

DEKALB COUNTY PENSION PLAN
A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2022

**DEKALB COUNTY PENSION PLAN
A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA
FOR THE YEAR ENDED DECEMBER 31, 2022**

TABLE OF CONTENTS

	<u>Page(s)</u>
<u>BASIC FINANCIAL STATEMENTS</u>	
Independent Auditor's Report.....	1 - 3
Financial Statements:	
Statement of Fiduciary Net Position	4
Statement of Changes in Fiduciary Net Position.....	5
Notes to Financial Statements	6 - 15
<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
Schedule of Changes in Net Pension Liability and Related Ratios.....	16
Schedule of Contributions	17
Notes to Required Supplementary Information.....	18
Schedule of Investment Returns	19
<u>SPECIAL REPORT SECTION</u>	
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 <i>Government Auditing Standards</i>	20, 21

BASIC FINANCIAL STATEMENTS



NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200
Kennesaw, Georgia 30144
770-422-0598 FAX 678-214-2355
kennesaw@nicholscauley.com

INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
DeKalb County Pension Plan
Decatur, Georgia

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the DeKalb County Pension Plan as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the DeKalb County Pension Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the DeKalb County Pension Plan, as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the DeKalb County Pension Plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The DeKalb County Pension Plan's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

Atlanta | Calhoun | Canton | Dalton | Dublin
Fayetteville | Kennesaw | Rome | Warner Robins

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dekalb County Pension Plan's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Dekalb County Pension Plan's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Dekalb County Pension Plan's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Schedule of Changes in Net Pension Liability and Related Ratios, Schedule of Contributions,

and the Schedule of Investment Returns on pages 16-19 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.

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.

Emphasis of Matter

As discussed in Note 1, the financial statements present only the DeKalb County Pension Plan, and do not purport to, and do not, present fairly the financial position of DeKalb County, Georgia, as of December 31, 2022, and the changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 27, 2023 on our consideration of the Dekalb County Pension Plan'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 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 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 Dekalb County Pension Plan's internal control over financial reporting and compliance.

Nichols, Cauley + Associates, LLC

Kennesaw, Georgia
June 27, 2023

DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2022

Assets:

Cash and cash equivalents	\$ <u>27,339,335</u>
Receivables:	
Interest and dividends	2,523,638
Due from custodian	1,471,639
Other	<u>137,408</u>
Total receivables	<u>4,132,685</u>
Investments, at fair value	
Equities	1,086,316,400
Debt securities	<u>298,052,912</u>
Total investments	<u>1,384,369,312</u>
Prepaid benefit expenses	<u>11,597,442</u>
Total assets	<u>1,427,438,774</u>
Liabilities:	
Accrued expenses	80,874
Due to custodian	<u>3,750,976</u>
Total liabilities	<u>3,831,850</u>
Net position restricted for pension benefits	<u><u>\$ 1,423,606,924</u></u>

See accompanying independent auditor's report and notes to financial statements.

DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022

Additions:

Employer contributions	\$	74,194,426
Employee contributions		<u>26,172,901</u>
 Total contributions		 <u>100,367,327</u>
 Investment income (expenses):		
Net increase (decrease) in fair value of investments		(316,660,060)
Interest and dividends		<u>18,376,939</u>
		(298,283,121)
 Less: investment expenses		 <u>(4,241,375)</u>
 Net investment income (loss)		 <u>(302,524,496)</u>
 Excess of net investment income (loss) over additions		 <u>(202,157,169)</u>

Deductions:

Pension benefits paid		171,726,642
Refunds to terminated members		8,422,640
Administrative costs		<u>1,195,707</u>
 Total deductions		 <u>181,344,989</u>
 Net decrease in net position		 (383,502,158)
 Net position - beginning of period		 <u>1,807,109,082</u>
 Net position - end of period		 <u><u>\$ 1,423,606,924</u></u>

See accompanying independent auditor's report and notes to financial statements.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

1) Plan Description

The DeKalb County Pension Plan is a single employer, defined benefit pension plan (the "Plan") established for the purpose of paying retirement benefits to the retirees of DeKalb County, Georgia (the "County"). The Board of the DeKalb County Pension Plan (The "Board") is comprised of seven voting members and consists of two DeKalb County Board of Commissioners' designees, the Chief Executive Officer of DeKalb County, two members elected by County employees, one member elected by County retirees, and one member appointed by the other voting members of the Board. Two non-voting members are also included on the Board, comprising of the Director of Finance of the County and the Merit System Director of the County. All members serve without compensation.

