Peace Officers' Annuity and Benefit 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, Georgia.

PEACE OFFICERS' ANNUITY AND BENEFIT 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 Peace Officers' Annuity and Benefit Fund of Georgia
Mr. Homer Bryson, Secretary/Treasurer

Report on the Financial Statements

We have audited the accompanying financial statements of the Peace Officers' Annuity and Benefit 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 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, 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

PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Statement of Fiduciary Net Position

June 30, 2020

Assets:			
Cash and cash equivalents			$ 30,187,688
Receivables:			
Due from brokers for securities sold		$ 1,235,807	
Interest and dividends		1,492,769	2,728,576
Investments - at fair value:			
Obligations:			
Exchange traded funds	$ 21,663,131		
Municipal bonds	4,565,034		
U.S. Treasury obligations	28,206,574		
U.S. Agency obigations	49,032,653		
Foreign government obligations	362,307		
Corporate bonds/notes/debentures			
Domestic	58,427,740		
International	4,952,544		
Asset-backed securities	14,018,113		
Mortgage investments	11,078,241	192,306,336	
Equities:			
Stocks			
Domestic	467,631,088		
International	105,928,230		
Real estate investment trusts	11,926,211		
Private real estate trust	17,978,024	603,463,553	
Total investments			795,769,889
Capital assets, net			1,805,311
Total assets			830,491,465
Liabilities:			
Due to brokers for securities purchased			2,181,164
Accounts payable and other accruals			891,145
Total liabilities			3,072,309
Net position restricted for pensions			$ 827,419,156

See accompanying notes to financial statements.

PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Statement of Changes in Fiduciary Net Position

June 30, 2020

Additions:		
Contributions:		
Nonemployer		$ 13,021,379
Members		3,641,272
Net investment income:		
Net increase in fair value of investments	$ 11,318,639	
Interest, dividends, and other	18,048,575	
Less investment expense	(3,636,197)	25,731,017
Miscellaneous		260,970
Total additions		42,654,638
Deductions:		
Benefit payments		39,268,275
Refunds of member contributions		341,067
Administrative expenses, net		1,300,380
Total deductions		40,909,722
Net increase in net position		1,744,916
Net position restricted for pensions:		
Beginning of year		825,674,240
End of year		$ 827,419,156

See accompanying notes to financial statements.

Note 1: Plan Description

The Peace Officers' Annuity and Benefit Fund of Georgia (the Fund) was created in 1950 by the Georgia General Assembly to provide retirement benefits for qualifying peace officers. 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; the Commissioner of Insurance or his designee; and three active or retired peace officers appointed by the Governor. 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.) 47-17-1 and generally include: any individual employed by the State of Georgia or any municipality, county, or other political subdivision thereof for the preservation of public order, the protection of life and property or the detection of crime; wardens and correction officers of correctional institutions; full-time parole officers; other individuals employed full-time for the purpose of law enforcement; and full-time employees of the Fund.

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

Inactive members and beneficiaries currently receiving benefits	6,944
Terminated members not yet receiving benefits, vested	1,595
Active plan members	13,451
Total	21,990

Participating Employers and Other Contributing Entities

At June 30, 2020, the active members of the Fund were employed by 667 employers. The Fund also had 1 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. A member is eligible to receive retirement benefits with 30 years of service, regardless of age. A member is also eligible to receive retirement benefits at age 55 with 10 years of service; however, members joining on or after July 1, 2010, must have 15 years of service to be eligible for benefits. A member must have terminated his or her active employment as a peace officer to receive benefits.

The monthly benefit is a single life annuity payable in monthly payments for the life of the member only. The monthly payment amount at June 30, 2020, was $25.15 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 30 years of total service. The Board of Commissioners is authorized to provide for increases effective as of January 1 and July 1 of each year up to 1.5% of the maximum monthly retirement benefit then in effect. 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 and Disability Benefits
Any dues paying member who became a member prior to July 1, 1993 and becomes totally and permanently disabled is entitled to receive disability benefits, the amount of which is dependent upon the date of application for disability benefits.

