

**GWINNETT COUNTY PUBLIC EMPLOYEES
RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN
(A PENSION TRUST FUND OF GWINNETT
COUNTY, GEORGIA)**

ANNUAL FINANCIAL REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2011**

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN**

**ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED DECEMBER 31, 2011**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying statement of plan net assets of the Gwinnett County Public Employees Retirement System Defined Benefit Pension Plan (the "Plan") as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Plan's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Gwinnett County Public Employees Retirement System Defined Benefit Pension Plan as of December 31, 2011, and the changes in plan net assets for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 14, 2012 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 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* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Schedule of Funding Progress and Schedule of Employer Contributions (on pages 3 through 6 and page 18, 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.

Mauldin & Jenkins, LLC

Atlanta, Georgia
May 14, 2012

**GWINNETT COUNTY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN**

MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended December 31, 2011

Within this section of the Gwinnett County Public Employees Retirement System Defined Benefit Pension Plan annual financial report, County management provides a narrative overview and analysis of the financial activities of the Gwinnett County Defined Benefit (DB) Pension 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 DB Plan is accounted for in a pension trust fund, which was established effective January 1, 2007 by a resolution of the Gwinnett County Board of Commissioners (the BoC).

Financial Highlights

- Plan net assets reported in the financial statements are \$634,700,000 as of the fiscal year ended December 31, 2011. This is an increase of \$39,260,000 from December 31, 2010.
- The actuarial value of assets as of the January 1, 2012 actuarial report was \$652,425,000.
- The fair value of plan investments at December 31, 2011 is \$583,233,000. These are assets held for payment of future retirement benefits to plan members.
- The plan's funded ratio of the actuarial value of assets to the actuarial accrued liability at January 1, 2012 is 76.8%, compared to 73.5% at January 1, 2011.
- Effective January 1, 2007, the DB Pension Plan was closed to new hires. Full time employees hired or rehired after that date are required to join the County's Defined Contribution Plan. Existing DB Plan members will continue to contribute and accrue benefits.

Basic Financial Statements

Management's Discussion and Analysis introduces the basic financial statements for the Plan. The basic financial statements include: (1) statement of plan net assets, (2) statement of changes in plan net assets, 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 Plan Net Assets*. This statement presents information that includes plan assets and liabilities, with the difference reported as *net assets held in trust for pension benefits*. Over time, increases or decreases in net assets 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 Plan Net Assets*, which reports how the plan net assets 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 retirees. The accounting used for fiduciary funds is much like that used for proprietary funds.

Financial Analysis

As shown in the Summary of Net Assets below, the net assets held in trust for pension benefits were \$634,700,000.

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

	Summary of Net Assets		
	December 31, 2011	December 31, 2010	December 31, 2009
Current and Other Assets	\$ 154,809	\$ 131,141	\$ 70,130
Investments	583,233	541,874	469,979
Total Assets	738,042	673,015	540,109
Current Liabilities	103,342	77,575	47,383
Net Assets	\$ 634,700	\$ 595,440	\$ 492,726

Employer contributions of \$64,063,000 were made to the Plan. Pension employer contributions are based on 29.93% of covered wages with an extra employer contribution of \$26,500,000.

Employee contributions to the Plan are made on a pre-tax basis by plan members, based on their required percentage of covered wages. The Plan's benefit payments for 2011 totaled \$41,976,000.

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

Summary of Changes in Net Assets

	Year Ended December 31, 2011	Year Ended December 31, 2010	Year Ended December 31, 2009
Additions:			
Net Investment Income	\$ 8,977	\$ 71,549	\$ 85,585
Contributions:			
Employer	64,063	60,947	37,535
Employee	8,880	9,170	8,562
Total Additions	<u>81,920</u>	<u>141,666</u>	<u>131,682</u>
Deductions:			
Benefit Payments	41,976	38,173	27,803
Other Expenses	684	779	621
Total Deductions	<u>42,660</u>	<u>38,952</u>	<u>28,424</u>
Net Increase	39,260	102,714	103,258
Net Assets, January 1	<u>595,440</u>	<u>492,726</u>	<u>389,468</u>
Net Assets, December 31	<u>\$ 634,700</u>	<u>\$ 595,440</u>	<u>\$ 492,726</u>

