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EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Financial Statements,
Required Supplementary Schedules, and
Additional Information

June 30, 2011

(With Independent Auditors' Report Thereon)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

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Independent Auditors' Report

The Board of Trustees
Employees' Retirement System of Georgia:

We have audited the accompanying financial statements of the Employees' Retirement System of Georgia (the System), a component unit of the State of Georgia, as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's June 30, 2010 financial statements and, in our report dated September 28, 2010, we expressed an unqualified opinion on those financial statements.

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 consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 System's net assets as of June 30, 2011, and the changes in net assets for the year then ended, in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2011 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 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 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.

The management's discussion and analysis, the schedules of funding progress, and schedules of employer contributions on pages 3 through 8 and pages 38 through 39, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the administrative expenses schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

KPMG LLP

September 29, 2011

This section provides a discussion and analysis of the financial performance of the Employees' Retirement System of Georgia (the System) for the year ended June 30, 2011. The discussion and analysis of the System's financial performance is within the context of the accompanying basic financial statements, notes to the financial statements, required supplementary schedules, and additional information following this section.

The System is responsible for administering a cost-sharing, multiple-employer defined benefit pension plan for various employer agencies of Georgia, along with eight other defined benefit pension plans and three defined contribution plans.

The defined benefit pension plans include:

- Employees' Retirement System (ERS)
- Public School Employees Retirement System (PSERS)
- Legislative Retirement System (LRS)
- Georgia Judicial Retirement System (GJRS)
- State Employees' Assurance Department Active Members Trust Fund (SEAD-Active)
- State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB)
- Georgia Military Pension Fund (GMPF)
- Superior Court Judges Retirement Fund (SCJRF)
- District Attorneys Retirement Fund (DARF)

The defined contribution retirement plans include:

- Georgia Defined Contribution Plan (GDCP)
- 401(k) Deferred Compensation Plan (401(k))
- 457 Deferred Compensation Plan (457)

Financial Highlights

The following highlights are discussed in more detail later in this analysis:

- The net assets of the System increased by $1.8 billion, or 13.2%, from $13.7 billion at June 30, 2010 to $15.5 billion at June 30, 2011. The increase was primarily due to the increase in the bond and equities markets in 2011.
- For the year ended June 30, 2011, the total additions to net assets were an increase of $3.2 billion compared to an increase of $1.8 billion for the year ended June 30, 2010. For the year ended June 30, 2011, the additions consisted of employer and member contributions totaling $420 million, insurance premiums of $7.3 million, net investment income of $2.8 billion, and participant fees of $0.8 million.

For the year ended June 30, 2010, the additions consisted of employer and member contributions totaling $410 million, insurance premiums of $7.6 million, net investment income of $1.4 billion, participant fees of $0.9 million, and other income of $0.3 million.

- Net investment income of $2.8 billion in 2011 (comprised of interest and dividend income, the change in fair value of investments, and other, reduced by investment expenses) represents a $1.3 billion increase, compared to the net investment income of $1.4 billion for the year ended June 30, 2010. The net investment income is due primarily to the increase in the bond and equities markets in 2011.
- The total deductions were $1.3 billion and $1.4 billion for the years ended June 30, 2010 and 2011, respectively. For the year ended June 30, 2011, the deductions consisted of benefit payments of $1.3 billion, refunds of $19 million, death benefits of $28 million, and administrative expenses of $21 million. For the year ended June 30, 2010, the deductions consisted of benefit payments of $1.3 billion, refunds of $18 million, death benefits of $28 million, and administrative expenses of $21 million.
- Benefit payments paid to retirees and beneficiaries increased by $66 million, or 5.3%, from $1.26 billion in 2010 to $1.32 billion in 2011. This increase was the result of increases in the number of retirees and beneficiaries receiving benefits across all plans.

Overview of the Financial Statements

The basic financial statements include (1) the combined statement of net assets and changes in net assets, (2) the combining statements of net assets and changes in net assets, and (3) notes to the financial statements. The System also includes in this report additional information to supplement the financial statements.

In addition, the System presents two types of required supplementary schedules, which provide historical trend information about the plans' funding. The two types of schedules include (1) a schedule of funding progress and (2) a schedule of employer contributions.

The System prepares its financial statements on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles. These statements provide information about the System's overall financial status.

Description of the Financial Statements

The *Combined Statement of Net Assets* is the statement of financial position presenting information that includes all of the System's assets and liabilities, with the balance representing the *Net Assets Held in Trust for Pension Benefits*. The investments of the System in this statement are presented at fair value. This statement is presented on page 9.

The *Combined Statement of Changes in Net Assets* reports how the System's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employers and members, group life insurance premiums, participant fees, and net investment income, which includes interest and dividends and the net increase in the fair value of investments. The deductions include benefit payments, life insurance death benefit payments, refunds of member contributions and interest, and administrative expenses. This statement is presented on page 10.

(Continued)

The *Combining Statement of Net Assets* and the *Combining Statement of Changes in Net Assets* present the financial position and change in financial position for each of the funds administered by the System, including the Pooled Investment Fund that holds and invests funds from each of the participating plans and funds. These statements begin on page 11.

Notes to the Financial Statements are presented to provide the information necessary for a full understanding of the financial statements. The notes to the financial statements begin on page 15.

There are two *Required Supplementary Schedules* included in this report. These required schedules are applicable to five of the defined benefit plans: ERS, PSERS, LRS, GJRS, and GMPF. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the plans from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Employer Contributions* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented. The required supplementary schedules begin on page 38.

Notes to Required Supplementary Schedules are presented to provide the information necessary for a full understanding of the supplementary schedules. The notes to required supplementary schedules begin on page 40.

Additional information is presented, beginning on page 42. This section includes the *Administrative Expenses Schedule*. The *Administrative Expenses Schedule* presents the expenses incurred in the administration of these plans and funds, and the contributions from each plan and fund to provide for these expenses.

