

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

**A COMPONENT UNIT OF THE
STATE OF GEORGIA**

FINANCIAL STATEMENTS

(WITH INDEPENDENT AUDITORS' REPORT)

Year Ended

June 30, 2014



**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)**

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INDEPENDENT AUDITORS' REPORT

November 13, 2015

Board of Commissioners
SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
Griffin, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA, a component unit of the State of Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA'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 of 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 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, by 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 financial statements.

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 financial statements referred to above present fairly, in all material respects, the fiduciary net position available for benefits of the SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA, as of June 30, 2014, and the respective changes in fiduciary net position available for benefits for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, the SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA adopted in 2014 Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25*. Our opinion is not modified with respect to this matter.

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 schedule of changes in employers' and nonemployers net pension liability, schedule of employers' net pension liability, schedule of employer and nonemployer contributions, and schedule of investment returns 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

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2014

ASSETS

Cash and cash equivalents		\$ <u>12,787,452</u>
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Investments		
Debt securities		38,081,588
Equities		48,114,603
Investment pool		<u>13,671,931</u>

Total investments		<u>99,868,122</u>
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Receivables		
Member dues receivable (net of allowance for uncollectibles)		200
County fines, forfeitures, and fees receivable		274,673
Interest and dividend receivable		283,631
Accounts receivable - investment transactions		<u>429,876</u>

Total receivables		<u>988,380</u>
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TOTAL ASSETS		<u>113,643,954</u>
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LIABILITIES

Accounts payable		86,493
Investment transactions to be settled		8,736,521
Prepayment of dues		<u>6,250</u>

TOTAL LIABILITIES		<u>8,829,264</u>
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NET POSITION

Net position held in trust for pension benefits		<u>104,814,690</u>
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TOTAL NET POSITION		<u>\$ <u>104,814,690</u></u>
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The accompanying notes are an integral part of this financial statement.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
For the Year Ended June 30, 2014

ADDITIONS

Member contributions	\$	140,993
Court fines and forfeitures from counties		889,070
Fees on civil cases from counties		983,936
Fees on real estate recordings from counties		<u>1,267,897</u>
Total member contributions and county remittances		<u>3,281,896</u>
Investment income (expense), including change in fair value of investments		
Interest - temporary investments		207
Net investment earnings, other investments		12,586,148
Net investment earnings on the state investment pool		3,596,409
Investment expense		<u>(471,601)</u>
Net investment earnings		<u>15,711,163</u>
TOTAL ADDITIONS		<u>18,993,059</u>

DEDUCTIONS

Benefits		
Retirement benefits		4,480,907
Survivorship benefits		343,702
Death benefits		5,000
Refunds to terminated members		<u>20,150</u>
Total benefits		<u>4,849,759</u>
Administrative expenses		
Personnel services		42,000
Operating expenses		<u>88,641</u>
Total administrative expenses		<u>130,641</u>
TOTAL DEDUCTIONS		<u>4,980,400</u>
NET INCREASE (DECREASE) IN NET POSITION		14,012,659
NET POSITION, Beginning		<u>90,802,031</u>
NET POSITION, Ending	\$	<u><u>104,814,690</u></u>

The accompanying notes are an integral part of this financial statement.

**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

REPORTING ENTITY

The Retirement Fund is considered a component unit of the State of Georgia and is included within the State of Georgia reporting entity for financial reporting purposes because of the significance of its legal, operational and financial relationships with the State of Georgia.

The Retirement Fund uses a fund to report on its financial position and the results of its operation determined in conformity with the accounting practices prescribed or permitted by statutes and regulations of the State of Georgia. A fund is a separate accounting entity with a self-balancing set of accounts. The fund represented in this report is as follows:

FIDUCIARY FUND TYPE

PENSION TRUST FUND - The fund used to account for the accumulation of resources for retirement benefits to eligible members and beneficiaries.

BASIS OF ACCOUNTING

The Retirement Fund prepares its financial statements on the accrual basis of accounting with an economic resources measurement focus. Member and county contributions are recognized in the period in which the contributions are due. Benefits, refunds and expenses are recognized when due and payable in accordance with plan provisions.

