

Superior Court Clerks' 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.

SUPERIOR COURT CLERKS' 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 Superior Court Clerks' Retirement Fund of Georgia
and
Mr. Homer Bryson, Secretary-Treasurer

Report on the Financial Statements

We have audited the accompanying financial statements of the Superior Court Clerks' 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 extending from the end.

Greg S. Griffin
State Auditor

April 29, 2022

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BASIC FINANCIAL STATEMENTS

SUPERIOR COURT CLERKS' 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		\$	3,935,239
Receivables:			
Due from brokers for securities sold	\$	4,327	
Interest, dividends and other		<u>358,157</u>	362,484
Investments - at fair value:			
Obligations:			
Municipal bonds	\$	1,816,515	
U.S. Treasury obligations		21,813,745	
U.S. Agency obligations		11,874,194	
Foreign government obligations		334,895	
Corporate bonds/notes/debentures			
Domestic		23,884,607	
International		941,146	
Asset-backed securities		3,255,830	
Mortgage investments		<u>5,027,932</u>	68,948,865
Equities:			
Mutual funds			
Domestic		19,061,743	
International		8,550,989	
Stocks			
Domestic		38,184,956	
International		2,701,811	
Real estate investment trust		<u>1,006,768</u>	<u>69,506,267</u>
Total investments			<u>138,455,132</u>
Total assets			<u>142,752,855</u>
Liabilities:			
Due to brokers for securities purchased		394,075	
Accounts Payable and other accruals		<u>130,637</u>	
Total Liabilities			<u>524,712</u>
Net position restricted for pensions			<u>\$ 142,228,142</u>

See accompanying notes to financial statements.

SUPERIOR COURT CLERKS' 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	\$	2,981,597
Members		135,550
Net investment income:		
Net increase in fair value of investments	\$	21,182,815
Interest, dividends, and other		3,174,154
Less investment expense		(708,144)
		23,648,826
Total additions		26,765,972
Deductions:		
Benefit payments		6,861,047
Refund of member contributions		66,324
Administrative expenses, net		194,856
		7,122,227
Total deductions		7,122,227
Net increase in net position		19,643,745
Net position restricted for pensions:		
Beginning of year		122,584,397
End of year	\$	142,228,142

See accompanying notes to financial statements.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2021

Note 1: Plan Description

The Superior Court Clerks' Retirement Fund of Georgia (the Fund) was created in 1952 by the Georgia General Assembly to provide retirement benefits for clerks of the Superior Courts of Georgia and any clerk of State Court where that clerk is someone other than the clerk of Superior Court. 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; and five superior court clerks, of which at least one but not more than two are retired clerks receiving retirement benefits. 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.) §47-14-40 and generally include all qualified and commissioned clerks of the superior courts of the counties of the State of Georgia.

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

Inactive plan members and beneficiaries currently receiving benefits	171
Terminated members not yet receiving benefits, vested	1
Active plan members	<u>152</u>
Total	<u><u>324</u></u>

Participating Employers and Other Contributing Entities

At June 30, 2021, the active members of the Fund were employed by 152 employers. The Fund also had one nonemployer contributing entity, which is the State of Georgia.

Retirement Conditions

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

No clerk shall receive credit for any service unless payment of the required contributions for such service has been made. With the exception of disability benefits, benefit payments do not begin until the clerk attains the age of 55.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2021

Normal Retirement:

A member with at least 12 years of service either as a clerk or deputy clerk shall receive retirement benefits, provided that at least 8 years of such service shall have been served as a clerk, and the member must have served continuously as a clerk for the 4 years immediately preceding retirement.

In computing service for normal retirement, a clerk may include up to 8 years of prior service as a chief deputy clerk of the Superior Court if the service was purchased at the time of application for membership. Under certain limited conditions, a member may also include not more than 4 years of service as a member of the armed forces of the United States if the service time was purchased at the time of application for membership. The statutory provisions dealing with deputy clerk service were amended by statute effective as of July 1, 2010.

Disability Retirement:

A clerk may retire after completing 16 years of service, provided he/she becomes totally and permanently disabled after having commenced service as a clerk.

Retirement Benefits

Beginning January 1, 2020, the normal and early retirement benefit rate was \$155.43. On January 1, 2021, the rate increased to \$157.76. Benefits for the fiscal year were calculated by multiplying the rate by the number of years of service, without a maximum service limit.

On June 30, 2019, disability benefits were fixed at \$2,600 per month for the service terms less than 20 years. Service terms greater than 20 years are calculated at normal rates. Under Georgia law benefits may be increased by 1.5% semiannually with approval of the Board of Trustees, if actuarially sound.

