

*Judges of the Probate Courts Retirement Fund of Georgia  
Financial Statements  
Fiscal Year Ended June 30, 2021*



*Cover photograph is the Major W.L. "Bill" Cline, Fund Headquarters located in Griffin, Georgia.*

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

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**SECTION I - FINANCIAL**

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## INDEPENDENT AUDITOR'S REPORT

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Commissioners of the Judges of the Probate  
Courts Retirement Fund of Georgia  
and  
Mr. Homer Bryson, Secretary-Treasurer

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Judges of the Probate Courts Retirement Fund of Georgia (Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, 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 financial statements 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 financial statements.

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

### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Fund as of June 30, 2021, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2022 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.



A copy of this report has been filed as a permanent record and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Greg S. Griffin". The signature is written in a cursive style with a horizontal line at the end.

Greg S. Griffin  
State Auditor

April 29, 2022

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**BASIC FINANCIAL STATEMENTS**

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Statement of Fiduciary Net Position

June 30, 2021

### Assets:

Cash and cash equivalents \$ 2,989,080

### Receivables:

Interest, dividends and other \$ 253,781  
Due from brokers for securities sold 164,918 418,699

### Investments - at fair value:

#### Obligations:

Municipal bonds \$ 335,693  
U.S. Treasury obligations 7,878,895  
U.S. Agency obligations 986,992  
Corporate bonds/notes/debentures  
Domestic 8,216,574  
International 656,280  
Asset-backed securities  
Domestic 3,646,529 21,720,963

#### Equities:

Stocks  
Domestic 80,665,552  
International 20,922,723 101,588,275

Total investments 123,309,238

Total assets 126,717,017

### Liabilities:

Due to brokers for securities purchased 166,168  
Accounts payable and other accruals 62,441

Total Liabilities 228,609

Net position restricted for pensions \$ 126,488,408

See accompanying notes to financial statements.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Statement of Changes in Fiduciary Net Position

Year ended June 30, 2021

### Additions:

#### Contributions:

Nonemployer	\$	1,483,960
Members		192,950

#### Net investment income:

Net increase in fair value of investments	\$	28,775,966
Interest, dividends, and other		1,765,962
Less investment expense		<u>(911,482)</u>

Total additions		<u>31,307,356</u>
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### Deductions:

Benefit payments		4,991,193
Refund of member contributions		61,572
Administrative expenses, net		<u>175,748</u>

Total deductions		<u>5,228,513</u>
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Net increase in net position		26,078,843
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### Net position restricted for pensions:

Beginning of year		<u>100,409,565</u>
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End of year	\$	<u><u>126,488,408</u></u>
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See accompanying notes to financial statements.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Notes to Financial Statements

June 30, 2021

### **Note 1: Plan Description**

The Judges of the Probate Courts Retirement Fund of Georgia (the Fund) was created in 1958 by the Georgia General Assembly to provide retirement benefits for judges of the probate courts 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*.

The Fund is governed by its Board of Commissioners. The Board is comprised of the Governor of the State of Georgia or his designee; an appointee of the Governor other than the Attorney General; an appointee of the Governor who is a member of the Fund; four judges of the probate courts who are members of the Fund; and a retired judge of a probate court. The Board of Commissioners is ultimately responsible for the administration of the Fund.

### ***Eligibility and Membership***

Individuals eligible to apply for membership in the Fund are defined in the *Official Code of Georgia Annotated* (O.C.G.A.) §47-11-40 and generally include all qualified and commissioned judges of the probate courts of the counties of the State of Georgia; any person serving as secretary-treasurer of the Board of Commissioners; and qualified employees of the Board of Commissioners.

As of June 30, 2021, participation in the Fund is as follows:

Inactive plan members and beneficiaries currently receiving benefits	162
Terminated members not yet receiving benefits, vested	5
Active plan members	150
Total	<u>317</u>

### ***Participating Employers and Other Contributing Entities***

At June 30, 2021, the active members of the Fund were employed by 150 employers. The Fund also had one nonemployer contributing entity, which is the State of Georgia.