During fiscal year 2014, the Fund adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans- an amendment of GASB Statement No. 25*. This Statement establishes new financial reporting standards for state and local governmental pension plans that are administered through a trust or similar arrangement. This Statement resulted in changes to the actuarial calculation of total and net pension liability and the related noted disclosures and required supplementary information. The implementation of GASB Statement No. 67 did not impact the recorded amounts in the financial statements.

CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents consist of demand deposits with a bank. Cash and Cash Equivalents also include short-term, highly liquid investments with maturity dates within three months of the date acquired.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014

INVESTMENTS

The Official Code of Georgia Annotated Section 47-14-23 states that the Board of Commissioners of the Retirement Fund shall have full power to invest and reinvest the assets of the fund subject to the terms and conditions imposed by the laws of the State of Georgia upon the "Public Retirement System Investment Authority Law". Statutory provisions governing the investments of the "Public Retirement System Investment Authority Law" are enumerated in Title 47, Chapter 20, Paragraph 83 of the Official Code of Georgia Annotated.

The significant forms of investment in accordance with these statutes and available to the Retirement Fund are as follows:

- 1) Corporations or obligations of corporations organized under the laws of this state or any other state or under the laws of Canada, but only if the corporation has a market capitalization equivalent to \$100 million; provided, however, that except as provided in Code Section 47-20-84, no fund shall invest in corporations or in obligations of corporations organized in a country other than the United States or Canada; provided, further, that such obligation shall be listed as investment grade by a nationally recognized rating agency;
- 2) Repurchase and reverse repurchase agreements for direct obligations of the United States government and for obligations unconditionally guaranteed by agencies of the United States government and for investments eligible under paragraph 1;
- 3) Cash assets or deposits in checking or savings accounts under certificates of deposit or in other form in banks and trust companies and in savings accounts, certificates of deposit, or similar certificates or evidences of deposits in savings and loan associations and building and loan associations which have qualified for the insurance protection afforded by the Federal Deposit Insurance Corporation;
- 4) Bonds, notes, warrants, and other evidence of indebtedness which are direct obligations of the government of the United States of America or for which the full faith and credit of the government of the United States of America is pledged for the payment of principal and interest;
- 5) Loans guaranteed as to principal and interest by the government of the United States of America, or by any agency or instrumentality of the government of the United States of America, to the extent of such guaranty;
- 6) Taxable bonds, notes, warrants, and other securities not in default which are the direct obligations of any state of the United States or of the District of Columbia, or of the government of Canada or any province of Canada, or for which the full faith and credit of such state, district, government, or province has been pledged for the payment of principal and interest;

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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June 30, 2014

- 7) Bonds, notes, warrants, and other securities not in default which are the direct obligations of the government of any foreign country which the International Monetary Fund lists as an industrialized country and for which the full faith and credit of such government has been pledged for the payment of principal and interest, provided such securities are listed as investment grade by a nationally recognized rating agency;
- 8) Bonds, debentures, or other securities issued or insured or guaranteed by any agency, authority, unit, or corporate body created by the government of the United States of America, whether or not such obligations are guaranteed by the United States;
- 9) Collateralized mortgage obligations that are listed as investment grade by a nationally recognized rating agency;
- 10) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development or the International Financial Corporation;
- 11) In addition to those investments eligible under paragraph 1, bonds, debentures, notes, and other evidences of indebtedness issued, assumed, or guaranteed by any solvent institution existing under the laws of the United States of America or of Canada, or any state or province thereof, which are not in default as to principal or interest and which are secured by collateral worth at least 50 percent more than the par value of the entire issue of such obligations, but only if not more than one-third of the total value of the required collateral consists of common stocks;
- 12) In addition to those investments eligible under paragraph 1, secured and unsecured obligations of issuers described in paragraph 11 other than the obligations described in paragraph 11, bearing interest at a fixed rate, with mandatory principal and interest due at specified times, if the net earnings of the issuing, assuming, or guaranteeing institution available for its fixed charges for a period of five fiscal years next preceding the date of acquisition by the fund have averaged per year not less than one and one-half times its average annual fixed charges applicable to such period and if during either of the last two years of the period of such net earnings have been not less than one and one-half times its fixed charges for the year; provided, however, that any such obligation shall be listed as investment grade by a nationally recognized rating agency;
- 13) In addition to those investments eligible under paragraph 1, equipment trust obligations or certificates adequately secured and evidencing an interest in transportation equipment, wholly or in part within the United States of America, and the right to receive determined portions of rental, purchase, or other fixed obligatory payments for the use or purchase of the transportation equipment;
- 14) Loans that are secured by pledge or securities eligible for investment under this article;
- 15) Purchase money mortgages or like securities received upon the sale or exchange of real property acquired;
- 16) In addition to those investments eligible under paragraph 1, a mortgage or a mortgage participation, pass-through, conventional pass-through, trust certificate, or other similar security which represents an undivided, beneficial interest in a pool of loans secured by first mortgages, deeds of trust, or deeds to secure debt upon fee simple, unencumbered,

