

Sheriffs' Retirement Fund of Georgia

Financial Statements

Fiscal Year Ended June 30, 2021

(With Independent Auditor's Report Thereon)



The cover photograph is of the South Newport River located in Townsend, Georgia, just south of Savannah, one of Georgia's hidden natural gems at Belvedere Island Plantation.

TABLE OF CONTENTS

	<u>Page</u>
SECTION I – FINANCIAL	
Independent Auditor’s Report	1
Basic Financial Statements	
Statement of Fiduciary Net Position	5
Statement of Changes in Fiduciary Net Position	6
Notes to Financial Statements	7
Required Supplementary Information (Unaudited)	
Schedule of Employers’ and Nonemployers’ Net Pension Liability	20
Schedule of Changes in Employers’ and Nonemployers’ Net Pension Liability	21
Schedule of Employer and Nonemployer Contributions	22
Schedule of Investment Returns	23
Notes to Required Supplementary Information	24
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 <i>GOVERNMENT AUDITING STANDARDS</i>	26

SECTION I - FINANCIAL



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 Sheriffs' Retirement Fund of Georgia
and
Mr. J. Terry Norris, Secretary-Treasurer

Report on the Financial Statements

We have audited the accompanying financial statements of the Sheriffs' 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 fluid and cursive, with a long horizontal stroke at the end.

Greg S. Griffin
State Auditor

April 29, 2022

BASIC FINANCIAL STATEMENTS

SHERIFFS' 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		\$	2,600,155
---------------------------	--	----	-----------

Receivables:

Due from Brokers for Securities Sold			186,505
--------------------------------------	--	--	---------

Investments at Fair Value:

Obligations:

U.S. Treasury Obligations	\$	6,214,815	
U.S. Agency Obligations		3,981,360	
Foreign Government Obligations		19,477	
Corporate:			
Domestic		5,909,491	
International		930,787	
Asset-backed securities		3,164,596	
Mortgage investments		3,266,710	
			\$ 23,487,237

Equities:

Mutual Funds:

Domestic	19,144,769
International	11,877,834

Stocks:

Domestic	31,949,921
International	3,205,498

Exchange Traded Funds:

Domestic	29,808,076
International	39,613

Real Estate Investment Trusts

	236,912	\$	96,262,622
--	---------	----	------------

Total Investments at Fair Value		\$	119,749,859
---------------------------------	--	----	-------------

Total assets			122,536,519
--------------	--	--	-------------

Liabilities:

Accounts Payable and Other Accruals

Accounts Payable	883
Due to Brokers for Securities Purchased	859,678
Deferred Dues Payments	8,946

Total liabilities			869,507
-------------------	--	--	---------

Net Position Restricted for Pensions

	\$	121,667,012
--	----	-------------

See accompanying notes to financial statements.

SHERIFFS' RETIREMET 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	\$	1,623,478
Members		126,776

Investment Income:

Net Increase in Fair Value of Investments	\$	30,580,958	
Interest, Dividends, and Other		2,250,876	
Less Investment Expense		<u>(666,826)</u>	<u>32,165,008</u>

Total Additions		<u>33,915,261</u>
-----------------	--	-------------------

Deductions:

Benefit Payments		6,674,719
Administrative Expenses, net		281,182
Refunds of Member Contributions		<u>3,960</u>
Total Deductions		<u>6,959,861</u>

Net Change in Net Position		26,955,400
----------------------------	--	------------

Net Position Restricted for Pensions:

Beginning of Year		<u>94,711,612</u>
End of Year	\$	<u><u>121,667,012</u></u>

See accompanying notes to financial statements.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

Note 1: Plan Description

The Sheriffs' Retirement Fund of Georgia (the Retirement Fund) was created in 1963 by the Georgia General Assembly to provide retirement benefits for the sheriffs of the State of Georgia. The Retirement Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

The Retirement Fund is governed by its Board of Commissioners. The Board is comprised of six members and consists of the state treasurer, one former sheriff who is a retired beneficiary of the Retirement Fund, and four persons holding office as sheriffs within the State of Georgia, each of whom are active members of the Retirement Fund and have held office as a sheriff for at least four years.