Optional Benefits

A clerk may elect to receive an actuarially reduced benefit and at the death of the clerk, the surviving spouse would receive 50% of the clerk's original benefit as was calculated before the elected reduction. The survivor's lifetime benefits do not commence until the survivor has attained the age of 55. Should the spouse predecease the clerk or in the case of divorce, the clerk may revoke the election for spousal benefit by approval of the Board of Trustees.

Death and Disability Benefits

A clerk who dies while currently serving in office is entitled to a death benefit of \$5,000. If a clerk dies before early retirement eligibility or is unmarried at the time of death, total contributions made into the Fund, without accumulated interest, are paid to the deceased clerk's estate.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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June 30, 2021

If a clerk's death is after vesting but prior to retirement, any surviving spousal benefits would commence once the spouse attains the age of 55. The spouse must also have been married to the deceased clerk for at least 6 years immediately preceding the clerk's death. If the total member contributions, without interest, exceeds the total monthly benefits paid to a deceased clerk, and to the clerk's deceased spouse if applicable, such excess of dues is paid to the deceased clerk's estate.

Terminations

In the event of termination, a clerk is entitled to withdraw the total sum of previous contributions made to the fund, excluding 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. §47-14-40 and are not actuarially determined. Each member must contribute \$50 per month. Members who first or again become members on or after September 1, 2009 shall pay \$100 per month.

Nonemployer Contributions: In accordance with O.C.G.A. §47-14-50 and §47-14-51, the State of Georgia provides nonemployer contributions to the Fund through the collection of court fines and fees, forfeitures, certain civil actions, and real estate recordings. For each civil case or criminal and quasi-criminal case involving the violation of State statutes which are tried in any court in Georgia for which the Clerk of Superior Court serves as clerk, the following fees are collected and paid to the Fund:

For criminal and quasi-criminal cases	\$2
For civil cases	\$1
For real estate filings	\$0.50

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 June 30, 2020, calculated the minimum employer contribution for the fiscal year ended June 30, 2021, as \$167,000. The court fines, forfeitures, and fees revenue of \$2,981,597 for the fiscal year ended June 30, 2021, meets the minimum required fund contribution.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2021

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.

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. 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.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2021

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 consultant. 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	50%
Equities	50%
Total	100%

At June 30, 2021 approximately 24.4% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 15.8% are U.S. government debt securities and 8.6% 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.

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 19.61%. 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.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

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June 30, 2021

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.

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 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 \$65,461.94 at June 30, 2021, With an actual bank balance of \$90,101.02. 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 \$3,869,776.76 at June 30, 2021. This balance includes \$3,601,478.11 which is uncollateralized and \$250,000 which is fully insured through the Securities Investors Protection Corporation, an independent agency of the U.S. Government. This balance also includes \$18,298.65 which is held in British Pounds and is uncollateralized.

Investments

Fixed income investments are maintained in mutual funds, exchange-traded funds, municipal bonds, U.S. Treasury obligations, obligations issued by agencies of the U.S. Government, obligations of foreign governments, investment-grade corporate bonds, asset-backed securities, and mortgage-related securities.

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June 30, 2021

Equity investments are maintained in mutual funds, domestic equities, international equities, and real estate investment trusts. 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.

SUPERIOR COURT CLERKS' 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 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	\$ 1,816,515		227,950	1,062,038	526,528		
U.S. Agency obligations							
Implicitly guaranteed	11,874,194	166,131					11,708,063
Foreign government obligations	334,895				334,895		
Corporate debt							
Domestic	23,884,607		395,611	1,158,191	21,786,447	544,358	
International	941,146				618,175	322,970	
Asset-backed securities	3,255,830	3,255,830					
Mortgage-backed securities	5,027,932	4,429,798					598,135
Total Debt Securities Subject to Credit Risk	\$ 47,135,120	<u>7,851,759</u>	<u>623,561</u>	<u>2,220,229</u>	<u>23,266,045</u>	<u>867,328</u>	<u>12,306,198</u>
Debt Securities Not Subject to Credit Risk:							
U.S. Treasury obligations	<u>21,813,745</u>						
Total Debt Securities	\$ <u>68,948,865</u>						

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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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	\$ 1,816,515			607,177		1,209,338
U.S. Treasury obligations	21,813,745		2,115,656	12,122,101	2,067,224	5,508,764
U.S. Agency obligations	11,874,194			410,220	512,084	10,951,890
Foreign government obligations	334,895					334,895
Corporate debt						
Domestic	23,884,607		352,806	7,295,928	8,530,025	7,705,849
International	941,146			618,175		322,970
Asset-backed securities	3,255,830			2,662,205	593,625	
Mortgage investments	5,027,932					5,027,932
Total Debt Securities Subject to Interest Rate Risk	\$ 68,948,865	-	2,468,462	23,715,807	11,702,959	31,061,638

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.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
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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 exposure to foreign currency risk in U.S. dollars, is highlighted in the following table:

International Investment Securities at Fair Value as of June 30, 2021

Currency Denomination

British Pound

Investment Type:

Cash and Cash Equivalents	\$ 18,299
Mutual Funds - International	<u>8,550,989</u>
	<u>\$ 8,569,288</u>

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.