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June 30, 2014

- improved, or income-producing real property located in the United States or Canada, which is improved with a residential building or condominium unit or buildings designed for occupancy by not more than four families, including leasehold estates in such real estate if such first mortgages, deeds of trust, or deeds to secure debt are fully guaranteed or insured by the Federal Housing Administration, the United States Department of Veterans Affairs, the Farmers Home Administration, the Federal Home Loan Mortgage Corporation, the Government National Mortgage Association, the Federal National Mortgage Association, or any similar governmental entity or instrumentality;
- 17) Land and buildings on such land used or acquired for use as a fund's office for the convenient transaction of its own business; provided, however, that portions of such buildings not used for its own business may be rented by the fund to others; provided, further, that the amount invested by a fund in office property shall not exceed 10 percent of the retirement system assets;
 - 18) Real property acquired in satisfaction in whole or in part of loans, mortgages, liens, judgments, decrees, or debts previously owing to the fund in the course of its business;
 - 19) Real property acquired in part payment of the consideration on the sale of other real property owned by the fund if such transaction effects a net reduction in the fund's investment in real estate;
 - 20) Real property acquired by gift or devise, or through merger or consolidation with another fund; and
 - 21) Additional real property and equipment incident to real property if necessary or convenient for the enhancement of the marketability or sale value of real property previously acquired or held by the fund under paragraphs 18, 19, and 20.

The Board adopted an investment policy which only permits investments to be in the form of items 1-10 listed above and the following two forms:

- 1) Money market mutual funds regulated by the Securities and Exchange Commission and whose portfolios consist only of dollar-denominated securities.
- 2) Local government investment pools either state-administered or developed through joint powers statutes and other intergovernmental legislation.

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue. Investments in U. S. Government securities, repurchase agreements, equities, and the Georgia Pooled Index Fund are recorded at fair value. Net appreciation (depreciation) in fair value of investments, realized and unrealized gains and losses, interest and dividends are included as investment income. Dividend income from the investment pool is automatically reinvested when received by the investment pool and recognized as income and an increase in investments. Dividends from other equities are recognized as income on the ex-dividend date.

**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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 NOTES TO FINANCIAL STATEMENTS
 June 30, 2014**

The Georgia Pooled Index Fund is managed by the Division of Investment Services of the Teachers Retirement System of Georgia and the Employees' Retirement System of Georgia. It is not registered with the SEC as an investment company. The Investment Division benchmarks the pool to the Standard & Poor's 500 Index using a modeling technique designed to track the index. The pool's securities are marked to fair market value on a daily basis and the fund value is reported to participants on a monthly basis. Earnings are distributed monthly to each participating retirement fund based on the number of units held.

The Fund's policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia Statute. 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, 2014:

Asset Class	Target Allocation
Fixed Income	50 %
Equities	50 %
Total	<u>100 %</u>

At June 30, 2014, approximately 16% of net position available for benefits are invested in U.S. Government securities. Total net position is \$104,814,690 and total government securities have a fair market value of \$17,027,130.

For the year ended June 30, 2015, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 16.84%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

CAPITAL ASSETS

Capital assets are capitalized at the time of purchase if valued at \$5,000 or more. Capital assets are recorded at cost and reported on the financial statements net of accumulated depreciation. As of June 30, 2014, the Retirement Fund had no capital assets that fell within these parameters.

