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From the Desk of the Executive Director

We all know, as we have heard and been told, these are tough economic times. Such times are not unprecedented; we have been here before. Indeed, our economy, based on capitalistic principles, experiences down turns and upswings on a rather periodic basis. This is the business cycle, and like a giant pendulum, always swings too far one way or the other. It would be great if we could stay in a state of equilibrium, but it just doesn't happen; it cannot. We actually need the ups and downs to make things work. These economic downdrafts, like a forest fire, have a beneficial side effect of cleaning out deadwood and resetting prices that generate new growth.

In the meantime, though, we must deal with the dislocations and displacements, the pain that comes with a contracting economy. Unemployment is at historically high levels. Consumer spending, the engine of the economy, is down and manufacturing has slowed. Real estate prices continue to fall. But, as in other challenging situations, certain virtues begin to emerge, for better or for worse. For one thing, the savings rate of the nation has gone from a negative to 5% or more. While this has a slowing effect on the economy, in the long run, it is a healthy turn of events. Too, consumers are becoming more frugal in their spending, taking advantage of bargains and foregoing some of the discretionary spending of the recent past. While these are commendable

"virtues" for our populace, together, they are and will continue to put a damper on a recovery. Unlike previous recessions, the consumer is not as likely to lead us out of this one.

Here at the Pension Fund, we have not been immune to the economic issues. We have always prided ourselves on good cost control. As the economy has softened and our portfolio has followed suit, we have sought more and better ways to contain the cost of doing business. It has not been easy, but we have taken some measures to reduce costs until the economy picks back up. Some of the measures will prevail even after the economy improves because they represent a better way to do business in the long run. In some cases we have spent some money to avoid spending even more. We continue to seek ways to further reduce costs in an effective manner without reducing service or jeopardizing benefits.

These are some of the measures that we have pursued that might be of interest to you.

In 2008, we purchased a second high end printer and brought the newsletter publishing in-house. In three newsletter cycles, we saved enough in lieu of the contract printing shop to pay for the new printer. No doubt the newsletter is important and needed. So, rather than not do it to save money, we did it better. Also, each year, we have taken the Board off-site, around Georgia, for training and development.

(Continued on Page 3...)

Trustees Vote to Forego

July 1, 2009 COLA

See Full Article on Pages 6 and 7.

Meet Our Managers...

Commonwealth Advisors, Inc.

Established in 1991, Commonwealth Advisors is a multi-strategy, value-based money management firm focused on achieving positive absolute returns in investment grade, high yield and distressed securities. Commonwealth Advisors is a Qualified Professional Asset Manager (QPAM) and SEC Registered Investment Advisor (RIA).

The firm has a 15 year compliant track record. Commonwealth seeks to provide investors with positive absolute returns over the long term by using a multi-strategy approach through investments in a wide range of opportunities across multiple sectors of the fixed income markets including mortgage-backed securities, corporate and government debt, distressed securities and asset backed securities. Current clients include public and private pension plans, non-profit groups, corporations and high net worth individuals.

The firm is unique in that its process involves advanced modeling of multiple risk components for the individual securities in which they invest. The process is then extended to the portfolio as a whole. The firm has a value oriented, bottom up approach to security selection. This means that investments are selected based upon the individual outlook for that security and the ability of that security to deliver acceptable investment returns under a number of diverse environments. In applying this process, the firm's investment portfolio may look entirely different several years from today. The opportunity to find value and execute at attractive prices drives the firm's process.

Mr. Walter Morales, Commonwealth's founder, President, and CIO, has been involved in the restructuring of several companies, including serving as Chairman of the Unsecured Creditor's Committee in the reorganization of Conseco Finance Corporation. He was lead creditor responsible for recoveries of greater than \$1.8 billion of debt of Conseco Finance Corporation and negotiated significantly improved recovery for creditors.

Mr. Morales is an Adjunct Professor with the Ourso College of Business at Louisiana State University, where he teaches fixed income and investment courses. Mr. Morales received his Master of Business Administration in 1993 and Bachelor of Science degree in 1984 from Louisiana State University.