Financial Analysis of the System

A summary of the System's net assets at June 30, 2011 and 2010 is as follows:

	Net assets 2011	Net assets 2010	Amount change	Percentage change
	(In thousands)			
Assets:				
Cash and cash equivalents and receivables	$ 562,755	466,949	95,806	20.5%
Investments	14,953,673	13,243,276	1,710,397	12.9
Capital assets, net	4,185	6,789	(2,604)	(38.4)
Total assets	15,520,613	13,717,014	1,803,599	13.1
Liabilities:				
Due to brokers and accounts payable	40,899	38,437	2,462	6.4
Net assets	$ 15,479,714	13,678,577	1,801,137	13.2%

(Continued)

The following table presents the investment allocation at June 30, 2011 and 2010:

	2011	2010
Asset allocation at June 30 (in percentages):		
Equities:		
Domestic	50.5%	44.0%
International	16.7	15.4
Domestic obligations:		
U.S. Treasuries	15.8	20.2
U.S. Agencies	0.2	1.9
Corporate and other bonds	8.1	9.8
International obligations:		
Governments	1.5	1.5
Corporates	0.6	0.7
Mutual and common collective trust funds and separate accounts	6.6	6.5
Asset allocation at June 30 (in thousands):		
Equities:		
Domestic	$ 7,556,866	5,820,473
International	2,503,496	2,050,011
Domestic obligations:		
U.S. Treasuries	2,361,012	2,673,779
U.S. Agencies	22,272	244,955
Corporate and other bonds	1,212,752	1,302,714
International obligations:		
Governments	218,352	195,900
Corporates	87,213	88,327
Mutual and common collective trust funds and separate accounts	991,710	867,117
	$ 14,953,673	13,243,276

The total investment portfolio increased by $1.7 billion from 2010, which is due to the increase in the bond and equities markets in 2011.

The investment rate of return in fiscal year ended June 30, 2011 was 21.3% with a 32.3% return on equities and a 3.2% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2011 was 5.3%, with a 3.3% return on equities and a 6.9% return on fixed income investments.

A summary of the changes in the System's net assets for the years ended June 30, 2011 and 2010 is as follows:

	Changes in net assets 2011	Changes in net assets 2010	Amount change	Percentage change
	(In thousands)			
Additions:				
Employer contributions	$ 297,763	290,459	7,304	2.5%
Member contributions	121,742	119,943	1,799	1.5
Participant fees	785	853	(68)	(8.0)
Insurance premiums	7,284	7,655	(371)	(4.8)
Net investment income	2,770,095	1,430,494	1,339,601	93.6
Other	7	292	(285)	(97.6)
Total additions	3,197,676	1,849,696	1,347,980	72.9
Deductions:				
Benefit payments	1,327,325	1,261,079	66,246	5.3
Refunds	19,492	17,533	1,959	11.2
Death benefits	28,257	28,459	(202)	(0.7)
Administrative expenses	21,465	21,180	285	1.3
Total deductions	1,396,539	1,328,251	68,288	5.1
Net increase in net assets	$ 1,801,137	521,445	1,279,692	245.4%

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. In fiscal year 2011, total contributions increased 2.2%, primarily because of an additional appropriation of state funds to the Department of Revenue statutorily required to cover employer contributions for a group of local tax commissioners. This state appropriation offset a contribution percentage that remained unchanged along with a decrease in the number of active contributing members. Net investment income increased by $1.3 billion, due to the increase in the bond and equities markets in 2011.

Deductions – For fiscal year 2011, total deductions increased 5.1%, primarily because of a 5.3% increase in benefit payments. This was due to an increase of approximately 0.04% in the number of retirees receiving benefit payments across all defined benefit plans. Refunds increased by 11.2%, which was primarily due to an increase in the number of refunds processed during 2011. Death benefits decreased 0.7%, which was primarily due to a decrease in the number of death claims processed during 2011. Administrative expenses increased 1.3% over the prior year, primarily due to increases in the employer portion of health insurance and accounting and investment services.

Funding Status

The schedules of funding progress and employer contributions provide information regarding how the plans are performing and funded from an actuarial perspective. The information is based upon actuarial valuations conducted by certified actuaries. The funding ratio, which is presented on the schedule of funding progress, indicates the ratio of the actuarial value of assets and the actuarial accrued liabilities. The higher this ratio, the better position the System is in with regards to its funding requirements. The June 30, 2010 and 2009 actuarial valuations, the latest valuations available, indicate the actuarial value of assets and funding ratios for the five applicable defined benefit retirement plans were as follows:

	Actuarial value of plan assets (In thousands)		Funding ratio	
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009
ERS	$ 13,046,193	13,613,606	80.1%	85.7%
PSERS	737,406	769,618	84.2	93.5
LRS	29,581	30,303	118.3	128.8
GJRS	320,050	317,624	113.7	112.4
GMPF	7,558	6,413	31.8	30.5

In management's opinion, the System continues to operate on an actuarially sound basis, as evidenced by the funding ratios. A funding ratio over 100% indicates the plans, from an actuarial perspective, have more assets available than will be necessary to satisfy the obligations of the plans. GMPF is a relatively new plan that was established in 2002 and is being increasingly funded over time in accordance with contribution amounts recommended by the actuary.

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Employees' Retirement System of Georgia, Two Northside 75, Suite 300, Atlanta, GA 30318.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Combined Statement of Net Assets

June 30, 2011
(with comparative totals as of June 30, 2010)

(In thousands)

Assets		**2011**	**2010**
Cash and cash equivalents	$	489,758	385,739
Receivables:			
Employer and member contributions		19,469	20,521
Interest and dividends		45,676	48,332
Due from brokers for securities sold		6,460	11,081
Other		1,392	1,276
Total receivables		72,997	81,210
Investments – at fair value:			
Domestic obligations:			
U.S. Treasuries		2,361,012	2,673,779
U.S. Agencies		22,272	244,955
Corporate and other bonds		1,212,752	1,302,714
International obligations:			
Governments		218,352	195,900
Corporates		87,213	88,327
Equities:			
Domestic		7,556,866	5,820,473
International		2,503,496	2,050,011
Mutual funds, common collective trust funds, and separate accounts		991,710	867,117
Total investments		14,953,673	13,243,276
Capital assets, net		4,185	6,789
Total assets		15,520,613	13,717,014
Liabilities			
Accounts payable and other		25,309	21,934
Due to brokers for securities purchased		15,590	16,503
Total liabilities		40,899	38,437
Net assets held in trust for pension benefits	$	15,479,714	13,678,577