Eligibility and Membership

Any qualified and commissioned sheriff of the superior court of any county within the State of Georgia who makes payment of the required contributions is eligible for membership.

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

Inactive members and beneficiaries currently receiving benefits	208
Inactive members not yet receiving benefits, vested	10
Active plan members	<u>157</u>
Total	<u>375</u>

Participating Employers and Other Contributing Entities

At June 30, 2021, the active members of the Retirement Fund were employed by 156 employers. The Retirement Fund also had one nonemployer contributing entity, which is the State of Georgia.

Retirement Benefits

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

Retirement Conditions: Normal retirement is at age 55 provided the member has at least four years of credited service as a sheriff after and including January 1, 1961. The credited service requirement is eight years for a sheriff who first or again becomes an active member on or after July 1, 1988. A member must have terminated his or her service as sheriff to receive benefits.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

Retirement Benefits: The monthly benefit is a single life annuity payable in monthly payments for the life of the member. The maximum monthly payment at June 30, 2021 is equal to \$167.41 per month (plus 1/12 of this amount for each month of any partial year) for each full year of creditable service up to a maximum of \$5,022.30 per month. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1½% of the maximum monthly retirement benefit then in effect.

Optional Benefits: Members may elect, as an alternate to the benefit described above, to receive a 100% joint life annuity payable during the life of the member or the member's spouse or a contingency life annuity with a 50% monthly payment to the surviving spouse. The amount of the benefit for these options is an actuarially reduced portion of the single life annuity benefit described above.

Death Benefits: Upon the death of a member, the Retirement Fund provides death benefit payments to the member's surviving spouse, named beneficiary, or the member's estate as described in O.C.G.A. §47-16-102.

Termination: At any time before a member begins drawing retirement benefits, the member may request a refund of the total sum he or she has paid into the Retirement Fund as membership dues. No interest shall be paid upon amounts so withdrawn.

Contributions

The Retirement 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: Members must contribute \$45.00 per month, with a maximum payment period of 30 years.

Nonemployer Contributions: The State of Georgia provides nonemployer contributions to the Retirement Fund through the collection of court fines and forfeitures. For each criminal and quasi-criminal case involving the violation of State of Georgia laws, including traffic laws, a sum based upon the scale set forth below is collected by the presiding judge and remitted to the Retirement Fund:

For fines or bond forfeitures in excess of \$5, in any court where a sheriff of a superior court acts as a sheriff	\$2
---	-----

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

In addition, the following amounts are required to be collected by the applicable courts and remitted to the Retirement Fund:

For civil actions, cases or proceedings filed in superior courts	\$1
For civil actions, cases or proceedings filed in state courts and magistrate courts where a sheriff of the superior courts acts as a sheriff in those courts	\$1

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Retirement 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, 2021, calculated the minimum employer contribution for the fiscal year ended June 30, 2021, as \$2,372,910. The fines and forfeitures revenue of \$1,623,478 for the fiscal year ended June 30, 2021, does not meet the minimum required fund contribution.

Administrative Expenses

Administrative expenses are generally funded from current member and nonemployer 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 Retirement 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 Retirement Fund's financial statements. Retirement and refund payments are recognized as deductions when due and payable.

Reporting Entity

The Retirement 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 Retirement 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 Retirement Fund.

Cash and Cash Equivalents

Cash and cash equivalents, reported at cost, include cash on deposit at banks, cash on deposit with the investment custodians earning a credit to offset fees, and short-term highly liquid financial securities with maturities of three months or less from the date of acquisition. Cash and cash equivalents also include a money market fund, reported at fair value.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the 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 Retirement Fund. There are no investments, in, or loans to, parties related to the Retirement Fund.

The Retirement Fund utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, foreign currency, 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 change could materially affect the amounts reported in the financial statements.

The Retirement 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 Retirement Fund during the fiscal year.

