

Magistrates Retirement Fund of Georgia

Financial Statements

Fiscal Year Ended June 30, 2020

(With Independent Auditor's Report Thereon)



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

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

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SECTION I - FINANCIAL



DEPARTMENT OF AUDITS AND ACCOUNTS

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GREG S. GRIFFIN
STATE AUDITOR
(404) 656-2174

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Board of Commissioners of the Magistrates Retirement Fund of Georgia
Mr. Homer Bryson, Secretary/Treasurer

Report on the Financial Statements

We have audited the accompanying financial statements of the Magistrates Retirement Fund of Georgia (the Fund), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, 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 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, 2020, 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 May 14, 2021 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 in the office of the State Auditor and made available to the press of the State, as provided for by Official Code of Georgia Annotated section 50-6-24.

Respectfully submitted,



Greg S. Griffin
State Auditor

May 14, 2021

BASIC FINANCIAL STATEMENTS

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Statement of Fiduciary Net Position

June 30, 2020

Assets:		
Cash and cash equivalents		\$ 1,131,120
Receivables:		
Interest and dividends	\$ 112,644	
Other	85	<u>112,730</u>
Investments - at fair value:		
Obligations:		
Exchange traded funds	\$ 110,537	
U.S. Treasury obligations	4,015,476	
U.S. Agency obligations	1,042,471	
Corporate bonds/notes/debentures		
Domestic	6,052,624	
International	244,832	
Mortgage investments	<u>812,966</u>	12,278,906
Equities:		
Stocks:		
Domestic	17,274,584	
International	2,917,167	
Real estate investment trusts	<u>47,313</u>	<u>20,239,064</u>
Total investments		<u>32,517,970</u>
Total assets		<u>33,761,819</u>
Liabilities:		
Accounts payable and other accruals		<u>7,743</u>
Total liabilities		<u>7,743</u>
Net position restricted for pensions		<u>\$ 33,754,076</u>

See accompanying notes to financial statements.

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2020

Additions:		
Contributions:		
Nonemployer	\$	1,543,516
Member		191,072
Net investment income:		
Net increase in fair value of investments	\$	369,818
Interest, dividends, and other		595,330
Less investment expense		(261,171)
		703,977
Total additions		2,438,565
Deductions:		
Benefit payments		425,142
Refunds of member contributions		24,068
Administrative expenses, net		121,080
		570,290
Total deductions		570,290
Net increase in net position		1,868,276
Net position restricted for pensions:		
Beginning of year		31,885,800
End of year	\$	33,754,076

See accompanying notes to financial statements.

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

Note 1: Plan Description

The Magistrates Retirement Fund of Georgia (the Fund) was created July 1, 2006, by the Georgia General Assembly to provide retirement benefits to chief magistrates of the magistrate courts of the State of Georgia. The Fund administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*.

The Fund is governed by its Board of Commissioners. The Board is comprised of the Governor of the State of Georgia or his designee; an appointee of the Governor other than the Attorney General; and five full-time chief magistrates who are members of the Fund. 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.) 47-25-40 and generally include all duly qualified and commissioned magistrates of a county of the State of Georgia and any person serving as secretary-treasurer of the Board of Commissioners.

As of June 30, 2020, participation in the Fund is as follows:

Inactive plan members and beneficiaries currently receiving benefits	26
Inactive plan members not yet receiving benefits, vested	3
Active plan members	<u>131</u>
Total	<u><u>160</u></u>

Participating Employers and Other Contributing Entities

At June 30, 2020, the active members of the Fund were employed by 131 employers. The Fund also had one nonemployer contributing entity, which is the State of Georgia.

Retirement Benefits

The Fund provides retirement as well as disability and death benefits. Title 47 of the O.C.G.A. assigns the authority to establish and amend the provisions of the Fund to the General Assembly. Members are eligible for retirement at age 60 and must have served at least eight years in a position eligible for membership in the Fund. A member must have terminated his or her official capacity as a chief magistrate or as a secretary-treasurer of the Board to receive benefits.

A member who is approved for retirement benefits is paid a monthly benefit equal to 4% of his or her average final monthly compensation (subject to a salary cap) for each year served up to, but not exceeding, a total of 20 years, with exceptions.

MAGISTRATES RETIREMENT FUND OF GEORGIA
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Notes to Financial Statements

Year ended June 30, 2020

Death and Disability Benefits

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

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

Terminations

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

Contributions

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

Member Contributions: Member contribution requirements are set forth in O.C.G.A. 47-25-41 and are not actuarially determined. Members must contribute 3.42% of their salary each month, subject to a limit that is based on the population of the member's county.