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
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(A Component Unit of the State of Georgia)

Combined Statement of Changes in Net Assets

Year ended June 30, 2011
(with comparative totals for the year ended June 30, 2010)

(In thousands)

		2011	**2010**
Net assets held in trust for pension benefits – beginning of year	$	13,678,577	13,157,132
Additions:			
Contributions:			
Employer		297,763	290,459
Member		121,742	119,943
Participant fees		785	853
Insurance premiums		7,284	7,655
Administrative expense allotment		7	292
Investment income:			
Net increase in fair value of investments		2,437,741	1,084,565
Interest and dividends		340,400	353,775
Other		1,797	1,701
Total investment income		2,779,938	1,440,041
Less investment expenses		(9,843)	(9,547)
Net investment income		2,770,095	1,430,494
Total additions		3,197,676	1,849,696
Deductions:			
Benefit payments		1,327,325	1,261,079
Refunds of member contributions and interest		19,492	17,533
Death benefits		28,257	28,459
Administrative expenses		21,465	21,180
Total deductions		1,396,539	1,328,251
Net increase in net assets		1,801,137	521,445
Net assets held in trust for pension benefits – end of year	$	15,479,714	13,678,577

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Combining Statement of Net Assets

June 30, 2011

(In thousands)

			Defined contribution plans				
Assets	**Defined Benefit Plans**	**Pooled Investment Fund**	**Georgia Defined Contribution Plan**	**401(k) Plan**	**457 Plan**	**Eliminations**	**Total**
Cash and cash equivalents	$ 8,194	426,147	55,371	23	23	—	489,758
Receivables:							
Employer and member contributions	16,950	—	731	1,314	474	—	19,469
Interest and dividends	—	45,508	168	—	—	—	45,676
Due from brokers for securities sold	—	6,460	—	—	—	—	6,460
Other	804	9	—	335	244	—	1,392
Unremitted insurance premiums	1,351	—	—	—	—	(1,351)	—
Total receivables	19,105	51,977	899	1,649	718	(1,351)	72,997
Investments – at fair value:							
Domestic obligations:							
U.S. Treasuries	—	2,353,706	7,306	—	—	—	2,361,012
U.S. Agencies	—	—	22,272	—	—	—	22,272
Corporate and other bonds	—	1,198,629	14,123	—	—	—	1,212,752
International obligations:							
Governments	—	213,298	5,054	—	—	—	218,352
Corporates	—	87,213	—	—	—	—	87,213
Equities:							
Domestic	—	7,556,866	—	—	—	—	7,556,866
International	—	2,503,496	—	—	—	—	2,503,496
Mutual funds, common collective trust funds, and separate accounts	—	—	—	438,843	552,867	—	991,710
Equity in pooled investment fund	14,374,251	—	—	—	—	(14,374,251)	—
Total investments	14,374,251	13,913,208	48,755	438,843	552,867	(14,374,251)	14,953,673
Capital assets, net	4,185	—	—	—	—	—	4,185
Total assets	14,405,735	14,391,332	105,025	440,515	553,608	(14,375,602)	15,520,613
Liabilities							
Accounts payable and other	21,719	1,491	616	1,011	472	—	25,309
Due to brokers for securities purchased	—	15,590	—	—	—	—	15,590
Insurance premiums payable	1,351	—	—	—	—	(1,351)	—
Due to participating systems	—	14,374,251	—	—	—	(14,374,251)	—
Total liabilities	23,070	14,391,332	616	1,011	472	(14,375,602)	40,899
Net assets held in trust for pension benefits	$ 14,382,665	—	104,409	439,504	553,136	—	15,479,714

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Defined Benefit Plans – Combining Statement of Net Assets

June 30, 2011

(In thousands)

	Defined benefit plans									
Assets	**Employees' Retirement System**	**Public School Employees Retirement System**	**Legislative Retirement System**	**Georgia Judicial Retirement System**	**State Employees' Assurance Department Active**	**State Employees' Assurance Department OPEB**	**Georgia Military Pension Fund**	**Superior Court Judges Retirement Fund**	**District Attorneys Retirement Fund**	**Defined Benefit Plans Total**
Cash and cash equivalents	$ 7,376	107	94	343	4	66	76	125	3	8,194
Receivables:										
Employer and member contributions	16,557	2	34	357	—	—	—	—	—	16,950
Interest and dividends	—	—	—	—	—	—	—	—	—	—
Due from brokers for securities sold	—	—	—	—	—	—	—	—	—	—
Other	804	—	—	—	—	—	—	—	—	804
Unremitted insurance premiums	—	—	—	—	143	1,208	—	—	—	1,351
Total receivables	17,361	2	34	357	143	1,208	—	—	—	19,105
Investments – at fair value:										
Domestic obligations:										
U.S. Treasuries	—	—	—	—	—	—	—	—	—	—
U.S. Agencies	—	—	—	—	—	—	—	—	—	—
Corporate and other bonds	—	—	—	—	—	—	—	—	—	—
International obligations:										
Governments	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—
Equities:										
Domestic	—	—	—	—	—	—	—	—	—	—
International	—	—	—	—	—	—	—	—	—	—
Mutual funds, common collective trust funds, and separate accounts	—	—	—	—	—	—	—	—	—	—
Equity in pooled investment fund	12,326,890	697,015	28,405	321,686	184,636	806,619	9,000	—	—	14,374,251
Total investments	12,326,890	697,015	28,405	321,686	184,636	806,619	9,000	—	—	14,374,251
Capital assets, net	4,185	—	—	—	—	—	—	—	—	4,185
Total assets	12,355,812	697,124	28,533	322,386	184,783	807,893	9,076	125	3	14,405,735
Liabilities										
Accounts payable and other	19,375	1,028	47	985	—	—	249	34	1	21,719
Due to brokers for securities purchased	—	—	—	—	—	—	—	—	—	—
Insurance premiums payable	1,027	—	3	321	—	—	—	—	—	1,351
Due to participating systems	—	—	—	—	—	—	—	—	—	—
Total liabilities	20,402	1,028	50	1,306	—	—	249	34	1	23,070
Net assets held in trust for pension benefits	12,335,410	696,096	28,483	321,080	184,783	807,893	8,827	91	2	14,382,665