**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

NOTE 2 - PLAN DESCRIPTION

ORGANIZATION AND PURPOSE

The Retirement Fund is a cost-sharing, multiple employer, defined benefit pension plan established in 1952 by the General Assembly of Georgia for the purpose of paying retirement benefits to the Superior Court clerks of the State of Georgia. The Board of Commissioners of the Retirement Fund is comprised of seven (7) members and consists of the Governor or his designee, an appointee of the Governor other than the Attorney General, and five (5) Superior Court clerks, of which at least one (1) but not more than two (2) are retired clerks receiving retirement benefits.

Membership in the Retirement Fund is restricted to those individuals who have served or are serving as Superior Court clerks within the State of Georgia and any clerk of a State Court where that clerk is someone other than the clerk of Superior Court. The Retirement Fund is funded through a combination of member contributions paid by the affected Superior Court clerks and designated portions of fines, fees and forfeitures for certain proceedings appearing in courts for which the Clerk of Superior Court serves as clerk.

CURRENT MEMBERSHIP

The following analysis compares the membership of the RETIREMENT FUND OF GEORGIA at June 30, 2014, to that of the prior year:

Membership Status:	<u>June 30, 2014</u>	<u>June 30, 2013</u>
Inactive plan members or beneficiaries currently receiving	143	146
Inactive plan members entitled to but not yet receiving	<u>6</u>	<u>4</u>
Total retirees and beneficiaries currently receiving benefits	149	150
Active members	<u>162</u>	<u>162</u>
Total participants in fund	<u><u>311</u></u>	<u><u>312</u></u>

PLAN BENEFITS

The Retirement Fund provides retirement as well as death and disability benefits. Benefit provisions and vesting requirements are established by statute and may be amended only by the State of Georgia General Assembly. A description of plan benefits and vesting requirements is as follows:

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014

(A) GENERAL PROVISIONS

- (1) No clerk shall receive credit for any service unless payment of the required contributions for such service has been made. A clerk may not receive credit for retirement purposes for any such service performed as a clerk prior to six (6) months from the time application is made for membership in the Retirement Fund.
- (2) With the exception of disability benefits, benefit payments do not begin until the clerk attains the age of fifty-five (55).

(B) RETIREMENT CONDITIONS

- (1) Normal Retirement: A clerk must have served twenty (20) years, at least twelve (12) of which must have been as a clerk of a Superior Court. In addition, the clerk must have served the consecutive four (4) years immediately preceding retirement as a clerk of the Superior Court.

In computing service for normal retirement, a clerk may include certain service as a deputy clerk of the Superior Court and, under certain conditions, may include not more than four (4) years of service as a member of the armed forces of the United States. The statutory provisions dealing with deputy clerk service were changed by statute, effective as of July 1, 2010.

- (2) Delayed Retirement: A clerk who is eligible to retire under normal retirement but does not, yet continues to serve as a clerk, shall receive upon retirement the amount to which he/she was entitled under normal retirement, increased by five percent (5%) for each year of service beyond twenty (20) years.
- (3) Early Retirement After Twelve (12) Years of Service but Before Twenty (20) Years of Service: A clerk, if otherwise eligible, may receive retirement benefits if he/she served twelve (12) years, at least eight (8) of which were served as clerk and four (4) of which were served as clerk immediately preceding retirement. Service as deputy clerk of Superior Court is the only other type of service which may be counted for this category of retirement.
- (4) Disability Retirement: A clerk may retire after completing sixteen (16) years of service, provided he/she becomes totally and permanently disabled after having commenced service as a clerk.

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June 30, 2014

(C) RETIREMENT BENEFITS

Beginning July 1, 2013, normal and early retirement benefits were \$128.07. Benefits for the fiscal year were calculated by multiplying \$128.07 by the number of years of service (without a maximum limit). On January 1, 2014, the unit increased to \$130.00. At June 30, 2014, disability benefits were fixed at \$2,600 per month for service terms less than 20 years, service terms greater than 20 years are calculated at normal rates. Under Georgia law, benefits may be increased 1.5% semiannually with approval of the Board of Trustees if actuarially sound.