The Retirement Fund's policy in regard to 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 Retirement Fund's adopted asset allocation policy as of June 30, 2021:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	25% - 40%
Domestic equities	50% - 75%
International equities	10% - 20%
Real estate investment trusts	0% - 5%
Cash and cash equivalents	0% - 10%
Total	100%

Approximately 8.34% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 5.08% are U.S. government debt securities and 3.26% are debt securities of the U.S. government instrumentalities. The Retirement 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 Retirement Fund's net position restricted for pensions.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the 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 plan investment expense, was 34.88%. 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.

Related Party Transactions

The Retirement Fund has a joint Administrative Services contract with Georgia Sheriffs' Association and Georgia Sheriffs' Youth Homes to perform accounting and administrative duties for the Retirement Fund. Additionally, these organizations provide computer equipment, software and computer support for the Retirement Fund and lease office space in their building to the Retirement Fund.

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 Retirement Fund maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the investment policy of the Retirement Fund. All investments are held by agent custodial banks in the name of the Retirement Fund. State law and the Retirement Fund's investment policy authorize the Retirement Fund to invest in a variety of short-term and long-term securities.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

Cash and Cash Equivalents

The carrying amount of the Retirement Fund's operating account totaled \$77,719.38 at June 30, 2021, with an actual bank balance of \$108,573.96. The Retirement Fund's cash balance is fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

The Retirement Fund's investment policy authorizes investment in short-term highly liquid financial securities. At June 30, 2021, the Retirement Fund held \$2,522,436.06 in money market mutual funds.

Investments

Fixed income investments are maintained in U. S. Treasury obligations, obligations unconditionally guaranteed by agencies of the U.S. Government, obligations of foreign governments, investment-grade corporate bonds, asset-backed securities, and mortgage-related securities.

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 are not considered by the O.C.G.A. to be domiciled in the United States.

The equity portfolio is managed by the Retirement Fund in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the investment policy of the Retirement Fund. Equity trades are approved and executed by the independent advisors. Common stocks eligible for investment must meet the Investment Objectives and Guidelines of the Retirement 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.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Retirement Fund does not have a formal policy for managing interest rate risk.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

The following table provides information about the Retirement Fund's interest rate risk:

Investment type	Total Fair Value	Maturity Period				
		Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Cash and cash equivalents subject to interest rate risk:						
Money market mutual funds	\$ 2,522,436	2,522,436	-	-	-	-
Debt securities subject to interest rate risk:						
U.S. Treasury obligations	\$ 6,214,815	-	-	1,122,189	2,984,216	2,108,411
U.S. Agency obligations	3,981,360	-	-	74,028	-	3,907,332
Foreign government obligations	19,477	-	-	19,477	-	-
Corporate debt						
Domestic	5,909,491	-	202,715	1,848,734	1,833,549	2,024,493
International	930,787	70,052	-	501,514	158,507	200,714
Asset-backed securities	3,164,596	-	-	749,883	470,515	1,944,198
Mortgage investments	3,266,710	-	-	117,995	239,400	2,909,316
Total debt securities	\$ 23,487,237	70,052	202,715	4,433,819	5,686,187	13,094,463

Credit Risk:

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Retirement Fund. State law limits investments to investment grade securities. The Retirement Fund's investment policy requires that purchases of bonds be restricted to bonds rated as investment grade 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.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

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	Unrated
Cash and cash equivalents subject to credit risk:						
Money market mutual funds	\$ 2,522,436	-	-	-	-	2,522,436
Debt securities subject to credit risk:						
U.S. Agency obligations	\$ 3,981,360	-	-	-	148,630	3,832,730
Foreign government obligations	19,477	-	-	-	19,477	-
Corporate debt						
Domestic	5,909,491	-	132,840	1,271,683	4,357,797	147,172
International	930,787	-	-	338,106	592,681	-
Asset-backed securities	3,164,596	-	177,777	740,577	709,068	1,537,174
Mortgage investments	3,266,710	366,165	-	-	557,685	2,342,861
Total debt securities subject to credit risk	17,272,421	366,165	310,617	2,350,366	6,385,338	7,859,936
Debt securities not subject to credit risk:						
U.S. Treasury obligations	6,214,815					
Total debt securities	\$ 23,487,237					

Fair Value Measurement

The Retirement 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.

