JUDGES OF THE PROBATE COURTS

RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedule of Employer and Nonemployer Allocations and

Schedule of Pension Amounts by Employer and Nonemployer

June 30, 2020

(With Independent Auditor's Report Thereon)

DEPARTMENT OF AUDITS AND ACCOUNTS

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

Board of Commissioners of the Judges of the Probate Courts Retirement Fund of Georgia
Mr. Homer Bryson, Secretary/Treasurer

We have audited the accompanying schedule of employer and nonemployer 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, 2020, 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 and nonemployer of the Fund (collectively, the Schedules) as of and for the year ended June 30, 2020, and the related notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these Schedules in accordance with accounting principles generally accepted in the United States of America; 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 an opinion on the Schedules 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 Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund’s preparation and fair presentation of the Schedules 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 Fund’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 Schedules.

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

Opinion

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer and nonemployer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources and total employer pension expense of the Fund as of and for the year ended June 30, 2020, in accordance with accounting principles generally accepted in the United States of America.

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, 2020, and our report thereon, dated May 14, 2021, expressed an unmodified opinion on those financial statements.

Restrictions on 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

May 14, 2021

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

Schedule of Employer and Nonemployer Allocations

For the year ended June 30, 2020

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)	100.000000 %
Total for All Entities	100.000000 %

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

Schedule of Pension Amounts by Employer and Nonemployer

For the year ended June 30, 2020

		Total Deferred Outflows of Resources	Deferred Inflows of Resources				
Employer	Net Pension Asset	Changes in Assumptions	Changes in Assumptions	Differences Between Expected and Actual Experience	Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Total Deferred Inflows of Resources	Total Employer Pension Expense
Each County Participating in the Fund - Employer Share							
State's Proportionate Share	$ (150,914)						(8,100)
Total for Each Participating County	$ (150,914)						(8,100)
STATE OF GEORGIA (Nonemployer Contributing Entity)	$ (23,391,737)	51,159	124,426	2,375,682	4,627,152	7,127,260	(1,255,524)
Total for All Entities	$ (23,391,737)	51,159	124,426	2,375,682	4,627,152	7,127,260	(1,255,524)

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

Notes to Schedule of Employer and Nonemployer Allocations and
Schedule of Pension Amounts by Employer and Nonemployer

June 30, 2020

Note 1: Plan Description

The Judges of the Probate Courts Retirement Fund of Georgia (the Retirement 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 Retirement 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 Retirement Fund. The counties, as the employers of the members of the Retirement Fund, do not make contributions to the Retirement Fund. The State of Georgia provides nonemployer contributions to the Retirement Fund through the collection of court fines and forfeitures. These nonemployer contributions are recognized as revenue by the Retirement Fund when collected from the courts.

Note 2: Basis of Presentation

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

Note 3: Components of Collective Net Pension Liability

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2020 were as follows:

Total pension liability	$	77,017,828
Plan fiduciary net position		(100,409,565)
Net pension liability (asset)	$	(23,391,737)
Plan fiduciary net position as a percentage of total pension liability		130.37%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. The roll forward calculation adds the normal cost (also called service costs), subtracts the actual benefit payments and refunds for the plan year, and then applies the discount rate for the year. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	N/A
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 (Amount Weighted General Employees) Mortality Table with generational mortality projection using the Buck Modified MP 2019 scale for healthy lives and the PubG-2010 (Amount Weighted Contingent Survivor) mortality table with generational mortality projection using Buck Modified 2019 scale for current and future beneficiaries of deceased participants, and the PubG-2010 (Amount Weighted General Employees) Disabled Mortality Table with generational mortality projection using the Buck Modified MP 2019 scale.

The long-term expected rate of return on plan assets was 6.67% based on using a building block approach. Capital market and asset class assumptions are estimates of how asset classes and combinations of classes may respond during various market environments. A building block approach develops an arithmetic mean expected return for each asset class, the return being the simple average, which typically represents performance for a single period. Once an arithmetic mean is developed, it is converted to a geometric mean that expresses the arithmetic mean over a long time horizon. The geometric mean return is used because it captures changes in portfolio performance over multiple years and is generally lower than the arithmetic mean, thus providing a more conservative estimate for return assumptions.