If a member dies before retirement, the beneficiary is entitled to a lump sum of $3,500. If a member dies in the line of duty and has a designated beneficiary, that beneficiary is eligible to receive a lump sum benefit of $5,500 to be reduced (to no less than $2,500) by the amount of any disability benefits received for the causative injury, as described above. If a member dies after retirement, the death benefit of the designated beneficiary is dependent on the amount of retirement benefits previously received by the deceased member. If the deceased member had received $1,000 or more, the beneficiary is entitled to receive a lump sum of $2,500. If the deceased member had received less than $1,000, the beneficiary is entitled to receive an amount that when added to the amount previously received by the deceased member will total $3,500.

Terminations
At any time before a member begins drawing retirement benefits, the member may request a refund of 95% of all member contributions paid into the Fund during creditable service. No interest is paid on these withdrawals.

Contributions
Funding is provided 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. 47-17-44 and are not actuarially determined. Each member must contribute $20 per month, to be paid no later than the tenth day of each month.

Nonemployer Contributions: In accordance with O.C.G.A. 47-17-60, the State of Georgia provides nonemployer contributions to the Fund through the collection of fines and forfeitures. For each criminal and quasi-criminal case involving the violation of State of Georgia laws, county ordinances, or municipal ordinances, courts collect and remit the following amounts:

For fines and bond forfeitures in excess of $4, but not more than $25	$3
For fines and bond forfeitures in excess of $25, but not more than $50	$4
For fines and bond forfeitures in excess of $50, but not more than $100	$5
For fines and bond forfeitures in excess of $100	5%
For pretrial diversion cases	$5

The fines and forfeitures are considered employer contributions for the purpose of determining whether the Fund has met minimum funding requirements specified in O.C.G.A. 47-20-10. This statute also prohibits any action to grant a benefit increase until such time as the minimum annual contribution requirements meet or exceed legislative requirements. The actuarial valuation as of June 30, 2019, calculated the minimum employer contribution for the fiscal year ended June 30, 2020, as $13,088,770. The fines and forfeitures revenue of $13,021,379 for the fiscal year ended June 30, 2020, did not meet the minimum required fund contribution.

Administrative Expenses
Administrative expenses are generally funded from current member and nonmember 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 upon receipt 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 Statement No. 61, *The Financial Reporting Entity's Omnibus – an amendment of GASB Statements 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 on deposit at 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 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 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 consultant. The Fund's policy regarding 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:

Asset Class	Target Allocation
Fixed income	20% - 35%
Equities	30% - 75%
International Equities	0% - 15%
Cash and Cash Equivalents	0% - 10%
Alternatives	0% - 5%

Approximately 9.35% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 3.41% are U.S. government debt securities and 5.94% 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 3.77%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Capital Assets
Capital assets, including software development costs, are stated at cost less accumulated depreciation. The capitalization thresholds are $1,000,000 for software, $100,000 for buildings and building improvements and $5,000 for equipment and vehicles. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of 5 to 40 years. Depreciation expense is included in administrative expenses. Maintenance and repairs are charged to administrative expense when incurred.

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.

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 statutes 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 Fund had cash on hand of $326 at June 30, 2020.

The carrying amount of the Fund's operating account totaled $214,901 at June 30, 2020, with an actual bank balance of $237,698. 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 $106,080 at June 30, 2020. This balance includes $3,049, which is held in British Pounds and is uncollateralized. This balance also includes $13,361, which is fully insured through the Securities Investors Protection Corporation and $89,670, which is fully insured through the Federal Deposit Insurance Corporation. The Securities Investors Protection Corporation and the Federal Deposit Insurance Corporation are independent agencies of the U.S. Government.

The Fund's investment policy authorizes investment in short-term highly liquid financial securities. At June 30, 2020, the Fund held $29,866,382 in short term investment funds.

Investments
Fixed income investments are maintained in mutual funds, exchanged traded funds, municipal bonds, 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, real estate investment trusts, and private real estate trust. 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 Policies 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 the bond portfolio be of high quality and chosen primarily with respect to the safety and liquidity of the investment and only secondarily by the yield available. The Fund's investment policy also requires that purchases of bonds be restricted to bonds rated as investment grade or higher quality as defined by a nationally recognized rating agency. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality.