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
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(A Component Unit of the State of Georgia)

Combining Statement of Changes in Net Assets

Year ended June 30, 2011

(In thousands)

	Defined Benefit Plans	Pooled Investment Fund	Defined contribution plans: Georgia Defined Contribution Plan	Defined contribution plans: 401(k) Plan	Defined contribution plans: 457 Plan	Total
Net assets held in trust for pension benefits – beginning of year	$ 12,711,917	—	98,557	360,540	507,563	13,678,577
Additions:						
Contributions:						
Employer	272,321	—	—	25,442	—	297,763
Member	45,972	—	17,656	38,006	20,108	121,742
Participant fees	—	—	—	446	339	785
Insurance premiums	7,284	—	—	—	—	7,284
Administrative expense allotment	7	—	—	—	—	7
Investment income:						
Net increase (decrease) in fair value of investments	—	2,306,781	(1)	59,872	71,089	2,437,741
Interest and dividends	—	339,538	829	26	7	340,400
Other	—	—	—	783	1,014	1,797
Less investment expenses	(1,195)	(6,348)	(53)	(1,100)	(1,147)	(9,843)
Allocation of investment income	2,639,971	(2,639,971)	—	—	—	—
Net investment income	2,638,776	—	775	59,581	70,963	2,770,095
Total additions	2,964,360	—	18,431	123,475	91,410	3,197,676
Deductions:						
Benefit payments	1,240,086	—	9	42,457	44,773	1,327,325
Refunds of member contributions and interest	8,102	—	11,390	—	—	19,492
Death benefits	28,257	—	—	—	—	28,257
Administrative expenses	17,167	—	1,180	2,054	1,064	21,465
Total deductions	1,293,612	—	12,579	44,511	45,837	1,396,539
Net increase in net assets	1,670,748	—	5,852	78,964	45,573	1,801,137
Net assets held in trust for pension benefits - end of year	$ 14,382,665	—	104,409	439,504	553,136	15,479,714

See accompanying notes to financial statements.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Defined Benefit Plans – Combining Statement of Changes in Net Assets

Year ended June 30, 2011

(In thousands)

	Defined benefit plans									
	Employees' Retirement System	**Public School Employees Retirement System**	**Legislative Retirement System**	**Georgia Judicial Retirement System**	**State Employees' Assurance Department Active**	**State Employees' Assurance Department OPEB**	**Georgia Military Pension Fund**	**Superior Court Judges Retirement Fund**	**District Attorneys Retirement Fund**	**Defined Benefit Plans Total**
Net assets held in trust for pension benefits – beginning of year	$ 10,956,296	615,333	24,846	271,427	156,132	680,449	6,696	736	2	12,711,917
Additions:										
Contributions:										
Employer	261,132	7,509	75	1,163	—	—	1,282	1,080	80	272,321
Member	39,480	1,451	320	4,721	—	—	—	—	—	45,972
Participant fees	—	—	—	—	—	—	—	—	—	—
Insurance premiums	—	—	—	—	847	6,437	—	—	—	7,284
Administrative expense allotment	—	—	—	—	—	—	—	6	1	7
Investment income:										
Net increase in fair value of investments	—	—	—	—	—	—	—	—	—	—
Interest and dividends	—	—	—	—		—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—
Less investment expenses	(1,195)	—	—	—	—	—	—	—	—	(1,195)
Allocation of investment income	2,270,465	128,096	5,194	57,330	33,023	144,270	1,465	128	—	2,639,971
Net investment income	2,269,270	128,096	5,194	57,330	33,023	144,270	1,465	128	—	2,638,776
Total additions	2,569,882	137,056	5,589	63,214	33,870	150,707	2,747	1,214	81	2,964,360
Deductions:										
Benefit payments	1,168,822	53,980	1,761	13,011	—	—	579	1,853	80	1,240,086
Refunds of member contributions and interest	7,515	267	60	260	—	—	—	—	—	8,102
Death benefits	—	—	—	—	5,197	23,060	—	—	—	28,257
Administrative expenses	14,431	2,046	131	290	22	203	37	6	1	17,167
Total deductions	1,190,768	56,293	1,952	13,561	5,219	23,263	616	1,859	81	1,293,612
Net increase (decrease) in net assets	1,379,114	80,763	3,637	49,653	28,651	127,444	2,131	(645)	—	1,670,748
Net assets held in trust for pension benefits – end of year	$ 12,335,410	696,096	28,483	321,080	184,783	807,893	8,827	91	2	14,382,665

See accompanying notes to financial statements.

(1) General

The accompanying basic financial statements of the Employees' Retirement System of Georgia, including all plans and funds administered by the Employees' Retirement System of Georgia (collectively, the System), is comprised of the Employees' Retirement System of Georgia (ERS), Public School Employees Retirement System (PSERS), Legislative Retirement System (LRS), Georgia Judicial Retirement System (GJRS), Georgia Military Pension Fund (GMPF), State Employees' Assurance Department Active Members Trust Fund (SEAD-Active), State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB), Superior Court Judges Retirement Fund (SCJRF), District Attorneys Retirement Fund (DARF), Georgia Defined Contribution Plan (GDCP), 401(k) Deferred Compensation Plan (401(k) Plan), and the 457 Deferred Compensation Plan (457 Plan). All significant accounts and transactions among the various systems, departments, and funds have been eliminated.

In evaluating how to define the System for financial reporting purposes, the management of the System has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by Governmental Accounting Standards Board (GASB) Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. Based on these criteria, the System has not included any other entities in its reporting entity.

Although the System is a component unit of the State of Georgia's financial reporting entity, it is accountable for its own fiscal matters and presentation of its separate financial statements. The Board of Trustees, comprised of active and retired members, ex-officio state employees, and appointees by the Governor, are ultimately responsible for the administration of the System.

(2) Authorizing Legislation and Plan Descriptions

Each plan and fund, including benefit and contribution provisions, was established and can be amended by state law. The following summarizes authorizing legislation and the plan description of each retirement fund:

(a) ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation.

