

**GWINNETT COUNTY BOARD OF
EDUCATION RETIREMENT SYSTEM**

(A Pension Trust Fund of Gwinnett
County Board of Education)

Financial Statements, Required Supplementary Information
and Compliance Reports
For the Year Ended December 31, 2021
With Independent Auditor's Report

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

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INDEPENDENT AUDITOR'S REPORT

**To the Administrative Committee and Members
Gwinnett County Board of Education Retirement System
Suwanee, Georgia**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the **Gwinnett County Board of Education Retirement System** (the "System") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Gwinnett County Board of Education Retirement System, as of December 31, 2021, 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 System 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 opinions.

Responsibilities of Management 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.

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 System'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 judgement 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 System'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 Systems'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, the Schedule of Changes in the District's Net Pension Liability and Related Ratios, the Schedule of District's Contributions, and the Schedule of Investment Returns (on pages 4-7, 23, 24, and 25, 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 October 31, 2022 on our consideration of the System'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 System'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 System's internal control over financial reporting and compliance.

Mauldin & Jenkins, LLC

Atlanta, Georgia
October 31, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

GWINNETT COUNTY BOARD OF EDUCATION RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

Within this section of the Gwinnett County Board of Education Retirement System's (the "Plan") annual financial report, Plan management provides a narrative discussion and analysis of the financial activities of the Plan for the fiscal year ended December 31, 2021. The financial performance of the Plan is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The Plan is a defined benefit pension trust fund of Gwinnett County Board of Education (the "Board" or "District").

Financial Highlights

- Plan fiduciary net position reported in the financial statements is \$2,815,522,176 for the fiscal year reported. This compares to the previous year when the net position reported was \$2,479,304,515 in 2020, representing an increase of \$336,217,661 in 2021. The net position is held in trust to pay pension benefits to employees.
- The fair value of Plan investments at December 31, 2021 is \$2,892,978,378 as compared to \$2,630,489,604 at December 31, 2020.
- The Plan's net position (at market value) as a percentage of the total pension liability ("funded ratio") at December 31, 2021 was 105.03% as compared to 97.49% at December 31, 2020.

Overview of the Financial Statements

Management's Discussion and Analysis introduces the Plan's basic financial statements. 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. The Plan also includes in this report required additional information to supplement the basic financial statements.

Basic Financial Statements

The Plan's annual report includes two basic financial statements. These statements provide both long-term and short-term information about the overall status of the Plan. Financial reporting of the Plan uses a perspective similar to that found in the private sector with its basis in full accrual accounting.

The first of these basic statements is the *Statement of Fiduciary Net Position*. This statement presents information that includes all of the Plan assets and liabilities, with the difference reported as *fiduciary net position*. 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

**GWINNETT COUNTY BOARD OF EDUCATION
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MANAGEMENT’S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

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 (depreciation) are included as net appreciation (depreciation) in the fair value of investments of the Plan.

The Plan is a pension trust fund of the Board. Pension trust resources are not available to fund school board programs but are held in trust to pay retirement benefits to members.

Required Supplementary Information

A brief explanation of the three required schedules found beginning on page 23 of this report is as follows:

Schedule of Changes in the District’s Net Pension Liability and Related Ratios - This schedule presents historical trend information about the changes in the net pension liability and includes the beginning and ending balances of the total pension liability and the Plan’s net position, the net pension liability, and the effects of certain changes on those items. Also included are the ratios of the fiduciary net position to the total pension liability and of the net pension liability to covered payroll. This trend information will be accumulated to display a ten year presentation.

Schedule of District’s Contributions - This schedule presents historical trend information for the last ten consecutive fiscal years about the actuarially determined contributions of the employer and the contributions made in relation to the requirement.

Schedule of Investment Returns - This schedule presents historical trend information about the annual money-weighted rate of return on Plan investments, net of Plan investment expense. This trend information will be accumulated to display a ten year presentation.

Financial Analysis

As shown in the Summary of Fiduciary Net Position below, the net position held in trust for pension benefits increased \$336,217,661 or 13.56% during 2021.

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

Summary of Net Position

	2021		2021-2020 net change	% change
receivables	\$ 4,605	\$ 624	\$ 1,981	75.50%
investments	2,892,978	630,490	262,488	9.98%
total assets	2,897,583	633,114	264,469	10.04%
liabilities	82,061	809	(71,748)	-46.65%
Net Position	<u>\$ 2,815,522</u>	<u>\$ 479,305</u>	<u>\$ 336,217</u>	<u>13.56%</u>

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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

Employer contributions increased \$6,259,084 or 8.45% from 2020 to 2021. This increase is attributable to the increase in the annual required employer contribution rate. In 2020, the rates were 5.53% and 6.41%. In 2021, the rate was 6.41%.