The Plan's gross return on investments for 2011 was 2.0%. The return, net of investment expenses, was 1.6%. The overall plan benchmark rate for 2011 was 1.6%. 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 2011)

<u>Benchmark Index</u>	<u>Index %</u>	<u>Gwinnett %</u>	<u>Asset Allocation</u>	
			<u>Target %</u>	<u>Year-end %</u>
Russell 1000 Value	0.4	4.4	12.5	12.5
Russell 1000 Growth	2.6	(2.7)	12.5	12.1
Russell Mid Cap	(1.6)	(4.8)	7.5	7.5
Russell 2000	(4.2)	10.2	7.5	8.3
International Equity Blend	(13.7)	(11.7)	15.0	13.3
BarCap (Lehman) Aggregate	7.8	7.3	40.0	40.5
NAREIT	8.3	9.5	5.0	4.6
Cash (3 mo. T-Bill Index)	<u>0.1</u>	<u>0.3</u>	<u>0.0</u>	<u>1.2</u>
Total Plan Benchmark	1.6	2.0	100.0	100.0

Contacting the Plans' Financial Management

This financial report is designed to provide a general overview of the plans' 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, Director of Financial Services, Gwinnett County Department of Financial Services, 75 Langley Drive, Lawrenceville, Georgia 30046.

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN**

**STATEMENT OF PLAN NET ASSETS
DECEMBER 31, 2011**

(In Thousands of Dollars)

Assets

Cash and cash equivalents	\$ <u>21,968</u>
Investments at fair value:	
United States Treasury notes and bonds	95,748
United States Government agency bonds	47,597
Asset backed securities	774
Commercial mortgage backed securities	15,202
Corporate bonds	55,087
Collateralized mortgage obligations	9,389
Taxable municipal bonds	12,608
Futures contracts	(451)
Corporate equities	238,655
International equities	76,332
Mutual funds invested in equities	32,292
Total investments	<u>583,233</u>
Securities lending collateral investment pool	102,779
Contribution receivable from employer	26,500
Prepaid benefit payment	3,562
Total assets	<u>738,042</u>

Liabilities

Accounts payable	563
Liability for securities lending agreement	102,779
Total liabilities	<u>103,342</u>

Net assets held in trust for pension benefits \$ 634,700

See Notes to Financial Statements.

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN**

**STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 2011**

(In Thousands of Dollars)

Additions	
Contributions:	
Employer	\$ 64,063
Employee	8,880
Total contributions	72,943
 Investment income:	
Investment income	(3,783)
Securities lending income	103
Interest and dividends	15,393
	11,713
Less - investment expense	(2,717)
securities lending expense	(19)
Net investment income	8,977
Total additions	81,920
 Deductions	
Benefits paid	41,976
Administrative expenses	684
Total deductions	42,660
Net increase	39,260
 Net assets held in trust for pension benefits	
Beginning of year	595,440
End of year	\$ 634,700

See Notes to Financial Statements.

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1. DESCRIPTION OF THE PLAN

The Gwinnett County Public Employees Retirement System (the "Plan") is a single-employer defined benefit pension plan. The present plan covers all employees of Gwinnett County who are members of the Defined Benefit Pension Plan. The Plan was created as a successor to a previous plan by action of the Board of Commissioners on September 19, 2006. The Retirement Plans Management Committee, composed of seven members who serve without compensation by the Plan, is the Trustee of the Plan. BNY Mellon Bank is the Custodian for the Plan. Great-West Retirement Services is the Third Party Administrator of the Plan. Benefit provisions and contribution requirements are established and may be amended by the Retirement Plans Management Committee, subject to approval by the Gwinnett County Board of Commissioners.