(D) OPTIONAL BENEFITS

A clerk may elect to receive ninety percent (90%) of the benefits he/she would otherwise be entitled to receive for the remainder of his/her life, and at death, leaving a surviving spouse, said spouse will receive a monthly benefit during his/her lifetime equal to fifty percent (50%) of the retirement benefit amount that the clerk would have received had he/she not made the election. The survivor's benefits do not commence until the survivor has attained the age of fifty-five (55).

(E) DEATH BENEFITS

- (1) Death before earliest eligibility for retirement benefits: Total contributions to date of death paid into the Retirement Fund, without accumulated interest, are paid to the deceased clerk's estate.
- (2) Death after vesting but prior to retirement:
 - (a) Married Clerks: The surviving spouse receives a monthly benefit during his/her lifetime equal to fifty percent (50%) of the amount the deceased clerk would have received had he/she retired at the date of death under the optional form of retirement benefits described in (D) above. The spouse must have attained the age of fifty-five (55) and have been married to the deceased clerk for at least six (6) years immediately preceding his/her death.
 - (b) Unmarried Clerks: The total amount of contributions paid into the Retirement Fund during membership, excluding interest earned, are paid to the deceased clerk's estate.

**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

- (3) Death after Retirement: If the total contributions, without interest, exceed the total of monthly benefits paid to a deceased clerk, and to his/her deceased spouse if applicable, such excess is paid to the deceased clerk's estate.
- (4) Death while in Office: A clerk who dies while currently serving in office is entitled to a death benefit of \$5,000.

(F) **TERMINATION**

In the event of termination, a clerk is entitled to withdraw the total sum of previous contributions, excluding interest, from the Retirement Fund.

FUNDING REQUIREMENTS

Contribution provisions are established by statute and may be amended only by the State of Georgia General Assembly. A description of contribution requirements is as follows:

- (A) **MEMBER'S CONTRIBUTIONS:** Members must contribute five percent (5%) of their net monthly earnings or \$50 per month, whichever is less. Members who first or again become members on or after September 1, 2009 shall pay \$100 per month.
- (B) **OTHER CONTRIBUTIONS:** Additional contributions to the Retirement Fund are generated by the assessment of fees related to the duties of Superior Court clerks. For all criminal and quasi-criminal cases involving the violation of statutes of the State of Georgia which are tried in any court in Georgia for which the Clerk of Superior Court serves as clerk, the amount of \$2 is withheld from fines and bond forfeitures in excess of \$5 and remitted to the Retirement Fund. In addition, \$2 is collected for each lawsuit filed in a Superior Court operating within the State of Georgia, and \$0.50 is collected for each deed transaction filed in court records.
- (C) **ACTUAL CONTRIBUTIONS:** Contributions for the year ended June 30, 2014, were as follows:

	Amount	Percentage
Member Contributions	\$ 140,993	4.30 %
Fines and Bond Forfeitures	889,070	27.09 %
Fees on Civil Cases	983,936	29.98 %
Fees on Real Estate Recordings	1,267,897	38.63 %
	\$ 3,281,896	100.00 %

**SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
NOTES TO FINANCIAL STATEMENTS
June 30, 2014**

(D) **FUNDING POLICY:** The minimum annual employer contribution requirements are set forth in the Official Code of Georgia Annotated (O.C.G.A) Section 47-20-10. This statute further 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, 2014, which reflected the proceeds of designated portions of fines, fees and forfeitures for certain proceedings appearing in courts for which the Clerk of Superior Court serves as clerk as the employer contribution, indicated that the minimum employer contribution level was being met. Member contribution requirements are set forth in O.C.G.A. Section 47-14-40.

NOTE 3 - BONDING INFORMATION

Mr. Bob Carter, Secretary-Treasurer, is bonded in the amount of \$500,000 by a surety bond.

