GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM OPEB HEALTH PLAN (AN OPEB TRUST FUND OF GWINNETT COUNTY, GEORGIA)

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN

ANNUAL FINANCIAL REPORT
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MAULDIN & JENKINS

INDEPENDENT AUDITOR'S REPORT

To the Members of the Retirement Plans
Management Committee of the Gwinnett County
Public Employees Retirement System
Lawrenceville, Georgia

Report on the Financial Statements

We have audited the accompanying financial statements of the **Gwinnett County Public Employees Retirement System OPEB Health Plan (the "Plan")** as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plan'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 entity'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 entity'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.

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Gwinnett County Public Employees Retirement System OPEB Health Plan as of December 31, 2018, 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Changes in the County's Net OPEB Liability and Related Ratio, Schedule of County Contributions, and Schedule of OPEB Investment Returns, on pages 3 through 6, page 21, page 22, and page 23, respectively, 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 22, 2019, on our consideration of the 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 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 Plan'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 Plan's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 22, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2018

Within this section of the Gwinnett County Public Employees Retirement System OPEB Health Plan annual financial report, County management provides a narrative overview and analysis of the financial activities of the Gwinnett County Other Postemployment Benefit (OPEB) Health Plan (the "Plan"). The financial performance of the Plan is discussed and analyzed within the context of the accompanying financial statements and disclosures following this section. The OPEB plan is accounted for in an IRS Section 115 trust fund established to facilitate compliance with GASB Standards. It was established effective January 1, 2007, by a resolution of the Gwinnett County Board of Commissioners (the BoC).

Financial Highlights

- Fiduciary net position reported in the financial statements was $132,513,000 as of the fiscal year ended December 31, 2018.
- The fair value of plan investments at December 31, 2018, was $132,224,000.
- The Plan's funded ratio of the Plan fiduciary net position to the Total OPEB Liability at December 31, 2018, is 59.4%.

Basic Financial Statements

Management's Discussion and Analysis introduces the basic financial statements for the Plan. The basic financial statements include: (1) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to the financial statements. This report also includes required additional information to supplement the basic financial statements.

The first of these basic financial statements is the *Statement of Fiduciary Net Position*. This statement presents information that includes plan assets and liabilities, with the difference reported as *net position restricted for OPEB benefits.* Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Plan as a whole is improving or deteriorating.

The second plan statement is the *Statement of Changes in Fiduciary Net Position*, which reports how the fiduciary net position changed during the current fiscal year. All current year revenue and expenses are included regardless of when cash is received or paid. Realized gains and losses on investment sales and unrealized gains and losses due to market value appreciation or depreciation are included as investment income of the Plan.

The Plan's assets are held in trust funds of the BoC, which fall under the category of fiduciary funds. Resources of those funds are not available to support County programs but are held in trust to pay benefits and associated costs to and on behalf of eligible participants. The accounting used for fiduciary funds is much like that used for proprietary funds.

Financial Analysis

As shown in the Summary of Fiduciary Net Position below, the net position restricted for OPEB benefits was $132,513,000.

The table below provides a summary of fiduciary net position (in thousands):

Summary of Fiduciary Net Position

	December 31, 2018	December 31, 2017	December 31, 2016
Current and other assets	$ 10,483	$ 17,274	$ 23,385
Investments	132,224	137,829	111,735
Total assets	142,707	155,103	135,120
Total liabilities	10,194	14,398	12,112
Net position	$ 132,513	$ 140,705	$ 123,008

Employer contributions of $10,649,000 were made to the Plan, which include contributions in excess of the actuarially determined contribution of approximately $1,322,000. OPEB employer contributions include amounts needed to pay OPEB claims and costs, as well as budgeted contributions in support of an annual actuarially determined contribution goal.

The Plan's benefit payments and insurance premiums for 2018 totaled $10,525,000.

The table below provides a summary of changes in fiduciary net position (in thousands):

Summary of Changes in Fiduciary Net Position

	Year Ended December 31, 2018	Year Ended December 31, 2017	Year Ended December 31, 2016
Additions:			
Net Investment Income (loss)	$ (7,699)	$ 19,436	$ 7,712
Contributions:			
Employer	10,649	10,212	13,257
Total additions	2,950	29,648	20,969
Deductions:			
Benefit payments	8,871	9,811	9,420
Insurance premiums	1,654	1,468	2,227
Administrative expenses	617	672	599
Total deductions	11,142	11,951	12,246
Net increase	(8,192)	17,697	8,723
Net position, January 1	140,705	123,008	114,285
Net position, December 31	$ 132,513	$ 140,705	$ 123,008

The Plan's gross return on investments for 2018 was (5.06%). The return, net of investment expenses, was (5.47%). The overall plan benchmark rate for 2018 was (5.81%). The chart below reflects how the Plan's investments performed compared to their benchmarks in each major category, and the target and actual year-end asset allocations for each category.