Level 1 – Valuations based on unadjusted quoted prices for identical instruments in active markets that the Retirement 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.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in the entirety are categorized based on the lowest level input that is significant to the valuation. The Retirement 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 Retirement Fund's investments:

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)
Cash and cash equivalents:				
Money market mutual funds	\$ 2,522,436	2,522,436	-	-
Debt securities:				
U.S. Treasury obligations	\$ 6,214,815	-	6,214,815	-
U.S. Agency obligations	3,981,360	-	3,981,360	-
Foreign government obligations	19,477	-	19,477	-
Corporate debt				
Domestic	5,909,491	-	5,909,491	-
International	930,787	-	930,787	-
Asset-backed securities	3,164,596	-	3,164,596	-
Mortgage investments	3,266,710	-	3,266,710	-
Total Debt Securities	23,487,237	-	23,487,237	-
Equities:				
Mutual funds				
Domestic	19,144,769	19,144,769	-	-
International	11,877,834	11,877,834	-	-
Exchange traded funds				
Domestic	29,808,076	29,808,076	-	-
International	39,613	39,613	-	-
Stocks				
Domestic	31,949,921	31,949,921	-	-
International	3,205,498	3,205,498	-	-
Real estate investment trusts	236,912	236,912	-	-
Total Equity Securities	96,262,622	96,262,622	-	-
Total investments by fair value level	\$ 119,749,859	96,262,622	23,487,237	-

The Retirement Fund did not have any Net Asset Value (NAV) investments as 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 Retirement Fund does not have a formal policy for managing foreign currency risk. The Retirement Fund's currency risk exposures, or exchange rate risks, primarily reside within the Retirement Fund's international equity investment holdings. As of June 30, 2021,

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

the Retirement Fund's exposure to foreign currency risk derives from its investments traded on the London Stock Exchange and denominated in British Pounds. The market value of these holdings as of June 30, 2021 totaled \$11,877,834 valued in U. S. dollars.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the Retirement Fund's investment in a single issue. On June 30, 2021, the Retirement Fund did not have any 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.

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	\$ 128,055,086
Plan fiduciary net position	<u>121,667,012</u>
Net pension liability	<u>\$ 6,388,074</u>
Plan fiduciary net position as a percentage of total pension liability	95.01%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary Increases	N / A
Investment rate of return	6.50%, net of pension plan investment expenses
Fiscal Year Fiduciary Net Position to be depleted	Not projected to be depleted
Discount Rate	6.50%
Cost of Living Adjustments	1.5% semi-annually

Mortality rates were based on the RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females for the period after retirement and for dependent beneficiaries. The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB was used for deaths in active service.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the Financial Statements

June 30, 2021

The actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial experience study for the seven-year period ending June 30, 2015.

The long-term expected rate of return on pension plan investments was calculated using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Rate of Return*</u>
Domestic Fixed Income	25%	1.00%
Domestic Large Cap Equities	40%	4.40%
Domestic Mid Cap Equities	3.5%	4.70%
Domestic Small Cap Equities	3.5%	4.90%
Global Equities	10%	5.00%
International Equities Core	15%	5.10%
Real Estate Investment Trusts	3%	6.00%
Total	<u>100%</u>	

* Rates shown are net of the 2.75% assumed rate of inflation.

Discount rate

The discount rate used to measure the total pension liability was 6.50% as compared with last year's rate of 3.90%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate (\$45 per month) and that nonemployer contributions (from fines and fee revenues) will continue to be made at rates currently established by statute. Employer contributions for the fiscal year ending June 30, 2021 were approximately \$1.6 million and we assumed this contribution amount will continue over the projected period. Projected future benefit payments for all current plan members were projected through the year 2113.