He has been involved in the trading of complex fixed income instruments for nearly two decades and is an expert in creating value out of bankruptcy and financial restructuring. Experience on his staff includes Tim Nabors who serves as a Portfolio Manager. Mr. Nabors joined the firm from Six Degrees Capital Management and prior to that was with New York Life as an investment analyst for 8 years. The firm's head trader, Richard Rizzo, was previously an asset-backed securities trader at Stone and Youngberg in Chicago.

The firm is investing in a manner which is expected to profit from the current turmoil in the credit markets. The firm's history and experience with distressed markets puts them in an advantageous position to pursue opportunities created by the current credit crisis by buying high quality mortgage backed securities at deeply discounted prices.

Continuing with our tradition of introducing our membership to the Fund's individual investment management firms, we are highlighting one of our portfolio managers. Commonwealth Advisors, Inc., based in Baton Rouge, Louisiana. Commonwealth specializes in distressed securities. "I would not want to have to sell securities to someone like me," says Mr. Morales, "I just do not pay up for them."



Ben Hughes

Continued from Page 1...From the Desk of the Executive Director...

Again, something that is important and needed.

This spring, we met on site, and this fall, we will not have the retreat at all. Instead, we will focus on manager expertise and market intelligence to promote the development of the Trustees. We are also limiting our conference attendance, to just those that are sponsored by our managers or those to which we have been invited to speak. In both cases, the cost of attendance is minimal, primarily because there is no tuition, and the benefits for education are better. We avoid sending more than two to any one such conference. (But, remember, the Trustees are overseeing the Fund. It is important that they pursue development and continuing education.)

We have, for a year now, been conducting a detailed audit of insurance premium tax receipts. This program has yielded significant benefits to the Fund in increased revenue and improved reporting by the insurance companies. The cost of this program has been more than well spent. We have recovered several times its cost in errors and misclassified insurance premium tax payments made by insurance companies. We have also been working with fire departments on improved reporting of training and incident reporting, including the Volunteer Reporting System on the thumb drives. The cost savings here are embedded in much better record keeping, making it easier to produce affidavits and require less processing on our part. The benefit to the Fire Service is much better record keeping supporting departmental needs.

We re-hash all of this, and more, in an article inside regarding the COLA, which the Board did not approve this cycle. Economically, these are challenging times. But no one said it would be easy. If it were, it would be boring and not very interesting.



Jim Meynard

Pension Fund Passes Comprehensive State Audit

As should be expected, the Georgia Firefighters' Pension Fund recently passed the State's comprehensive audit with flying colors. This was the third year in a row that the state has conducted such an audit on our fund under a program begun by Governor Perdue for all Title 47 Funds. Previously, such funds were subjected only to periodic high-level control reviews and accounting balance sheet audits. The comprehensive audits, conducted by the state auditor's office in conjunction with the State Accounting Office, investigates the operating controls, the information system controls, accounting systems and then tics and ties all of the accounting records. The expense reports and disbursements are all reviewed for appropriateness and reasonableness. Everything must reconcile to the penny, even all of the portfolio trading records.

The good news: it did. More good news: every cent that went out the door had at least two signatures on it, sometimes three. More good news: the Chairman reviewed, after the fact, every personal expenditure, Board and staff.

The only recommendation: the Executive Director (me), should date every thing he signs.

We did good, folks. I am really proud of this staff.



Jim Meynard

LIFE EXPLAINED...

Two wolves.

One evening an old Cherokee told his grandson about a battle that goes on inside people.

He said,

'My son, the battle is between two 'wolves' inside us all.

One is Evil. -

It is anger, envy, jealousy, sorrow, regret, greed, arrogance, self-pity, guilt, resentment, inferiority, lies, false pride, superiority and ego.

The other is Good. -

It is joy, peace, love, hope, serenity, humility, kindness, benevolence, empathy, generosity, truth, compassion and faith.'

The grandson thought about it for a minute and then asked his grandfather:

'Which wolf wins?'

The old Cherokee simply replied,

'The one you feed.'

REMINDERS, REMINDERS...

New Applications

Applications that are sent in now must be accompanied by a copy of a form of ID that verifies your date of birth. It can be a copy of a driver's license, or a copy of a birth certificate, or a copy of a passport; but we must have one. You will note too, that each application must be sent with the first month's dues of \$15.00—even if you fill out an "automatic dues" form and intend to have the rest of your dues automatically drafted from your checking account. If these two items are not sent in with the application, it does delay the start date of your membership with the Fund.