In 2021, there were 21,668 active plan participants and in 2020, there were 21,059 active plan participants. Employee contributions increased \$938,605 or 8.33% from 2020 to 2021. The Plan also experienced a 8.43% increase in benefit payments from 2020 to 2021 resulting from an overall increase in the number of retirees, beneficiaries, and disabled participants currently receiving benefits.

The table below provides a summary of changes in net position (dollar amounts in thousands).

Summary of Changes in Net Position

	<u>2021</u>	<u>2020</u>	<u>2021-2020 net change</u>	<u>% change</u>
Additions:				
Contribution				
Employer	\$ 80,354	\$ 74,095	\$ 6,259	8.4%
Members	12,208	11,269	939	8.3%
Total Contributions	<u>92,562</u>	<u>85,364</u>	<u>7,198</u>	<u>8.4%</u>
Net investment income (loss)	<u>353,833</u>	<u>246,102</u>	<u>107,731</u>	<u>43.8%</u>
Total additions	<u>\$ 446,395</u>	<u>\$ 331,466</u>	<u>\$ 114,929</u>	<u>34.7%</u>
Deductions:				
Benefits paid to participants	\$ 108,557	\$ 100,119	\$ 8,438	8.4%
Other expenses	<u>1,620</u>	<u>1,527</u>	<u>93</u>	<u>6.1%</u>
Total deductions	<u>\$ 110,177</u>	<u>\$ 101,646</u>	<u>\$ 8,531</u>	<u>8.4%</u>
Net increase	\$ 336,218	\$ 229,820	\$ 106,398	46.3%
Net position - January 1	<u>2,479,305</u>	<u>2,249,485</u>	<u>229,820</u>	<u>10.2%</u>
Net position - December 31	<u>\$ 2,815,522</u>	<u>\$ 2,479,305</u>	<u>\$ 336,218</u>	<u>13.6%</u>

The Plan's returns on investments for 2021 and 2020, before investment expenses, were 14.4% and 11.0% respectively. The S&P 500 index returned 28.7% for the year. The MSCI EAFE index returned 11.3%. The large cap sector was ahead of the small cap sector as indicated by the 14.8% Russell 2000 Index returns. The fixed income market posted (1.5)% annual return, which was down 9.0% from the previous year as indicated by the Barclays Capital Aggregate Bond Index.

**GWINNETT COUNTY BOARD OF EDUCATION
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MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended December 31, 2021

Financial Market Summary

(Annual Rates of Return, %)

	December 31		2021-2020
	2021	2020	change
S&P 500 Index	28.7	18.4	(10.3)
Russell 2000 Index	14.8	20.0	(5.2)
MSCI EAFE Index	11.3	7.8	(3.5)
Barclays Aggregate Index	(1.5)	7.5	(9.0)

Contacting the Plan's Financial Management

This financial report is designed to provide a general overview of the Plan 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 Beth Schur, Assistant Director, Gwinnett Retirement System, 437 Old Peachtree Road, N.W., Suwanee, Georgia 30024.

BASIC FINANCIAL STATEMENTS

**GWINNETT COUNTY BOARD OF EDUCATION
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STATEMENT OF FIDUCIARY NET POSITION

December 31, 2021

	<u>2021</u>
Assets	
Receivables:	
Accrued interest and dividends	\$ 3,680,054
Pending trades receivable	924,503
Total receivables	<u>4,604,557</u>
Investments, at fair value:	
Common stocks	133,607,687
Preferred stocks	488,894
Mutual and commingled funds	1,796,768,506
Corporate bonds	494,663,825
Money market funds	24,646,753
Private equity	81,533,465
U.S. treasury inflation protected securities	285,389,318
Securities lending short-term collateral investment pool	76,206,586
Futures contracts	<u>(326,656)</u>
Total investments	<u>2,892,978,378</u>
Total assets	<u><u>2,897,582,935</u></u>
Liabilities	
Accounts payable and accrued expenses	183,005
Pending trades payable	5,677,722
Loan payable for securities lending	76,200,032
Total liabilities	<u>82,060,759</u>
Fiduciary net position restricted for pension benefits	<u><u>\$ 2,815,522,176</u></u>

See accompanying notes to financial statements.