General

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

Gwinnett County previously participated in the agent-multiple employer Association County Commissioners of Georgia Defined Benefit Plan and the Association County Commissioner of Georgia Defined Benefit Plan Master Trust Agreement sponsored by the Association of County Commissioners of Georgia. Having determined that it was in the best interest of the County and plan participants and beneficiaries, the County established the Gwinnett County Defined Benefit Plan, effective January 1, 2007, as a single employer, locally governed plan for the benefit of its employees and other eligible individuals as provided for in the Plan Document. Assets held in the Association County Commissioner of Georgia Defined Benefit Plan Master Trust for the benefit of Gwinnett County Employees were transferred to the Plan in 2007.

Contributions

Gwinnett County is required to contribute an actuarially determined amount annually to the Plan's trust. The required contribution amount is determined using actuarial methods and assumptions approved by the Retirement Plans Management Committee. It is intended to satisfy the minimum contribution requirements as set forth in controlling State of Georgia statutes. Effective for the January 1, 2011 plan year, the required contribution rate, for County contributions, as a percent of pensionable earnings was set at 29.93%, and the County was contributing at this rate. The employees were required to contribute at an average rate of 7.09% of pensionable earnings.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE PLAN (CONTINUED)

Retirement Options/Benefit Provisions

Normal retirement age under the Plan is 65. Employees having an employment or reemployment date prior to November 1, 2004, become fully vested after three years of service. Employees having an employment or reemployment date after November 1, 2004 become fully vested after five years of service.

Early retirement means the following when a Participant becomes eligible:

- a. *Schedule A*: A participant accruing benefits under Schedule A shall be entitled to an unreduced early retirement pension upon the completion of thirty years of vesting service. A Participant accruing benefits under Schedule A will be entitled to a reduced early retirement pension on the latter of the date he attains sixty years of age and completes ten years of service.
- b. *Schedule B or C*: A participant accruing benefits under Schedule B or Schedule C shall be entitled to an unreduced early retirement pension on the earlier of the following dates; (1) the Participant completes 30 years of vesting service; or (2) latter of the date (a) he attains 50 years of age and (b) his age, combined with his years of vesting service, equals or exceeds seventy-five. A Participant accruing benefits under Schedule B or Schedule C will be entitled to a reduced early retirement pension on the latter of the date he attains 60 years of age and completes ten years of service.

Normal retirement benefits are based on a participant's average monthly compensation for the highest 60 consecutive months of credited service out of the employee's last 120 months of credited service prior to termination of employment. Normal retirement factor is 2.25% of Participant's average monthly compensation multiplied by years of full-time credited service for Schedule A and B. Normal retirement factor is 2.5% of Participant's average monthly compensation multiplied by years of full-time credited service for Schedule C.

Participants who retire will receive a cost of living increase as follows:

- a. *Schedule A*: There is no cost of living adjustment for benefits provided under Schedule A.
- b. *Schedule B or C*: A Participant receiving retirement, disability pension, survivor or deferred vested benefits under the provisions of any of the Employee Contributory Plans shall be entitled to a cost of living adjustment of his benefit in the amount of one percent per year.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. DESCRIPTION OF THE PLAN (CONTINUED)

Retirement Options/Benefit Provisions (continued)

A Participant who, prior to satisfying the requirements for a normal, early or reduced retirement pension shall be entitled to receive a *Disability Pension* if the Participant has completed ten years of full-time service and is determined to be totally disabled by the Social Security Administration prior to the Participant's termination of employment.

Joint and Survivor retirement benefits to a participant's designated beneficiary are provided by the Plan, as well as a *ten years certain* benefit option.

A *Post Retirement Death Benefit* of up to \$15,000 (payable in a lump sum) is provided for each participant receiving an early, reduced, normal or late retirement pension.

Eligibility

Full-time Employees with an employment or reemployment commencement date before December 31, 2006 who did not elect to participate in the Defined Contribution Plan are eligible to participate in the Plan.

Employees hired or rehired after January 1, 2007; County Commissioners, other Elected Officials and Appointed Officials with an employment or reemployment date after August 1, 2000; and employees who elected to participate in the Defined Contribution Plan are excluded from participation in the Defined Benefit Plan. The Defined Benefit Plan is closed to new entrants.

Fund Membership

The following schedule (derived from the most recent actuarial valuation report) reflects membership for the Plan as of January 1, 2012.

