

**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, 2023**

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2023**

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Retirement Plan's
Management Committee of the Gwinnett County
Public Employees Retirement System
Lawrenceville, Georgia

Report on the Audit of the Financial Statements

Opinion

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, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2023, 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.

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 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

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.

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 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 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 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 Management's Discussion and Analysis, Schedule of Changes in the County's Net OPEB Liability and Related Ratios, Schedule of County Contributions, and Schedule of OPEB Investment Returns, as 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 June 7, 2024 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
June 7, 2024

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ended December 31, 2023**

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 \$182,177,000 as of the fiscal year ended December 31, 2023.
- The fair value of plan investments at December 31, 2023, was \$180,166,000.
- The Plan's funded ratio of the Plan fiduciary net position to the Total OPEB Liability at December 31, 2023, is 93.9%.

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 at December 31, 2023 was \$182,177,000.

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

Summary of Fiduciary Net Position

	December 31, 2023	December 31, 2022	December 31, 2021
Current and other assets	\$ 7,057	\$ 5,878	\$ 8,076
Investments	<u>180,166</u>	<u>161,880</u>	<u>200,452</u>
Total assets	<u>187,223</u>	<u>167,758</u>	<u>208,528</u>
Total liabilities	<u>5,046</u>	<u>4,394</u>	<u>4,793</u>
Net position	<u>\$ 182,177</u>	<u>\$ 163,364</u>	<u>\$ 203,735</u>

Employer contributions of \$6,042,501 were made to the Plan, which include contributions in excess of the actuarially determined contribution of approximately \$442,000. 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 2023 totaled \$12,632,000.

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, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021
Additions:			
Net investment income (loss)	\$ 26,103	\$ (35,578)	\$ 25,609
Contributions:			
Employer	6,043	8,785	9,509
Total additions	<u>32,146</u>	<u>(26,793)</u>	<u>35,118</u>
Deductions:			
Benefit payments	11,412	12,240	11,260
Insurance premiums	1,220	806	1,976
Administrative expenses	701	532	601
Total deductions	<u>13,333</u>	<u>13,578</u>	<u>13,837</u>
Net increase (decrease)	18,813	(40,371)	21,281
Net position, January 1	<u>163,364</u>	<u>203,735</u>	<u>182,454</u>
Net position, December 31	<u>\$ 182,177</u>	<u>\$ 163,364</u>	<u>\$ 203,735</u>

The Plan's gross return on investments for 2023 was 16.38%. The return, net of investment expenses, was 15.96%. The overall plan benchmark rate for 2023 was 14.77%. 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 2023)

<u>Benchmark Index</u>	<u>Index %</u>	<u>Gwinnett %</u>	<u>Asset Allocation</u>	
			<u>Target %</u>	<u>Year end %</u>
Russell 1000 Value	11.46	-	15.0	14.9
Barrow	-	11.88	-	-
London	-	5.88	-	-
Russell 1000 Growth	42.68	-	15.0	16.1
TWC	-	45.33	-	-
Brown Advisory*	-	N/A	-	-
Fidelity Lg Cap Growth Index*	-	N/A	-	-
Russell Mid Cap Growth	25.87	24.05	2.5	2.5
Russell Mid Cap Core	17.42	13.95	2.5	2.9
Russell Mid Cap Value	12.71	17.70	2.5	2.9
Russell 2000	16.93	21.85	7.5	8.3
International Equity Blend	15.62	13.47	15.0	13.3
NAREIT	13.73	9.92	5.0	5.0
Barclays Aggregate	5.53	-	25.0	24.1
Voya	-	6.23	-	-
Ryan Labs	-	6.41	-	-
PIMCO Income Fund	-	9.32	-	-
Hartford Strategic Income	-	9.92	-	-
Columbia Mortgage Opp	-	7.62	-	-
Alternate Global Allocation	3.10	-	10.0	10.1
First Eagle	-	13.19	-	-
Loomis Sayles	-	22.54	-	-
Total Plan Benchmark	14.77	16.38	100.0	100.0

*Brown Advisory Large Cap Growth and Fidelity Large Cap Growth Index were hired in September 2023 and have not completed a full year of performance.