**GWINNETT COUNTY BOARD OF EDUCATION
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STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended December 31, 2021

	2021
Additions	
Contributions	
Employer	\$ 80,353,739
Members	12,208,170
Total Contributions	92,561,909
Investment income	
<i>From investing activities</i>	
Net appreciation in fair value of investments	342,845,809
Interest and dividends	16,349,574
Other investment income	185,901
	359,381,284
Less investment activity expenses	(5,666,512)
Net income from investing activities	353,714,772
<i>From security lending activities</i>	
Security lending income	154,992
Security lending expenses	(24,728)
Net appreciation in fair value - short-term collateral investment pool	(12,168)
Net income from security lending activities	118,096
Net investment income	353,832,868
Total additions	446,394,777
Deductions	
Benefits paid to participants	
Retirement	104,581,381
Disability	3,975,990
Total benefits paid to participants	108,557,371
Administrative expenses	1,619,745
Total deductions	110,177,116
Net increase in fiduciary net position	336,217,661
Net position restricted for pension benefits	
Beginning of year	2,479,304,515
End of year	\$ 2,815,522,176

See accompanying notes to financial statements.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity - The Gwinnett County Board of Education Retirement System (the "Plan") was established by the Gwinnett County Board of Education (the "Board" or "District") as an alternative to the Social Security System. The single employer, defined benefit plan was adopted by the Board on August 16, 1982 and became effective on January 1, 1983. The objective of the Plan is to hold in trust and soundly invest all contributed funds in order to provide defined retirement and long-term disability benefits for all covered employees. As a method of accumulating contributions and measuring costs associated with certain provisions, the Plan establishes separate funds to account for activities related to its retirement and disability benefits. Assets held in these funds are not legally restricted to pay for benefits of specified groups of members or beneficiaries. Accordingly, the accompanying financial statements report the combined activities of the retirement and disability funds as a single plan. The funding method and determination of benefits payable are provided in or authorized by various acts of the State of Georgia Legislature.

The Plan is administered by an Administrative Committee consisting of nine members. The Superintendent shall be a nonvoting member of the Committee. The chief financial officer and the chief benefits administrator shall be voting members of the Committee. The other seven voting, rotating members of the Committee shall be appointed by the Board of Education, each for a term of seven years. The Committee shall consist of three teachers, one local school administrator, one classified employee, and one retiree under the Plan.

Basis of accounting - The Plan's financial statements are prepared in accordance with accounting principles generally accepted in the United States of America and the accrual basis of accounting. Plan member contributions are recognized in the period in which the members provide services. Employer contributions are recognized when due. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The Plan applies the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25.

Method used to value investments - Investments are reported at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Net appreciation (depreciation) in the fair value of investments of the Plan includes realized gains and losses on investment sales and unrealized gains and losses due to market value appreciation (depreciation).

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Purchases and sales of securities are recorded on a trade-date basis. Interest is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Use of 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 disclosures. Actual results could differ from those estimates.

NOTE 2 - DESCRIPTION OF PLAN

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

General - All full-time employees, except students, seasonal, and intermittent workers, of the Board are participants of the Plan. Plan participants are also participants in either the Teachers Retirement System of Georgia or the Public School Employees' Retirement System.

Employee membership data related to the Plan at December 31, 2021 is as follows:

Retirees, beneficiaries and disabled participants currently receiving benefits	10,945
Terminated employees entitled to but not yet receiving benefits	4,953
Active participants	<u>21,668</u>
Total	<u><u>37,566</u></u>

Eligibility and benefits - Employees are eligible to receive benefits at normal retirement age or upon disability or death, as follows:

Normal retirement

The normal retirement benefits begin at age 65 for participants at which time the participant becomes eligible to receive basic annual benefits. The basic benefit equals the sum of 2.2% of earnings up to \$9,000 plus 1.6% of earnings in excess of \$9,000 for each year of participation. The normal form of retirement income is payable during the lifetime of the participant. Optional forms of retirement income are available in lieu of the normal form of retirement at a reduced retirement benefit payable during the lifetime of the participant for joint survivor and period certain beneficiary options.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 2 - DESCRIPTION OF PLAN - Continued

Early retirement

Early retirement is allowed on the first day of the month after the participant is eligible for early retirement as defined by the Teachers Retirement System of Georgia or the Public School Employees' Retirement System of Georgia. Annual benefits are the same as normal retirement basic benefits, with reduction factors applied based on age at retirement if prior to age 65.

Disability

Eligibility is initiated upon incapacity severe enough to prevent the participant from working and which is expected to last at least 12 months or result in death. Monthly benefits equal 60% of earnings, reduced by any benefits received under any other plan, and commence the later of determination of disability or six months. Disability benefits cease upon recovery, death or attainment of age 65.

Termination

For vested employees, benefits upon termination are payable after attaining age 65. Employees whose initial date of employment is prior to July 1, 2012, are vested upon completion of five years of service to the Board. Employees whose initial date of employment is on or after July 1, 2012, are vested upon completion of nine years and nine months of service to the Board. Employees reemployed on or after July 1, 2012 who were not vested upon their termination, are vested upon completion of nine years and nine months of service to the Board.

