

Anchorage Police & Fire Retirement System Newsletter

July 2016

Board Member News

In the fall, the election for one of the Fire Board seats was held. James Bauman (Retired Fire) was re-elected by the Fire members for a three year term that began January 1, 2016. This spring, the election for one of the Police Board seats was held. William (Bill) Herrick (Retired Police) was elected by the Police members replacing the seat held by Jeff Martin for a three year term that begins July 1, 2016. We would like to thank Jeff for his service.

Additionally, we had two changes in the Municipal Board representatives, Mayor Berkowitz appointed Michael Abbott (Municipal Manager) and David Gottstein (President/CIO Dynamic Capital Management Inc. to the Board. Mike and David have both previously served on the Board.

At the May 25, 2016 Board meeting, the Board elected a new Chairperson and Vice Chairperson. Jim Bauman (Retired Fire) was elected as Chairperson and Dave Koch (Police) as Vice Chairperson. The Retirement Board members are as follows:

Police Members

Everett Robbins

Dave Koch

Bill Herrick

Fire Members

James Bauman

Paul Burns

Andrew Provencio

Muni Members

Daniel Moore

Michael Abbott

David Gottstein

A Message From The Chair - Jim Bauman

Hello members of the Police and Fire Retirement System. This is an exciting time for all of us. The weather is great and the fish are biting. I hope your summer is as good as mine has been.

You should receive this newsletter prior to our annual Investment Review Meeting held July 27 and July 28, at the Hotel Captain Cook, 939 W. 5th Ave, Anchorage in the Endeavor & Adventure rooms. We are living in a complex and challenging world where markets can change quickly. At this meeting we will be interacting with all our individual managers and get their opinions as to how to minimize risk and maximize return. Good governance is not something that is adopted and then forgotten. Ensuring its effectiveness depends on regular review and a determined effort to constantly improve. You are invited to attend all or part of this meeting. We will be having breakfast at 8am and lunch at noon. I'm sure we'll have an extra plate if you want to join us.



Eagle River Nature Center

Inside this Issue:

- Page 1 Board Member News
Message From the Chair
- Page 2 Plan III COLA For 2016
Investment Manager News
- Page 3 Investment Performance
Annual Audit Report
Annual Actuarial Report
2016 Surplus Benefit:
Board Decision
- Page 4 Plan Funding Levels
Participants By Plan
Deceased Members
- Page 5 New Retirees
Help Topics
- Page 6 Surplus Account Update
Retirement System
Information
- Page 7 Pension Plan Investments
- Page 8 Surplus Benefit Plan
Investments

Message From the Chair (continued)

There are some of you who live out of state who thought you would like to run for the PFRB. In the past this wouldn't have been feasible but recently the Membership Committee established guidelines that were approved by the Board that allow for a Board member who lives outside Anchorage to participate by teleconference or other means. It's not complicated. If you are elected, then the PFRB staff will set up everything. The newest member to the Board, William (Bill) Herrick (retired police) was elected and resides in Sequim, Washington. Bill will be at the Investment Review Meeting.

We had six new retirees added to the list, three fire and three police (their names are on page 5), all from Plan 3 as Plans 1 & 2 members are retired. We also had four deceased members (page 4).

All the stories we could tell

Ahh, we remember them well

2016 COLA for Plan III - Approved by the Board

On July 1st each year, the rate for Cost of Living Adjustments (COLA) for Plan III members goes into effect for the subsequent twelve month period. The COLA rate is based on the Anchorage Consumer Price Index for all Urban Consumers(CPI-U). The CPI increase for the 2016 COLA was 0.5%.

Surviving Spouses and Disabled Members are eligible for COLA immediately upon receipt of benefits. Members who retire under "Normal" circumstances are eligible for the lesser of 25% of the CPI rate or 3% of the current benefit when they would have had 20 years of service. COLA is equivalent to the lesser of 50% of the CPI rate or 6% of the current benefit when the Member would have had 25 years of service. The calculations and changes are automatically processed by the Retirement System Staff each year. If you have any questions, please contact the Retirement System Staff .

Investment Manager & Investment Consultant News

We had one addition to our investment line-up since the July 2015 newsletter as follows:

- UBS - Trumbull Property Income Fund, was added with an allocation of 4% to our real assets class effective January 2, 2016.