The quality ratings of investments in fixed income securities at June 30, 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	BB	Unrated
Cash Equivalents Subject to Credit Risk:							
Short term investment funds	$ 29,866,382						29,866,382
Debt Securities Subject to Credit Risk:							
Exchange traded funds	$ 21,663,131						21,663,131
Municipal bonds	4,565,034		1,642,846	1,617,116	1,305,072		
US Agency obligations							
Implicitly guaranteed	49,032,653						49,032,653
Foreign government obligations	362,307			362,307			
Corporate debt							
Domestic	58,427,740	367,071	914,337	4,877,926	49,409,650	2,858,757	
International	4,952,544				4,084,604	867,940	
Asset-backed securities	14,018,113	11,926,568	176,856	792,335	1,122,354		
Mortgage-backed securities	11,078,241	11,078,241					
Total Debt Securities Subject to Credit Risk	$ 164,099,762	23,371,880	2,734,038	7,649,683	55,921,679	3,726,697	$ 70,695,784
Debt Securities Not Subject to Credit Risk:							
U.S. Treasury obligations	28,206,574						
Total Debt Securities	$ 192,306,336						

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

		Maturity Period				
Investment type	Total Fair Value	Less than 3 Months	4 - 12 Months	1 - 5 Years	6 - 10 Years	More than 10 Years
Cash Equivalents Subject to						
Interest Rate Risk:						
Short term investment funds	$ 29,866,382	29,866,382				
Debt Securities Subject to						
Interest Rate Risk:						
Exchange traded funds	$ 21,663,131			16,163,869	5,499,262	
Municipal bonds	4,565,034				2,922,188	1,642,846
U.S. Treasury obligations	28,206,574		5,224,833	13,319,367	1,013,421	8,648,953
U.S. Agency obligations	49,032,653				1,283,268	47,749,385
Foreign government obligations	362,307				362,307	
Corporate debt						
Domestic	58,427,740	165,035	1,359,896	8,719,016	25,494,302	22,689,491
International	4,952,544			2,303,931	1,732,460	916,153
Asset-backed securities	14,018,113			11,298,490	1,325,173	1,394,450
Mortgage-backed securities	11,078,241					11,078,241
Total Debt Securities Subject to Interest Rate Risk:	$ 192,306,336	165,035	6,584,729	51,804,672	39,632,381	94,119,518

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 plan's total investments.

Foreign Currency Risk
Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Fund's currency risk exposures, or exchange rate risks, primarily reside within the Fund's international investment holdings. The Fund does not have a formal policy for managing foreign currency risk. As of June 30, 2020, the Fund's exposure to foreign currency risk in U.S. dollars, is highlighted in the following table:

International Investment Securities at Fair Value as of June 30, 2020

Investment Type	
Cash and Cash Equivalents	
Subject to Foreign Currency Risk:	
British Pound	$ 3,049

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

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

Level 2 – Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments 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.

PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Notes to Financial Statements

June 30, 2020

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

Investments Measured at Fair Value as of June 30, 2020

		Fair value measures using		
Investments by fair value level	Total	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Cash Equivalents:				
Short term investment funds	$ 29,866,382		29,866,382	
Debt Securities:				
Exchange traded funds	21,663,131	21,663,131		
Municipal bonds	4,565,034		4,565,034	
U.S. Treasury obligations	28,206,574		28,206,574	
U.S. Agency obligations	49,032,653		49,032,653	
Foreign government obligations	362,307		362,307	
Corporate debt				
Domestic	58,427,740		58,427,740	
International	4,952,544		4,952,544	
Asset-backed securities	14,018,113		14,018,113	
Mortgage-backed securities	11,078,241		11,078,241	
Equities:				
Stocks				
Domestic	467,631,088	467,631,088		
International	105,928,230	105,928,230		
Real estate investment trusts	11,926,211	11,926,211		
Total Investments by fair value level	$ 777,791,865	607,148,660	170,643,205	
Investments Measured at NAV				
Private Equity Real Estate Trust	17,978,024			
Total Investments	$ 795,769,889			

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 1 are valued using prices quoted in active markets. 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 valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented in the following table.