The Plan is a trust fund of the County and is included with the County's reporting entity for financial reporting purposes.

Membership in the Plan is restricted to those individuals who have been employed or are employed by the County. The Plan is funded through a combination of member contributions paid by the employees and County employer contributions.

As of December 31, 2022, employee membership data related to the Plan was as follows:

Membership Status:

Inactive plan members or beneficiaries currently receiving benefits	5,352
Inactive plan members entitled to but not yet receiving	502
Total retirees and beneficiaries currently receiving benefits	<u>5,854</u>
Active members	<u>5,891</u>
Total plan participants	<u><u>11,745</u></u>

Plan Benefits

The Plan provides retirement as well as death and disability benefits and consists of three separate groups of participants: Group 1 (members whose participation began before September 1, 2005), Group 2 (members whose participation began on or after September 1, 2005 and before January 1, 2016), and Group 3 (members whose participation began on or after January 1, 2016).

The Plan provides retirement benefits of average compensation (based on the highest consecutive 36 months of pay over the last 10 years of employment) times the years of service up to maximum allowable benefit.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The provisions for each Group are as follows:

Group	Retirement Benefits	Maximum Benefit
1	2.75% of avg. compensation	82.5% of avg. compensation
2	2.25% of avg. compensation	67.5% of avg. compensation
3	1.00% of avg. compensation	30.0% of avg. compensation

Normal Retirement Date

For a Group 1 participant, the normal retirement date shall be the first day of the month coinciding with or next following the date when the participant has either: (a) attained age 55 and completed 10 years of service; or (b) attained age 65 and completed at least 3 but less than 10 years of service.

For a Group 2 participant, the normal retirement date shall be the first day of the month coinciding with or next following the date when the participant has either: (a) attained age 62 and completed 10 years of service; or (b) attained age 65 and completed at least 7 but less than 10 years of service.

For a Group 3 participant, the normal retirement date shall be the first day of the month coinciding with or next following the date when the participant has attained age 67 and completed at least 7 years of service.

A participant shall be vested in his accrued benefit at his normal retirement date.

Early Retirement Date

For a Group 1 participant, the early retirement date shall be the first day of any month coinciding with or next following the date the participant retires from the County after both attaining age 50 and completing at least 10 years of service.

For a Group 2 or Group 3 participant, the early retirement date shall be the first day of any month coinciding with or next following the date the participant retires from the County after both attaining age 55 and completing at least 10 years of service.

Termination benefits also vary depending on the participant's Group. For all Groups, termination within the first three years of service results in the participant's contributions returned without interest. Termination after three but less than seven (ten years for Group 1) years of service results in the participant's contributions returned with interest for all Groups, but Group 1 participants also have the choice to leave their contributions in the Plan and receive a monthly benefit to commence at age 65 equal to the accrued benefit as of the date of termination. Termination after seven years (ten years for Group 1) allows the participant to choose to either withdraw contributions plus interest or leave contributions in the Plan and

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

receive a monthly benefit to commence at normal retirement date equal to the accrued benefit as of the date of termination. Such terminating employee may elect to receive actuarially reduced benefits any time after attaining 55 years of age (50 years of age for Group 1 participants).

Funding Requirements

All permanent officers, employees, and deputies of the County who are not contributing to any other pension plan of the State of Georgia are required to participate in the Plan. Contribution provisions are established and may be amended by the Board. The Board establishes rates based on an actuarially determined rate recommended by an independent actuary.

Depending on their date of hire, employees must contribute 6.42% (hire date January 1, 2016, or later); 8.57% (hire date September 1, 2005 to December 31, 2015); or 10.48% (hire date before September 1, 2005) of their net monthly earnings.

The minimum annual employer contribution requirements are set forth in the Official Code of Georgia Annotated (O.C.G.A) Section 47-20-10. This statute further 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 January 1, 2022, which reflected the proceeds of member contributions, indicated that the minimum employer contribution level was being met.