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.

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June 30, 2021

The following table shows the fair value leveling of the Fund's investments:

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	\$ 1,816,515		1,816,515	
U.S. Treasury obligations	21,813,745		21,813,745	
U.S. Agency obligations	11,874,194		11,874,194	
Foreign Obligations	334,895		334,895	
Corporate debt				
Domestic	23,884,607		23,884,607	
International	941,146		941,146	
Asset-backed securities	3,255,830		3,255,830	
Mortgage investments	5,027,932		5,027,932	
Equities:				
Mutual Funds				
Domestic	19,061,743	19,061,743		
International	8,550,989	8,550,989		
Stocks				
Domestic	38,184,956	38,184,956		
International	2,701,811	2,701,811		
Real estate investment trust	1,006,768	1,006,768		
Total Investments by fair value level \$	138,455,132	69,506,267	68,948,865	

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA

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Notes to Financial Statements

June 30, 2021

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.

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	\$ 108,653,863
Plan fiduciary net position	<u>(142,228,142)</u>
Net pension liability (asset)	<u>\$ (33,574,279)</u>

Plan fiduciary net position as a percentage of total pension liability 130.90%

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	5.25%, net of pension plan investment expense, including inflation

The mortality table for healthy lives was updated to PubG-2010 (Amount Weighted General Employees) Mortality Table with generational mortality projection using Scale MP-2020, except for current and future beneficiaries of deceased participants. For current and future beneficiaries of deceased participants, the mortality table was updated to PubG-2010 (Amount Weighted Contingent Survivor) Mortality Table with generational mortality projection using Scale MP-2020. The mortality table for disabled lives was updated to PubG-2010 (Amount Weighted General Employees) Disabled Mortality Table with generational mortality projection using Scale MP-2020.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2021

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. 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*
Domestic fixed income	50 %	0.9 %
Global equity	10	7.0
International developed markets equity	10	8.2
Domestic large cap equities	25	5.7
Domestic small/mid cap equities	5	6.2
	100 %	

* Rates shown are net of inflation

Discount Rate

The discount rate used to measure the total pension liability was 5.25%. 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.

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2021

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 5.25%, 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 (4.25%) or 1-percentage-point higher (6.25%) than the current rate:

	1% Decrease (4.25%)	Current discount rate (5.25%)	1% Increase (6.25%)
Employers' and nonemployers' net pension liability (asset)	\$ <u>(22,992,371)</u>	<u>(33,574,279)</u>	<u>(42,637,038)</u>

Note 5: Subsequent Event

At June 30, 2021, investments held in agent, custodial banks in the name of the Fund were valued at \$138,455,132. 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 \$131,084,920, a decrease of 5.32%.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SUPERIOR COURT CLERKS' 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	\$ 108,653,863	105,689,818	105,756,554	100,409,720	97,675,604	92,611,902	94,257,924	90,290,561
Plan fiduciary net position	142,228,142	122,584,397	120,911,887	116,227,394	111,291,373	103,186,683	106,546,599	104,814,690
Employers' and nonemployers' net pension liability (asset)	\$ (33,574,279)	(16,894,579)	(15,155,333)	(15,817,674)	(13,615,769)	(10,574,781)	(12,288,675)	(14,524,129)
Plan fiduciary net position as a percentage of the total pension liability	130.90%	115.99%	114.33%	115.75%	113.94%	111.42%	113.04%	116.09%
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.

