



Gwinnett County, Georgia, Pension System

Plan Summary	Before 2007 Plan Changes	After 2007 Plan Changes
Plan Type	Defined benefit (DB) and 401(a) Defined contribution (DC) plan administered by Association County Commissions of Georgia (ACCG)	Closed DB plan to new entrants, brought plan administration in-house. DC plan administered by third party.
Contribution Rates	County contributes 11.5% to optional DC Plan DB Plan A: No employee contribution DB Plan B: 5.75% employee contribution DB Plan C: 9% employee contribution DB Plan: County contributes actuarially determined rate	Contributions to DC plan: county contributes 11.5% (for employees hired before 1/1/2007) and 7% (for employees hired after 1/1/2007) Employee selects contribution of 2.5, 5, or 7.5% Employees opting to contribute 2.5% or more to supplemental deferred compensation 457 plan receive additional 1% employer contribution to DC plan
Funding Formula	Plan A (pre-1995 hires): 2.25% multiplier and no employee contribution. Plan B: 2.25% multiplier and 5.75% employee contribution. Plan C: 2.5% multiplier and 9% employee contribution.	Rule of 65, minimum age of 55 with 10 years of service
Membership	DB plan: 1,562 retirees, 1,001 terminated vested, 2,120 active plan members as of January 1, 2012 DC plan: 2,231 contributing members to DC plan as of December 31, 2011 ¹	

Background

Beginning in 1971, Gwinnett County provided a defined benefit (DB) plan to all full-time employees; in 2000, as a recruitment tool, the county added a supplemental 401(a) defined contribution (DC) plan for exempt employees.

In 2005, a new leadership team decided that the county should take over management of its defined benefit pension fund from the Association County Commissions of Georgia (ACCG) to gain more control over asset management, policies, and procedures. On January 1, 2007, Gwinnett County withdrew from the ACCG fund and created a pension board, trust agreements, policies, benchmarks, and plan documents. That year, the county undertook a major reform of the system, including closing it to new employees and making a 401(a) defined contribution plan the primary offering instead.

In creating the pension board, the administration sought a balance of expertise and checks and balance. It set up a seven-member board consisting of the county administrator (ex officio), human resources director (ex officio), finance director (ex officio), and four appointees, including one public safety employee (from police or fire), one general employee, a citizen who was not a member of the pension system, and a county administrator with investment and financial management experience. The county also has an advisory investment committee composed of employees, which reviews investment options and makes recommendations to the board.

The administrative aspects of expanding the defined contribution plan were straightforward. The board established policies for the plan, including the number of funds available to participants and performance benchmarks for the plan administrator and the funds.

The county held a competitive bid for a plan administrator, which included provision for an on-site investment counselor.²

Management discussed the changes with county commissioners in individual meetings; commissioners were receptive to the changes, particularly when they realized how the move to a defined contribution plan would result in substantial savings for the county over the long term and that the changes did not penalize existing employees.

In September 2006, the county commission passed the proposal to close the defined benefit fund to new employees. Concerns raised by members centered on the county's commitment to keeping the defined benefit fund and whether it had the capacity to manage the fund, but these concerns were assuaged when retirees received their pension checks on time and employees realized their retirement benefits were secure.

Funding Progress of DC Plan (for dollar values, in millions)^{3, 4, 5, 6}

Year	Employee Contributions	Employer Contributions
2011	3.9	8.8
2010	3.8	8.4
2009	3.9	8.5
2008	3.2	7.0

*Funding Progress of DB Plan (for dollar values, in millions)*⁷

Year	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL	Funded Ratio	Covered Payroll	ARC
2012	652.4	849.2	196.7	76.8%	116.6	37.6
2011	595.0	809.1	214.1	73.5%	128.2	27.5
2010	533.8	760.8	227.0	70.2%	132.6	22.9

Results to Date

According to Human Resources Director Kenneth Poe, bringing the plan governance in-house was a good decision for the county as the structure is working quite well. Further, the DB plan has recently been rated in the top one percent of plans, based on data from the last five years.⁸ It has been noted that with the county continuing to add new investment options, DC plan members are able to take advantage of a broader range of funds in their investment strategies. The county has not experienced a measurable change in its ability to recruit or retain workers as a result of the change.

Future Plans

Gwinnett County is currently in the process of adding new investment options to the DC plan, including a Roth IRA as well as a secured foundation fund, a guaranteed income investment option. The county is looking at the possibility of changing the vesting schedule for the DC plan, although there are no proposals for such a change at this time.

Finally, building on its commitment to provide investment education and support to its DC plan members, the county is in the process of reviewing proposals for third-party investment advisory services as well as identifying funding to support this added benefit.

Endnotes

- 1 Comprehensive Annual Financial Report for the Year Ended December 31, 2011, Gwinnett County, Georgia
- 2 The official name of the pension board is the Gwinnett County Retirement Plans Management Committee.
- 3 Comprehensive Annual Financial Report for the year ended December 31, 2011, Gwinnett County, Georgia
- 4 Comprehensive Annual Financial Report for the year ended December 31, 2010, Gwinnett County, Georgia
- 5 Comprehensive Annual Financial Report for the year ended December 31, 2009, Gwinnett County, Georgia
- 6 Comprehensive Annual Financial Report for the year ended December 31, 2008, Gwinnett County, Georgia
- 7 Comprehensive Annual Financial Report for the year ended December 31, 2011, Gwinnett County, Georgia
- 8 Based on study by the UBS performance reporting group, which compares peer rankings in the \$1B and under public plan universe and uses the Master Trust Universes compiled by BNY Mellon.