

Anchorage Police & Fire Retirement System Newsletter

July 2018

Board Member News

Last fall, the election for one of the Fire Board seats was held. James (Jim) Vignola, (Retired Fire) was elected by the Fire members for a three year term that began January 1, 2018. This spring, the election for one of the Police Board seats was held. Paul Honeman (Retired Police) was elected by the Police members for a three year term that began July 1, 2018.

The Municipal Board representatives appointed by Mayor Ethan Berkowitz are William (Bill) Falsey (Municipal Manager), Daniel Moore (Municipal Treasurer) and Michael (Mike) Abbott (Chief Executive Officer, Alaska Mental Health Trust Authority).

At the May 30, 2018 Board meeting, the Board elected a new Chairperson and Vice Chairperson. Paul Burns (Retired Fire) was elected as Chairperson and Bill Herrick (Retired Police) as Vice Chairperson. The Retirement Board members are as follows:

<u>Police Members</u>	<u>Fire Members</u>	<u>Muni Members</u>
Bill Herrick	James Bauman	Mike Abbott
Paul Honeman	Paul Burns	Bill Falsey
Everett Robbins	Jim Vignola	Daniel Moore

A Message From The Chair - Paul Burns

This year, the Anchorage Police & Fire Retirement System marks its 50th anniversary of providing retirement benefits to its members. For the few (16) active members, retirement is just around the corner. For retirees, please utilize the services that the Retirement System offers and the expertise provided by the staff.

We encourage you to be involved in the Retirement System and attend our Board meetings, in particular our Annual Investment Review Board Meeting. This year's meeting will be held August 8 & 9 at the Hotel Captain Cook, 939 W. 5th Ave, Anchorage, Alaska, The Agenda will be posted on the our website, www.muni.org/apfrs. You are invited to attend all or part of this meeting. We will be serving breakfast at 8:00 am and lunch at noon. I'm sure we'll have an extra plate if you want to join us.



1993—25th Anniversary
Anchorage Police & Fire
Retirement Board & Staff

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Message From the Chair (continued)

The Annual Investment Review serves multiple purposes. The first is that it gathers all of our investment managers together to review their performance. The Retirement Board will also hear their strategies and how they intend to position the portfolio for years to come. Additionally it serves as an education requirement for those who serve as fiduciaries of the Retirement System. We will also hear from our pension attorney, Robert Klausner. He will educate and keep the Board updated on current legislation and legal issues applicable to the Retirement system.

We are continuously looking down the road and searching for ways for the membership to serve on the Board or attend Board meetings while living out of state. All members will now be allowed to call in and listen to all of our Board meetings. Should you want to attend by phone, please give the retirement office a call and ask for the call in number. We encourage you to participate, ask questions and if you have a suggestion or concerns, please contact me.

2018 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 2018 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

The Board and its Investment Consultant, RVK, Inc., 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. There were no changes to our investment line-up for the period July 2017—June 2018 .

Investment Performance Update

The APFRS trust investment returned 17.12% in 2017. Listed below is our historical investment (gross of fees) performance from 2010 to 2017 calculated by our Investment Consultants:

<u>Year</u>	<u>Performance</u>
2010	14.58%
2011	-0.33%
2012	13.95%
2013	18.21%
2014	5.96%
2015	0.92%
2016	8.71%
2017	17.12%

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 2017 Audit Report was accepted and approved by the Board at the May 31, 2018 Board meeting.

Annual Actuarial Report

The Actuarial Valuation Report is performed annually by Milliman, Inc. The report dated 1/1/2018, shows funding levels still below 100%. As a result, contributions will continue for the 2018 year and will be required from active members in Plan III (6% of pensionable wages). All members in Plan I and II are now retired. Plan III has 16 active members. The Municipality of Anchorage (MOA) is required to contribute \$9.663 million in 2018 and \$6.098 million in 2019. These amounts were prefunded by the MOA in December 2017 with a contribution of \$58.2 million.

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 31, 2018 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 2018 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 (2014-2018)

Assets vs Liabilities (Millions)

<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%
<u>1/1/2017</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$66.7	\$51.4	\$199.80
Liabilities	\$83.86	\$63.6	\$247.7
Funding Level	79%	81%	81%
<u>1/1/2018</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$83.21	\$64.30	\$256.80
Liabilities	\$88.13	\$67.74	\$271.10
Funding Level	94%	95%	95%

*Iditarod Start
Downtown
Anchorage,
AK*



Participants By Plan as of 1/1/18

<u>Status</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>	<u>Total</u>
Actives	0	0	16	16
Term. Vested	0	0	1	1
Retired: Normal	79	75	340	494
Retired: Disabled	66	30	28	124
Survivors	45	13	32	90
Child Benefits	0	0	2	2
Totals	190	118	419	727

New Retirees (July 2017—June 2018)

New Retirees	Dept	Eff Date	Plan
<i>None</i>			

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.

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. The deadline is the 15th of each month.

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.