### ***Retirement Benefits***

The Fund provides retirement as well as disability and death benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of the Fund to the General Assembly. Members prior to July 1, 1995 are eligible for retirement at age 60 and must have served at least four years in a position eligible for membership in the Fund. Members joining the Fund on or after July 1, 1995, are eligible for retirement at age 60 and must have served at least eight years. A member must have terminated his or her official capacity as a judge of a probate court or as an employee of the Board to receive benefits.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

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Members approved for retirement benefits prior to July 1, 2016, are paid a monthly benefit equal to 5% of his or her average monthly net earnings (subject to a salary cap) for each year served up to, but not exceeding, a total of 20 years, with exceptions. The benefit for members approved for retirement benefits on or after July 1, 2016, is equal to 5% of his or her final monthly net earnings (subject to a salary cap) for each year served up to, but not exceeding, a total of 30 years with exceptions. The Board of Commissioners is authorized to provide for increases in benefits being paid up to 1.5% in a six-month period and can increase the salary caps in effect up to 3% annually. These benefits are payable for the lifetime of the member. Members may elect, as an alternate to the benefit described above, to receive an actuarially reduced benefit in the form of a Joint and Survivor Annuity.

### ***Death and Disability Benefits***

Any member who becomes totally and permanently disabled after completing four years of creditable service is entitled to receive retirement benefits in the amount that the member would receive if their retirement were effective at the time the member became disabled.

If a member dies before retirement, the member's spouse may withdraw the dues paid into the Fund plus interest and thus waive any rights to any benefits through the Fund. The surviving spouse may also elect to receive benefits through an optional payment offered by the Fund. If a member who is receiving benefits dies, the surviving spouse, upon reaching age 60, may elect to receive a benefit equal to 50% of the monthly retirement benefit being paid to the deceased member at the time of death. These benefits will be paid for the remainder of the surviving spouse's life.

### ***Terminations***

In the event of termination, a member is entitled to any retirement benefits that may have been earned. However, the member may waive the right to these benefits and receive all dues paid plus interest.

### ***Contributions***

The Fund is funded by member and nonemployer contributing entity (Nonemployer) contributions. Contribution provisions are established by statute and may be amended only by the General Assembly.

*Member Contributions:* Member contribution requirements are set forth in O.C.G.A. §47-11-40 and are not actuarially determined. Each member must contribute \$105 per month; however, the requirement to pay dues ceases after the member has paid dues for 30 years.

*Nonemployer Contributions:* In accordance with O.C.G.A. §47-11-50 and §47-11-51, the State of Georgia provides nonemployer contributions to the Fund through the collection of court fines, forfeitures, and fees. For each criminal and quasi-criminal case involving the violation of State of Georgia traffic laws which is before a probate court and results in the collection of a fine or

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Notes to Financial Statements

June 30, 2021

forfeiture of a bond, \$3 is collected and paid to the Fund. For fees associated with various services, the following fees are collected and paid to the Fund:

For civil filings	\$2
For marriage licenses	20% of fee
For pistol licenses	\$1

The court fines, forfeitures, and fees are considered employer contributions for the purpose of determining whether the Fund has met minimum funding requirements specified in O.C.G.A. §47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2020, calculated the minimum employer contribution for the fiscal year ended June 30, 2021, as \$678,593. The court fines, forfeitures, and fees revenue of \$1,483,960 for the fiscal year ended June 30, 2021, meets the minimum required fund contribution.

### ***Administrative Expenses***

Administrative expenses are generally funded from current member and court fines, forfeitures, and fees contributions. Investment earnings may be utilized to fund any expenses in excess of contributions.

### **Note 2: Summary of Significant Accounting Policies and Plan Asset Matters**

#### ***Basis of Accounting***

The Fund's financial statements are prepared on the accrual basis of accounting, except for the collection of contributions, which are recognized when collected from the members and the courts. Any accrual of these contributions would be immaterial to the Fund's financial statements. Retirement and refund payments are recognized as deductions when due and payable.

#### ***Reporting Entity***

The Fund is a component unit of the State of Georgia; however, it is accountable for its own fiscal matters and presentation of its separate financial statements. The Fund has considered potential component units under GASB Statements No. 61, *The Financial Reporting Entity's Omnibus – an amendment of GASB Statement No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and determined there were no component units of the Fund.

#### ***Cash and Cash Equivalents***

Cash and cash equivalents, reported at cost, include cash in banks, cash on deposit with the investment custodian earning a credit to offset fees, and short-term highly liquid financial securities with original maturities of three months or less from the date of acquisition.



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## Notes to Financial Statements

June 30, 2021

### *Investments*

Investments are reported at fair value. Equity securities traded on a national or international exchange are valued at the last reported sales price. Fixed income securities are valued based primarily on quoted market prices provided by independent pricing sources. Global foreign exchange holdings are translated using a third-party vendor. Investment income is recognized as earned by the Fund. There are no investments in, loans to, or leases with parties related to the Fund.

The Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as credit, interest rate, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Fund maintains an investment policy that may be amended by its Board of Commissioners both upon its own initiative and upon consideration of the advice and recommendations of its investment managers. There were no significant changes in the investment policy for the Fund during the fiscal year.

The Fund's policy for the allocation of invested assets is established on a cost basis in compliance with State law. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the Fund's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	0% - 100%
Equities	0% - 75%
Cash and cash equivalents	1% - 100%
Total	100%

Approximately 7.19% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 6.39% are U.S. government debt securities and 0.80% are debt securities of the U.S. government instrumentalities. The Fund has no investments in any one organization, other than those issued by the U.S. government and its instrumentalities that represent 5% or more of the Fund's net position restricted for pensions.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

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## Notes to Financial Statements

June 30, 2021

For the year ended June 30, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 31.04%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of fiduciary net position and changes therein. Actual results could differ from those estimates.

### *New Accounting Pronouncements*

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* effective for fiscal years beginning after June 15, 2018. This Statement's objective was to provide temporary relief to governments in light of the COVID-19 pandemic by postponing scheduled statement effective dates by one year. The following statements are now effective for the 2021 financial statements:

GASB Statement No. 90, *Majority Equity Interests*. This Statement's objective is to improve the consistency and comparability of reporting a government's majority interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. There are no applicable reporting requirements for the Fund related to this Statement.

GASB Statement 93, *Replacement of Interbank Offered Rates*. This Statement's objective is to address accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate (IBOR). There are no applicable reporting requirements for the Fund related to this Statement.

**JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA**  
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June 30, 2021

**Note 3: Investment Program**

The Fund maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the investment policy of the Fund. All investments are held by agent custodial banks in the name of the Fund. State law (O.C.G.A. §47-20-83) and the Fund's investment policy authorize the Fund to invest in a variety of short-term and long-term securities.

***Cash and Cash Equivalents***

The carrying amount of the Fund's operating account totaled \$13,289.78 at June 30, 2021, With an actual bank balance of \$13,289.78. The Fund's cash balance is fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

The carrying amount of the Fund's cash balances maintained within an investment account is \$2,975,790.39 at June 30, 2021, which is also the investment account's balance. This balance includes \$2,725,790.39, which is uncollateralized, and \$250,000, which is fully insured through the Securities Investors Protection Corporation, an independent agency of the U.S. Government.

***Investments***

Fixed income investments are maintained in municipal bonds, U.S. Treasury obligations, obligations issued by agencies of the U.S. Government, investment-grade corporate bonds, and asset-backed securities.

Equity investments are maintained in domestic equities and international equities. Domestic equities are those securities considered by the O.C.G.A. to be domiciled in the United States. International equities will be a diversified portfolio including both developed and emerging countries. These securities are not considered by the O.C.G.A. to be domiciled in the United States.

The equity portfolio is managed by the Fund in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the investment policy of the Fund. Equity trades are approved and executed by the independent advisors. Common stocks eligible for investment must meet the Objectives and Guidelines of the Fund's investment policy. State law limits the total investment in equity securities to 75% of the total invested assets calculated on a historical cost basis.

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

Notes to Financial Statements

June 30, 2021

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Fund. State law limits investments to investment grade securities. The Fund's investment policy requires that purchases of bonds be restricted to bonds rated as investment grade rated BAA (or equivalent) or better as defined by a nationally recognized rating agency. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The quality ratings of investments in fixed income securities at June 30, 2021, as described by Standard & Poor's, which is a nationally recognized statistical rating organization, are shown in the following table:

**Quality Ratings of Fixed Income Investments  
Held at June 30, 2021**

Investment Type	Total Fair Value	AAA	AA	A	BBB	BB	Unrated
Debt Securities Subject to Credit Risk:							
Municipal bonds	\$ 335,693		102,262		233,431		
U.S. Agency obligations							
Implicitly guaranteed	986,992						986,992
Corporate debt							
Domestic	8,216,574			640,172	7,260,261	316,140	
International	656,280				438,002	218,278	
Asset-backed securities	<u>3,646,529</u>	<u>3,646,529</u>					
 Total Debt Securities Subject to Credit Risk	 13,842,068	 <u>3,646,529</u>	 <u>102,262</u>	 <u>640,172</u>	 <u>7,931,695</u>	 <u>534,418</u>	 <u>986,992</u>
Debt Securities Not Subject to Credit Risk:							
U.S. Treasury obligations	<u>7,878,895</u>						
 Total Debt Securities	 \$ <u>21,720,963</u>						