2) Summary of Significant Accounting Policies and Plan Asset Matters

A. Basis of Accounting

The Plan's financial statements are prepared using the accrual basis of accounting in accordance with generally accepted accounting principles in the United States of America. Employer and employee contributions are recognized as revenues in the period in which employee services are performed. Investment income is recognized as earned by the Plan. The net appreciation (depreciation) in the fair value of investments held by the Plan is recorded as an increase (decrease) to investment income based on the valuation of investments as of the date of the statement of net position. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

B. Cash and Cash Equivalents

Cash and cash equivalents consist of demand deposits with a bank. Cash and cash equivalents also include short-term, highly liquid investments with maturity dates within three months of the date acquired.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

C. Investments

Statutory provisions governing the investments are established by the DeKalb County Code of Ordinances and the "Public Retirement System Investment Authority Law" (O.C.G.A. 47-20-80, et. seq).

The significant forms of investment in accordance with the Plan's Investment Policy Statement are as follows:

- 1) Domestic (United States) equity portfolio (common and preferred stocks, short-term investment funds, real estate investment trusts, limited partnership units, mutual funds) whose goal is to allocate among multiple domestic equity managers to gain exposure to the broad domestic equity markets; each actively managed equity manager may hold some investment reserves of cash, but it is expected that each manager will remain essentially fully invested (no more than 10% of the portfolio in cash) at all times;
- 2) International equity portfolio (common stocks, limited partnership units, depository receipts) whose goal is to allocate among multiple managers to establish and maintain style (growth versus value) and capitalization neutrality relative to the target index; each actively managed equity manager may hold some investment reserves of cash, but it is expected that each manager will remain essentially fully invested (no more than 10% of the portfolio in cash) at all times;
- 3) Fixed income security portfolio (corporate, municipal, and convertible bonds; collateralized mortgage obligations; government issues) whose goal is to gain broad exposure to the market as represented by the target index; fixed income assets are allocated to as many fixed income managers as is necessary to minimize business risk while keeping costs low; fixed income managers are engaged to reduce the overall volatility of the Plan's assets, provide a deflation hedge, and produce a highly predictable and dependable source of income;
- 4) The use of derivatives is not permitted.

Investments are defined as those financial instruments with terms in excess of three months from the date of purchase and certain other securities held for the production of revenue. Investments in U.S. Government securities and equities, are recorded at fair value. Fair value of the external investment trusts are equal to the value of the pool shares. There are three individual trusts, with three separate oversight agencies, that compose the balance of the external collective trusts. The Office of the Commissioner of Financial Regulation of the State of Maryland, The Office of the Comptroller of the Commonwealth of Massachusetts, and The Office of the Comptroller of the Currency of the United States Department of Treasury are the oversight agencies for the trusts.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Board. The Board's adopted asset allocation policy as of December 31, 2022 is as follows:

Asset Class	Target Allocation
Domestic equity	60%
International equity	15%
Fixed income	25%
Total	100%

D. Investment Income

Investment income consists of interest earnings, dividends, and net realized and unrealized gains and losses from investments. Investment income is net of investment related expenses.

E. Administrative Costs

Administrative costs consisting of personnel costs, legal fees, and other miscellaneous operating costs are financed through investment earnings.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3) Cash and Cash Equivalents

Custodial Credit Risk- Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Plan's deposits may not be returned to it. The Plan limits its exposure to custodial credit risk by requiring deposits to be collateralized in accordance with State law. As of December 31, 2022, the Plan's deposits were properly insured and collateralized.

DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

4) Investments

As of December 31, 2022, the Plan had the following investments:

Type of Investment	Fair Value	Rating	FMV Level 1 Investments	FMV Level 2 Investments	FMV Level 3 Investments	Percent of Total Investments	Weighted Average Maturity (Years)
Short Term Investments	\$ 31,599,743	n/a	\$ -	\$ 31,599,743	\$ -	2.23%	n/a
Asset-Backed Notes	4,722,274	n/a	-	4,722,274	-	0.33%	18.01%
Governmental Issued Securities	156,144	AA-	-	156,144	-	0.01%	3.08%
Governmental Issued Securities	47,480,289	1	-	47,480,289	-	3.35%	15.02%
Federal National Mortgage Association	31,025,624	1	-	31,025,624	-	2.19%	23.83%
Government National Mortgage Association I	555,360	1	-	555,360	-	0.04%	11.72%
Government National Mortgage Association II	11,280,081	1	-	11,280,081	-	0.80%	24.15%
Federal Home Loan Mortgage Corporation	24,558,751	1	-	24,558,751	-	1.73%	23.10%
Various Municipal Bonds	2,378,703	AAA	-	2,378,703	-	0.17%	6.03%
Various Municipal Bonds	402,810	AA-	-	402,810	-	0.03%	6.84%
Various Municipal Bonds	1,111,691	A+	-	1,111,691	-	0.08%	2.01%
Various Municipal Bonds	125,160	A	-	125,160	-	0.01%	34.27%
Various Municipal Bonds	1,788,036	A-	-	1,788,036	-	0.13%	8.01%
Various Municipal Bonds	1,212,911	1	-	1,212,911	-	0.09%	18.35%
Various Collateralized Mortgage Obligations	2,493,842	AAA	-	2,493,842	-	0.18%	2.78%
Various Collateralized Mortgage Obligations	6,552,102	1	-	6,552,102	-	0.46%	25.38%
Various Convertible Bonds	4,285,242	A	-	4,285,242	-	0.30%	19.80%
Various Convertible Bonds	6,560,378	A-	-	6,560,378	-	0.46%	3.40%
Various Convertible Bonds	14,983,986	BBB	-	14,983,986	-	1.06%	7.89%
Various Convertible Bonds	6,584,435	BBB-	-	6,584,435	-	0.46%	2.85%
Various Convertible Bonds	17,545,926	1	-	17,545,926	-	1.24%	2.10%
Various Corporate Bonds	1,256,180	AAA	-	1,256,180	-	0.09%	18.07%
Various Corporate Bonds	1,510,736	AA+	-	1,510,736	-	0.11%	22.03%
Various Corporate Bonds	1,858,277	AA	-	1,858,277	-	0.13%	17.10%
Various Corporate Bonds	4,531,035	AA-	-	4,531,035	-	0.32%	20.07%
Various Corporate Bonds	6,699,017	A+	-	6,699,017	-	0.47%	9.27%
Various Corporate Bonds	11,542,433	A	-	11,542,433	-	0.81%	10.76%
Various Corporate Bonds	17,783,633	A-	-	17,783,633	-	1.25%	7.90%
Various Corporate Bonds	32,078,081	BBB+	-	32,078,081	-	2.26%	10.44%
Various Corporate Bonds	27,948,821	BBB	-	27,948,821	-	1.97%	6.65%
Various Corporate Bonds	7,419,602	BBB-	-	7,419,602	-	0.52%	9.77%
Various Corporate Bonds	2,435,116	1	-	1,778,433	656,683	0.17%	8.61%
Common Stock	606,231,393	n/a	606,231,393	-	-	42.73%	n/a
Depository Receipts	24,782,326	n/a	24,782,326	-	-	1.75%	n/a
External Investment Trusts (2)	413,268,423	n/a	-	-	-	29.13%	n/a
Real Estate Investment Trust	199,716	n/r	199,716	-	-	0.01%	n/a
Real Estate Investment Trust	6,994,102	1	6,994,102	-	-	0.49%	n/a
Preferred Stock	34,823,124	n/a	34,823,124	-	-	2.45%	n/a
Total debt securities and equities	<u>\$ 1,418,765,503</u>		<u>\$ 673,030,661</u>	<u>\$ 331,809,736</u>	<u>\$ 656,683</u>	<u>100.00%</u>	

1. Rating not readily available

2. External collective trusts are investment pools which do not meet the criteria of GASB Statement No. 79 and as a result, the fair value heirarchy is not disclosed.

DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. Fair value is the exchange price that would be received for an asset (exit price) in the principal or most advantageous market for an asset in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets that the Plan has the ability to access.

Level 2 inputs are inputs other than quoted prices included in Level 1 that are observable for the asset in active markets, as well as inputs that are observable for the asset (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs for the asset which are typically based on the Plan's own assumptions, as there is little, if any, related market activity.