Membership

As of June 30, 2011, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	40,250
Terminated employees entitled to benefits but not yet receiving benefits	72,918
Active plan members	66,081
Total	179,249
Employers	737

Benefits

Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon state employment that started prior to July 1, 1982 is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members, subject to the modified plan provisions. Effective January 1, 2009, newly hired state employees, as well as rehired state employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan.

Under the old plan, the new plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions and Vesting

Member contributions under the old plan are 4% of annual compensation, up to $4,200 plus 6% of annual compensation in excess of $4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan and GSEPS are 1.25% of annual compensation. The state is required to contribute at a specified percentage of active member payrolls, determined annually by actuarial valuation. The state contributions are not at any time refundable to the member or his/her beneficiary.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation for the old plan and new plans and were set by the Board of Trustees on September 18, 2008 for GSEPS as follows:

	Old plan	New plan	GSEPS
Employer:			
Normal	2.05%	6.80%	2.96%
Employer paid for member	4.75	—	—
Accrued liability	3.61	3.61	3.58
Total	10.41%	10.41%	6.54%

Members become vested after ten years of membership service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within 30 years, based upon the actuarial valuation at June 30, 2010, on the assumption that the total payroll of active members will increase by 2.00% each year.

On November 20, 1997, the ERS Board of Trustees created the Supplemental Retirement Benefit Plan of ERS (SRBP). SRBP was established as a qualified governmental excess benefit plan in accordance with Section 415 of the Internal Revenue Code (IRC §415) as a portion of ERS. The purpose of the SRBP is to provide retirement benefits to employees covered by ERS whose benefits are otherwise limited by IRC §415.

Beginning January 1, 1998, all members and retired former members in ERS are eligible to participate in this plan whenever their benefits under ERS exceed the limitation on benefits imposed by IRC §415.

There were 128 members eligible to participate in this portion of ERS for the year ended June 30, 2011. Employer contributions of $1,760,000 and benefit payments of $1,772,234 under the SRBP are included in the combined statements of changes in net assets for the year ended June 30, 2011. Cash of $8,753 under the SRBP is included in the combined statements of net assets as of June 30, 2011.

(b) PSERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. The ERS Board of Trustees, plus two additional trustees, administers PSERS.

Membership

As of June 30, 2011, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	14,613
Terminated employees entitled to benefits but not yet receiving benefits	72,527
Active plan members	39,255
Total	126,395
Employers	195

Benefits

A member may retire and elect to receive normal monthly retirement benefits after completion of ten years of creditable service and attainment of age 65. A member may choose to receive reduced benefits after age 60 and upon completion of ten years of service.

Upon retirement, the member will receive a monthly benefit of $14.75, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits.

Contributions and Vesting

Members contribute $4 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Employer contributions required for the year ended June 30, 2011 were $187.16 per active member and were based on the June 30, 2008 actuarial valuation.

Members become vested after ten years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contribution, the member forfeits all rights to retirement benefits.

(Continued)

(c) LRS is a cost-sharing multiple-employer defined benefit plan established by the Georgia General Assembly in 1979 for the purpose of providing retirement allowances for all members of the Georgia General Assembly. LRS is administered by the ERS Board of Trustees.

Membership

As of June 30, 2011, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	244
Terminated employees entitled to benefits but not yet receiving benefits	153
Active plan members	218
Total	615
Employers	1

Benefits

A member's normal retirement is after eight years of creditable service and attainment of age 65, or eight years of membership service (four legislative terms) and attainment of age 62. A member may retire early and elect to receive a monthly retirement benefit after completion of eight years of membership service and attainment of age 60; however, the retirement benefit is reduced by 5% for each year the member is under age 62.

Upon retirement, the member will receive a monthly service retirement allowance of $36, multiplied by the number of years of creditable service, reduced by age reduction factors, if applicable. Death benefits are also available through the plan.

Contributions and Vesting

Member contributions are 8.5% of annual salary. The state pays member contributions in excess of 4.75% of annual compensation. Employer contributions are actuarially determined and approved and certified by the ERS Board of Trustees.

There were no employer contributions required for the year ended June 30, 2011 based on the June 30, 2008 actuarial valuation.

Members become vested after eight years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member.

However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

(d) The GJRS is a system created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement Fund, the Superior Court Judges Retirement System, and the District Attorneys Retirement System (collectively, the Predecessor Retirement Systems). As of June 30, 1998, any person who was an active, inactive, or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998. The ERS Board of Trustees and three additional trustees administer GJRS.

GJRS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia.

Membership

As of June 30, 2011, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	220
Terminated employees entitled to benefits but not yet receiving benefits	65
Active plan members	508
Total	793
Employers	95

Benefits

The normal retirement for GJRS is age 60, with 16 years of creditable service; however, a member may retire at age 60 with a minimum of 10 years of creditable service.

Annual retirement benefits paid to members are computed as 66⅔% of state paid salary at retirement for district attorneys and superior court judges and 66⅔% of the average over 24 consecutive months for trial judges and solicitors, plus 1% for each year of credited service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

Contributions and Vesting

Members are required to contribute 7.5% of their annual salary plus an additional 2.5% of their annual salary if spousal benefit is elected. Employer contributions are actuarially determined and approved and certified by the GJRS Board of Trustees.

Employer contributions required for fiscal year 2011 were based on the June 30, 2008 actuarial valuation as follows:

Employer:	
Normal	11.98%
Accrued liability	(8.13)
Total	3.85%

Members become vested after ten years of creditable service. Upon termination of employment, member contributions with accumulated interest are refundable upon request by the member. However, if an otherwise vested member terminates and withdraws his/her member contributions, the member forfeits all rights to retirement benefits.

The employer contributions are projected to liquidate the actuarial accrued funding excess within 16 years, based upon the actuarial valuation at June 30, 2010, assuming that the total payroll of active members increases 3.75% each year.

(e) The GMPF is a single-employer defined benefit pension plan established on July 1, 2002 by the Georgia General Assembly for the purpose of providing retirement allowances and other benefits for members of the Georgia National Guard (National Guard). The ERS Board of Trustees administers the GMPF.