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

Notes to Financial Statements

June 30, 2021

*Interest Rate Risk*

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Fund does not have a formal policy for managing interest rate risk. The following table provides information about the Fund's interest rate risk:

**Fair Value of Fixed Income Investments by Maturity Period - Specific Identification Method  
Held at June 30, 2021**

Investment type	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Debt Securities Subject to Interest Rate Risk						
Municipal bonds	\$ 335,693			102,262	233,431	
U.S. Treasury obligations	7,878,895			5,679,056	2,199,839	
U.S. Agency obligations	986,992			2	255,566	731,424
Corporate debt						
Domestic	8,216,574			4,785,065	3,431,509	
International	656,280			656,280		
Asset-backed securities	3,646,529			3,646,529		
Total Debt Securities Subject to Interest Rate Risk	\$ 21,720,963	-	-	14,869,194	6,120,345	731,424

*Concentration of Credit Risk*

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Fund's investment in a single issue. The Fund's concentration of credit risk policy is that the securities of any one company or government agency should not exceed 5% of the total fund. On June 30, 2021, the Fund did not have debt investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of the plan's total investments.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Notes to Financial Statements

June 30, 2021

### *Foreign Currency Risk*

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Fund's currency risk exposures, or exchange rate risks, primarily reside within the Fund's international investment holdings. The Fund does not have a formal policy for managing foreign currency risk. As of June 30, 2021, the Fund's investments that are classified as international are payable in U.S. dollars.

### *Fair Value Measurement*

The Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs. These guidelines recognize a three-tiered hierarchy, as follows:

Level 1 – Valuations based on unadjusted quoted prices for identical instruments in active markets that the Fund has the ability to access.

Level 2 – Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instrument in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Fund's assessment of the significance of particular inputs to these fair value measurements requires judgement and considers factors specific to each investment. The following table shows the fair value leveling of the Fund's investments.

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

Notes to Financial Statements

June 30, 2021

**Investments Measured at Fair Value as of June 30, 2021**

Investments by fair value level	Total	Fair value measures using		
		Quoted prices in active markets for identical assets Level 1	Significant other observable inputs Level 2	Significant unobservable inputs Level 3
Debt Securities:				
Municipal bonds	\$ 335,693		335,693	
U.S. Treasury obligations	7,878,895		7,878,895	
U.S. Agency obligations	986,992		986,992	
Corporate debt				
Domestic	8,216,574		8,216,574	
International	656,280		656,280	
Asset-backed securities	3,646,529		3,646,529	
Equities:				
Stocks				
Domestic	80,665,552	80,665,552		
International	20,922,723	20,922,723		
Total Investments by fair value level	\$ 123,309,238	101,588,275	21,720,963	-

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

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## Notes to Financial Statements

June 30, 2021

### **Note 4: Net Pension Liability of Employers and Nonemployers**

The components of the collective net pension liability of the participating employers and nonemployers at June 30, 2021, were as follows:

Total pension liability	\$ 81,038,978
Plan fiduciary net position	(126,488,409)
Net pension liability (asset)	<u>\$ (45,449,431)</u>

Plan fiduciary net position as a percentage of total pension liability 156.08%

#### *Actuarial assumptions*

The total pension liability was determined by an actuarial valuation as of June 30, 2020, with update procedures used to roll forward the total pension liability to June 30, 2021. 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	2.50%
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 2020 scale for healthy lives and the PubG-2010 (Amount Weighted Contingent Survivor) mortality table with generational mortality projection using Buck Modified 2020 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 2020 scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and 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 and then adding expected inflation.



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## Notes to Financial Statements

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The target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long term expected real rate of return
U.S. Large Cap Equities	60 %	5.3 %
Developed Market Ex U.S. Equities	7.5	5.0
Emerging Market Equities	7.5	6.7
U.S. Intermediate Taxable Fixed Income	25	0.6
	100 %	

### *Discount Rate*

The discount rate used to measure the 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 net pension liability to changes in the discount rate*

The following table presents the net pension liability of the Fund, calculated using the discount rate of 6.50%, as well as what the 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%)
Employers' and nonemployers' net pension liability (asset)	\$ (37,919,286)	(45,449,431)	(51,959,732)

### **Note 5: Subsequent Event**

At June 30, 2021, investments held in agent, custodial banks in the name of the Fund were valued at \$123,309,238. Based on most recent available information as of March 31, 2022, these investments have experienced a significant decline in value to an amount estimated at \$117,176,870, a decrease of 4.97%.