A Note To All Fire Department Clerical Staff

It is really important that you help us out by sending us a short note, on letterhead, when a firefighter leaves your department. You don't have to know where he/she is going...just let us know when they have left your department. A current telephone number would be very helpful too. This helps us keep track of our members in a more timely manner.



Paula Manning

Beneficiary Change—Ten Year Certain and Life

A question has been raised regarding the "10-Year Certain and Life" benefit option, in reference to what transpires in the event of the member's death and the death of the named beneficiary within ten years of retirement. This option, also known as Option B, provides a lifetime benefit to the member and in the event of the member's death within the first ten years, to the member's selected beneficiary for the balance of such ten-year period. To date, we have not provided for a secondary beneficiary to receive the "guaranteed" benefit of the 10-year certain, as the statute, O.C.G.A. § 47-7-100(d)(2) only speaks to a "member's selected beneficiary...". But the statute does define "selected beneficiary" as "any person designated from time to time...by the member in writing...". Therefore, a member will be allowed to name primary and secondary beneficiaries; however, the selected beneficiaries may not be changed after the member's death.

To make this possible, we have revised the forms used, to provide such choices. The forms are now updated and available on our website, www.gfpf.org, or you may request the form by contacting our office. If you have retired within the last ten years and elected the 10-Year Certain and Life Option, you may update your beneficiary information by completing and submitting this form to our office.



Cindy Cannon

Thoughts for the Day:

"Light travels faster than sound.

That's why some people seem bright until they speak."

Albert Einstein

"You cannot build a reputation on what you are going to do."

Henry Ford

"The problem with socialism is that eventually you run out of other people's money."

Margaret Thatcher

"Forecasting tells us more about the forecaster than the future."

Warren Buffett

Where are your records?

The quality of the record keeping could make or break a fire department. It could indeed be the most underrated task in the fire service. This is especially true for the volunteer fire departments. In the short time I have been in the field, I have found a number of departments with, shall we say, a lack of adequate record keeping. It is imperative that we realize the enormous responsibility of this task.

Record keeping is tedious and time consuming but is extremely important. The need for access to your records could be unending. Inquiries could come from a number of different agencies, such as the ISO, insurance companies, or law enforcement, just to name a few. The request could be for a number of different reasons which could include serious legal matters.

According to the Georgia Records Act and the Official Code of Georgia, training records must be kept for a minimum of five years, and fire incident reports for 50 years. As you can see, record retention is not just a Pension Fund issue.

One of the most important reasons for record retention is concerning legal matters. Legal action, whether taken against a particular firefighter, or the department itself, could be decided by the quality of records maintained. If someone is injured at an incident scene, civilian or firefighter, documentation related to training could be the evidence needed to prove your department's training history. In the event there is legal action against a firefighter, you can count on the shotgun approach. It will include not only the firefighter, but the chief, the department and the governing body (city, county, local board, etc.) and possibly others. If it has anything to do with training, or the lack thereof, the training officer may also be included.

Furthermore, legal action could even come from one of your own. A disgruntled or terminated firefighter could claim they were put into a situation for which they had never been trained. Proper training records, on file, could refute that claim. As is evident, the entire department should understand the importance of record keeping and the effect it could have on the future of the department.

In another aspect, we here at the Pension Fund periodically review volunteer records to assure compliance with training and incident attendance rules. The department must maintain records to back up the chief's affidavit, which is a legal document submitted annually.

As long as a fire department has members in the Pension Fund, records should be maintained for possible future verification purposes. One instance in which archived records would be necessary, is when someone in your department has service as a firefighter in years prior to joining the Pension Fund. They may someday want to buy back some of that time which could allow that person to become vested. If the department lacks the proper records, their service for the time in question has been compromised and would likely be denied. That could cost the firefighter in question the additional time needed for vesting and the opportunity to draw pension benefits. We need to realize how serious this responsibility is. That particular firefighter, who has served the community well, may have lost their opportunity to draw pension benefits.

As is evident, records are not something to take lightly. Not only can it affect the retirement of your firefighters, it could also affect the future of your department.



David Luther

FIRE HYDRANTS

The Pension Fund is in need of some old (or not so old) fire hydrants, to decorate our offices here in Conyers. We figure we need about five, that have been taken out of service and the innards removed. We can clean them up and paint them, if necessary. Can someone tell us where we might get a few? The older, the better!