Death benefits

Retirement benefits are paid to a surviving spouse for life based on the actuarial equivalence of 50% of the participant's benefits, as determined at the date of death for vested employees. Employees who are vested and are without a spouse may have a named beneficiary receive the actuarial equivalent of the employee's accrued retirement benefits for a period of ten years.

Postretirement death benefits are determined by the form of retirement benefit chosen when retirement commences. In addition to the normal form of retirement, joint survivor and periods certain options may also be chosen.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 3 - INVESTMENTS

Authorized investments - As a local retirement system maintained by a political subdivision of the State of Georgia, the Plan's investment practices are subject to the Official Code of Georgia Annotated (O.C.G.A.). Every two years, the Plan must verify to the State Auditor that it has complied with the investment practices outlined in Public Retirement Systems Investment Authority Law (O.C.G.A. 47-20-80 et. seq.), which provides the Plan's authorized investment options.

At December 31, 2021, investments consisted of the following:

	Fair Value	Cost
Common Stock	\$ 133,607,687	\$ 91,850,618
Preferred Stock	488,894	501,414
U.S. Treasury Inflation protected securities	285,389,318	220,879,803
Mutual and Commingled funds:		
International debt and equity securities	587,197,303	392,850,435
Bond market index fund	6,713,608	6,542,423
Equity market index fund	1,106,701,325	699,030,094
Real estate index fund	96,156,270	53,877,790
Corporate bonds	494,663,825	495,513,965
Money market funds and		
short-term commercial paper	24,646,753	24,815,532
Private equity	81,533,465	48,598,174
Securities lending short-term		
collateral investment pool	76,206,586	718,671
Futures contracts	(326,656)	-
	\$ 2,892,978,378	\$ 2,035,178,919

The Administrative Committee is responsible for establishing the investment policy, retention of advisers, providing professional services to the Plan and in general directing the Plan's investments in a manner most appropriate to meeting Plan goals.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 3 - INVESTMENTS - Continued

The Plan investment policy adopts the following asset mix to achieve the lowest level of risk within the appropriate time horizon for the Plan within the time horizon. Based on this policy, the following asset allocation guidelines have been established:

Asset Class	Target Allocation	Minimum Allocation	Maximum Allocation
Large Cap Equity	26.50%	21.50%	31.50%
Small/Mid Cap Equity	6.50%	3.50%	9.50%
Non-U.S. Equity - Developed	14.00%	5.00%	23.00%
Non-U.S. Equity - Emerging	8.00%	3.50%	12.50%
Fixed Income	30.00%	25.00%	35.00%
GTAA	5.00%	2.00%	8.00%
Private Equity	5.00%	0.00%	5.00%
Real Assets	5.00%	2.00%	8.00%
Cash	0.00%	0.00%	5.00%
Total	<u>100.00%</u>		

The Plan's investments are subject to various risks that have the potential to result in losses. These risks are described in detail below.

Custodial credit risk - This is the risk that in the event of a failure of counterparty to a transaction, the Plan will not be able to recover the value of the investment of collateral securities that are in the possession of an outside party. The Plan is exposed to a minimal custodial credit risk. All non-U.S. Government securities that exist in book entry form are held in trust by the custodian in the name of the Plan.

Concentration of credit risk - This is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer. The Plan's investment policy contains limits on the amount that equity managers may invest in the securities of any one issuer to 5% of the value of the portfolio at cost. Investments in U.S. treasury and government agency securities are not limited under the Plan's investment policy.

As of December 31, 2021, no investments (other than those issued or guaranteed by the U.S. Government) in any one organization represent more than 5% of the net position available for benefits.

Credit risk - This is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Plan manages credit risk by limiting investments in corporations and obligations of corporations to those with both a market capitalization in excess of \$100 million and listed as investment grade by a nationally recognized rating agency.

**GWINNETT COUNTY BOARD OF EDUCATION
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 3 – INVESTMENTS – Continued

The table below discloses the credit risk of the fixed income investments of the Plan by rating categories as rated by Moody's.