**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**

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

Required Supplementary Information

Schedule of Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 81,038,978	77,017,828	75,714,483	73,304,133	69,530,681	66,303,982	60,621,555	57,834,774
Plan fiduciary net position	126,488,409	100,409,565	96,648,792	91,109,658	86,212,839	76,759,439	77,933,918	75,893,018
Employers' and nonemployers' net pension liability (asset)	\$ <u>(45,449,431)</u>	<u>(23,391,737)</u>	<u>(20,934,309)</u>	<u>(17,805,525)</u>	<u>(16,682,158)</u>	<u>(10,455,457)</u>	<u>(17,312,363)</u>	<u>(18,058,244)</u>
Plan fiduciary net position as a percentage of the total pension liability	156.08%	130.37%	127.65%	124.29%	123.99%	115.77%	128.56%	131.22%
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information and accompanying independent auditor's report.

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

Required Supplementary Information

Schedule of Changes in Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 1,968,234	1,700,283	1,679,237	1,634,988	1,598,011	1,434,313	1,360,365	1,443,097
Interest	4,969,879	4,884,784	4,731,363	4,481,341	4,276,618	4,206,592	4,008,009	4,245,535
Changes of benefit terms	2,379,741	1,093,521	2,233,311	2,101,044	2,000,255	4,210,396	1,910,093	(8,646,082)
Differences between expected and actual experience	(226,483)	(1,840,106)	(1,643,369)	-	(3,841)	(914,191)	(615,948)	(296,440)
Changes of assumptions	(17,456)	65,776	(133,696)	-	(428,598)	668,706	-	3,793,266
Benefit payments	(4,991,193)	(4,600,913)	(4,456,391)	(4,436,786)	(4,205,305)	(3,916,867)	(3,863,303)	(3,823,997)
Refunds of member contributions	(61,572)	-	(105)	(7,135)	(10,441)	(6,522)	(12,435)	-
Net change in total pension liability	4,021,150	1,303,345	2,410,350	3,773,452	3,226,699	5,682,427	2,786,781	(3,284,621)
Total pension liability - beginning	77,017,828	75,714,483	73,304,133	69,530,681	66,303,982	60,621,555	57,834,774	61,119,395
Total pension liability - ending (a)	81,038,978	77,017,828	75,714,483	73,304,133	69,530,681	66,303,982	60,621,555	57,834,774
Plan fiduciary net position:								
Contributions - nonemployer	1,483,960	1,261,704	1,453,119	1,454,921	1,466,740	1,419,750	1,317,037	1,283,318
Contributions - member	192,950	194,402	195,807	198,080	190,947	156,057	156,534	161,527
Net investment income	29,630,446	7,041,341	8,451,755	7,793,489	12,145,217	1,298,928	4,546,559	12,340,826
Benefit payments	(4,991,193)	(4,600,913)	(4,456,391)	(4,436,786)	(4,205,305)	(3,916,867)	(3,863,303)	(3,823,997)
Refund of member contributions	(61,572)	-	(105)	(7,135)	(10,441)	(6,522)	(12,435)	-
Administrative expense	(175,748)	(135,761)	(105,051)	(105,750)	(133,758)	(125,825)	(103,492)	(78,625)
Net change in plan fiduciary net position	26,078,843	3,760,773	5,539,134	4,896,819	9,453,400	(1,174,479)	2,040,900	9,883,049
Plan fiduciary net position - beginning	100,409,565	96,648,792	91,109,658	86,212,839	76,759,439	77,933,918	75,893,018	66,009,969
Plan fiduciary net position - ending (b)	126,488,408	100,409,565	96,648,792	91,109,658	86,212,839	76,759,439	77,933,918	75,893,018
Net pension liability (asset) - ending (a) - (b)	\$ (45,449,430)	(23,391,737)	(20,934,309)	(17,805,525)	(16,682,158)	(10,455,457)	(17,312,363)	(18,058,244)

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information and accompanying independent auditor's report.