Membership

As of June 30, 2011, GMPF had 568 retirees and beneficiaries currently receiving benefits. Active and inactive plan member information is maintained by one employer, the Georgia Department of Defense.

Benefits

A member becomes eligible for benefits upon attainment of age 60, with 20 or more years of creditable service (including at least 15 years of service as a member of the National Guard), having served at least 10 consecutive years as a member of the National Guard immediately prior to discharge, and having received an honorable discharge from the National Guard.

The retirement allowance is payable for life in the amount of $50 per month, plus $5 per month for each year of creditable service in excess of 20 years. The maximum benefit is $100 per month.

Contributions and Vesting

Employer contributions are actuarially determined and approved and certified by the ERS Board of Trustees. There are no member contributions required.

Employer contributions required for the year ended June 30, 2011 were $110.28 per active member and were based on the June 30, 2008 actuarial valuation.

A member becomes vested after 20 years of creditable service (including at least 15 years of service as a member of the National Guard), having served at least 10 consecutive years as a member of the National Guard immediately prior to discharge, and having received an honorable discharge from the National Guard.

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within 20 years, based upon the actuarial valuation at June 30, 2010.

(f) SEAD-Active was created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, GJRS, and SCJRF. Effective January 1, 2009, members of ERS under the GSEPS plan are not eligible for term life insurance. The SEAD-Active trust fund accumulates in the fund the premiums received from the aforementioned retirement systems, including interest earned on deposits and investments of such payments from active members.

As of June 30, 2011, participation in SEAD-Active is as follows:

Retirees and beneficiaries	N/A
Terminated employees	964
Active plan members	55,412
Total	56,376
Employers	833

Employee contribution rates of 0.05% and 0.02% of members' salaries for old plan members and new plan members, respectively, were appropriated for the fiscal year ending June 30, 2011. There were no employer contribution rates required for the fiscal year ended June 30, 2011. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982, but prior to January 1, 2009.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net assets represent the excess accumulation of investment income and premiums over benefit payments and expenses and are held as a reserve for payment of death benefits under existing policies.

(g) SEAD-OPEB is a cost-sharing multiple-employer defined OPEB plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of ERS, LRS, GJRS, and SCJRF. The SEAD-OPEB trust fund accumulates in the fund the premiums received from the aforementioned retirement systems, including interest earned on deposits and investments of such payments from retired and vested inactive members.

As of June 30, 2011, participation in SEAD-OPEB is as follows:

Retirees and beneficiaries	35,544
Terminated employees	964
Active plan members	55,412
Total	91,920
Employers	833

Employee contribution rates of 0.45% and 0.23% of members' salaries for old plan members and new plan members, respectively, were appropriated for the fiscal year ending June 30, 2011. There were no employer contribution rates required for the fiscal year ended June 30, 2011. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

According to the policy terms covering the lives of members, insurance coverage is provided on a monthly, renewable term basis, and no return premiums or cash value are earned. The net assets represent the excess accumulation of investment income and premiums over benefit payments and expenses and are held as a reserve for payment of death benefits under existing policies.

(h) SCJRF is a single-employer defined benefit pension plan established by the Georgia General Assembly in 1945 for the purpose of providing retirement benefits to the superior court judges of the state of Georgia. SCJRF is directed by its own Board of Trustees. The Boards of Trustees for ERS and SCJRF entered into a contract for ERS to administer the plan effective July 1, 1995.

Membership

As of June 30, 2011, SCJRF had 26 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into SCJRF.

Benefits

The normal retirement for SCJRF is age 68, with 19 years of creditable service, with a benefit of two-thirds the salary paid to superior court judges. A member may also retire at age 65, with a minimum of 10 years of creditable service, with a benefit of one-half the salary paid to superior court judges. Death, disability, and spousal benefits are also available.

Contributions and Vesting

Employer contributions are not actuarially determined, but are provided on an as-needed basis to fund current benefits.

(i) DARF is a defined benefit pension plan established by the Georgia General Assembly in 1949 for the purpose of providing retirement benefits to the district attorneys of the state of Georgia. DARF is directed by its own Board of Trustees. The Boards of Trustees for ERS and DARF entered into a contract for ERS to administer the plan effective July 1, 1995.

Membership

As of June 30, 2011, DARF had 7 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into DARF.

Benefits

Persons appointed as district attorney emeritus shall receive an annual benefit of $15,000, or one-half of the state salary received by such person as a district attorney for the calendar year immediately prior to the person's retirement, whichever is greater.

Contributions and Vesting

Employer contributions are not actuarially determined, but are provided on an as-needed basis to fund current benefits.

(j) GDCP is a defined contribution plan established by the Georgia General Assembly in July 1992 for the purpose of providing retirement allowances for state employees who are not members of a public retirement or pension system and do not participate in Social Security. GDCP is administered by the ERS Board of Trustees.

Membership

As of June 30, 2011, participation in GDCP is as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving benefits	101,847
Active plan members	16,007
Total	117,855
Employers	378

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payments will be based upon mortality tables and interest assumptions adopted by the ERS Board of Trustees. If a terminated member has less than $5,000 credited to his/her account, the ERS Board of Trustees has the option of requiring a lump-sum distribution to the member. Upon the death of a member, a lump-sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary.

Contributions

Members are required to contribute 7.5% of their annual salary. There are no employer contributions. Earnings will be credited to each member's account as adopted by the ERS Board of Trustees. Upon termination of employment, the amount of the member's account is refundable upon request by the member.

(k) The 401(k) Plan was established by the State of Georgia Employee Benefit Plan Council (the Council) in accordance with Georgia Law 1985, as amended, Official Code of Georgia, Sections 45-18-50 through 45-18-58, and Section 401(k) of the Internal Revenue Code (IRC). On October 1, 1994, activity commenced when the 401(k) Plan became available to employees of the State of Georgia Community Service Boards (CSBs). On December 1, 1998, the 401(k) Plan became available to employees of the Georgia Lottery Corporation (GLC). On July 1, 2005, the Plan became available to employees of Fayette County Board of Education; on July 1, 2006, the Plan became available to employees of Walton County Board of Education; and on January 1, 2010, the Plan became available to employees of Henry County Board of Education.