Financial Market Performance Summary
(Annual Gross Rate of Return % for 2018)

			Asset Allocation	
Benchmark Index	Index %	Gwinnett %	Target %	Year-end %
Russell 1000 Value	(8.27)	--	12.5	12.3
Barrow	--	(4.56)	--	--
London	--	(2.18)	--	--
S&P 500 Index	(4.38)	(4.35)		
Russell 1000 Growth	(1.15)	--	12.5	14.0
TWC	--	2.93	--	--
Columbia	--	(3.47)	--	--
Russell Mid Cap Core	(9.06)	(17.60)	3.75	3.2
Russell Mid Cap Value	(12.29)	(14.80)	3.75	3.2
Russell 2000	(11.01)	1.71	7.5	9.2
International Equity Blend	(14.14)	(13.25)	10.0	12.5
Emerging Markets	(14.58)	--	5.0	2.8
Oppenheimer	--	(11.79)	--	--
Brandes	--	(15.57)	--	--
Barclays Aggregate	(.01)	--	20.0	22.4
Voya	--	.38	--	--
Ryan Labs	--	(.23)	--	--
NAREIT	(4.04)	(4.51)	5.0	4.1
GC World Gov Bonds	(.84)	1.44	2.5	2.4
BC Global Agg Ex US	(2.15)	(5.79)	2.5	2.2
Alternate Global Allocation	(5.21)	(10.19)	10.0	9.1
Total Plan Benchmark	(5.81)	(5.06)	100.0	100.0

Contacting the Plan's Financial Management

This financial report is designed to provide a general overview of the Plan's finances, comply with finance-related laws and regulations, and demonstrate commitment to public accountability. If you have questions about this report or would like to request additional information, contact Maria Woods, CFO/Director of Financial Services, Gwinnett County Department of Financial Services, 75 Langley Drive, Lawrenceville, Georgia 30046.

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN

STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

(In Thousands of Dollars)

Assets	
Cash and cash equivalents	$ 1,666
Investments at fair value:	
U.S. treasury bonds	5,550
Asset-backed securities	1,726
U.S. governmental agencies	6,120
Commercial mortgage-backed securities	1,142
Corporate bonds	7,748
Collateralized mortgage obligations	2,000
Corporate equities	69,250
International equities	26,342
Preferred stock	361
Global fixed income	11,985
Total investments	132,224
Securities lending collateral investment pool	8,814
Contributions receivable from employer	3
Total assets	142,707
Liabilities	
Accounts payable	1,380
Liability for securities lending agreement	8,814
Total liabilities	10,194
Net position restricted for other postretirement employee benefits	$ 132,513

See Notes to Financial Statements.

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2018

(In Thousands of Dollars)

Additions	
Contributions:	
Employer	$ 10,649
Total contributions	10,649
Investment income (loss):	
Net decrease in the fair value of investments	(10,486)
Securities lending income	15
Interest and dividends	3,365
	(7,106)
Less - Investment expense	(591)
Securities lending expense	(2)
Net investment loss	(7,699)
Total additions	2,950
Deductions	
Benefits paid	8,871
Insurance premiums	1,654
Administrative expenses	617
Total deductions	11,142
Net increase in fiduciary net position	(8,192)
Net position restricted for OPEB benefits	
Beginning of year	140,705
End of year	$ 132,513

See Notes to Financial Statements.

NOTE 1. DESCRIPTION OF THE PLAN

The Gwinnett County Retirement System Health Insurance Plan (the "Plan") is a single-employer defined benefit postretirement health care plan, or Other Postemployment Benefit (OPEB) plan. The Gwinnett County OPEB Trust is an irrevocable trust established pursuant to Section 115 of the Internal Revenue Code for pre-funding other postemployment benefits provided under its welfare benefit plans in accordance with GASB Standards. The trust was established, effective January 1, 2007, by the Board of Commissioners to pre-fund medical and prescription drug benefits for retirees and other former employees (and their eligible dependents) who are eligible for such benefits under existing County policy. The Retirement Plans Management Committee, composed of seven members who serve without compensation by the Plan, is the Trustee of the Plan. The members of the Retirement Plan's Management Committee are the County Administrator (by position), the County Director of Financial Services (by position), the County Director of Human Resources (by position), a citizen of the County (not a participant in the Plan) appointed by the County Board of Commissioners, two County employees appointed by the County Administrator, and one general member appointed by the County Administrator. The Bank of New York Mellon is the Custodian for the Trust. Benefit provisions and contribution requirements are established and may be amended by the County Administrator.