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

Required Supplementary Information

Schedule of Employer and Nonemployer Contributions

For the year ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined employer and nonemployer contribution	\$ 678,593	\$ 718,071	\$ 717,011	748,083	711,752	213,330	102,667	1,343,982	1,291,074	1,180,024
Contributions in relation to the actuarially determined contribution	<u>1,483,960</u>	<u>1,261,704</u>	<u>1,453,119</u>	<u>1,454,921</u>	<u>1,466,740</u>	<u>1,419,750</u>	<u>1,317,037</u>	<u>1,283,318</u>	<u>1,289,959</u>	<u>1,118,766</u>
Contribution deficiency (excess)	<u>\$ (805,367)</u>	<u>\$ (543,633)</u>	<u>\$ (736,108)</u>	<u>(706,838)</u>	<u>(754,988)</u>	<u>(1,206,420)</u>	<u>(1,214,370)</u>	<u>60,664</u>	<u>1,115</u>	<u>61,258</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying notes to required supplementary information and accompanying independent auditor's report.

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

Required Supplementary Information

Schedule of Investment Returns

For the year ended June 30

(Unaudited)

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	31.04%	8.20%	10.30%	8.20%	17.00%	2.63%	6.89%	19.89%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information and accompanying independent auditor's report.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Notes to Required Supplementary Information

June 30, 2021

(Unaudited)

### **Note 1: Schedule of Employers' and Nonemployers' Net Pension Liability**

The components of the net pension liability as of the fiscal year end and the fiduciary net position as a percentage of the total pension liability as of that date are presented in this schedule. This trend information will be accumulated to display a ten-year presentation.

### **Note 2: Schedule of Changes in Employers' and Nonemployers' Net Pension Liability**

Net pension liability which is measured as the total pension liability less the amount of the fiduciary net position is presented in this schedule. This trend information will be accumulated to display a ten-year presentation.

### **Note 3: Schedule of Employer and Nonemployer Contributions**

The schedule presents the required contributions and the amounts actually contributed.

### **Note 4: Schedule of Investment Returns**

The schedule presents historical trend information about the annual money-weighted rate of return on plan investments, net of plan investment expense. This trend information will be accumulated to display a ten-year presentation.

### **Note 5: Actuarial Methods and Assumptions**

*Benefit changes:* Effective July 1, 2014, automatic cost-of-living adjustments for retirees and surviving spouses have been eliminated. Effective January 1, 2021, the annual earnings limit was increased from \$45,387 to \$46,067. In addition, a 1.5% cost of living adjustment was granted to retirees and surviving spouses effective January 1, 2021.

Effective July 1, 2021, the annual earnings limit was increased from \$46,067 to \$46,758.83. In addition, a 1.5% cost of living adjustment was granted to retirees and surviving spouses effective July 1, 2021.

Beginning in fiscal year 2016, the maximum number of years used to calculate benefits was increased from 20 years to 30 years. The maximum number of years for payment of member dues was also increased to 30 years.

# JUDGES OF THE PROBATE COURTS RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

## Notes to Required Supplementary Information

June 30, 2021

(Unaudited)

*Changes of assumptions:* The mortality improvement scale was updated from the Buck Modified MP-2019 Scale to the Buck Modified MP-2020 Scale with the following adjustment by status:

Active Members: Sex Distinct Headcount Weighted General Employees Table

Non-Disabled Retirees: Sex Distinct Amount Weighted General Healthy Retiree Table

Contingent Survivors: Sex Distinct Amount Weighted Contingent Survivor Table

Disabled Retirees: Sex Distinct Amount Weighted Disabled Retiree Table

*Methods and assumptions used in calculations of actuarially determined contributions:* The following actuarial methods and assumptions were used to determine the most recently calculated actuarially determined contribution reported in the Schedule of Employer and Nonemployer Contributions:

Valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Actuarial value
Inflation rate	2.5%
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation



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**SECTION II – REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT  
AUDITING STANDARDS***

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

The Honorable Brian P. Kemp, Governor of Georgia  
Members of the General Assembly of the State of Georgia  
Members of the Board of Commissioners of the Judges of the Probate  
Courts Retirement Fund of Georgia  
and  
Mr. Homer Bryson, Secretary-Treasurer

We have audited the financial statements of the Judges of the Probate Courts Retirement Fund of Georgia (Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Fund's basic financial statements, and have issued our report thereon dated April 29, 2022. We conducted our audit in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Fund's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin  
State Auditor

April 29, 2022