The Board and it's Investment Consultant, Callan Associates, reviews the performance of each manager on a quarterly and annual basis. Decisions to terminate a manager or to hire a new manager come after appropriate monitoring of performance.

In November 2015, the Board authorized a request for proposal (RFP) for an Investment Consultant. The RFP was advertised nationally, all proposals we evaluated in strict accordance with the criteria set forth in the RFP by the Retirement Board. The finalist were interviewed at the May 25, 2016 Board meeting and awarded the contract to RVK, Inc. out of Portland, Oregon. Callan Associates will remain our Investment Consultant through end of the third quarter.

Investment Performance Update

The APFRS trust investment returned 0.92% in 2015. Listed below is our historical investment performance from 2010 to 2015 calculated by Callan Associates:

<u>Year</u>	<u>Performance</u>
2010	14.58%
2011	-0.33%
2012	13.95%
2013	18.21%
2014	5.96%
2015	0.92%

Annual Audit Report

The Retirement System is audited annually. KPMG performs a comprehensive financial and internal controls audit of the plan each year. There were no audit findings and the 2015 Audit Report was accepted and approved by the Board at the May 25, 2016 Board meeting.

Annual Actuarial Report

The Actuarial Valuation Report is performed annually by Milliman. The report dated 1/1/2016, shows funding levels still below 100%. As a result, contributions will continue for the 2017 year and will be required from active members in Plan III (6% of pensionable wages). All member in Plan I and II are now retired. The municipality will pay approximately \$7.094 million in 2016 and \$10.393 million in 2017.

Annual Surplus Benefit Board Distribution Decision

Each year, the Board must make a Surplus Benefit decision no later than the regular June Board meeting. This year, the Board made its decision at the May 25, 2016 Board meeting.

As shown in the Plan funding level on page 4, the Annual Actuarial Valuation Report shows that all three Plans are still below the 100% mark, and none of the Plans are at or above 116% of Assets to Liabilities. Therefore, the Board passed a motion stating that no surplus benefit will be available during the 2016 Plan Year. By Code (Anchorage Municipal Code, Section 3.85), the Board may grant a distribution only if the funding ratio is greater than 116%.

Plan Funding Levels (2013-2016)

Assets vs Liabilities (Millions)

<u>1/1/2013</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$72.6	\$53.7	\$190.3
Liabilities	\$89.3	\$66.7	\$237.9
Funding Level	81%	80%	80%

<u>1/1/2014</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$78.3	\$58.5	\$212.9
Liabilities	\$88.8	\$66.0	\$242.9
Funding Level	88%	89%	88%

<u>1/1/2015</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$75.5	\$57.1	\$211.9
Liabilities	\$87.4	\$65.5	\$247.6
Funding Level	86%	87%	86%

<u>1/1/2016</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$68.5	\$52.4	\$198.7
Liabilities	\$86.3	\$65.1	\$250.6
Funding Level	79%	80%	79%

Whittier Boat Harbor

**Participants By Plan as of 1/1/16**

<u>Status</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>	<u>Total</u>
Actives	0	0	17	17
Term. Vested	0	0	1	1
Retired: Normal	84	80	344	508
Retired: Disabled	69	31	29	129
Survivors	44	9	27	81
Child Benefits	0	0	5	5
Totals	197	120	423	740

Deceased Members (July 2015—June 2016)

--	--	--	--	--

New Retirees (July 2015—June 2016)

Help Topics:

Note: All forms referenced in this column are available on-line at the APFRS Website or you may call the office and have one sent to you. Forms must be returned to the APFRS office for processing. Neither BNY Mellon nor Vanguard can make these changes in our system. <http://www.muni.org/apfrs>

Change of Address or email:

Let us know in writing, by fax or by phone and we will change your personal information (name, address, phone number and email address).

Direct Deposit Changes:

If you need to change your direct deposit (bank or credit union) information you must complete the Direct Deposit Form. Please complete and return the form to the APFRS office for processing.

Tax Withholding Changes:

If you need to change your withholding on your benefit payments, you must complete an IRS W-4P Withholding Election Form. Please complete and return the form to the APFRS office for processing.

