JUDGES OF THE PROBATE COURTS
RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

GASB Statement No. 68 Schedules

June 30, 2014

(With Independent Auditors' Report Thereon)

DEPARTMENT OF AUDITS AND ACCOUNTS
270 Washington Street, S.W., Suite 1-156
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GREG S. GRIFFIN
STATE AUDITOR
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Independent Auditor's Report

Members of the Board of Commissioners of the Judges of the Probate Courts Retirement Fund of Georgia
Mr. Robert Carter, Secretary/Treasurer

We have audited the accompanying schedule of employer allocations of the Judges of the Probate Courts Retirement Fund of Georgia (the Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2014, and the related notes. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer of the Fund as of and for the year ended June 30, 2014, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of these schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the schedule of employer allocations and the specified column totals included in the schedule of pension amounts by employer.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the schedules referred to above present fairly, in all material respects, the employer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources and total employer pension expense for the total of all participating entities for the Fund as of and for the year ended June 30, 2014, in accordance with U.S. generally accepted accounting principles.

Other Matter

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the Fund as of and for the year ended June 30, 2014, and our report thereon, dated June 30, 2015, expressed an unmodified opinion on those financial statements.

Restriction of Use

Our report is intended solely for the information and use of Fund management, the Board of Commissioners, the Fund employers, nonemployer contributing entities, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Greg S. Griffin

Greg S. Griffin
State Auditor

October 15, 2015

GSG:slm

JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Schedule of Employer Allocations

For the year ended June 30, 2014

Employer	Employer Allocation Percentage
Each County Participating in the Fund - Employer Share	0.000000 %
State's Proportionate Share	0.645161 %
Total for Each Participating County	0.645161 %
STATE OF GEORGIA (Nonemployer Contributing Entity)	100.00000 %
Total for All Entities	100.00000 %

See notes to GASB 68 Schedules.

JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Schedule of Pension Amounts by Employer

For the year ended June 30, 2014

Employer	Net Pension Liability (Asset)	Total Deferred Outflows of Resources: Changes in Assumptions	Deferred Inflows of Resources: Difference Between Expected and Actual Experience	Deferred Inflows of Resources: Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investements	Deferred Inflows of Resources: Total Deferred Inflows of Resources	Total Employer Pension Expense: Proportionate Share of Plan Pension Expense
Each County Participating in the Fund - Employer Share	$ 0					$ 0
State's Proportionate Share	(116,505)					(54,638)
Total for Each Participating County	$ (116,505)					$ (54,638)
STATE OF GEORGIA (Nonemployer Contributing Entity)	$ (18,058,244)	$ 3,067,976	$ (239,759)	$ 6,243,756	$ 6,003,997	$ (8,468,813)
Total for All Entities	$ (18,058,244)	$ 3,067,976	$ (239,759)	$ 6,243,756	$ 6,003,997	$ (8,468,813)

See notes to GASB 68 Schedules.

JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to GASB Statement No. 68 Schedules

June 30, 2014

Note 1: Plan Description

The Judges of the Probate Courts Retirement Fund of Georgia (Fund) was created in 1958 by the General Assembly of Georgia for the purpose of paying retirement benefits to judges of the probate courts of the State of Georgia. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

Each county in the state of Georgia has a judge of the probate court who is eligible to be a member of the Fund. The counties, as the employers of the members of the Fund, do not make contributions to the Fund. The State of Georgia provides nonemployer contributions to the Fund through the collection of court fines and forfeitures. These nonemployer contributions are recognized as revenue by the Fund when collected from the courts.

Note 2: Basis of Presentation

The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (the schedules) are prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles.

Note 3: Actuarial Valuation Date

The collective total pension liability is based upon the June 30, 2014 actuarial valuation.

Note 4: Components of Collective Net Pension Liability

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2014 were as follows:

Total pension liability	$ 57,834,774
Net position	(75,893,018)
Net pension liability (asset)	(18,058,244)
Plan fiduciary net position as a percentage of total pension liability	131.22%

Note 5: Actuarial Assumptions
The collective total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP 2014 Healthy Mortality Table with generational mortality projection using Scale MP 2014 for healthy lives and the RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014 for disabled lives.