General
The following brief description of the OPEB plan terms is provided for general information purposes only. Participants should refer to the plan agreement for more complete information.

Contributions
In 2018, Gwinnett County contributed at least an actuarially determined amount to the Plan's trust. The annual contribution amount is determined using actuarial methods and assumptions approved by the Retirement Plans Management Committee. The actuarially determined contribution for the year ended December 31, 2018 was $9,326,659.

Retirement Options/Benefit Provisions
Eligible retirees and former employees who are not Medicare eligible are offered the same health and prescription drug coverage as active employees. Medicare eligible retirees and former employees who are Medicare eligible are offered Medicare Advantage plans. Retirees pay approximately 31% of actuarially calculated and self-supporting monthly rates. The County contributes the remainder of the rates, but it caps its contribution at specific monthly limits. Participants pay 100% of the cost of vision and dental coverage.

NOTE 1. DESCRIPTION OF THE PLAN (CONTINUED)

Eligibility

Eligible participants for Other Postemployment Benefits include:

1. Retirees who retired directly from Gwinnett County and who elected to enroll in the retiree medical benefit plan,
2. Retirees who retired directly from Gwinnett County and who elected to enroll in another, similar retiree medical benefit plan and who subsequently involuntarily lost that other coverage,
3. Surviving beneficiaries receiving a Gwinnett County pension,
4. Ex-elected officials who complete one full term in office and who upon leaving office have no similar group health plan available to them, and
5. Certain disabled former employees.

Fund Membership

The following schedule reflects membership for the Plan as of January 1, 2018.

Active participants	4,733
Retirees and beneficiaries	1,472
Total	6,205

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Plan's significant accounting policies are as follows:

Basis of Accounting

The financial statements of the Plan are prepared under the accrual method of accounting. Contributions, which are based on payrolls for time worked through December 31 each year, are also accrued at year-end.

Cash and Cash Equivalents

The Plan considers all depository accounts, money market depository accounts, and un-invested cash in investment trust accounts to be cash equivalents.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Valuation of Investments

Investments are recorded at fair value. 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 statement of fiduciary net position date. Investment income is recognized on the accrual basis as earned by the Plan.

Payment of Benefits

Benefits to retired participants are recorded when due in accordance with the terms of the Plan.

Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and 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.

NOTE 3. DEPOSITS AND INVESTMENTS

The Plan’s policy in regard to investments, including the allocation of invested assets, is established and may be amended by the Retirement Plans Management Committee by a majority vote of its members. The Plan is authorized to invest in obligations of the United States Treasury or its agencies and instrumentalities, collateralized mortgage obligations, asset and mortgage-backed securities, taxable bonds that are obligations of any state and its agencies, instrumentalities, and political subdivisions, and in certificates of deposit of national or state banks that are fully insured or collateralized by United States obligations. Additionally, the Plan is authorized to invest in common stocks, money market instruments, and corporate bonds and debentures, which are not in default as to principal and interest.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2018, the Plan had $132,224,000 invested in the following types of investments (dollars in thousands) as categorized by credit risk:

Investment	Fair Value	Credit Quality
U.S. treasury bonds	$ 5,550	AA
Asset-backed securities	306	AAA
Asset-backed securities	314	AA
Asset-backed securities	392	BBB
Asset-backed securities	1	B
Asset-backed securities	713	-
U.S. government agencies	4,864	AA
U.S. government agencies	1,256	-
Commercial mortgage-backed securities	231	AAA
Commercial mortgage-backed securities	270	AA
Commercial mortgage-backed securities	61	A
Commercial mortgage-backed securities	580	-
Coporate bonds	44	AAA
Coporate bonds	313	AA
Coporate bonds	2,165	A
Coporate bonds	4,924	BBB
Coporate bonds	75	BB
Coporate bonds	227	-
Collateralized mortgage obligations	69	AAA
Collateralized mortgage obligations	1,613	AA
Collateralized mortgage obligations	7	A
Collateralized mortgage obligations	19	BBB
Collateralized mortgage obligations	292	-
Corporate equities	69,250	-
International equities	26,342	-
Preferred stock	10	A
Preferred stock	60	BBB
Preferred stock	291	-
Global fixed income	679	AAA
Global fixed income	187	AA
Global fixed income	718	A
Global fixed income	1,133	BBB
Global fixed income	25	BB
Global fixed income	9,243	-
Total	$ 132,224	