The Plan's investment goal is to earn the maximum return that can be realistically achieved in the markets at a specified and controlled level of risk.

Interest Rate Risk

The Plan minimizes interest rate risk, the risk that the market value of securities will fall due to changes in market interest rates, by using the duration method in the management of fixed income portfolios to quantify the portfolios' sensitivity to interest rate changes.

Credit Risk

The Plan minimizes credit risk, the risk of loss due to the failure of the security issuer or backer, by requiring the fixed income portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics, and marketability. Fixed income managers are engaged to reduce volatility of the Plan's assets, provide a deflation hedge, and produce a highly predictable and dependable source of income. The quality rating of the overall portfolio must be "A" or better at all times. As of December 31, 2022, the weighted average quality rating of the fixed income portfolio was A+ as rated by S&P Global Ratings.

Concentration of Credit Risk

The Plan minimizes concentration of credit risk by limiting the amount it may invest in any one issuer to 5%.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Custodial Credit Risk – Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

Rate of Return

For the year ended December 31, 2022, the annual money-weighted rate of return on the Plan investments, net of investment expense, was -17.00%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

5) Contributions Required and Contributions Made

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Level percentage of payroll employer contribution rates is determined using the entry age normal cost method.

Total employer contributions to the Plan for the fiscal year ended December 31, 2022 were \$74,194,426.

Additional required historical data is provided as required supplementary information after the notes to financial statements.

6) Net Pension Liability

The County's net pension liability at December 31, 2022 was as follows:

Total pension liability	\$ 2,593,897,834
Plan fiduciary net position	1,423,606,924
Net pension liability	<u>\$ 1,170,290,910</u>
Plan fiduciary net position as a percentage of the total pension liability	54.88%

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of January 1, 2022 using the following actuarial assumptions, applied to all periods included in the measurement date and rolled forward to the measurement date of December 31, 2022:

Inflation	2.50%
Salary increases	Inflation plus 0.75% productivity plus merit increases that vary by age and service, ranging from 0.00% to 4.75%
Investment rate of return	6.75%, including inflation, net of investment expenses

Pre-retirement mortality rates were established by the RP-2006 Employee Table, projected generationally with Scale MP2018-2D. Healthy annuitants' mortality rates were established by the RP-2006 Healthy Annuitant Table, loaded by 20%, projected generationally with Scale MP2018-2D. Disabled annuitants' mortality rates were established by the RP-2006 Disabled Retiree Mortality Table, loaded by 20%, projected generationally with Scale MP2018-2D.

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of an experience study for the period April 1, 2013 through December 31, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return*</u>
Domestic equity	60.00%	6.40%
International equity	15.00%	6.80%
Fixed income	25.00%	0.40%
Total	<u>100.00%</u>	

**Real rates of return are net of 2.50% assumed inflation*

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that Group 1 participants will contribute 10.48% of pay, Group 2 participants will contribute 8.57% of pay, and Group 3 participants will contribute 6.42% of pay. The County is expected to contribute the actuarially determined contribution. The actuarially determined contribution is equal to the employer normal cost plus a 30-year closed amortization of the unfunded actuarial accrued liability, beginning April 1, 2013 (21 years remaining). Amortization payments are expected to grow by 2.75% annually. Based on these assumptions, the Plan's fiduciary net position is projected to be able to make all projected future benefit payments of current plan members, and this the long-term expected rate of return on pension plan investments was applied to the projected benefit payments.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability using the discount rate of 6.75%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net Pension Liability	\$ 1,448,930,225	\$ 1,170,290,910	\$ 936,239,333

7) Risks and Uncertainties

The Plan invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect participants' account balances and the amounts reported in the statement of net position available for benefits.