Ratings Dispersion Table

Moody's Rating	Mutual and Commingled Funds	Money Market Funds and Short-Term Commercial Paper	Corporate Bonds	U.S. Treasury Inflation Protected Securities	Total
A1	\$ -	\$ -	\$ 2,556,485	\$ -	\$ 2,556,485
A2	-	-	5,427,086	-	5,427,086
A3	-	-	9,425,812	-	9,425,812
Aa1	-	-	588,880	-	588,880
Aa2	-	-	1,405,133	-	1,405,133
Aaa	-	-	3,977,576	104,587,384	108,564,960
Ba1	-	-	1,247,255	-	1,247,255
Baa1	-	-	10,285,253	-	10,285,253
Baa2	-	-	12,691,966	-	12,691,966
Baa3	-	-	4,722,872	-	4,722,872
Not rated	1,796,768,506	24,646,753	442,335,507	180,801,934	2,444,552,700
Total	\$ 1,796,768,506	\$ 24,646,753	\$ 494,663,825	\$ 285,389,318	\$ 2,601,468,402

Foreign currency risk - This is the risk that changes in exchange rates will adversely affect the fair value of an investment. The Plan manages foreign currency risk by limiting direct exposure to investments in corporations or obligations organized in a country other than the U.S. or Canada to not more than 40% of the Plan's assets.

Interest rate risk - This is the risk that changes in interest rates will adversely affect the fair value of investments. The Plan has no official policy for the management of interest rate risk. Interest rate risk is monitored by measuring the Option Adjusted Duration of the portfolio, as presented below.

<u>Asset Category</u>	<u>Value</u>	<u>Option Adjusted Duration</u>
Mutual and commingled funds	\$1,796,768,506	Not available
Money market funds	24,646,753	0.08
Corporate bonds	494,663,825	0.92
U.S. treasury inflation protected securities	285,389,318	3.37
Total	<u>\$2,601,468,402</u>	

**GWINNETT COUNTY BOARD OF EDUCATION
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NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 3 – INVESTMENTS – Continued

Rate of Return

For the year ended December 31, 2021, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 11.9%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Investments lending program

State statutes and Administrative Committee policies permit the Plan to lend its securities to broker dealers with a simultaneous agreement to return the collateral for the same securities in the future. The Plan is presently involved in a securities lending program with major brokerage firms. The Plan lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the Plan continues to receive dividends and interest as the owner of the loaned securities. The brokerage firms pledge collateral securities consisting of U.S. Government and agency securities, mortgage backed securities issued by a U.S. Government agency, and corporate bonds. The collateral value must be equal to at least 102% to 105% of the loaned securities' value, depending on the type of collateral security. The System's lending collateral is held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying statement of fiduciary net position since the Plan maintains ownership. The related collateral securities are not recorded as assets on the Plan's statement of fiduciary net position, and a corresponding liability is not recorded, since the Plan is deemed not to have the ability to pledge or trade the collateral securities. In accordance with the criteria set forth in Government Accounting Standards Board No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, the Plan is deemed not to have the ability to pledge or sell collateral securities, since the Plan's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default, the Plan has not previously demonstrated that ability, and there are no indications of the Plan's ability to pledge or sell the collateral securities.

The related cash collateral is recorded as an asset on the Plan's statement of fiduciary net position, and a corresponding liability is recorded. Cash collateral is invested in the lending agent's short-term investment pool, which at year-end has a weighted average maturity of twenty-eight days. The relationship between the maturities of the investment pool and the Plan's loans is affected by the maturities of the securities loans made by other entities that use the agent's pool, which the Plan cannot determine.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 3 – INVESTMENTS – Continued

The table below discloses the custodial credit risk of the System’s investments. The investments which are presented as not categorized represent the value of the securities on loan on December 31, 2021.

Schedule of Investments by Category	Total Fair Value
<i>Investments – Category 1 (Held by System’s Agent in System’s Name)</i>	
Common stock	\$ 120,256,735
Preferred stock	488,894
U.S. Treasury inflation protected securities	285,389,318
Mutual and commingled funds:	
International debt and equity securities	587,197,303
Bond market index fund	2,311,798
Equity market index fund	1,106,627,120
Real estate index fund	96,156,270
Corporate bonds	473,712,109
Money market funds	24,646,753
Private equity	81,533,465
Futures contracts	(326,656)
Total Investments – Category 1	2,777,993,109
 <i>Investments – Not categorized</i>	
Investments Held by Broker-Dealers Under Securities Loans with Cash Collateral	
Common stock	13,350,952
Mutual and commingled funds:	
Bond market index fund	4,401,810
Equity market index fund	74,205
Corporate bonds	20,951,716
Securities lending short-term collateral investment pool	76,206,586
Total Investments – Not categorized	114,985,269
 Total Investments	 \$ 2,892,978,378

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

3 – INVESTMENTS – Continued

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, 2021:

Investment	Level 1	Level 2	Level 3	Fair Value
Common stock	\$ 133,607,687	\$ -	\$ -	\$ 133,607,687
Preferred stock	-	488,894	-	488,894
U.S Treasury Inflation Protected Securities	155,097,789	-	130,291,529	285,389,318
International debt and equity	-	587,197,303	-	587,197,303
Bond market index funds	6,713,608	-	-	6,713,608
Equity market index funds	149,978,318	956,723,007	-	1,106,701,325
Real estate index funds	-	96,156,270	-	96,156,270
Corporate bonds	-	477,933,280	16,730,545	494,663,825
Money market funds and short-term commercial paper	24,646,753	-	-	24,646,753
Private equity	-	-	81,533,465	81,533,465
Securities lending short-term collateral pool	76,206,586	-	-	76,206,586
Futures contracts	(326,656)	-	-	(326,656)
Total Investments	\$ 545,924,085	\$ 2,118,498,754	\$ 228,555,539	\$ 2,892,978,378

The Common stock, U.S. Treasury Inflation Protected Securities, Bond market index funds, Equity market index funds, and Money market funds and Short-term commercial paper classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those investments.

The Preferred stock, International debt and equity funds, Equity market index funds, Real estate index funds, and Corporate bonds 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.

The U.S. Treasury Inflation Protected Securities, Corporate bonds and Private equity investments classified as Level 3 on the fair value hierarchy represent shares held in funds which are not actively traded, and these investments are valued using recent observable transaction information for similar investments and nonbinding bids received from potential buyers of the shares.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 4 – NET PENSION LIABILITY OF THE DISTRICT

The components of the net pension liability of the participating employer at December 31, 2021 were as follows (dollars in thousands):

Total pension liability	\$2,680,741
Plan fiduciary net position	<u>2,815,522</u>
Net pension liability	<u>\$(134,781)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 105.03%

Actuarial assumptions - The total pension liability was determined by an actuarial valuation as of January 1, 2021 which was rolled forward using standard actuarial techniques to December 31, 2021. The following actuarial assumptions were used and applied to all periods included in the measurement:

Inflation	2.40%
Salary increases	3.25% - 6.86% for TRS members, average, 3.25% for non-TRS members including inflation.
Investment rate of return	7.15%, net of pension System investment expense, including inflation
Cost-of-living adjustment	2.40% annually

Mortality rates were as follows:

Preretirement mortality:

TRS Members	The-Pub 2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally is used for preretirement deaths. The rates of improvement have been reduced by 20% for all years prior to the ultimate rate.
PSERS Members	RP-2000 Blue Collar Mortality Table projected to 2025 using the BB projection scale.

Postretirement Health Mortality:

TRS Members	The-Pub 2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally is used for death after service retirement and beneficiaries.
PSERS Members	RP-2000 Blue Collar Mortality Table projected to 2025 using the BB projection scale.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 4 – NET PENSION LIABILITY OF THE DISTRICT – Continued

Postretirement Disabled Mortality:

- TRS Members The-Pub 2010 Teachers Mortality table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally is used for death after disability retirement. The rates of improvement have been reduced by 20% for all years prior to the ultimate rate.

- PSERS Members RP-2000 Blue Collar Mortality Table projected to 2025 using the BB projection scale.

The actuarial assumptions used in the January 1, 2021 valuation were based on the results of the last actuarial experience study, dated May 5, 2017.

The long-term expected rate of return on 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 Plan investment expense 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. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	30.50%	5.72%
Small/Mid Cap Equity	6.50%	6.77%
Non-U.S. Equity - Developed	14.00%	6.55%
Non-U.S. Equity - Emerging	8.00%	8.54%
Real Estate	5.00%	5.41%
U.S Treasuries (Cash Equivalents)	5.00%	-0.33%
TIPS (inflation protected)	5.00%	0.32%
U.S. Corporate Bonds - Core	21.00%	1.14%
Private Equity	4.00%	10.03%
Private Debt	1.00%	5.28%
Total	<u>100.00%</u>	

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 4 – NET PENSION LIABILITY OF EMPLOYER – Continued

Discount rate - The discount rate used to measure the total pension liability was 7.15%. The projection of cash flows used to determine the discount rate assumed the District would contribute the actuarially determined contribution rate to the Plan. The projected future benefit payments for all current Plan members were projected through 2126. Based on those assumptions, the Plan’s fiduciary net position was projected to be available to make all of the projected future benefit payments of current Plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all of the future projected benefit payments to determine the total pension liability.

Actuarial valuation date - The total pension liability is based on the January 1, 2021 actuarial valuation. The result was rolled forward using standard actuarial techniques to December 31, 2021. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the Plan year and then applies the expected investment rate of return for the year.

Sensitivity of the net pension liability to changes to the discount rate - The following presents the net pension liability of the Plan, calculated using the discount rate of 7.15%, as well as what the District’s net position liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease (6.15%)	Current Discount Rate (7.15%)	1% Increase (8.15%)
District's net pension liability (asset)	\$ 240,497,289	\$ (134,780,875)	\$ (443,112,104)

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The Plan’s funding policy, as authorized by the Administrative Committee using guidelines within State legislation, provides for periodic contributions at rates, as determined by the Actuary, when expressed as percent of annual covered payroll are sufficient to provide resources to pay benefits when due. The contribution rate for normal cost is determined using the entry age method.

