Retirement (25 years service/age 55) \$882 per month

Early Retirement (15 years service/age 50) \$370 per month

Average Benefit Payment \$702 per month

EXPECTED AVERAGE BENEFIT PAYOUT OVER 25 YEARS

\$210,600

Member Login - Website Access

Whether you are a new member, first time user, or you are a returning and established user; we have provided the guidelines below for accessing the Member Login area of the Website (www.gfpf.org)

First Time Users

(You may need to contact the office to have all your information reset)

On Home page...

- Choose **Member Login Box**
- Choose 2nd tab – **Member Set-Up**
- Enter your Member Number in first box (please call the office if you do not have your member number)
- Enter the last four digits of your Social Security Number
- **Login**
- Enter your email address
- Enter a password you will remember (passwords are not stored in our system)

Returning Established Users

On Home page,...

- Choose **Member Login Box**
- Select **Login Tab**
- Enter your email address
- Enter the password you created

⇒ You should now be able to view your personal information (member and beneficiary information, financial information, and service history)

Special Note:

- ⇒ Your Member Number is located on your ID card
- ⇒ If you have upgraded to Internet Explorer 10, and it is not displaying correctly, you should click on the compatibility icon in the browser address bar to get the web site to display properly
- ⇒ If you attempt to login as a first time user and experience problems, please contact our office to have your information reset
- ⇒ If you request your member number or login information and use Hotmail, Gmail, or live email accounts, the email you receive may not display the information you need. We are currently experiencing problems and are working on the issues. Please contact the office to have your information reset. You will not be able to use your email to reset.

MOVES AND CHANGES AT THE PENSION FUND

Jim Meynard, Executive Director, has resigned from his position with the Georgia Firefighters' Pension Fund effective April 30, 2014.

Under a previously planned transition plan, the Board of Trustees appointed Assistant Treasurer Morgan Wurst to the interim position of Deputy Director, wherein he has begun to assume some of Jim's duties and responsibilities. In the months leading to his departure,

Jim will be primarily focused on legislative issues. Morgan has assumed responsibility for management of the staff, oversight of the investment portfolio, and coordination with the fire service.

"I have really enjoyed this engagement," said Jim. "It started as a sort of work out and turned into a long term assignment, as we found more that needed to be done and more that I wanted to accomplish. I am quite proud of all that we, the staff and I, have been able to do over the years to make this a very

well-managed, smooth operating fund, and something the Georgia Fire Service can be equally proud of in every respect. I owe a lot of credit for our success here to a supportive board, a capable and knowledgeable staff as well as a very competent legal counsel. Truly, as it is said, time flies when you are having fun. As for the future, Toni and I have a home in Acworth we are remodeling. We will soon move into it, take a little vacation and look for the next big adventure."

CHANGING OF THE GUARD

The design of the modern day fire station can be quite distinctive. We know it must be functional, and then, there is also the desire for it to look and feel like "a traditional fire station". This was our concept behind the design and construction of the current office building here at the Georgia Firefighters' Pension Fund.

We realize we are charged first and foremost with maintaining a financially sound retirement system specifically for those in the fire service. And because of who we serve, we had the desire to build a unique and welcoming office in which our firefighter friends and Pension Fund Members could enjoy their visits. And not stopping there, we also hoped that our surroundings would be of such that our financial constituents, and other visitors would also feel welcome.

Following that train of thought, it was intentional that the reception/display area be especially intriguing to all visitors. It's been our intention to reveal some of the Georgia Fire Service History by displaying memorabilia donated by departments and members from all around the state. Wherever and whenever possible, we have made our building, and grounds a tribute to the fire service.

One notable example is our sculpture display at the front corner of the building. They have been a favorite for many visitors, especially families who often stop by just to get a closer look. Of course, more often than not, they top off their visit by having a photo made with them. It seems that kids and adults alike are enamored with the likeness and detail to the real firefighters portrayed.

There is no doubt though, that our most admired piece of memorabilia has been the 1915 Ford T American LaFrance located in our reception/display area. This jewel has been on loan to us since we moved into the building in 2006. It comes from the collection of Chief Wayne Hadden of the Grady County Volunteer Fire Department. Wayne is one of the most dedicated and

generous volunteer firefighters within the Georgia Fire Service. During his tenure in office with the Georgia State Firefighters' Association, and many other fire service adventures, he has spent a lot of time crisscrossing the state displaying his devotion and dedication.

Chief Hadden's truck will make its return to South Georgia sometime this spring as we will be welcoming a new display item from the City of Madison Fire Department. We will debut their 1916 American LaFrance, which is original to their department. They are in the process of a light refurbishing of the truck, after which we will be coordinating the transition. The pictures included in this article show the 1915 T as it appears in our building now. The picture of the 1916 is as it sat in the back of the Madison Fire Station before the refurbish work began.

With all this being said, we wish to extend to Chief Wayne Hadden, our greatest appreciation for his sacrifice and his trust in us with the care of one of his most prized possessions for almost eight years.



David Luther



1915 Ford T American LaFrance



1916 American LaFrance

JP/2010 American LaFrance Fire Truck
GeorgiaFireDept.blogspot.com

GFPF NEWS

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