Homer, AK

Surplus Benefit Account

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

Retirement System Contact Information

Director, Edward Jarvis, CRSP
907.343.8401

Pension Administration

Dan Allen, Retirement Specialist IV
907.343.8409

Marie Berry, Retirement Specialist III
907.343.8405

Main Office Number

907.343.8400

Fax Number

907.343.8439

Toll Free Number

877.650.8400

Address

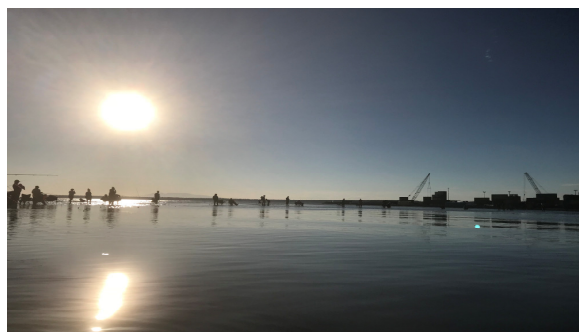
3600 Dr. Martin Luther King Jr. Ave.
Suite 207
Anchorage, AK 99507

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>



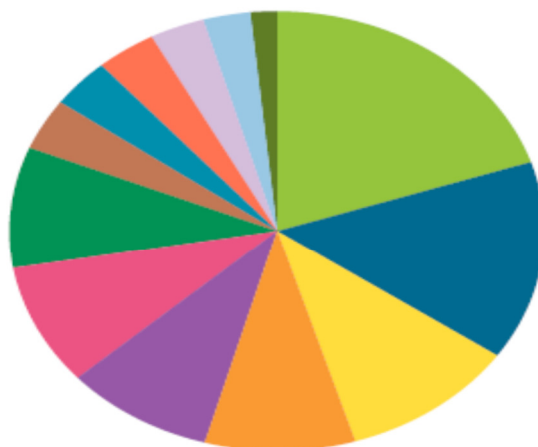
Fisherman on Ship Creek at High Tide
Anchorage, AK

Pictures courtesy of APFRS Staff, Dan Allen

Anchorage Police & Fire Retirement System Total Fund Composite

Asset Allocation by Manager

December 31, 2017 : \$403,705,307

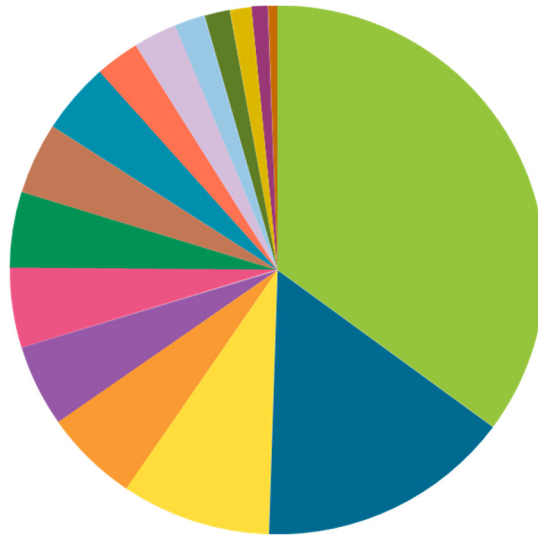


	Market Value (\$)	Allocation (%)
Barrow Hanley Enhanced Int Credit (SA)	80,403,190	19.92
BlkRk Lq:FedFund;Instl (TFDXX)	59,335,192	14.70
Mellon EB DV Stock Index NL (CF)	43,070,408	10.67
SKBA Large Cap Value Equity (SA)	36,625,042	9.07
Lazard Intl Equity ACW Ex US Trust (CF)	36,344,413	9.00
Capital Group All Countries Equity (CF)	36,160,923	8.96
Mellon EB DV LC Growth Stk Idx NL (CF)	35,821,142	8.87
Smith Graham Mid Cap Value (SA)	15,188,458	3.76
UBS AgriVest Farmland (CF)	14,745,764	3.65
Macquarie Small Cap Core (SA)	14,623,198	3.62
UBS Trumbull Property Income (CF)	13,414,525	3.32
UBS Trumbull Property (CF)	11,452,535	2.84
CBRE Clarion US Real Estate Securities (SA)	6,520,517	1.62

Allocations shown may not sum up to 100% exactly due to rounding.

**Anchorage Police & Fire Retirement System Surplus Plan
Asset Allocation By Manager**

December 31, 2017 : \$13,049,578



	Market Value (\$)	Allocation (%)
Vanguard Retirement Savings Trust (CF)	4,582,473	35.12
Vanguard 500 Index;Inv (VFINX)	2,010,025	15.40
Vanguard Morgan Gro;Inv (VMRGX)	1,175,392	9.01
Vanguard Explorer;Inv (VEXPX)	750,632	5.75
Vanguard Wellington;I (VWELX)	654,653	5.02
Vanguard Tot Bd;Inv (VBMFX)	630,237	4.83
Vanguard LS Mod Gro;Inv (VSMGX)	605,283	4.64
Vanguard Sel Value;Inv (VASVX)	568,534	4.36
Vanguard Windsor II;Inv (VWNFX)	563,192	4.32
Vanguard Tot I Stk;Inv (VGTSX)	350,857	2.69
Vanguard Intl Gro;Inv (VWIGX)	342,317	2.62
Vanguard Intl Val;Inv (VTRIX)	242,433	1.86
Vanguard LS Growth;Inv (VASGX)	198,570	1.52
Vanguard REIT Idx;Inv (VGSIX)	169,425	1.30
Vanguard LS Cons Gro;Inv (VSCGX)	128,845	0.99
Vanguard LS Income;Inv (VASIX)	76,710	0.59

Allocations shown may not sum up to 100% exactly due to rounding.