ANNUAL FINANCIAL AUDIT • JUNE 30, 2021

Sheriffs' Retirement Fund of Georgia

A Component Unit of the State of Georgia

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

Greg S. Griffin | State Auditor
Kristina A. Turner | Deputy State Auditor

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Georgia Department of Audits & Accounts

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying schedule of employer and nonemployer allocations 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. We have also audited the total for all entities of the columns titled net pension liability, total deferred outflows of resources, total deferred inflows of resources, and total employer pension expense (specified column totals) included in the accompanying schedule of pension amounts by employer and nonemployer of the Fund as of and for the year ended June 30, 2021, and the related notes.

Management's Responsibility for the Schedules

Management is responsible for the preparation and fair presentation of the schedule of employer and nonemployer allocations and the schedule of pension amounts by employer and nonemployer (collectively, the Schedules) in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Fund's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

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

Opinions

In our opinion, the Schedules referred to above present fairly, in all material respects, the employer and nonemployer allocations and net pension liability, total deferred outflows of resources, total deferred inflows of resources and total employer pension expense of the Fund as of and for the year ended June 30, 2021 in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the financial statements of the Fund as of and for the year ended June 30, 2021. Our report thereon, dated April 29, 2022, expressed an unmodified opinion on those financial statements.

Restriction on Use

Our report is intended solely for the information and use of the Fund's management, members of the Board of Commissioners, the Fund employers, nonemployer contributing entities, and their auditors and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Greg S. Griffin
State Auditor

April 29, 2022

SHERIFFS' RETIREMENT FUND OF GEORGIA
(A Component unit of the State of Georgia)

Schedule of Employer and Nonemployer Allocations

For the year ended June 30, 2021

Employer	Employer Allocation Percentage
Each County in the State of Georgia - Employer Share	0.0000000 %
State's Proportionate Share for Each County	0.6289308 %
Total for Each County	0.6289308 %
STATE OF GEORGIA (Nonemployer Contributing Entity)	100.0000000 %
Total for All Entries	100.0000000 %

SHERIFFS' RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Schedule of Pension Amounts by Employer and Nonemployer

June 30, 2021

Employer		Net Pension Liability	Deferred Inflows of Resources: Changes of Assumptions	Deferred Inflows of Resources: Net Difference Between Projected and Actual Earnings on Plan Investments	Deferred Inflows of Resources: Differences Between Expected and Actual Experience	Deferred Inflows of Resources: Total Deferred Inflows of Resources	Total Employer Pension Expense/(Income)
Each County in the State of Georgia- Employer Share							
State's Proportionate Share	$	40,177					(146,270)
Total for Each County in the State of Georgia	$	40,177					(146,270)
STATE OF GEORGIA (Nonemployer Contributing Entity)	$	6,388,074	17,173,419	19,282,120	2,565,479	39,021,018	(23,256,872)
Total for All Entities	$	6,388,074	17,173,419	19,282,120	2,565,479	39,021,018	(23,256,872)

Note 1: Plan Description

The Sheriffs' Retirement Fund of Georgia (the Retirement Fund) was created in 1963 by the General Assembly of Georgia to provide retirement benefits to 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*.

Each county in the state of Georgia has a sheriff who is eligible to be a member of the Retirement Fund. The counties, as the employers of the members of the Retirement Fund, do not make contributions to the Retirement Fund. The State of Georgia provides nonemployer contributions to the Retirement Fund through the collection of court fines and forfeitures. These nonemployer contributions are recognized as revenue by the Retirement Fund when collected from the courts.

Note 2: Basis of Presentation

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

Note 3: Components of Collective Net Pension Liability

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

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

Actuarial Assumptions

The collective 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 expense, including inflation
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.

Retirement benefits at the normal retirement date have increased by 1.5% every six months in the monthly benefit per year of credited service since July 1, 2000 and are assumed to continue into the future.

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

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis 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 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:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
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	100%	

* 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 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions (dues) will be made at the current contribution rate ($45 per month) and that Employer contributions (from fines and fee revenues) will continue to be made at rates as summarized in Schedule B. Employer contributions for the fiscal year ending June 30, 2021 were approximately $1.6 million and we have assumed this contribution amount will continue over the projection 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.