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk – It is the Plan's policy to limit investments in common or preferred stock of a corporation to those corporations listed on one or more of the recognized national stock exchanges in the United States of America, or those traded on the NASDAQ National Market. The policy also limits stock investments to not more than 5% of the assets of any fund in common or preferred stock of any one issuing corporation. Domestic bonds are limited to those with ratings that meet or exceed investment grade as defined by Moody's, S&P, or Fitch. U.S. government treasuries and agency bonds are not classified by credit quality. Corporate equities, international equities, and related mutual funds invested in equities are also not classified by credit quality.

Concentration – On December 31, 2018, the Plan did not have debt or equity investments in any one organization, other than those issued by the U.S. Government, which represented greater than 5% of plan fiduciary net position.

Interest Rate Risk – As of December 31, 2018, the Plan had $132,224,000 invested in the following types of investments (dollars in thousands) as categorized by interest rate risk:

Investment		Fair Value	Weighted Average Maturity (Years)
U.S. Treasury bonds	$	5,550	14.68
Asset-backed securities		1,726	6.49
U.S. government agencies		6,120	17.97
Commercial mortgage backed securities		1,142	29.86
Corporate bonds		7,748	10.42
Collateralized mortgage obligations		2,000	18.44
Corporate equities		69,250	---
International equities		26,342	---
Preferred stock		361	26.01
Global fixed income		11,985	---
Total	$	132,224	

The Plan investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan: Equity Securities between 50% and 70% at market value, and Fixed Income Securities between 25% and 50% and between 0% and 5% in Alternative Investments. Fixed income securities are indexed to Barclays Capital U.S. Aggregate. As of December 31, 2018, the Fixed Income Assets had an effective duration of 5.77 years compared to the Barclays Capital U.S. Aggregate of 5.80 years. The weighted average yield to maturity of the portfolio was 3.53% compared to the Barclays Aggregate of 3.28%.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Corporate equities, international equities, and related mutual funds invested in equities are also not classified by interest rate risk.

Foreign Currency Risk – At December 31, 2018, $26,342,000, or 19.9% of Plan assets, had exposure of foreign currency risk through investments in foreign companies. The international equities by related currency (dollars in thousands) are as follows:

Investment		Amount
British Pound	$	8,331
Canadian Dollar		662
Australian Dollar		65
Swiss Franc		747
Euro		289
U.S. Dollars invested in mutual funds with only international equity holdings		16,248
Total	$	26,342

Rate of Return – For the year ended December 31, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was (5.47%). The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Custodial Credit Risk – Deposits. Custodial credit risk for deposits is the risk that in the event of a bank failure, the Plan may not be able to recover its deposits.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Securities Lending: State statutes and management committee policies permit the Plan to lend its securities to broker-dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The Plan's custodians lend securities of the type on loan at year-end for collateral in the form of cash or other securities of 102%. The cash collateral is available to the Plan for investment without default.

Cash collateral is invested in overnight investments. At year-end, the Plan had no significant credit risk exposure to borrowers because the amounts the Plan owed the borrowers exceeded the amounts the borrowers owed the Plan. The contract with the Plan's custodian requires it to indemnify the Plan if the borrowers fail to return the securities and if the collateral is inadequate to replace the securities loaned or fail to pay the Plan for income distributions by the securities' issuers while the securities are on loan.

There were no borrower or lending agent default losses or recoveries of prior period losses during the year. There are no income distributions owing on the securities loaned. The Plan records the cash received as collateral under securities lending agreements and the investments purchased with that cash as securities lending short-term collateral investment pool with a corresponding amount recorded as a liability.