Discount Rate

The discount rate used to measure the collective total pension liability was 6.50%. 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.

Sensitivity of the Collective Net Pension Liability (Asset) to Changes in the Discount Rate
The following table presents the collective net pension liability of the Retirement Fund, calculated using the discount rate of 6.50%, as well as what the Retirement Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
Collective net pension asset	$ (16,166,777)	(23,391,737)	(29,632,342)

Note 4: Special Funding Situation
The State of Georgia, although not the employer of the Retirement Fund's members, makes contributions to the Retirement 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 Retirement 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 Retirement Fund's members do not contribute directly to the Retirement 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 5: 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 4, the counties, as employers of the Retirement Fund's members, do not make contributions to the Retirement Fund; therefore, the proportionate share allocation for each employer is 0%. The proportionate share attributable to the State of Georgia, as the nonemployer contributing entity, is therefore 100%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated evenly to each employer participating in the Retirement Fund. Of the 159 counties in Georgia with a judge of the probate court, 154 are active members of the Retirement Fund as of June 30, 2020 (The 5 counties without an active member of the Retirement Fund are Brantley, Carroll, Catoosa, Crawford, and Jeff Davis). In addition to the 154 active member probate court judges, the Secretary/Treasurer of the Retirement Fund is a member of the Retirement Fund. Therefore, there are 155 employers in the Retirement Fund as of June 30, 2020. Because there are 155 employers, each employer's proportionate share allocation percentage is 0.645161% (1 divided by 155).

Note 6: Collective Deferred Outflows of Resources and Deferred Inflows of Resources

The following table presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2020:

				Current Year		
Deferred outflows of resources	Year of deferral	Amortization period	Beginning of year balance as previously reported	Additions	Deductions	End of year balance
Changes in assumptions	2016	4.8 years	$ 111,450		111,450	
	2020	4.5 years		65,776	14,617	51,159
Total deferred outflows of resources			$ 111,450	65,776	126,067	51,159
Deferred inflows of resources						
Changes in assumptions	2017	4.5 years	$ 142,866		95,244	47,622
	2019	4.7 years	105,250		28,446	76,804
Differences between expected and actual experience	2016	4.8 years	152,367		152,367	-
	2017	4.5 years	1,279		854	425
	2019	4.7 years	1,293,716		349,653	944,063
	2020	4.5 years		1,840,106	408,912	1,431,194
Differences between projected and actual investment earnings	2016	5 years	(813,977)		(813,977)	-
	2017	5 years	2,897,334		1,448,668	1,448,666
	2018	5 years	1,370,278		456,759	913,519
	2019	5 years	2,098,238		524,559	1,573,679
	2020	5 years		864,110	172,822	691,288
Net difference between projected and actual investment earnings (1)			5,551,873	864,110	1,788,831	4,627,152
Total deferred inflows of resources			$ 7,247,351	2,704,216	2,824,307	7,127,260

(1) In accordance with paragraph 71b of GASB Statement No. 68, collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods have been aggregated and included as a net collective deferred inflows of resources related to pensions.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	2022	$	(3,423,247)
	2023		(1,926,535)
	2024		(1,356,347)
	2025		(369,972)
Total		$	(7,076,101)

Changes in Proportion
The amounts shown in the two preceding tables do not include employer- or nonemployer-specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. Based on the allocation methodology discussed in Note 5, there were no changes in proportion for the year ended June 30, 2020.

Note 7: Collective Pension Expense

The components of collective pension expense for the year ended June 30, 2020, are shown in the following table:

Service cost	$ 1,700,283
Interest on the total pension liability and net cash flow	4,884,784
Projected earnings on plan investments	(6,177,231)
Current period effect of benefit changes	1,093,521
Member contributions	(194,402)
Administrative expenses	135,761
Recognition (amortization) of deferred inflows and outflows of resources	
Change in assumptions	2,378
Difference between expected and actual experience	(911,786)
Difference between projected and actual investment earnings	(1,788,832)
Collective pension expense	$ (1,255,524)