REQUIRED SUPPLEMENTARY INFORMATION

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND
RELATED RATIOS**

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability									
Service cost	\$ 37,534,859	\$ 37,470,458	\$ 36,218,942	\$ 38,363,867	\$ 39,640,856	\$ 35,405,164	\$ 36,917,634	\$ 36,479,969	\$ 37,066,921
Interest	166,877,798	165,121,116	159,953,656	152,155,415	147,234,437	146,434,261	144,314,093	141,280,965	138,333,468
Changes of benefit terms	37,850,372	-	34,957,966	33,622,849	-	-	-	-	-
Differences between expected and actual experience	6,980,638	318,931	10,184,538	11,557,738	12,853,021	23,177,231	(12,358,107)	(3,976,874)	(9,519,033)
Change of assumptions	-	-	-	38,635,780	(57,808,553)	215,195,717	-	-	-
Benefit payments, including refunds of employee contributions	(180,149,282)	(173,750,702)	(158,272,608)	(155,049,849)	(148,217,489)	(143,517,665)	(137,795,224)	(129,047,618)	(124,202,773)
Net Change in Total Pension Liability	69,094,385	29,159,803	83,042,494	119,285,800	(6,297,728)	276,694,708	31,078,396	44,736,442	41,678,583
Total Pension Liability – Beginning	2,524,803,449	2,495,643,646	2,412,601,152	2,293,315,352	2,299,613,080	2,022,918,372	1,991,839,976	1,947,103,534	1,905,424,951
Total Pension Liability – Ending (a)	\$ 2,593,897,834	\$ 2,524,803,449	\$ 2,495,643,646	\$ 2,412,601,152	\$ 2,293,315,352	\$ 2,299,613,080	\$ 2,022,918,372	\$ 1,991,839,976	\$ 1,947,103,534
Plan Fiduciary Net Position									
Employer contributions:									
Regular	\$ 74,194,426	\$ 70,825,818	\$ 68,211,744	\$ 65,785,429	\$ 52,518,854	\$ 41,068,124*	\$ 48,209,807	\$ 46,265,079	\$ 38,934,436
Early retirement incentive	-	-	-	705,796	1,115,481	10,660,203*	1,115,482	1,115,482	1,115,482
Employee contributions	26,172,901	26,439,031	28,457,022	26,686,382	25,592,901	25,074,373	25,008,033	23,137,541	23,001,682
Net investment income	(302,524,496)	234,026,016	239,967,589	272,259,204	(94,624,032)	228,019,360	92,563,286	(27,283,398)	82,780,214
Benefit payments, including refunds of employee contributions	(180,149,282)	(173,750,702)	(158,272,608)	(155,049,849)	(148,217,489)	(143,517,665)	(137,795,224)	(129,047,618)	(124,202,773)
Administrative expense	(1,195,707)	(991,862)	(770,400)	(877,860)	(1,000,404)	(817,527)	(638,160)	(704,111)	(339,123)
Net Changes in Plan Fiduciary Net Position	(383,502,158)	156,548,301	177,593,347	209,509,102	(164,614,689)	160,486,868	28,463,224	(86,517,025)	21,289,918
Plan Fiduciary Net Position – Beginning	1,807,109,082	1,650,560,781	1,472,967,434	1,263,458,332	1,428,073,021	1,267,586,153	1,239,122,929	1,325,639,954	1,304,350,036
Plan Fiduciary Net Position – Ending (b)	\$ 1,423,606,924	\$ 1,807,109,082	\$ 1,650,560,781	\$ 1,472,967,434	\$ 1,263,458,332	\$ 1,428,073,021	\$ 1,267,586,153	\$ 1,239,122,929	\$ 1,325,639,954
Net Pension Liability – Ending (a)–(b)	\$ 1,170,290,910	\$ 717,694,367	\$ 845,082,865	\$ 939,633,718	\$ 1,029,857,020	\$ 871,540,059	\$ 755,332,219	\$ 752,717,047	\$ 621,463,580
Plan Fiduciary Net Position as a percentage of the Total Pension Liability	54.88%	71.57%	66.14%	61.05%	55.09%	62.10%	62.66%	62.21%	68.08%
Covered payroll	\$ 354,657,868	\$ 335,985,854	\$ 323,892,422	\$ 314,612,649	\$ 317,142,838	\$ 272,696,708	\$ 259,751,115	\$ 264,220,897	\$ 263,070,514
Net Pension Liability as a percentage of Covered payroll	329.98%	213.61%	260.91%	298.66%	324.73%	319.60%	290.79%	284.88%	236.23%

* During 2018, the Pension Board approved allocating excess employer contributions made in 2017 totaling \$9,544,385 as a reduction to the outstanding amount related to the 2010 Early Retirement Window. These amounts have been revised accordingly.