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 Buffy Alexzulian, 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, 2023
(In Thousands of Dollars)**

Assets

Cash and cash equivalents	\$	3,697
Investments at fair value:		
U.S. treasury bonds		9,486
Asset-backed securities		960
U.S. governmental agencies		9,104
Commercial mortgage-backed securities		1,811
Futures contracts		37
Corporate bonds		21,707
Collateralized mortgage obligations		293
Corporate equities		116,532
International government bonds		95
International equities		19,239
Preferred stock		902
Total investments		180,166
Securities lending collateral investment pool		2,815
Contributions receivable from employer		545
Total assets		187,223

Liabilities

Accounts payable		2,231
Liability for securities lending agreement		2,815
Total liabilities		5,046

Net position restricted for other postretirement employee benefits	\$	182,177
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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, 2023
(In Thousands of Dollars)**

Additions

Contributions:

Employer	\$ 6,043
Total contributions	6,043

Investment income:

Net increase in the fair value of investments	22,300
Securities lending income	5
Interest and dividends	4,472
	26,777

Less - Investment expense	(674)
Securities lending expense	-

Net investment income	26,103
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Total additions	32,146
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Deductions:

Benefits paid	11,412
Insurance premiums	1,220
Administrative expenses	701
Total deductions	13,333

Net increase in fiduciary net position	18,813
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Net position restricted for OPEB benefits:

Beginning of year	163,364
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End of year	\$ 182,177
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See Notes to Financial Statements.

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2023**

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 Plan’s 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 Chief Financial Officer (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 2023, 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 Plan’s Management Committee. The actuarially determined contribution for the year ended December 31, 2023 was \$5,601,385, and the County contributed \$6,042,501.

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 37% 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.

NOTES TO FINANCIAL STATEMENTS

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, 2023.

Active participants	5,020
Retirees and beneficiaries	<u>1,752</u>
Total	<u><u>6,772</u></u>

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.

NOTES TO FINANCIAL STATEMENTS

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 Plan's 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

As of December 31, 2023, the Plan had \$180,166,000 invested in the following types of investments (dollars in thousands) as categorized by credit risk:

Investment	Fair Value	Credit Quality
U.S. treasury bonds	\$ 9,486	AA
Asset-backed securities	258	AAA
Asset-backed securities	117	AA
Asset-backed securities	261	A
Asset-backed securities	301	BBB
Asset-backed securities	23	-
U.S. government agencies	9,082	AA
U.S. government agencies	22	-
Commercial mortgage-backed securities	541	AAA
Commercial mortgage-backed securities	32	AA
Commercial mortgage-backed securities	87	A
Commercial mortgage-backed securities	4	BBB
Commercial mortgage-backed securities	1,147	-
Futures contracts	37	-
Corporate bonds	745	AAA
Corporate bonds	310	AA
Corporate bonds	3,853	A
Corporate bonds	5,870	BBB
Corporate bonds	237	BB
Corporate bonds	3	B
Corporate bonds	10,689	-
Collateralized mortgage obligations	16	AAA
Collateralized mortgage obligations	277	AA
Corporate equities	116,532	-
International government bonds	52	AA
International government bonds	43	BBB
International equities	19,239	-
Preferred stock	902	-
Total	<u>\$ 180,166</u>	

NOTES TO FINANCIAL STATEMENTS

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, 2023, 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, 2023, the Plan had \$180,166,000 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	\$ 9,486	14.24
Asset-backed securities	960	6.26
U.S. government agencies	9,104	18.09
Commercial mortgage-backed securities	1,811	29.63
Futures contracts	37	0.23
Corporate bonds	21,707	11.91
Collateralized mortgage obligations	293	22.84
Corporate equities	116,532	-
International government bonds	95	-
International equities	19,239	-
Preferred stock	902	0.21
Total	<u>\$ 180,166</u>	

The Plan investment policy adopts the following asset mix to achieve the lowest level of risk for the Plan: Equity Securities between 50% and 75% at fair 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, 2023, the Fixed Income Assets had an effective duration of 6.09 years compared to the Barclays Capital U.S. Aggregate of 6.19 years. The weighted average yield to maturity of the portfolio was 5.19% compared to the Barclays Aggregate of 4.53%. Corporate equities, international government bonds, and international equities are also not classified by interest rate risk.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Foreign Currency Risk – At December 31, 2023, \$20,768,000, or 11.5% of Plan assets, had exposure of foreign currency risk through investments in foreign companies. The investments by related currency (dollars in thousands) are as follows:

Investment	Amount
Australian Dollar	\$ 1,654
British Pound	638
Canadian Dollar	2,683
Norwegian Krone	177
Euro	15,616
Total	<u>\$ 20,768</u>

Rate of Return – For the year ended December 31, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 15.96%. 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.

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 significant 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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.