Investments Measured at the NAV (or its equivalent)

	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Notice Period
Private Equity Real Estate	$ 17,978,024	$ -	Illiquid	N/A

Private Equity Real Estate Trust includes investments in private equity funds that invest in a portfolio of real estate holdings. These investments are considered "alternative investments" and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. These investments are valued by using the NAV provided by the trust as of the last day of each calendar quarter, adjusted by the Fund for cash flows through June 30. The quarterly values of the partnership investment are reviewed by the Fund to determine if any adjustments are necessary. These investments are considered illiquid since the nature of these investments in this category prohibits redemptions through the duration of the partnership, which ranges between 10 to 15 years. Distributions are received through the liquidation of underlying assets of the funds. The Fund currently has no plans to sell any of the investments prior to their liquidation.

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, 2020, were as follows:

Total pension liability	$	841,241,189
Plan fiduciary net position		827,419,156
Net pension liability	$	13,822,033
Plan fiduciary net position as a percentage of total pension liability		98.36%

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	2.25 %
Salary increases	N/A
Investment rate of return	6.50%, net of pension plan investment expense, including inflation.

Mortality rates were based on the RP-2014 Healthy Mortality Table with blue collar adjustments and generational mortality projection using the MP-2019 scale for healthy lives and the RP-2014 Disabled Retiree Mortality Table with generational mortality projection using the MP-2019 scale for disabled lives.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an experience study covering the period June 30, 2008 through June 30, 2015.

The long-term expected rate of return on pension plan investments was calculated by the Fund's investment consultant as 6.5% using a building block method in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed 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 ten-year geometric real rates of return by the target asset allocation percentage, and then adding expected inflation and the impact of rebalancing and diversification calculated by the Fund's investment consultant.

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 consultant.

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	10-Year expected geometric real rate of return*
Large Cap US Equity	39.00 %	4.75 %
Small/Mid Cap US Equity	22.00	5.00
Developed Non-US Equity	10.00	4.75
Core US Fixed Income	19.00	0.50
Short Duration Government Credit	2.00	0.45
Core Real Estate	2.00	4.00
Global Balanced	6.00	3.71
Impact of Rebalancing and Diversification		0.41
Total	100.00 %	

*Rates shown are net of the 2.25% 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 6.50%, but assuming an annual rate of inflation of 2.25%. The projection of cash flows used to determine the discount rate assumes revenues will remain level. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term 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 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%)
Employer's and nonemployers' net pension liability (asset)	$ 117,527,151	13,822,033	(72,470,846)

<u>Note 5: Subsequent Events</u>
Senate Bill 249 became law effective July 1, 2020 and amends O.C.G.A. 47-17-1 and 47-17-60. Required membership dues were increased to $25 per month in addition to permitting certain certified jailors into the fund. Court remittance (nonemployer) contributions for fines and bond forfeitures collected in criminal or quasi-criminal cases for violation of state statues was amended to the greater of $10 or 10% and for pretrial diversion cases the greater of $5 or 5%. The law also amends retirement benefit payments to an amount equal to $30 per month for each full year of creditable service effective July 1, 2021.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

PEACE OFFICERS' ANNUITY AND BENEFIT FUND OF GEORGIA
(A Component Unit of the State of Georgia)

Required Supplementary Information

Schedule of Employers' and Nonemployers' Net Pension Liability

For the year ended June 30

(Unaudited)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	$ 841,241,189	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912
Plan fiduciary net position	827,419,156	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740
Employers' and nonemployers' net pension liability (asset)	$ 13,822,033	(23,505,163)	(13,991,843)	(12,005,832)	58,462,752	16,677,192	(24,163,828)
Plan fiduciary net position as a percentage of the total pension liability	98.36%	102.93%	101.79%	101.62%	92.18%	97.68%	103.58%
Covered payroll	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

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.