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

	1% Decrease (5.50%)	Current Discount Rate (6.50%)	1% Increase (7.50%)
Collective net pension liability	$ 20,616,823	$ 6,388,074	$ (5,684,762)

Note 4: Special Funding Situation
The State of Georgia, although not the employer of the Retirement Fund's members, makes contributions to the Retirement Fund through the collection of court fines and forfeitures as specified by O.C.G.A. §47-16-60 and §47-16-61. The State makes all these contributions to the Retirement Fund on behalf of the employers. Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*.

Since the employers of the Retirement Fund's members do not contribute directly to the Retirement Fund, there is no net pension liability to recognize for each employer. However, the notes to each employer's financial statements must disclose the portion of the nonemployer contributing entity's share of the collective net pension liability that is associated with that employer. In addition, each employer must recognize its portion of the collective pension expense of the State as well as recognize revenue contributions from the State in an equal amount.

Note 5: Allocation Methodology

GASB Statement No. 68 requires participating employers and nonemployer contributing entities to recognize their proportionate share of collective net pension liability and pension expense. These schedules are prepared to provide employers and nonemployer contributing entities with their calculated proportionate share.

As discussed in Note 4, the counties, as employers of the Retirement Fund's members, do not make contributions to the Retirement Fund; therefore, the proportionate share allocation for each employer is 0%. The proportionate share attributable to the State of Georgia, as the nonemployer contributing entity, is therefore 100%.

The amounts attributable to the State of Georgia, as the nonemployer contributing entity, have been allocated evenly to each county. Because there are 159 counties, each county's proportionate share allocation percentage is 0.6289308% (1 divided by 159).

Note 6: Collective Deferred Inflows and Outflows of Resources

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources for the year ended June 30, 2021:

				Current Year		
Deferred outflows of resources	Year of deferral	Amortization period	Beginning of year balance	Additions	Deductions	End of year balance
Changes of assumptions	2019	2.31 years	$ 474,226	-	474,226	-
	2020	2.00 years	9,648,391	-	9,648,391	-
Total deferred outflows of resources			$ 10,122,617	-	10,122,617	-
Deferred inflows of resources						
Changes of assumptions	2021	1.67 years	$ -	42,805,387	25,631,968	17,173,419
Differences between expected	2019	2.31 years	179,222	-	179,222	-
and actual experience	2020	2.00 years	2,019,293	-	2,019,293	-
	2021	1.67 years	-	6,394,550	3,829,071	2,565,479
Differences between projected and	2017	5 years	1,519,692	-	1,519,692	-
actual investment earnings (1)	2018	5 years	471,370	-	235,686	235,684
	2019	5 years	236,819	-	78,939	157,880
	2020	5 years	(2,738,532)	-	(684,636)	(2,053,896)
	2021	5 years	-	26,178,065	5,235,613	20,942,452
Net difference between projected and actual investment earnings (1)			(510,651)	26,178,065	6,385,295	19,282,120
Total deferred inflows of resources			$ 1,687,864	75,378,002	38,044,849	39,021,018

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

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

Year Ended June 30,	2022	$	(24,604,502)
	2023		(4,629,921)
	2024		(4,550,982)
	2025		(5,235,613)
Total		$	(39,021,018)

Changes in Proportion

The amounts shown in the two preceding tables do not include employer- or nonemployer-specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. Based on the allocation methodology discussed in Note 5, there were no changes in proportion for the year ended June 30, 2021.

Note 7: Collective Pension Expense

The components of collective pension expense for the year ended June 30, 2021, are shown in the following table:

Service cost	$	3,864,136
Interest of the total pension liability and net cash flow		6,633,762
Projected earnings on plan investments		(5,986,943)
Member contributions		(126,775)
Administrative expense		281,182
Recognition (amortization) of deferred inflows and outflows of resources		
Changes of assumptions		(15,509,352)
Difference between expected and actual experience		(6,027,587)
Difference between projected and actual investment earnings		(6,385,295)
Collective pension expense	$	(23,256,872)