The Plan has the following recurring fair value measurements as of December 31, 2023:

Investment	Level 1	Level 2	Level 3	Fair Value
U.S. treasury bonds	\$ 9,486	\$ -	\$ -	\$ 9,486
Asset-backed securities	-	960	-	960
U.S. government agencies	-	9,104	-	9,104
Commercial mortgage-backed securities	-	1,811	-	1,811
Futures contracts	-	37	-	37
Corporate bonds	-	21,707	-	21,707
Collateralized mortgage obligations	-	293	-	293
Corporate equities	116,532	-	-	116,532
International government bonds	95	-	-	95
International equities	19,239	-	-	19,239
Preferred stock	902	-	-	902
Total	\$ 146,254	\$ 33,912	\$ -	\$ 180,166

The U.S. treasury bonds, corporate equities, international government bonds, international equities, and preferred stock 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, futures contracts, corporate bonds, and collateralized mortgage obligations 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. NET OPEB LIABILITY OF THE COUNTY

The components of the net OPEB liability of the County at December 31, 2023, were as follows:

Total OPEB liability	\$	193,951,092
Plan fiduciary net position		<u>182,177,000</u>
County's net OPEB liability	\$	<u><u>11,774,092</u></u>
Plan fiduciary net position as a percentage of total OPEB liability		93.9%

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, 2023, 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, 2023 with updated procedures performed by the actuary to roll forward to the total OPEB liability measured as of December 31, 2023.

NOTES TO FINANCIAL STATEMENTS

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

The assumptions used in the January 1, 2023, 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% (net of OPEB plan investment expense and including inflation of 2.5%)
Healthcare Cost Trend Rate	
Pre-Medicare	7.0%
Medicare	5.125%
Ultimate Healthcare Trend Rate	
Pre-Medicare	4.5%
Medicare	4.5%
Year of Ultimate Trend Rate	
Pre-Medicare	2033
Medicare	2026

Mortality rates were based on the following:

Preretirement Mortality: PubG.H-2010 Headcount Weighted General Median Employee, projected generationally using projection scale MP-2019.

Postretirement Health Mortality: PubG.H-2010 Headcount Weighted General Median Healthy Retiree, projected generationally using projection scale MP-2019.

Postretirement Disability Mortality: PubNS.H-2010 Headcount Weighted Non-Safety Median Disabled Retiree, projected generationally using projection scale MP-2019.

The actuarial assumptions used for retirement, termination, and disability decrements for the 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 ended 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, 2023 valuation were based on the results of an actuarial experience study done concurrently with the January 1, 2023 valuation.

NOTES TO FINANCIAL STATEMENTS

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, 2023, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. Large Cap Growth	15.0%	7.2%
U.S. Large Cap Value	15.0%	7.6%
U.S. Mid Cap	7.5%	8.1%
U.S. Small Cap	7.5%	9.1%
REITs	5.0%	7.7%
Foreign Developed	10.0%	7.5%
Emerging Markets	5.0%	8.9%
Global Equity	10.0%	7.5%
Core Fixed Income	25.0%	2.6%
Total	<u>100.0%</u>	

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.

NOTES TO FINANCIAL STATEMENTS

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

Sensitivity of the net OPEB liability (asset) 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 (asset)	\$ 28,347,130	\$ 11,774,092	\$ (2,559,034)

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 rates as well as what the County's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Discount Rate	1% Increase
County's net OPEB liability	\$ 7,744,574	\$ 11,774,092	\$ 15,666,117