Retirees, beneficiaries, and disabled participants receiving benefits	1,562
Terminated plan members entitled to but not receiving benefits	1,001
Active plan members	2,120
Total	<u>4,683</u>

NOTES TO FINANCIAL STATEMENTS

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 liquid money market investments to be cash equivalents.

Valuation of Investments

Investments are recorded at fair value based on quoted market prices. 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 net assets date. Investment income is recognized on the accrual basis as earned by the Plan.

Payment of Benefits

Benefits to retired participants are recorded when paid 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS

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.

As of December 31, 2011, the Plan had \$583,233,000 invested in the following types of investments (dollars in thousands) as categorized by credit risk:

Investment	Fair Value	Credit Quality
U.S. Treasury notes and bonds	\$ 95,748	---
United States Government agency bonds	47,597	---
Asset backed securities	774	AAA
Commercial Mortgage Backed Securities	9,702	AAA
Commercial Mortgage Backed Securities	937	AA
Commercial Mortgage Backed Securities	252	A
Commercial Mortgage Backed Securities	408	BBA
Commercial Mortgage Backed Securities	3,903	Not rated
Collateralized mortgage obligations	1,470	AAA
Collateralized mortgage obligations	7,919	Not rated
Futures contracts	(451)	Not rated
Corporate bonds	7,149	AA
Corporate bonds	19,379	A
Corporate bonds	27,316	BAA
Corporate bonds	1,243	Not rated
Taxable municipal bonds	12,608	Not rated
Corporate equities	238,655	---
International equities	76,332	---
Mutual funds invested in equities	32,292	---
Total	\$ 583,233	

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 five (5) percent 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 mutual funds invested in equities are also not classified by credit quality.

On December 31, 2011, 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 net assets.

Interest Rate Risk – As of December 31, 2011, the Plan had \$583,233,000 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 notes and bonds	\$ 95,748	8.42
United States Government agency bonds	47,597	27.5
Asset backed securities	774	5.29
Commercial mortgage backed securities	15,202	31.82
Collateralized mortgage obligations	9,389	16.41
Corporate bonds	55,087	10.33
Taxable municipal bonds	12,608	9.44
Futures contracts	(451)	0.25
Corporate equities	238,655	---
International equities	76,332	---
Mutual funds invested in equities	32,292	---
Total	<u>\$ 583,233</u>	

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

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 30% and 50%. Fixed income securities are indexed to Barclays Capital U.S. Aggregate. As of December 31, 2011, the Fixed Income Assets had an effective duration of 4.47 years compared to the Barclays Capital U.S. Aggregate of 4.40 years. The weighted average yield to maturity of the portfolio was 2.17% compared to the Barclays Aggregate of 1.86%. Corporate equities, international equities, and mutual funds invested in equities are also not classified by interest rate risk.

Foreign Currency Risk – At December 31, 2011, \$76,332,000 or 13% of Retirement Plan Assets had exposure of foreign currency risk through investments in foreign companies. The international equities by related currency are as follows:

Investment	Amount
British Pound	\$ 40,248
Canadian Dollar	7,718
Australian Dollar	2,943
U.S. Dollars invested in mutual fund with only international equity holdings	25,423
Total	<u>\$ 76,332</u>

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.

Derivative Instruments - The Plan has invested in several futures contracts which qualify as derivative financial instruments. The futures contracts are considered investment derivative instruments.

These futures contracts are exchange-traded securities to buy or sell United States Treasuries at a future date (March 2012 in the case of these contracts) for a specific price. These futures contracts obligate the Plan to purchase United States Treasury Notes with a notional amount of \$77,256,000 on the maturity date in March 2012 while the Plan also has futures contracts obligating it to sell United States Treasury Notes with a notional amount of \$55,660,000 on the maturity date in March 2012. These contracts had no significant value when entered into during 2011 and the change in the fair value is a decrease of \$451,000 resulting in a net fair value balance of these contracts at December 31, 2011 of a negative \$451,000.