Fair Value Measurements: The Plan categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Fair Value Measurements: (continued)

The Plan has the following recurring fair value measurements as of December 31, 2018:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. treasury bonds	$ 5,550	-	-	$ 5,550
Asset-backed securities	-	1,726	-	1,726
U.S. government agencies	-	6,120	-	6,120
Commercial mortgage-backed securities	-	1,142	-	1,142
Corporate bonds	-	7,748	-	7,748
Collateralized mortgage obligations	-	2,000	-	2,000
Corporate equities	60,247	9,003	-	69,250
International equities	25,950	392	-	26,342
Preferred stock	292	69	-	361
Global fixed income	11,985	-	-	11,985
Total	$ 104,024	28,200	-	$ 132,224

The U.S. treasury bonds, corporate equities, international equities, preferred stock and global fixed income investments classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The investments in asset-backed securities, U.S. government agencies, commercial mortgage-backed securities, corporate bonds, collateralized mortgage obligations, corporate equities, international equities, and preferred stock classified as Level 2 on the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

NOTE 4. NET OPEB LIABILITY OF THE COUNTY

Effective January 1, 2017, the Plan implemented the provisions of GASB Statement No, 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which significantly changed the disclosures required related to the Plan. The information disclosed below is presented in accordance with this new standard.

The components of the net OPEB liability of the County at December 31, 2018, were as follows:

Total OPEB liability	$ 223,117,939
Plan fiduciary net position	(132,513,000)
County's net OPEB liability	$ 90,604,939
Plan fiduciary net position as a percentage of the total OPEB liability	59.4%

The required schedule of changes in the County's net OPEB liability and related ratio immediately following the notes to the financial statements presents multiyear trend information about whether the value of plan assets is increasing or decreasing over time relative to the total OPEB liability.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Calculations are based on the substantive plan in effect as of January 1, 2018, and on the current pattern of sharing of costs between the employer and Plan members to that point. The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, with update procedures performed by the actuary to roll forward to the total OPEB liability measured as of December 31, 2018.

NOTE 4. NET OPEB LIABILITY OF THE COUNTY (CONTINUED)

The assumptions used in the January 1, 2018, actuarial valuation are as follows.

Actuarial Methods and Assumptions

Actuarial Cost Method	Entry Age Normal
Long-term Expected Rate of Return On Investments	7.0% (includes inflation of 3.0% and net of OPEB plan investment expense)
Healthcare Cost Trend Rate	
Pre-Medicare	5.0 – 7.75% (includes inflation of 3.0%)
Post-Medicare	5.0 – 5.75% (includes inflation of 3.0%)
Ultimate Healthcare Trend Rate	5.0% (includes inflation of 3.0%)
Year of Ultimate Trend Rate	
Pre-Medicare	2024
Post-Medicare	2021

Mortality rates were based on the following:

Pre-Retirement Mortality: 1983 Group Annuity Mortality Table multiplied by 50% for males and the 1983 Group Annuity Mortality Table for females.

Postretirement Health Mortality: 1994 Group Annuity Mortality Static Table Projected to 2001 using scale AA for males and females.

Postretirement Disability Mortality: 1994 Group Annuity Mortality Static Table Projected to 2001 using scale AA for males and females.

The actuarial assumptions used for retirement, termination, and disability decrements for Plan participants who also are members of the County's defined benefit pension plan are based on the results of an actuarial experience study performed for the three year period ending January 1, 2009. The actuarial assumptions used for retirement and termination for Plan participants who also are members of the County's defined contribution pension plan are based on the results of an actuarial experience study performed for the period from January 1, 2007 through January 1, 2012. The remaining actuarial assumptions used in the January 1, 2018 valuation were based on the results of an actuarial experience study done concurrently with the January 1, 2018 valuation.

NOTE 4. NET OPEB LIABILITY OF THE COUNTY (CONTINUED)

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

Best estimates of the arithmetic real rates of return for each major asset class included in the OPEB Plan's target asset allocation as of January 1, 2018, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return *
U.S. Large Cap Equities	30.0%	5.10%
U.S. Mid Cap Equities	7.5%	5.40%
U.S. Small Cap Equities	7.5%	5.60%
International	10.0%	6.40%
Global Allocation	10.0%	5.70%
Real Estate	5.0%	6.70%
Emerging Markets	5.0%	7.80%
U.S. Fixed Income	20.0%	1.70%
Global Fixed Income	5.0%	2.00%
Cash	0.0%	0.70%
Total	100.0%	

* Returns are net of inflation of 2.1%.

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flow used to determine the discount rate assumed that the County will contribute the actuarially determined amount in subsequent years. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to be available to make projected future benefit payments of all current Plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all of the future projected benefit payments to determine the total OPEB liability.