PEACE OFFICERS' ANNUITY AND BENEFIT 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	$ 15,137,419	14,015,493	13,770,913	15,049,173	12,825,926	13,084,414	17,889,962
Interest	51,837,619	49,361,069	48,065,558	52,254,836	50,242,311	47,138,110	43,876,585
Change of benefit terms	-	12,271,275	11,546,024	-	-	-	-
Differences between expected and actual experience	14,854,102	(17,615,808)	(350,262)	(6,614,890)	(4,688,487)	-	-
Changes of assumptions	(3,147,686)	-	-	(32,941,939)	-	14,576,503	-
Benefit payments	(39,268,275)	(36,683,905)	(33,889,830)	(32,216,207)	(30,696,141)	(28,878,531)	(27,263,352)
Refunds of member contributions	(341,067)	(460,016)	(470,195)	(405,874)	(412,644)	(432,711)	(436,639)
Net change in total pension liability	39,072,112	20,888,108	38,672,208	(4,874,901)	27,270,965	45,487,785	34,066,556
Total pension liability - beginning	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912	640,658,356
Total pension liability - ending (a)	841,241,189	802,169,077	781,280,969	742,608,761	747,483,662	720,212,697	674,724,912
Plan fiduciary net position:							
Contributions - nonemployer	13,021,379	14,444,091	13,825,699	14,004,975	14,712,821	15,340,930	15,342,296
Contributions - member	3,641,272	3,541,866	3,459,827	3,481,782	3,526,325	3,537,427	3,531,388
Net investment income	25,731,017	50,632,822	58,715,685	81,610,211	(836,587)	15,770,563	103,599,538
Miscellaneous	260,970	118,573	92,873	65,502	65,501	64,546	90,040
Benefit payments	(39,268,275)	(36,683,905)	(33,889,830)	(32,216,207)	(30,696,141)	(28,878,531)	(27,263,352)
Refund of member contributions	(341,067)	(460,016)	(470,195)	(405,874)	(412,644)	(432,711)	(436,639)
Administrative expense	(1,300,380)	(1,192,003)	(1,075,840)	(946,706)	(873,870)	(755,459)	(730,002)
Net change in plan fiduciary net position	1,744,916	30,401,428	40,658,219	65,593,683	(14,514,595)	4,646,765	94,133,269
Plan fiduciary net position - beginning	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740	604,755,471
Plan fiduciary net position - ending (b)	827,419,156	825,674,240	795,272,812	754,614,593	689,020,910	703,535,505	698,888,740
Net pension liability (asset) - ending (a) - (b)	$ 13,822,033	(23,505,163)	(13,991,843)	(12,005,832)	58,462,752	16,677,192	(24,163,828)

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.

PEACE OFFICERS' ANNUITY AND BENEFIT 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)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer and nonemployer contribution	$ 13,088,770	10,430,116	11,350,828	12,651,232	18,082,091	17,814,948	22,340,743	22,343,059	19,760,211	19,760,211
Contributions in relation to the actuarially determined contribution	13,021,379	14,444,091	13,825,699	14,004,975	14,712,821	15,340,930	15,342,296	15,471,981	16,256,050	16,185,126
Contribution deficiency (excess)	$ 67,391	(4,013,975)	(2,474,871)	(1,353,743)	3,369,270	2,474,018	6,998,447	6,871,078	3,504,161	3,575,085
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.

PEACE OFFICERS' ANNUITY AND BENEFIT 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)

	2020	**2019**	**2018**	**2017**	**2016**	**2015**	**2014**
Annual money-weighted rate of return, net of investment expense	3.77%	6.14%	7.89%	11.91%	0.08%	2.53%	18.49%

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.

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: For fiscal year 2020, a 1.5% cost-of-living adjustment effective January 1, 2020.

Changes of assumptions: For fiscal year 2020, the mortality improvement scale was changed from Buck Modified MP-2016 to MP-2019 with no modifications. This change was made to better reflect current mortality improvement expectations.

Methods and assumptions used in calculations of actuarially determined contributions: For fiscal years ending before June 30, 2015, the actuarially determined contribution in the Schedule of Employer and Nonemployer Contributions are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported. Beginning with the June 30, 2015 fiscal year, the actuarially determined contribution is calculated as of June 30 of the prior fiscal year.

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	2.25%
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

270 Washington Street, S.W., Suite 4-101
Atlanta, Georgia 30334-8400

Greg S. Griffin
STATE AUDITOR
(404) 656-2174

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
Board of Commissioners of the Peace Officers' Annuity and Benefit 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 Peace Officers' Annuity and Benefit Fund of Georgia (the 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 Fund's internal control over financial reporting (internal control) to determine the 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 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 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Greg S. Griffin
State Auditor

May 14, 2021