Beneficiary Designation:

It is a good idea to periodically review and update your beneficiary designation information. For Spousal Survivor Benefits, the procedures are dictated by the Anchorage Municipal Code. But for the Surplus Benefit Account Program, you need to have a current Beneficiary Form on file here in this office.

*Resurrection Bay*

Surplus Benefit Account Program Update

For those who have a Surplus Benefits Account, Vanguard continues to do a good job of helping you manage these funds at practically the lowest cost in the industry. Please carefully review the quarterly statements you receive from Vanguard. Should you have questions you may call us here at the Retirement System or you can contact Vanguard with questions by using the contact information below.

If you have not yet done so, we encourage you to log on to the Web Site (www.Vanguard.com). You can view and check the status of your accounts, make changes in where your funds are invested, initiate withdrawals, and many other services, including a large array of investment education assistance.

Need Free Advice? "Ask a CFP Professional" for help in managing all of your investments. You can contact Vanguard by phone by calling the Participant Service Center at 800-523-1188. A representative can answer questions for you and help you with all other services.

Vanguard Contact Information:

Web Page: www.Vanguard.com

Participant Services by Phone (The Vanguard "VOICE" System):

Or speak directly with a Participant Services Associate,
8:30 a.m. to 9:00p.m. Eastern Time

Phone Number: 1- 800-523-1188

You will need the Plan Number: 093161

Retirement System Contact Information

Director, Edward Jarvis, CRSP
907.343.8401

Pension Administration

Ana Wood, Retirement Specialist IV
907.343.8409

Marie Berry, Retirement Specialist II
907.343.8405

Main Office Number

907.343.8400

Fax Number

907.343.8439

Toll Free Number

877.650.8400

Address

3600 Dr. Martin Luther King Jr. Ave.
Suite 207
Anchorage, AK 99507

Office Hours

Monday—Friday
8:00 am—4:30 pm
(Except Municipal Holidays)

Web Page Address

Access Board meeting agendas, newsletters, forms, Board members listings and Plan summaries at the following address:
<http://www.muni.org/apfrs>

*Virgin Creek Falls, Girdwood, AK*

Pictures courtesy of APFRS Director and Staff

Pension Plan Asset Distribution Across Investment Managers

as of 12/31/2015

December 31, 2015		
	Market Value \$(Dollars)	Ending Weight
Domestic Equities		
SKBA	32,457,077	10.15%
MCM EB DV LCG Index	32,479,832	10.15%
MCM EB DV Stock Index	38,849,656	12.14%
Smith Graham	12,863,871	4.02%
Delaware	12,897,694	4.03%
International Equities		
Lazard	31,418,460	9.82%
Capital Group	29,732,636	9.29%
Domestic Fixed Income		
Barrow Hanley	85,130,061	26.61%
Real Estate/Mortgages		
CBRE Clarion REIT	9,800,440	3.06%
UBS Realty	15,366,176	4.80%
UBS AgriVest Farmland	17,889,638	5.59%
Cash		
Cash	1,019,251	0.32%
TOTAL DB PLAN	\$319,904,792	100.00%

Surplus Benefit Account Asset Distribution Across Funds

as of 12/31/2015

	Market Value \$(Dollars)	Ending Weight
Domestic Equities		
Vanguard Morgan Growth	991,474	7.96%
Vanguard 500 Index	1,642,393	13.19%
Vanguard Windsor II	462,936	3.72%
Vanguard Select Value	503,778	4.04%
Vanguard Explorer	612,557	4.92%
Balanced Category		
Vanguard Wellington	532,770	4.28%
International Equities		
Vanguard Int'l Growth	270,356	2.17%
Vanguard Total Int'l Stock Index	283,610	2.28%
Vanguard Int'l Value	214,189	1.72%
Domestic Fixed Income		
Vanguard Total Bond Index	636,399	5.11%
Stable Value		
Vanguard Savings Trust	5,113,235	41.05%
Real Estate		
Vanguard REIT Index	177,627	1.43%
Lifestyle Funds		
Vanguard LifeStrat Income	89,465	0.72%
Vanguard LifeStrat Cons Growth	149,867	1.20%
Vanguard LifeStrat Mod Growth	549,946	4.42%
Vanguard LifeStrat Growth	225,256	1.81%
TOTAL SURPLUS	\$12,455,856	100.00%