NOTES TO FINANCIAL STATEMENTS

NOTE 3. DEPOSITS AND INVESTMENTS (CONTINUED)

Derivative Instruments (continued) - The fair value of the futures contracts were estimated using market rates as of year end for similarly traded contracts and, in order to limit credit risk, these contracts were entered into with national financial institutions with high credit quality. Interest rate risk is minimized due to the relatively short maturity date of these contracts as they mature in March 2012.

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 has no significant credit risk exposure to borrowers because the amounts the Plan owes the borrowers exceed the amounts the borrowers owe 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 and no 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.

NOTES TO FINANCIAL STATEMENTS

NOTE 4. FUNDED STATUS

As of the most recent valuation date, January 1, 2012, the funded status of the Plan was as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/12	\$ 652,425,000	\$ 849,164,503	\$ 196,739,503	76.8%	\$ 116,610,085	168.7%

The required schedule of funding progress immediately following the notes to the financial statements presents multiyear trend information about whether the actuarial value of plan net assets is increasing or decreasing over time relative to the actuarial accrued 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, 2012. The assumptions used in the January 1, 2012 actuarial valuation are as follows.

Actuarial Assumptions

Cost Method	Projected Unit Credit
Actuarial Asset Valuation Method	Five year smoothed market value
Assumed Rate of Return	
On Investments	8.0% (includes inflation of 3.0%)
Projected Salary Increases	4.5%-5.5% (includes inflation of 3.0%)
Cost-of-living Adjustment	1.0%
Amortization Method	Level Percent of Pay (closed)
Remaining Amortization Period	15 years

REQUIRED SUPPLEMENTARY INFORMATION

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
1/1/12	\$ 652,425,000	\$ 849,164,503	\$ 196,739,503	76.8%	\$ 116,610,085	168.7%
1/1/11	594,981,000	809,082,724	214,101,724	73.5%	128,215,151	167.0%
1/1/10	533,811,000	760,822,036	227,011,036	70.2%	132,626,195	171.2%
1/1/09	504,918,000	678,298,559	173,380,559	74.4%	164,391,860	105.5%
1/1/08	481,198,000	607,599,319	126,401,319	79.2%	167,233,473	75.6%
1/1/07	423,952,141	547,758,667	123,806,526	77.4%	170,174,903	72.8%

Schedule of Employer Contributions

Plan Year	Annual Required Contribution (Employer)	Percentage Contributed
2011	\$ 37,563,000	170.5%
2010	27,505,949	221.6%
2009	22,918,918	163.8%
2008	28,037,289	102.8%
2007	28,144,917	117.0%

Due to the creation of the Plan effective January 1, 2007, only information for plan years 2007, 2008, 2009, 2010 and 2011 is presented. As history is accumulated, multi-year information will be presented in these schedules. Actuarial assumptions used in the calculation of above amounts are disclosed in the notes to the financial statements.



**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**

We have audited the statement of plan net assets of the **Gwinnett County Public Employees Retirement System Defined Benefit Pension Plan** (the "Plan") as of December 31, 2011, and the related statement of changes in plan net assets for the year then ended and have issued our report thereon dated May 14, 2012. 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.

Internal Control over Financial Reporting

Management of the Plan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Plan's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Plan's internal control over financial reporting.

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

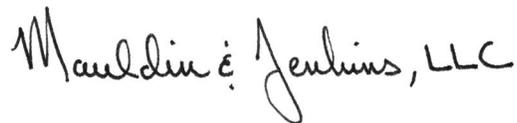
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Plan's financial statements are free of 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*.

We noted certain matters that we reported to management of the Plan in a separate letter dated May 14, 2012.

This report is intended solely for the information and use of the members of the Retirement Plan's Management Committee, the County Board of Commissioners, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Mauldin & Jenkins, LLC". The signature is written in a cursive, flowing style.

Atlanta, Georgia
May 14, 2012

**GWINNETT COUNTY PUBLIC EMPLOYEES RETIREMENT SYSTEM
DEFINED BENEFIT PENSION PLAN**

**SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2011**

**SECTION I
SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued

Unqualified

Internal control over financial reporting:

Material weaknesses identified?

yes no

Significant deficiencies identified not considered
to be material weaknesses?

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, 2011 due to the total amount expended being less than \$500,000.