Based on those assumptions, the Retirement Fund's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, based on the GASB No. 67 provisions, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to the 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 Retirement Fund, calculated using the discount rate of 6.50%, as well as what the Retirement Fund's Net Pension Liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
Employers' and nonemployers' net pension liability	\$ 20,616,823	6,388,074	(5,684,762)

Note 5: Subsequent Event

At June 30, 2021, investments held in agent, custodial banks in the name of the Fund were valued at \$122,302,295.00. 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 \$114,660,940, a decrease of 6.25%.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

SHERIFFS' 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, 2021

(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 128,055,086	\$ 173,435,805	\$ 154,040,038	\$ 147,959,066	\$ 141,595,208	\$ 147,769,336	\$ 111,637,917	\$ 109,279,727
Plan fiduciary net position	121,667,012	94,711,612	96,787,375	95,003,603	92,515,568	83,740,659	89,589,162	89,477,968
Employers' and nonemployers' net pension liability	\$ 6,388,074	\$ 78,724,193	\$ 57,252,663	\$ 52,955,463	\$ 49,079,640	\$ 64,028,677	\$ 22,048,755	\$ 19,801,759
Plan fiduciary net position as a percentage of the total pension liability	95.01%	54.61%	62.83%	64.21%	65.34%	56.67%	80.25%	81.88%
Covered 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 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.

SHERIFFS' 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, 2021

(Unaudited)

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:								
Service cost	\$ 3,864,136	\$ 3,110,471	\$ 2,927,620	\$ 2,893,408	\$ 2,598,880	\$ 1,622,966	\$ 1,740,512	\$ 1,850,878
Interest	6,633,762	7,465,628	7,466,689	7,084,915	6,603,717	7,076,985	6,923,391	6,719,420
Changes of benefit terms	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(6,394,551)	(4,038,586)	(1,335,494)	3,487,614	2,779,681	(3,080,707)	(773,672)	-
Changes of assumptions	(42,805,387)	19,296,781	3,533,755	(666,144)	(12,254,463)	36,034,613	-	-
Benefit payments	(6,674,719)	(6,426,062)	(6,511,598)	(6,433,550)	(5,888,323)	(5,522,438)	(5,532,041)	(5,332,521)
Refund of contributions	(3,960)	(12,465)	-	(2,385)	(13,620)	-	-	-
Net change in total pension liability	(45,380,719)	19,395,767	6,080,972	6,363,858	(6,174,128)	36,131,419	2,358,190	3,237,777
Total pension liability - beginning	173,435,805	154,040,038	147,959,066	141,595,208	147,769,336	111,637,917	109,279,727	106,041,950
Total pension liability - ending (a)	128,055,086	173,435,805	154,040,038	147,959,066	141,595,208	147,769,336	111,637,917	109,279,727
Plan fiduciary net position:								
Contributions - none employer	1,623,478	1,828,381	2,053,299	2,030,767	1,916,433	1,970,041	2,030,097	2,086,369
Contributions - member	126,775	80,145	89,895	107,460	109,823	81,445	79,645	116,912
Net investment income	32,165,008	2,712,401	6,419,277	7,043,868	12,907,301	(2,158,357)	3,708,050	12,531,353
Benefit payments	(6,674,719)	(6,426,062)	(6,511,598)	(6,433,550)	(5,888,323)	(5,522,438)	(5,532,041)	(5,332,521)
Refund of contributions	(3,960)	(12,465)	-	(2,385)	(13,620)	-	-	-
Administrative expense	(281,182)	(258,163)	(267,101)	(258,125)	(256,705)	(219,194)	(214,844)	(216,635)
Other	-	-	-	-	-	-	40,287	3,994
Net change in plan fiduciary net position	26,955,400	(2,075,763)	1,783,772	2,488,035	8,774,909	(5,848,503)	111,194	9,189,472
Plan fiduciary net position - beginning	94,711,612	96,787,375	95,003,603	92,515,568	83,740,659	89,589,162	89,477,968	80,288,496
Plan fiduciary net position - ending (b)	121,667,012	94,711,612	96,787,375	95,003,603	92,515,568	83,740,659	89,589,162	89,477,968
Net pension liability - ending (a) - (b)	\$ 6,388,074	\$ 78,724,193	\$ 57,252,663	\$ 52,955,463	\$ 49,079,640	\$ 64,028,677	\$ 22,048,755	\$ 19,801,759

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.