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

NOTES TO FINANCIAL STATEMENTS

For the Year Ended December 31, 2021

NOTE 5 - CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE - Continued

Actuarial valuations are performed annually to determine contribution rates to be applied to payrolls that coordinate with the Board's fiscal year. Contribution rates for the years ended December 31, 2021, and 2020 were as follows:

Valuation date	Periods	Contribution rates	
		Board	Members
1/1/20	1/1/21 - 12/31/21	6.41%	1.00%
1/1/19	7/1/20 - 12/31/20	6.41%	1.00%
1/1/18	7/1/19 - 6/30/20	5.53%	1.00%

For the year ended December 31, 2021, the Plan was funded by employees and Board contributions as follows:

Employer	\$ 80,353,739
Members	12,208,170
	\$ 92,561,909

The contributions are intended to fund the following activities of the Plan for the year ended December 31, 2021 as follows:

Retirement	\$ 80,353,739
Disability	12,208,170
	\$ 92,561,909

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

**SCHEDULE OF CHANGES IN THE DISTRICT'S NET PENSION LIABILITY AND RELATED RATIOS
For the Year Ended December 31
(Dollars in Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability								
Service cost	\$ 68,721	\$ 67,650	\$ 63,391	\$ 61,557	\$ 60,172	\$ 52,050	\$ 50,520	\$ 48,848
Interest on total pension liability	177,960	167,236	164,774	155,305	147,193	138,878	129,345	120,802
Differences between expected and actual experience	(623)	17,441	5,063	(1,455)	(17,066)	4,773	8,122	-
Changes of assumptions	-	34,265	(27,037)	-	-	106,212	-	-
Benefit payments, including refunds of employee contributions	(108,557)	(100,119)	(92,821)	(85,488)	(78,782)	(71,851)	(65,800)	(59,928)
Net change in total pension liability	137,501	186,473	113,370	129,919	111,517	230,062	122,187	109,722
Total pension liability - beginning	2,543,240	2,356,767	2,243,397	2,113,478	2,001,961	1,771,899	1,649,712	1,539,990
Total pension liability - ending (a)	<u>\$ 2,680,741</u>	<u>\$ 2,543,240</u>	<u>\$ 2,356,767</u>	<u>\$ 2,243,397</u>	<u>\$ 2,113,478</u>	<u>\$ 2,001,961</u>	<u>\$ 1,771,899</u>	<u>\$ 1,649,712</u>
Plan fiduciary net position								
Contributions - employer	\$ 80,354	\$ 74,095	\$ 63,225	\$ 49,587	\$ 35,525	\$ 31,198	\$ 35,213	\$ 36,197
Contributions - member	12,208	11,269	11,181	10,494	10,069	9,779	9,275	8,872
Net investment income (loss)	353,833	246,102	355,228	(126,574)	266,332	131,574	(9,075)	88,905
Benefit payments, including refunds of employee contributions	(108,557)	(100,119)	(92,821)	(85,488)	(78,782)	(71,851)	(65,800)	(59,928)
Administrative expenses	(1,620)	(1,527)	(1,582)	(1,521)	(1,544)	(1,477)	(1,585)	(1,505)
Net change in plan fiduciary net position	336,218	229,820	335,231	(153,502)	231,600	99,223	(31,972)	72,541
Plan fiduciary net position - beginning	2,479,305	2,249,485	1,914,254	2,067,756	1,836,156	1,736,933	1,768,905	1,696,364
Plan fiduciary net position - ending (b)	<u>\$ 2,815,522</u>	<u>\$ 2,479,305</u>	<u>\$ 2,249,485</u>	<u>\$ 1,914,254</u>	<u>\$ 2,067,756</u>	<u>\$ 1,836,156</u>	<u>\$ 1,736,933</u>	<u>\$ 1,768,905</u>
District's net pension liability (asset) - ending (a) - (b)	<u>\$ (134,781)</u>	<u>\$ 63,935</u>	<u>\$ 107,282</u>	<u>\$ 329,143</u>	<u>\$ 45,722</u>	<u>\$ 165,805</u>	<u>\$ 34,966</u>	<u>\$ (119,193)</u>
Plan fiduciary net position as a percentage of the total pension liability	105.03%	97.49%	95.45%	85.33%	97.84%	91.72%	98.03%	107.23%
Covered payroll	\$ 1,191,984	\$ 1,117,074	\$ 1,123,025	\$ 1,081,566	\$ 1,031,160	\$ 948,765	\$ 945,145	\$ 895,915
District's net pension liability as a percentage of covered payroll	-11.31%	5.72%	9.55%	30.43%	4.43%	17.48%	3.70%	-13.30%