Effective July 1, 1998, the State of Georgia Employee's Deferred Compensation Group Trust (Master Trust) was formed for the State of Georgia Deferred Compensation Program to serve as the funding medium for the 401(k) Plan. At that time, the 401(k) Plan began operating on an employee elective deferral basis for all state employees working at least 1,000 hours in a 12-month period. All assets of the 401(k) Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets of the 401(k) Plan and the State of Georgia Employees' Deferred Compensation 457 Plan are commingled in the Master Trust with the respective trusts owning units of the Master Trust. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

Effective July 1, 2005 (HB275), ERS became the trustee of the 401(k) Plan. Until April 25, 2011, ING LLC and State Street Bank and Trust Company held, administered, and invested the assets of the Master Trust. Effective April 25, 2011, Aon Hewitt and JPMorgan Chase hold, administer, and invest the assets of the Master Trust.

Contributions and Vesting

Participating CSBs, the GLC and Fayette, Walton and Henry County Boards of Education offer employer contributions to eligible employees of up to 7.5% of base salary (limited to a maximum of $245,000 base salary for 2010 and 2011) as either a contribution matching employee elective contributions or an automatic contribution regardless of employee participation. As of January 1, 2009 individual participants may defer up to 80% of eligible compensation, or up to limits prescribed by the IRC (whichever is less).

Effective January 1, 2009, in accordance with O.C.G.A. 47-2-350 through 47-2-360, newly hired state employees, as well as rehired state employees who did not maintain eligibility for the ERS "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). The GSEPS plan includes automatic enrollment in the 401(k) plan at a contribution rate of 1% of salary, along with a matching contribution from the state. The state will match 100% of the employee's initial 1% contribution. Employees can elect to contribute up to an additional 4% and the state will match 50% of the additional 4% of salary. Therefore, the state will match 3% against the employee's 5% total savings. Contributions greater than 5% do not receive any matching funds. Employees who are not participants of the GLC, CSB, or GSEPS plans do not receive any employer contributions in their 401(k) plan.

All employer contributions are subject to a vesting schedule, which determines eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from all state service. Vesting is determined based on the following schedule:

Less than 1 year	—%
1	20
2	40
3	60
4	80
5 or more years	100

For CSB/GLC participants whose services terminated prior to January 1, 2011 but after December 31, 2001, the following vesting schedule applies:

Less than 2 years	—%
2	20
3	40
4	60
5	80
6 or more years	100

For CSB/GLC participants whose services terminated prior to January 1, 2002, the following vesting schedule applies:

Less than 3 years	—%
3	20
4	40
5	60
6	80
7 or more years	100

Employee contributions and earnings thereon are 100% vested at all times. The 401(k) Plan also allows participants to roll over amounts from other qualified plans to their respective account in the 401(k) Plan on approval by the 401(k) Plan Administrator. Such rollovers are 100% vested at the time of transfer.

Distributions

The participant may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

(l) The 457 Plan was established by the State Personnel Board in accordance with Georgia laws 1974, page 198 as amended, Official Code of Georgia, Sections 45-18-30 through 45-18-36, and Section 457 of the Internal Revenue Code (IRC). The 457 Plan is available to employees of the State of Georgia and county health departments and permits such employees to defer a portion of their annual salary until future years. Employee contributions and earnings thereon are 100% vested at all times.

Effective July 1, 1998, the State of Georgia Employee's Deferred Compensation Group Trust (Master Trust) was formed for the State of Georgia Deferred Compensation Program to serve as the funding medium for the 457 Plan. All assets of the 457 Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets of the 457 Plan and the State of Georgia Employees' Deferred Compensation 401(k) Plan are commingled in the Master Trust with the respective trusts owning units of the Master Trust. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

Effective July 1, 2005 (HB275), ERS became the trustee of the 457 Plan. Until April 25, 2011, ING LLC and State Street Bank and Trust Company held, administered, and invested the assets of the Master Trust. Effective April 25, 2011, Aon Hewitt and JPMorgan Chase hold, administer, and invest the assets of the Master Trust.

Distributions

The balance in the employee's account in the 457 Plan is not available to the employee until termination, retirement, death, or unforeseeable emergency as defined in the 457 Plan.

(3) Significant Accounting Policies and System Asset Matters

(a) Basis of Accounting

The System's basic financial statements are prepared on the accrual basis of accounting. Contributions from the employers and members are recognized as additions in the period in which the members provide services. Retirement benefits and refund payments are recognized as deductions when due and payable.

(b) Reclassifications

Certain amounts from fiscal year 2010 have been reclassified to conform to the current period presentation.

(c) Cash and Cash Equivalents

Cash and cash equivalents, reported at cost, include cash on deposit at banks, cash on deposit with the investment custodian earning a credit to offset fees and short-term highly liquid financial securities with original maturities of three months or less from the date of acquisition.

(d) Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investment income is recognized as earned by the System. There are no investments in, loans to, or leases with parties related to the System.

The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

(e) Capital Assets

Capital assets, including software development costs, are stated at cost less accumulated depreciation. The capitalization thresholds are $100,000 for buildings and building improvements and $5,000 for equipment and vehicles. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of five to forty years. Depreciation expense is included in administrative expenses. Maintenance and repairs are charged to administrative expenses when incurred. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of changes in net assets in the period of disposal.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein. Actual results could differ from those estimates.

(4) Investment Program

The System maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the Board of Trustees. All investments are held by agent custodial banks in the name of the System. State statutes and the System's investment policy authorize the System to invest in a variety of short-term and long-term securities as follows:

(a) Cash and Cash Equivalents

The carrying amount of cash on deposit with the investment custodian totaled $100,001,253 at June 30, 2011 with an actual bank balance of $100,128,562. The System's cash balances are fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. Government.

Short-term highly liquid financial securities are authorized in the following instruments:

- Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. Government or obligations unconditionally guaranteed by agencies of the U.S. Government or U.S. corporations. The System or broker promises to repay the cash received, plus interest, at a specific date in the future in exchange for the same securities. The System held repurchase agreements of $380,789,000 at June 30, 2011.