NOTE 4 - RISKS OF CASH DEPOSITS AND INVESTMENTS

As of June 30, 2014, the Retirement Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Percent of Total Debt Investments</u>	<u>Weighted Average Maturity (Years)</u>
Government STIF	\$ 12,296,526	n/a	n/a	12.48 %	12
US Treasuries	4,341,953	AAA	n/a	4.41 %	9
Federal National Mortgage Association	10,683,635	AAA	1	10.85 %	72
Federal Home Loan Mortgage Corporation	84,868	AAA	1	0.09 %	22
Resolution Trust Corporation	1,420,744	AAA	1	1.44 %	24
Various Municipal Bonds	495,930	AA1	1	0.50 %	12
Various Corporate Bonds	7,717,449	BBB	1	7.83 %	8
Various Corporate Bonds	701,436	AA	1	0.71 %	13
Various Corporate Bonds	5,961,070	A	1	6.05 %	12
Asset-Backed Notes	5,363,567	AAA	1	5.45 %	15
Credit Cards Receivable	1,310,937	AAA	1	1.33 %	7
Equities - Common Stock	36,375,301	n/a	n/a	36.93 %	n/a
Equities - Mutual Funds	11,739,302	n/a	n/a	11.92 %	n/a
Subtotal debt securities and equities	98,492,718			<u>99.99 %</u>	
Less securities included in cash equivalents	<u>(12,296,526)</u>				
Total debt securities and equities	<u>\$ 86,196,191</u>				
Displayed as:					
Debt securities	\$ 38,081,588				
Equities	<u>48,114,603</u>				
	<u>\$ 86,196,191</u>				
Georgia Pooled Index Fund - Equities	<u>\$ 13,671,931</u>				
<i>1. Standard & Poor's</i>					

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A COMPONENT UNIT OF THE STATE OF GEORGIA)
NOTES TO FINANCIAL STATEMENTS
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The goal of the Retirement Fund in investing is to obtain a reasonable return on investments given an acceptable level of overall portfolio risk. See Note 1 for the allowed investments under state law and the board's adopted investment policy.

Interest rate risk. The Retirement Fund will minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by:

- i. Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.
- ii. Investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

Credit Risk. The Retirement Fund will minimize credit risk, which is the risk of loss due to the failure of the security issuer or backer, by:

- i. Limiting investments to the types of securities listed in the Fund's Investment Policy.
- ii. Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with which the Fund will do business in accordance with the Investment Policy.
- iii. Diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized.

Concentration of credit risk. The Retirement Fund does not allow the investment in the securities of any equity company to exceed 5% of the total fund. Other than U. S. International equities shall be limited to a maximum of 15% of Fund assets.

Custodial credit risk - deposits. In case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it.

The Retirement Fund may exceed the FDIC insured limit in making deposits in commercial banks and savings and loans institutions, if the funds are otherwise adequately secured. As of June 30, 2014, all deposits of the Retirement Fund were adequately insured.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Retirement Fund reduces this risk by dealing only with financial institutions and broker/dealers who have at least five years of operations and a minimum capital requirement of \$10,000,000.

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NOTE 5 - INVESTMENT INCOME

For the year ended June 30, 2014, investment income consists of the following:

	Temporary Investments	Other Investments	State Investment Pool	Investment Expense	Total
Interest and dividends	\$ 207	\$ 1,910,176	\$ 3,922,378	\$ -	\$ 5,832,761
Realized gains (losses)	-	777,501	-	-	777,501
Investment expense	-	-	-	(471,601)	(471,601)
Subtotal cash basis	<u>207</u>	<u>2,687,677</u>	<u>3,922,378</u>	<u>(471,601)</u>	<u>6,138,661</u>
Change in accrued interest receivable	-	(853)	-	-	(853)
Change in fair value of investments	-	9,899,324	(325,969)	-	9,573,355
Total investment income	<u>\$ 207</u>	<u>\$ 2,586,148</u>	<u>\$ 3,596,409</u>	<u>\$ (471,601)</u>	<u>\$ 5,711,163</u>

The calculation of realized gains and losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses of the current year include unrealized gains and losses on those same investments that were recognized in previous periods as part of the net appreciation or depreciation in the fair value of investments.

NOTE 6 - NET PENSION LIABILITY OF EMPLOYERS AND NONEMPLOYERS

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

Total pension liability	\$ 90,290,561
Plan fiduciary net position	<u>(104,814,690)</u>
Employers' and nonemployers' net pension liability (asset)	<u>\$ (14,524,129)</u>
Plan fiduciary net position as a percentage of the total pension liability	116.09 %

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

Inflation	Not applicable
Salary Increases	Not applicable
Investment rate of return	5.25% net of pension plan investment expense, including inflation