Nonemployer Contributions: In accordance with O.C.G.A. 47-25-60, the State of Georgia provides nonemployer contributions to the Fund through the collection of court fees. For each civil matter or proceeding filed in magistrate courts, \$3 is collected by the court and remitted directly to the Fund.

The court fees are considered employer contributions for the purpose of determining whether the Fund has met minimum funding requirements specified in O.C.G.A. 47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of July 1, 2019, calculated the minimum employer contribution for the fiscal year ended June 30, 2020, as \$0. The court fees revenue of \$1,543,516 for the fiscal year ended June 30, 2020, meets the minimum required fund contribution.

MAGISTRATES RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

Administrative Expenses

Administrative expenses are generally funded from current member and court fee 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, foreign currency risk, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

The Fund maintains an investment policy that may be amended by its Board of Commissioners both upon its own initiative and upon consideration of the advice and recommendations of its investment managers. There were updates made to the investment policy for the Fund during the fiscal year.

MAGISTRATES RETIREMENT FUND OF GEORGIA
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Notes to Financial Statements

Year ended June 30, 2020

The 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 Fund's adopted asset allocation policy as of June 30, 2020:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	0% - 45%
Equities	0% - 75%
Cash and cash equivalents	5% - 100%

Approximately 15.1% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 12% are U.S. government debt securities and 3.1% 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 plan's total investments.

For the year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.24%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Use of Estimates

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

New Accounting Pronouncements

Pronouncements effective for the 2020 financial statements:

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 is to provide temporary relief to governments in light of the COVID-19 pandemic by postponing scheduled statement effective dates by one year. With no current year impact on its financial statements, the Fund will continue to evaluate the impact of postponed pronouncements.

MAGISTRATES RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

Note 3: Investment Program

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

Cash and Cash Equivalents

The carrying amount of the Fund's operating account totaled \$84,912 at June 30, 2020 with an actual bank balance of \$84,912. The Fund's cash balance is fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

The carrying amount of the Fund's cash balances maintained within an investment account is \$2,958 at June 30, 2020.

The Fund's investment policy authorizes investment in short-term highly liquid financial securities. At June 30, 2020, the Fund held \$1,043,250 in money market funds.

Investments

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

Equity investments are maintained in domestic equities and international equities. Domestic equities are those securities considered by the O.C.G.A. to be domiciled in the United States. International equities 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.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Fund. State law limits investments to investment grade securities. The Fund's investment policy requires that purchases of bonds be restricted to bonds rated as investment grade rated BAA (or equivalent) or better as defined by a national 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.

MAGISTRATES RETIREMENT FUND OF GEORGIA
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Notes to Financial Statements

Year ended June 30, 2020

The quality ratings of investments in fixed income securities at June 30, 2020, 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, 2020						
Investment Type	Total Fair Value	AAA	AA	A	BBB	Unrated
Debt Securities Subject to Credit Risk:						
Exchange traded funds	\$ 110,537					110,537
US Agency obligations						
Implicitly guaranteed	1,042,471					1,042,471
Corporate debt						
Domestic	6,052,624			1,499,944	4,552,679	
International	244,832			244,832		
Mortgage-backed securities	812,966	812,966				
Total Debt Securities Subject to Credit Risk	8,263,430	812,966		1,744,777	4,552,679	1,153,008
Debt Securities Not Subject to Credit Risk:						
U.S. Treasury obligations	4,015,476					
Total Debt Securities	\$ 12,278,906					

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Notes to Financial Statements

Year ended June 30, 2020

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 Instruments by Maturity Period-Specific Identification Method
Held at June 30, 2020

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 Equivalents Subject to Interest Rate Risk:						
Money market funds	\$ 1,043,250	1,043,250				
Debt Securities Subject to Interest Rate Risk:						
Exchange traded funds	\$ 110,537	110,537				
U.S. Treasury obligations	4,015,476			3,662,858	352,618	
U.S. Agency obligations	1,042,471					1,042,471
Corporate debt						
Domestic	6,052,624	183,956		2,600,899	3,267,769	
International	244,832			244,832		
Mortgage-backed securities	812,966			812,966		
Total Debt Securities Subject to Interest Rate Risk:						
	\$ 12,278,906	294,494		7,321,555	3,620,386	1,042,471

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 does not have a formal policy for managing foreign currency risk. The Fund does not have any exposure to foreign currency risk.

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. On June 30, 2020, 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.