The long-term expected rate of return on pension plan investments was calculated by the Fund's investment manager as 6.66% using a Monte Carlo simulation in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The Fund's administrator determined that 7.00% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the Fund's investment manager.

Note 6: Discount Rate
The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Note 7: Special Funding Situation
The State of Georgia, although not the employer of the Fund's members, makes contributions to the Fund through the collection of court fines and forfeitures as specified by O.C.G.A. §47-11-50 and §47-11-51. The State makes all these contributions to the Fund on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Since the employers of the Fund's members do not contribute directly to the Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the collective pension expense of the State as well as recognize revenue contributions from the State in an equal amount.

Note 8: Allocation Methodology

GASB Statement No. 68 requires participating employers and nonemployer contributing entities to recognize their proportionate share of collective net pension liability and pension expense. These schedules are prepared to provide employers and nonemployer contributing entities with their calculated proportionate share.

As discussed in Note 7, the counties, as employers of the Fund's members, do not make contributions to the Fund; therefore, the proportionate share allocation for each employer is 0%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated evenly to each employer participating in the Fund. The judges of the probate court of 154 of the 159 counties in Georgia are active members of the Fund as of June 30, 2014. (The five counties without an active member of the Fund are Atkinson, Catoosa, Crawford, Dodge, and McIntosh.) In addition to the 154 active member probate court judges, the Secretary/Treasurer of the Fund is a member of the Fund. There are, therefore, 155 employers in the Fund as of June 30, 2014. Because there are 155 employers, each employer's proportionate share allocation percentage is 0.645161% (1 divided by 155).

Note 9: Components of Schedule of Pension Amounts by Employer

Net Pension Liability: The employer proportionate share of the collective net pension liability is equal to the collective net pension liability multiplied by the employer's proportionate share percentage for the fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.

Changes in benefit terms: Effective July 1, 2014, automatic cost-of-living adjustments for retirees and surviving spouses have been eliminated. The reduction in total pension liability of $8,646,082 resulting from this change is included in collective pension expense in the current period.

Change of Assumptions: The mortality table for health lives was changed from the IRS 2013 Static Mortality Table (separate for annuitants and non-annuitants) to the RP 2014 Healthy Mortality Table with generational mortality projection using Scale MP 2014. The mortality table for disabled lives was changed to the RP 2014 Disabled Retiree Mortality Table with generational mortality projection using Scale MP 2014. The load for administrative expenses was changed from $50,000 per annum to $80,000 per annum to better reflect the actual administrative expenses expected to be paid from the Fund. These changes in assumptions about future economic or demographic factors or other inputs are amortized over the average of the expected remaining service life of active and inactive members, which is 5.23 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow or resources. The collective amount of change in assumptions for the fiscal year ending June 30, 2014 is $3,793,266.

Difference between Expected and Actual Experience: The difference between expected and actual experience and demographic factors is amortized over the expected remaining service life of active and inactive members, which is 5.23 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow or resources. The difference between expected and actual experience for the fiscal year ending June 30, 2014 is $(296,440).

Difference between Projected and Actual Investment Earnings on Pension Plan Investments: The difference between the actual earnings on plan investments compared to the plan's expected rate of return of 7.00% is amortized over a closed period of 5 years. The collective amounts of the difference between projected and actual earnings for the fiscal year ending June 30, 2014 is $(7,804,695). The first year amortization, $(1,560,939), is recognized as pension expense with the remaining, $(6,243,756), shown as deferred inflows of resources.

Pension Expense: The calculation of collective pension expense for the fiscal year ending June 30, 2014 is shown in the following table:

Service cost	$ 1,443,097
Interest of the total pension liability and net cash flow	4,245,535
Projected earnings on plan investments	(4,536,131)
Current period effect of benefit changes	(8,646,082)
Expensed portion of current period difference between expected and actual experience	(56,681)
Expensed portion of current period effect of changes in assumptions	725,290
Expensed portion of current period difference between expected and actual on plan investments	(1,560,939)
Member contributions	(161,527)
Administrative expenses	78,625
Collective pension expense	$ (8,468,813)

The employer proportionate share of collective pension expense is equal to the collective amount multiplied by the employer's proportionate share percentage for fiscal year ending June 30, 2014 as shown in the Schedule of Employer Allocations.