NOTE 4. NET OPEB LIABILITY OF THE COUNTY (CONTINUED)

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the County, calculated using the discount rate of 7.00%, as well as what the County's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
County's net OPEB liability	$ 109,310,322	$ 90,604,939	$ 74,281,780

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate. The following presents the net OPEB liability of the County, calculated using the healthcare cost trend rate range of 5.00% - 7.75%, as well as what the County's net OPEB liability would be if it were calculated using a healthcare cost trend rate range that is 1-percentage-point lower (4.00% - 6.75%) or 1-percentage-point higher (6.00% - 8.75%) than the current rate:

	1% Decrease (4.00% - 6.75%)	Current Heathcare Cost Trend Rate (5.00% - 7.75%)	1% Increase (6.00% - 8.75%)
County's net OPEB liability	$ 88,259,884	$ 90,604,939	$ 92,610,606

REQUIRED SUPPLEMENTARY INFORMATION

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SCHEDULE OF CHANGES IN THE COUNTY'S NET OPEB LIABILITY AND RELATED RATIO

	2018	2017
Total OPEB liability		
Service cost	$ 4,808,661	$ 4,876,732
Interest on total OPEB liability	13,927,150	13,095,619
Differences between expected and actual experience	15,018,043	-
Changes of assumptions	475,962	-
Benefit payments	(10,525,000)	(11,279,000)
Net change in total OPEB liability	23,704,816	6,693,351
Total OPEB liability - beginning	199,413,123	192,719,772
Total OPEB liability - ending (a)	$ 223,117,939	$ 199,413,123
Plan fiduciary net position		
Contributions - employer	$ 10,649,000	$ 10,212,000
Net investment income	(7,699,000)	19,436,000
Benefit payments	(10,525,000)	(11,279,000)
Administrative expenses	(617,000)	(672,000)
Net change in plan fiduciary net position	(8,192,000)	17,697,000
Plan fiduciary net position - beginning	140,705,000	123,008,000
Plan fiduciary net position - ending (b)	$ 132,513,000	$ 140,705,000
County's net OPEB liability - ending (a) - (b)	$ 90,604,939	$ 58,708,123
Plan fiduciary net position as a percentage of the total OPEB liability	59.4%	70.6%

Notes to the Schedule

The schedule will present 10 years of information once it is accumulated.

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN
REQUIRED SUPPLEMENTARY INFORMATION
(Unaudited)

SCHEDULE OF COUNTY CONTRIBUTIONS
($ in thousands)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	$ 9,327	$ 9,521	$ 10,494	$ 9,895	$ 9,389	$ 11,137	$ 15,641	$ 16,255	$ 15,219	$ 14,332
Actual County contributions	10,649	10,212	13,257	11,587	9,976	11,313	16,877	24,313	26,840	16,521
Contribution deficiency (excess)	$ (1,322)	$ (691)	$ (2,763)	$ (1,692)	$ (587)	$ (176)	$ (1,236)	$ (8,058)	$ (11,621)	$ (2,189)

Notes to the Schedule of Contribution / Assumptions Utilized to Determine Contributions

Valuation Date	January 1, 2017
Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Five year smoothed market value
Assumed Rate of Return On Investments	7% (including 3.0% for inflation)
Healthcare Cost Trend Rate	
Pre-Medicare	5.0 % - 7.0% (including 3.0% for inflation)
Post-Medicare	5.0 % - 5.5% (including 3.0% for inflation)
Year of Ultimate Trend Rate	2022 for Pre-Medicare and 2019 for Medicare
Amortization Method	Level percent of pay, closed
Remaining Amortization Period	28 years

SCHEDULE OF OPEB INVESTMENT RETURNS

	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expenses for the County's OPEB Plan	-5.47%	15.75%	6.45%	-0.27%	6.79%

Note to the Schedule

The schedule will present 10 years of information once it is accumulated.

MAULDIN & JENKINS

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*

To the Members of the Retirement Plans
Management Committee of the Gwinnett County
Public Employees Retirement System
Lawrenceville, 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 the **Gwinnett County Public Employees Retirement System OPEB Health Plan** (the "Plan"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated May 22, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Plan'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 Plan's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 22, 2019

GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

SECTION I
SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	___ yes __X_ no
Significant deficiencies identified not considered to be material weaknesses?	___ yes __X_ none reported
Noncompliance material to financial statements noted?	___ yes __X_ no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2018 due to the total amount expended being less than $750,000.