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

Fair Value Measurement

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

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

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

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

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

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

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

		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)
Investments by fair value level	Total			
Debt Securities:				
Echange traded funds	\$ 110,537	110,537		
U.S. Treasury obligations	4,015,476		4,015,476	
U.S. Agency obligations	1,042,471		1,042,471	
Corporate debt				
Domestic	6,052,624		6,052,624	
International	244,832		244,832	
Mortgage investments	812,966		812,966	
Equities:				
Stocks				
Domestic	17,274,584	17,274,584		
International	2,917,167	2,917,167		
Real estate investment trusts	47,313	47,313		
Total Investments by fair value level	\$ 32,517,970	20,349,601	12,168,369	

Equity and debt 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.

The Fund did not have any Net Asset Value (NAV) investments at June 30, 2020.

MAGISTRATES RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

Note 4: Net Pension Liability of Employers and Nonemployers

The components of the collective net pension liability (asset) of the participating employers and nonemployers at June 30, 2020, were as follows:

Total pension liability	\$ 22,655,110
Plan fiduciary net position	<u>(33,754,076)</u>
Net pension asset	<u>\$ (11,098,966)</u>

Plan fiduciary net position as a percentage of total pension liability 148.99%

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2019, with update procedures used to roll forward the total pension liability to June 30, 2020. 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	2.5%
Salary increases	N/A
Investment rate of return	6.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the PubG-2010 (Amount Weighted General Employees) Mortality Table with generational mortality projection using the Buck modified MP 2019 scale for healthy lives and the PubG-2010 (Amount Weighted Contingent Survivor) mortality table with generational mortality projection using Buck Modified 2019 scale for current and future beneficiaries of deceased participants, and the PubG-2010 (Amount Weighted General Employees) Disabled Mortality Table with generational mortality projection using the Buck Modified MP 2019 scale.

The long-term expected rate of return on pension plan investments was calculated by the Fund's investment manager as 6.77% using a multi-input matrix that combines a monte-carlo simulation of multiple potential risk and return outcomes of the optimized asset allocation, and a weighted average projected return calculation using Morgan Stanley Capital Market return assumptions for all pertinent asset classes to which the fund is expected to be exposed. The Fund's administrator determined that 6.50% was a reasonable assumption for the long-term rate of return on plan assets based on the calculation by the Fund's investment manager. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

Year ended June 30, 2020

<u>Asset class</u>	<u>Target allocation</u>	<u>Long term expected real rate of return</u>
Short-term Treasury bills	3.0 %	0.2 %
Domestic fixed income	37.0	1.1
International equities - developed markets	10.0	5.5
Emerging market equities	2.0	8.0
Large cap growth domestic equities	23.0	6.5
Large cap value domestic equities	8.0	6.3
Mid cap core domestic equities	15.0	6.9
Small cap growth domestic equities	1.0	6.7
Domestic real estate investment trusts	1.0	4.2
	<u>100.0 %</u>	

*Rates shown are net of the 2.5% assumed rate of inflation

Discount Rate

The discount rate used to measure the total pension liability was 6.50%, based on the expected long-term rate of return on pension investments of 6.77%, but assuming an annual rate of inflation of 2.5%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate

The following table presents the net pension liability of the Fund, calculated using the discount rate of 6.50%, as well as what the Fund's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.50%) or 1-percentage-point higher (7.50%) than the current rate:

	1% Decrease (5.50%)	Current discount rate (6.50%)	1% Increase (7.50%)
Employers' and nonemployers' net pension liability (asset)	\$ <u>(8,619,427)</u>	<u>(11,098,966)</u>	<u>(13,212,383)</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

MAGISTRATES RETIREMENT FUND OF GEORGIA
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Required Supplementary Information

Schedule of Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$ 22,655,110	23,635,707	20,934,490	18,660,629	16,767,742	14,287,045	12,005,486
Plan fiduciary net position	33,754,076	31,885,800	28,047,742	25,094,211	21,875,524	20,232,225	18,139,625
Employers' and nonemployers' net pension a	\$ (11,098,966)	(8,250,093)	(7,113,252)	(6,433,582)	(5,107,782)	(5,945,180)	(6,134,139)
Plan fiduciary net position as a percentage of the total pension liability covered payroll	148.99%	134.91%	133.98%	134.48%	130.46%	141.61%	151.09%
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

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.