Notes to the Schedule

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

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS
For the Year Ended December 31
(Dollars in Thousands)**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Actuarially determined employer contributions	\$ 80,354	\$ 74,095	\$ 63,225	\$ 49,587	\$ 35,525	\$ 31,198	\$ 35,213	\$ 36,197	\$ 26,544	\$ 33,666
Actual employer contributions	\$ 80,354	\$ 74,095	\$ 63,225	\$ 49,587	\$ 35,525	\$ 31,198	\$ 35,213	\$ 36,197	\$ 26,544	\$ 33,666
Annual contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,191,984	\$ 1,117,074	\$ 1,123,025	\$ 1,081,566	\$ 1,031,160	\$ 948,765	\$ 945,145	\$ 895,915	\$ 853,986	\$ 841,255
Contributions as a percentage of covered payroll	6.74%	6.63%	5.63%	4.58%	3.45%	3.29%	3.73%	4.04%	3.11%	4.00%

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS
For the Year Ended December 31
(Dollars in Thousands)**

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expenses	11.9%	10.9%	18.6%	-6.2%	14.5%	7.5%	-0.7%	5.1%

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS
For the Year Ended December 31
(Dollars in Thousands)**

Schedule of Changes in the District's Net Pension Liability and Related Ratios:

The total pension liability contained in this schedule was provided by the Plan's actuary, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the Plan.

Actuarial Methods and Assumptions

Changes of benefit terms:

2008 - The actuarial value of assets recognizes the difference between the actual and expected market value of assets over a five year period.

2012 - The vesting requirement for new hires and non-vested former employees who are rehired will be 10 years instead of 5 years. The normal form of payment for retirees will be a single life annuity but retirees will have the option of selecting an actuarially equivalent optional form of payment.

2020 - Eligibility for retirement was changed from age 65 to age 65 with 9 months of service. The vesting requirement for employees hired after 7/1/2012 was changed from 10 years to 9.75 years. The calculation for earnings for disability benefits was changed from the calendar year preceding to the 12-month period preceding disability.

Changes of assumption:

2008 - Retirement, withdrawal, disability, and mortality rates were changed to more closely reflect recent experience. The salary scale was changed to more closely reflect recent experience.

2009 - The break point increase assumption was eliminated. The assumed rate of return was changed from 7.50% net of investment expenses only to 7.50% net of investment expenses and administrative expenses.

2012 - The assumed investment rate of return was increased from 7.5% to 8.0%. Retirement, withdrawal, disability, and mortality rates were changed to more closely reflect recent experience. The rate of salary inflation was temporarily lowered for a ten year period beginning with the January 1, 2012 valuation. The salary scale was changed to more closely reflect recent experience.

2017 - The assumed investment rate of return was decreased from 8.0% to 7.5%. The inflation rate was reduced from 3.50% to 2.75%. The wage inflation rate was reduced from 4.5% to 3.5%. Retirement, withdrawal, disability, and mortality rates were changed to more closely reflect recent experience.

2019 - The assumed investment rate of return was decreased from 7.50% to 7.25%. The inflation rate was reduced from 2.75% to 2.40%. The wage inflation rate was reduced from 3.50% to 3.25%. The mortality assumption for TRS employees was changed to Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied

**GWINNETT COUNTY BOARD OF EDUCATION
RETIREMENT SYSTEM**

**SCHEDULE OF INVESTMENT RETURNS
For the Year Ended December 31
(Dollars in Thousands)**

generationally. The mortality assumption for disabled retirees was changed to Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally.

2020 – The assumed investment rate of return was decreased from 7.25% to 7.15%.

Method and assumptions used in calculations of actuarially determined contributions:

The actuarially determined contribution rates are determined January 1st on an annual basis payable in the fiscal year beginning 18 months following the valuation date. The following actuarial methods and assumptions were used to determine the contribution rates reported:

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Remaining amortization period	6 – 30 years
Asset valuation method	5-year smoothed market
Postretirement cost of living adjustment	2.40% annually
Actuarial assumptions:	
Projected salary increases:	
TRS members:	3.25% - 6.86%
Non-TRS members:	3.25%

COMPLIANCE REPORT



**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 Administrative Committee and Members
Gwinnett County Board of Education Retirement System
Suwanee, 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 Board of Education Retirement System** (the "System") as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated October 31, 2022.

Report on Internal Control over Financial Reporting

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System'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
October 31, 2022