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF CONTRIBUTIONS

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contributions	\$ 71,494,262	\$ 70,652,416	\$ 66,379,289	\$ 61,079,577	\$ 45,409,816	\$ 42,439,877	\$ 51,421,162	\$ 48,679,836	\$ 44,150,858
Actual employer contributions	74,194,426	70,825,818	68,211,744	65,785,429	52,518,854	41,068,124*	48,209,807	46,265,079	38,934,436
Annual contribution deficiency (excess)	\$ (2,700,164)	\$ (173,402)	\$ (1,832,455)	\$ (4,705,852)	\$ (7,109,038)	\$ 1,371,753*	\$ 3,211,355	\$ 2,414,757	\$ 5,216,422
Covered payroll	\$ 354,657,868	\$ 335,985,854	\$ 323,892,422	\$ 314,612,649	\$ 317,142,838	\$ 272,696,708	\$ 259,751,115	\$ 264,220,897	\$ 263,070,514
Actual contributions as a percentage of covered payroll	20.92%	21.08%	21.06%	20.91%	16.56%	15.06%	18.56%	17.51%	14.80%

* During 2018, the Pension Board approved allocating excess employer contributions made in 2017 totaling \$9,544,385 as a reduction to the outstanding amount related to the 2010 Early Retirement Window. These amounts have been revised accordingly.

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

Methods and Assumptions used in Calculations of Actuarially Determined Contributions

The actuarially determined contribution for 2022 is based on the January 1, 2021 valuation.

Valuation Date	January 1, 2021
Actuarial Cost Method	Entry age normal
Amortization Method	Level percent of payroll with 2.75% annual increases
Remaining Amortization Period	Closed period, 22 years remaining as of January 1, 2021
Asset Valuation Method	Market value of assets less unrecognized returns in each of the last ten years. Unrecognized return is equal to the difference between the actual market return and the expected return on the market value, and is recognized over a ten year period, further adjusted, if necessary, to be within 30% of the market value of assets.
Investment Rate of Return	6.75%
Inflation Rate	2.50%
Salary Increases	Inflation plus 0.75% productivity plus merit increases that vary by age and service, ranging from 0.00% to 4.75%.
Cost of Living Adjustments	None
Administrative Expenses	\$850,000 per year
Mortality	Pre-retirement: RP-2006 Employee Table, projected generationally with Scale MP-2018-2D. Healthy annuitants: RP-2006 Healthy Annuitant Table, loaded 20%, projected generationally from 2006 using Scale MP-2018-2D. Disabled annuitants: RP-2006 Disabled Retiree Mortality Table, loaded 20%, projected generationally using Scale MP-2018-2D.

**DEKALB COUNTY PENSION PLAN
(A PENSION TRUST FUND OF DEKALB COUNTY, GEORGIA)
REQUIRED SUPPLEMENTARY INFORMATION**

SCHEDULE OF INVESTMENT RETURNS

Annual Money-Weighted Rate of Return, Net of Investment Expense

2014	6.87%
2015	-2.24%
2016	8.11%
2017	18.77%
2018	-6.41%
2019	22.50%
2020	17.08%
2021	14.99%
2022	-17.00%

Note: The schedule is intended to show information for the last 10 fiscal years. Additional years will be displayed as they become available.

SPECIAL REPORT SECTION



NICHOLS, CAULEY & ASSOCIATES, LLC

1825 Barrett Lakes Blvd, Suite 200
Kennesaw, Georgia 30144
770-422-0598 FAX 678-214-2355
kennesaw@nicholscauley.com

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*

Board of Commissioners
DeKalb County Pension Plan
Decatur, Georgia

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 DeKalb County Pension Plan as of and for the year ended December 31, 2022, and the related notes to the financial statements which collectively comprise DeKalb County Pension Plan's basic financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered DeKalb County Pension Plan's internal control over financial reporting (internal control) as a basis for designing 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 DeKalb County Pension Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of DeKalb County Pension Plan's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether DeKalb County Pension Plan'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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Nichols, Cauley + Associates, LLC

Kennesaw, Georgia
June 27, 2023