MAGISTRATES 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)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 1,348,219	1,377,913	1,414,486	1,439,028	1,337,201	1,342,981	1,320,295
Interest	1,609,586	1,436,563	1,294,034	1,175,629	1,089,423	930,688	675,478
Changes of benefit terms	215,494	691,810	-	-	238,720	-	1,170,096
Differences between expected and actual experience	(605,639)	(330,027)	-	(481,440)	(479,969)	113,737	(173,451)
Changes of assumptions	(3,099,048)	(45,416)	(100,861)	-	417,435	-	686,668
Benefit payments	(425,142)	(396,360)	(327,544)	(226,851)	(122,113)	(91,519)	(5,989)
Refunds of member contributions	(24,067)	(33,266)	(6,254)	(13,479)	-	(14,328)	-
Net change in total pension liability	(980,597)	2,701,217	2,273,861	1,892,887	2,480,697	2,281,559	3,673,097
Total pension liability - beginning	23,635,707	20,934,490	18,660,629	16,767,742	14,287,045	12,005,486	8,332,389
Total pension liability - ending (a)	22,655,110	23,635,707	20,934,490	18,660,629	16,767,742	14,287,045	12,005,486
Plan fiduciary net position:							
Contributions - nonemployer	1,543,516	1,630,517	1,658,370	1,549,378	1,532,736	1,563,301	1,666,281
Contributions - member	191,072	186,522	187,208	176,627	171,939	169,399	151,155
Net investment income	703,977	2,522,661	1,542,264	1,809,461	168,174	510,933	2,347,662
Benefit payments	(425,142)	(396,360)	(327,544)	(226,851)	(122,113)	(91,519)	(5,989)
Refund of member contributions	(24,067)	(33,266)	(6,254)	(13,479)	-	(14,328)	-
Administrative expense	(121,080)	(72,016)	(100,513)	(76,449)	(107,437)	(45,186)	(98,767)
Net change in plan fiduciary net position	1,868,276	3,838,058	2,953,531	3,218,687	1,643,299	2,092,600	4,060,342
Plan fiduciary net position - beginning	31,885,800	28,047,742	25,094,211	21,875,524	20,232,225	18,139,625	14,079,283
Plan fiduciary net position - ending (b)	33,754,076	31,885,800	28,047,742	25,094,211	21,875,524	20,232,225	18,139,625
Net pension asset - ending (a) - (b)	\$ (11,098,966)	(8,250,093)	(7,113,252)	(6,433,582)	(5,107,782)	(5,945,180)	(6,134,139)

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

MAGISTRATES 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>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>	<u>2011</u>
Actuarially determined employer and nonemployer contribution	\$ -	753,816	795,161	849,394	-	-	-	814,380	825,300	820,155
Contributions in relation to the actuarially determined contribution	1,543,516	1,630,517	1,658,370	1,549,378	1,532,736	1,563,301	1,666,281	1,681,846	1,580,303	1,739,235
Contribution deficiency (excess)	<u>\$ (1,543,516)</u>	<u>(876,701)</u>	<u>(863,209)</u>	<u>(699,984)</u>	<u>(1,532,736)</u>	<u>(1,563,301)</u>	<u>(1,666,281)</u>	<u>(867,466)</u>	<u>(755,003)</u>	<u>(919,080)</u>
Covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered payroll	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

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

MAGISTRATES 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>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	2.24%	8.94%	5.89%	8.76%	1.13%	3.07%	17.33%

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.

MAGISTRATES RETIREMENT FUND OF GEORGIA

(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2020

(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 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

Benefit changes: The earnings cap used to calculate retirement benefits was increased by 1.5% and a 1.5% cost-of-living adjustment was granted to retirees and surviving spouses effective January 1, 2020. Member dues (currently 3.42% of the earnings cap) also increased, respectively.

Changes of assumptions: During fiscal year 2020, the mortality table for healthy lives was updated to PubG-2010 (Amount Weighted General Employees) Mortality Table with generational mortality projection using the Buck Modified MP 2019 scale, 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 Buck Modified 2019 scale. The mortality table for disabled lives was updated to PubG-2010 (Amount Weighted General Employees) Disabled Mortality Table with generational mortality projection using Buck Modified 2019 scale.

The retirement rates were extended past age 65. The salary increase assumption for Entry Age Normal purposes was updated to 2.5%

MAGISTRATES RETIREMENT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Required Supplementary Information

June 30, 2020

(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, 2019
Actuarial cost method	Entry age normal
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	Actuarial value
Inflation rate	2.5%
Salary increases	N/A
Investment rate of return	6.5%, net of pension plan investment expense, including inflation

**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***



DEPARTMENT OF AUDITS AND ACCOUNTS

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STATE AUDITOR
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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*

Independent Auditor's Report

The Honorable Brian P. Kemp, Governor of Georgia
Members of the General Assembly of the State of Georgia
Board of Commissioners of the Magistrates Retirement Fund of Georgia
Mr. Homer Bryson, Secretary/Treasurer

We have audited, 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, the financial statements of the Magistrates Retirement Fund of Georgia (the Pension Fund), a component unit of the State of Georgia, which includes the statement of fiduciary net position as of June 30, 2020, the related statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements, and have issued our report thereon dated May 14, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Pension 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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Pension 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Pension 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 Pension 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 Pension Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Greg S. Griffin
State Auditor

May 14, 2021