Jim Meynard

COLA Suspended—Again

At the May meeting of the Board of Trustees, the members voted unanimously to not allow a Cost of Living Adjustment to the benefit structure for the July 1, 2009 cycle. As most of you know, the economy is struggling. We are in a major economic downturn and that has affected the portfolio and is beginning to show up in our tax receipts. We, like many others, did not see this coming, especially to the depths that we have experienced. We have been pursuing a relatively aggressive investment strategy within the confines of the investment policy statutes. So, when the sub-prime fiasco first hit, it appeared to present an opportunity in a “dislocated” asset category. Rather than an opportunity, though, it has turned into an abyss that we will be slow to come out of. We are confident we will come out, of course, and we will make money in the process. It will be a roller coaster ride in the meantime.

At the same time, our insurance premium tax receipts, which are primarily based on commercial and residential real estate values, are starting to show signs of weakening. While total receipts for the current year have held up appreciably, they are expected to be off next year, as the receipts will be based on 2009 valuations. This softening of premium tax receipts will likely last for several years as the real estate markets continue to decline and then recover.

So, what else are we doing to address these issues? The following paragraphs speak to some measures we have taken to further control costs and deliver value to our members.

First and foremost, we have frozen fund employee salaries for this fiscal year. Our salary plan is rooted in the Consumer Pricing Index as issued by

the U.S. Bureau of Labor Statistics. That index is negative for the year. Too, we are all well aware of the sacrifices many of our members and colleagues are experiencing. In this light, we thought it best to hold the line on salaries for awhile.

We are not prolific travelers, but given the conditions we face, we have further curtailed travel by board and staff unless deemed absolutely necessary. That means that for the time being, we will not participate in conferences and the like without a compelling reason or unless we are sponsored at the conference as a speaker or instructor. (Compelling reasons include the need to visit managers for due diligence and reviews.) We normally host an educational conference in the fall at one of the Georgia state parks. This has been a very successful program over the years, and it is an efficient manner to get training for the Trustees. Our Trustees have been on board for several cycles now. Offsite retreat style training is less pressing in the face of our soft economy. We can pick that program back up in the future and supplant it for the present with manager client conferences and sponsored conferences and seminars.

We have been cited on several occasions by our auditors and our actuary, for good cost control on operating expenses. While we continue to be frugal in that regard, we do not sacrifice service to our members in the interest of expense reduction. We negotiate hard for services we do use such as our banking services and other contract services. There is little waste in our operation to eliminate.

(Continued on Page 7)...

“What’s a Billion”?

A billion seconds ago

*Harry Truman
was president.*

A billion minutes ago

*was just after the
time of Christ.*

A billion hours ago

*man had not yet
walked on Earth.*

A billion dollars ago

*was earlier
this morning at
the U.S. Treasury.*

Georgia Firefighters' Pension Fund

Vital Statistics as of July 31, 2009

(FINANCIALS ARE PRELIMINARY)

Assets \$443,243,323
Active Members 12,669
Retirees 3,532

FUND PERFORMANCE

Current Month	4.1%
Calendar Year 2009 (January 1—July 31, 2009)	6.3%
Prior Fiscal Year (July 1, 2008—June 30, 2009)	-29.1%

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	\$699 per month

EXPECTED AVERAGE BENEFIT PAYOUT OVER 25 YEARS

Continued from Page 6... COLA Suspended—Again ...

With respect to our Trustees, we do reimburse them for any out-of-pocket expense they may incur on behalf of the fund. This includes mileage to attend our monthly meetings and lodging when necessary due to long distance travel to a meeting. Trustees occasionally attend due diligence and review meetings in manager offices and educational conferences at fund expense.

Then there is always the question of what the Trustees get from the fund. **Trustees are not compensated in any way for their service.** For all the work that they do, preparing for meetings and oversight of the fund, their only reward is the satisfaction of seeing that the fund is well-managed and meets its mission of supporting the fire service. Furthermore, a strong and vigilant Code of Ethics precludes taking advantage of any of the relationships of the fund.

We recognize the stress of the times on all our members. We are striving to do our part to lessen the strain on the fund while we recover from this economic malaise.



Jim Meynard

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