SUPERIOR COURT CLERKS' 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	\$ 1,950,642	2,317,403	2,286,789	2,199,178	2,256,199	1,659,938	1,593,683	1,383,459
Interest	5,469,281	5,504,983	5,231,467	5,085,034	4,830,334	4,896,392	4,694,507	4,156,034
Changes of benefit terms	3,223,784	1,681,738	3,089,995	1,483,887	4,260,030	2,804,534	2,759,462	3,010,771
Differences between expected and actual experience	(126,407)	(419,884)	(2,546,301)	-	163,339	315,396	(150,164)	-
Changes of assumptions	(625,884)	(2,633,338)	3,462,956	-	(722,731)	(6,015,764)	-	6,417,094
Benefit payments	(6,861,047)	(6,512,288)	(6,172,272)	(6,028,983)	(5,715,969)	(5,306,518)	(4,930,125)	(4,849,759)
Refunds of member contributions	(66,324)	(5,350)	(5,800)	(5,000)	(7,500)	-	-	-
Net change in total pension liability	2,964,045	(66,736)	5,346,834	2,734,116	5,063,702	(1,646,022)	3,967,363	10,117,599
Total pension liability - beginning	105,689,818	105,756,554	100,409,720	97,675,604	92,611,902	94,257,924	90,290,561	80,172,962
Total pension liability - ending (a)	108,653,863	105,689,818	105,756,554	100,409,720	97,675,604	92,611,902	94,257,924	90,290,561
Plan fiduciary net position:								
Contributions - nonemployer	2,981,597	2,716,457	3,191,378	3,174,083	3,145,965	3,084,667	3,058,365	3,140,903
Contributions - member	135,550	131,605	126,000	126,900	302,401	175,215	129,748	140,993
Net investment income	23,648,825	5,504,889	7,711,032	7,804,487	10,550,802	(1,028,719)	3,603,831	15,711,163
Benefit payments	(6,861,047)	(6,512,288)	(6,172,272)	(6,028,983)	(5,715,969)	(5,306,518)	(4,930,125)	(4,849,759)
Refund of member contributions	(66,324)	(5,350)	(5,800)	(5,000)	(7,500)	-	-	-
Administrative expense	(194,856)	(162,803)	(165,845)	(135,466)	(171,009)	(284,561)	(129,910)	(130,641)
Net change in plan fiduciary net position	19,643,745	1,672,510	4,684,493	4,936,021	8,104,690	(3,359,916)	1,731,909	14,012,659
Plan fiduciary net position - beginning	122,584,397	120,911,887	116,227,394	111,291,373	103,186,683	106,546,599	104,814,690	90,802,031
Plan fiduciary net position - ending (b)	142,228,142	122,584,397	120,911,887	116,227,394	111,291,373	103,186,683	106,546,599	104,814,690
Net pension liability (asset) - ending (a) - (b)	\$ (33,574,279)	(16,894,579)	(15,155,333)	(15,817,674)	(13,615,769)	(10,574,781)	(12,288,675)	(14,524,129)

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.

SUPERIOR COURT CLERKS' 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>
Actuarially determined employer and nonemployer contribution	\$ 167,000	170,000	140,000	-	276,364	-	-	353,996
Contributions in relation to the actuarially determined contribution	<u>2,981,597</u>	<u>2,716,457</u>	<u>3,191,378</u>	<u>3,174,083</u>	<u>3,145,965</u>	<u>3,084,667</u>	<u>3,058,365</u>	<u>3,140,903</u>
Contribution deficiency (excess)	\$ <u>(2,814,597)</u>	<u>(2,546,457)</u>	<u>(3,051,378)</u>	<u>(3,174,083)</u>	<u>(2,869,601)</u>	<u>(3,084,667)</u>	<u>(3,058,365)</u>	<u>(2,786,907)</u>
Covered-employee payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll	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.

SUPERIOR COURT CLERKS' 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	19.60%	4.90%	7.55%	7.10%	10.35%	(0.54)%	3.82%	16.84%

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.

SUPERIOR COURT CLERKS' 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 January 1, 2021, the monthly benefit multiplier was increased by 1.5% from \$155.43 to \$157.76. 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 monthly benefit multiplier was increased by 1.5% from \$157.76 to \$160.13. In addition, a 1.5% cost of living adjustment was granted to retirees and surviving spouses effective July 1, 2021.

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

SUPERIOR COURT CLERKS' RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2021

(Unaudited)

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	Aggregate Actuarial Cost Method
Amortization method	N/A
Remaining amortization period	N/A
Asset valuation method	Market Value
Inflation rate	2.5%
Salary increases	N/A
Investment rate of return	5.25%, net of pension plan investment expense

Active retirement rates are based on the results of an experience study covering the 5-year period ending June 30, 2015. The rates of retirement are shown below.

Age	Rate
55 - 59	30%
60 - 64	15%
65 - 69	10%
70+	100%

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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 Superior Court Clerks' Retirement Fund of Georgia
and
Mr. Homer Bryson, Secretary-Treasurer

We have audited the financial statements of the Superior Court Clerks' 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