SHERIFFS' 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, 2021

(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	\$ 2,372,910	2,248,557	2,058,960	1,713,467	1,600,128	1,369,695	1,608,502	1,357,827	1,357,827	1,101,385
Contributions in relation to the actuarially determined contribution	<u>1,623,478</u>	<u>1,828,381</u>	<u>2,053,299</u>	<u>2,030,767</u>	<u>1,916,433</u>	<u>1,970,041</u>	<u>2,030,097</u>	<u>2,086,369</u>	<u>2,336,786</u>	<u>2,678,871</u>
Contribution deficiency (excess)	<u>\$ 749,432</u>	<u>420,176</u>	<u>5,661</u>	<u>(317,300)</u>	<u>(316,305)</u>	<u>(600,346)</u>	<u>(421,595)</u>	<u>(728,542)</u>	<u>(978,959)</u>	<u>(1,577,486)</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.

SHERIFFS' 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, 2021

(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	34.88%	3.03%	7.37%	7.86%	15.87%	(1.81%)	4.60%	16.56%

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.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

For the year ended 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 plan 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 plan 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 percentage of required contributions 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

Changes of assumptions:

- In 2021, the SEIR was increased from 3.90 percent to 6.50 percent to reflect the changes that the FNP is not projected to be depleted.
- In 2020, the SEIR was decreased from 4.95 percent to 3.90 percent to reflect the changes to the fiduciary net position's projected year of depletion.
- In 2019, the SEIR was increased from 5.16 percent to 4.95 percent to reflect the changes to the fiduciary net position's projected year of depletion.
- In 2018, the SEIR was increase from 5.12 percent to 5.16 percent to reflect changes to the fiduciary net position's projected year of depletion.
- In 2017, the SEIR was increased from 4.56 percent to 5.12 percent to reflect the changes to the FNP's projected year of depletion.
- In 2016, rates of withdrawal, retirement, and mortality were adjusted to more closely reflect actual and anticipated experience. In addition, the assumption for price inflation was lowered from 3.00 percent to 2.75 percent. These assumptions were recommended as part of the experience investigation for the seven-year period ending June 30, 2015.
- In 2016, the SEIR was lowered from 6.50 percent to 4.56 percent to reflect the changes to the fiduciary net position's projected year of depletion.

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

For the year ended June 30, 2021

(Unaudited)

Changes of benefit terms: Retirement benefit at Normal Retirement Date has increased based on the following table since July 1, 2017. These 1.50 percent increases, every 6 months in the monthly benefit per year of credited service, have regularly occurred since July 1, 2000 up until July 1, 2020. Although the SRF Board adopted no increases for July 1, 2020, January 1, 2021 or July 1, 2022, the increases are assumed to continue until a new precedent or pattern is established.

	Change	Benefit Per Credited Yrs. Svc
January 1, 2017	\$ 2.27	\$ 153.20
July 1, 2017	\$ 2.27	\$ 155.47
January 1, 2018	\$ 2.33	\$ 157.80
July 1, 2018	\$ 2.33	\$ 160.13
January 1, 2019	\$ 2.40	\$ 162.53
July 1, 2019	\$ 2.40	\$ 164.93
January 1, 2020	\$ 2.48	\$ 167.41

Method and assumptions used in calculations of actuarially determined contributions: The actuarially determined contribution rates in the schedule of employer contributions are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported (June 30, 2020 valuation for the June 30, 2021 fiscal year end).

The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Valuation date	June 30, 2020
Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	20.9 years
Asset valuation method	5-year smoothed market value
Inflation rate	2.75 percent
Salary increases	N/A
Investment rate of return	6.50 percent, net of pension plan investment expense, including inflation

**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***



DOAA

Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

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 Sheriffs' Retirement Fund of Georgia
and
Mr. J. Terry Norris, Secretary-Treasurer

We have audited the financial statements of the Sheriffs' 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,

A handwritten signature in black ink, appearing to read "Greg S. Griffin".

Greg S. Griffin
State Auditor

April 29, 2022