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

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability							
Service cost	\$ 4,595,577	\$ 4,327,909	\$ 4,661,895	\$ 4,818,351	\$ 4,697,672	\$ 4,808,661	\$ 4,876,732
Interest on total OPEB liability	13,393,095	14,834,003	15,379,213	15,654,176	15,567,693	13,927,150	13,095,619
Differences between expected and actual experience	(5,031,146)	(27,642,224)	(9,800,892)	(10,877,353)	(9,026,184)	15,018,043	-
Changes of assumptions	575,210	467,253	(4,553,950)	124,752	2,169,103	475,962	-
Benefit payments	(12,632,000)	(13,046,000)	(13,236,000)	(13,747,000)	(10,840,000)	(10,525,000)	(11,279,000)
Net change in total OPEB liability	900,736	(21,059,059)	(7,549,734)	(4,027,074)	2,568,284	23,704,816	6,693,351
Total OPEB liability - beginning	193,050,356	214,109,415	221,659,149	225,686,223	223,117,939	199,413,123	192,719,772
Total OPEB liability - ending (a)	<u>\$ 193,951,092</u>	<u>\$ 193,050,356</u>	<u>\$ 214,109,415</u>	<u>\$ 221,659,149</u>	<u>\$ 225,686,223</u>	<u>\$ 223,117,939</u>	<u>\$ 199,413,123</u>
Plan fiduciary net position							
Contributions - employer	\$ 6,043,000	\$ 8,785,000	\$ 9,509,000	\$ 10,698,000	\$ 11,910,000	\$ 10,649,000	\$ 10,212,000
Net investment income	26,103,000	(35,578,000)	25,609,000	22,709,000	30,365,000	(7,699,000)	19,436,000
Benefit payments	(12,632,000)	(13,046,000)	(13,236,000)	(13,747,000)	(10,840,000)	(10,525,000)	(11,279,000)
Administrative expenses	(701,000)	(532,000)	(601,000)	(571,000)	(583,000)	(617,000)	(672,000)
Net change in plan fiduciary net position	18,813,000	(40,371,000)	21,281,000	19,089,000	30,852,000	(8,192,000)	17,697,000
Plan fiduciary net position - beginning	163,364,000	203,735,000	182,454,000	163,365,000	132,513,000	140,705,000	123,008,000
Plan fiduciary net position - ending (b)	<u>\$ 182,177,000</u>	<u>\$ 163,364,000</u>	<u>\$ 203,735,000</u>	<u>\$ 182,454,000</u>	<u>\$ 163,365,000</u>	<u>\$ 132,513,000</u>	<u>\$ 140,705,000</u>
County's net OPEB liability - ending (a) - (b)	<u>\$ 11,774,092</u>	<u>\$ 29,686,356</u>	<u>\$ 10,374,415</u>	<u>\$ 39,205,149</u>	<u>\$ 62,321,223</u>	<u>\$ 90,604,939</u>	<u>\$ 58,708,123</u>
Plan fiduciary net position as a percentage of the total OPEB liability	93.9%	84.6%	95.2%	82.3%	72.4%	59.4%	70.6%
Covered Payroll	\$ 366,032,165	\$ 327,723,113	\$ 317,746,411	\$ 296,132,961	\$ 272,336,661	\$ 260,420,086	\$ 240,314,977
County's net OPEB liability as a percentage of covered payroll	3.22%	9.06%	3.26%	13.24%	22.88%	34.79%	24.43%

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)**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	\$ 5,601	\$ 7,992	\$ 9,238	\$ 10,188	\$ 10,563	\$ 9,327	\$ 9,521	\$ 10,494	\$ 9,895	\$ 9,389
Actual County contributions	6,043	8,785	9,509	10,698	11,910	10,649	10,212	13,257	11,587	9,976
Contribution deficiency (excess)	\$ (442)	\$ (793)	\$ (271)	\$ (510)	\$ (1,347)	\$ (1,322)	\$ (691)	\$ (2,763)	\$ (1,692)	\$ (587)

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

Valuation Date	January 1, 2022
Cost Method	Entry Age Normal
Amortization Method	Level percent of pay, closed
Remaining amortization period	23 years
Actuarial Asset Valuation Method	Five year smoothed market value
Assumed Rate of Return	
On Investments	7.00% (including inflation)
Healthcare Cost Trend Rate	
Pre-Medicare	7.00%
Medicare	5.125%
Ultimate Trend Rate	
Pre-Medicare	4.50%
Medicare	4.50%
Year of Ultimate Trend Rate	
Pre-Medicare	2032
Medicare	2025

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

SCHEDULE OF OPEB INVESTMENT RETURNS

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Annual money-weighted rate of return, net of investment expenses for the County's OPEB plan	15.96%	-17.16%	14.25%	13.79%	22.55%	-5.47%	15.75%	6.45%	-0.27%

Note to the Schedule

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



**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 Plan's
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, 2023, and the related notes to the financial statements, which collectively comprise the Plan's basic financial statements, and have issued our report thereon dated June 7, 2024.

Report on 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") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies may exist that have not been identified.

Report on 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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
June 7, 2024

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
OPEB HEALTH PLAN
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2023**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued on whether the financial statements were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:
Material weaknesses identified?

yes no

Significant deficiencies identified?

yes none reported

Noncompliance material to financial statements noted?

yes no

Federal Awards

There was not an audit of major federal award programs as of December 31, 2023 due to the total amount expended being less than \$750,000.