Other short-term securities authorized, but not currently used, are as follows:

- U.S. Treasury obligations.
- Commercial paper, with a maturity of 180 days or less. Commercial paper is an unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The System considers for investment only commercial paper of the highest quality, rated P-l and/or A-l by national credit rating agencies.
- Master notes, an overnight security administered by a custodian bank and an obligation of a corporation whose commercial paper is rated P-l and/or A-l by national credit rating agencies.

Investments in commercial paper or master notes are limited to no more than $500 million in any one name.

(b) Investments

Fixed income investments are authorized in the following instruments:

- U.S. and foreign government obligations. At June 30, 2011, the System held U.S. Treasury bonds of $2,361,011,800 and international government bonds of $218,351,790.
- Obligations unconditionally guaranteed by agencies of the U.S. Government. At June 30, 2011, the System held agency bonds of $22,272,650.
- Corporate bonds with at least an "A" rating by a national rating agency. At June 30, 2011, the System held U.S. corporate bonds of $1,212,751,890 and international corporate bonds of $87,213,400.
- Private placements are authorized under the same general restrictions applicable to corporate bonds. At June 30, 2011, the System did not hold private placements.

Mortgage investments are authorized to the extent that they are secured by first mortgages on improved real property located in the state of Georgia.

Equity securities are also authorized (in statutes) for investment as a complement to the System's fixed-income portfolio and as a long-term inflation hedge. By statute, no more than 70% of the total invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division of Investment Services (the Division), in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the Board of Trustees, in-house research considering such things as yield, growth, and sales statistics, and analysis of independent market research. Equity trades are approved and executed by the Division's staff. Common stocks eligible for investment are approved by the Investment Committee of the Board of Trustees before being placed on an approved list. Equity investments are authorized in the following instruments:

- Domestic equities are those securities considered by The Official Code of Georgia Annotated (O.C.G.A.) to be domiciled in the United States. At June 30, 2011, the System held domestic equities of $7,556,865,400.

- International equities, including American Depository Receipts (ADR), will be a diversified portfolio including both developed and emerging countries. These securities are not considered by the O.C.G.A to be domiciled in the United States. At June 30, 2011, the System held international equities of $3,022,352 and ADRs of $2,500,473,908.

(Continued)

The State of Georgia Employee's Deferred Compensation Group Trust (Master Trust) invests in various mutual funds, common collective trust funds, and separate accounts, as selected by participants. Each participant is allowed to select and invest contributions into 2 mutual funds, 8 common collective trust funds, and 4 separate accounts, as authorized by the Board of Trustees. Mutual funds, common collective trust funds, and separate accounts are reported at the fair value of participant balances.

Substantially all of the investments of ERS, PSERS, LRS, GJRS, GMPF, and SEAD are pooled into one common investment fund. Units in the pooled common investment fund are allocated to the respective plans, based upon the cost of assets contributed, and additional units are allocated to the participating plans, based on the market value of the pooled common investment fund at the date of contribution. Net income of the pooled common investment fund is allocated monthly to the participating plans, based upon the number of units outstanding during the month.

The units and fair value of each plan's equity in the pooled common investment fund at June 30, 2011 were as follows (dollars in thousands):

		Fair value	Units
Employees' Retirement System	$	12,326,890	4,373,714
Public School Employees Retirement System		697,015	247,308
Legislative Retirement System		28,405	10,078
Georgia Judicial Retirement System		321,686	114,138
State Employees' Assurance Department-Active		184,636	65,511
State Employees' Assurance Department-OPEB		806,619	286,198
Georgia Military Pension Fund		9,000	3,193
	$	14,374,251	5,100,140

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the Employees' Retirement System. State law limits investments to investment grade securities.

It is the System's investment policy to require that the bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics and marketability. The System's policy is to require that new purchases of bonds be restricted to high grade bonds rated no lower than "A" by any nationally recognized statistical rating organization. Obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government are not considered to have credit risk and do not require disclosure of credit quality. The notation NR represents those securities that are not rated. The quality ratings of investments in fixed income securities as described by Standard & Poor's and by Moody's Investors Service, which are nationally recognized statistical rating organizations, at June 30, 2011 are shown in the following chart:

Quality Ratings of Fixed Income Investments
Held at June 30, 2011

Investment type	Standard & Poor's/Moody's quality rating	June 30, 2011 fair value
Domestic obligations:		
U.S. Treasuries		$ 2,361,011,800
U.S. Agencies	AA/Aaa	22,272,650
Corporates	AAA/Aaa	165,398,370
	AA/Aa	737,842,040
	AA/A	143,189,960
	A/Aa	5,010,950
	A/A	161,310,570
Total Corporates		1,212,751,890
International obligations:		
Governments	AAA/Aaa	68,257,490
	AA/Aa	86,869,390
	NR/Aa	63,224,910
Total Governments		218,351,790
Corporates	AA/Aa	87,213,400
Total fixed income investments		$ 3,901,601,530

The investment policy requires that repurchase agreements be limited to the purchase of U.S. Treasury or Agency obligations or corporate bonds rated no lower than "A" by any nationally recognized statistical rating organization with a market value in excess of funds advanced. As of June 30, 2011, the System held repurchase agreements included in cash and cash equivalents of $380,789,000.

(Continued)

Mutual funds, common collective trust funds, and separate accounts investments of the deferred compensation plans are not considered to have credit risk and do not require disclosure of credit risk rating.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government’s investment in a single issue. On June 30, 2011, the System did not have debt or equity investments in any one organization, other than those issued or guaranteed by the U. S. Government or its agencies, which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the System has no formal interest rate risk policy, active management of the bond portfolio incorporates interest rate risk to generate improved returns. This risk is managed within the portfolio using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table below quantifies to the fullest extent possible the interest rate risk of the System’s fixed income assets.

Effective Duration of Fixed Income Assets and Repurchase Agreements by Security Type

Fixed income and repurchase agreements security type	Market value June 30, 2011	Percent of all fixed income assets and repurchase agreements	Effective duration (Years)
Domestic obligations:			
U.S. Treasuries	$ 2,361,011,800	55.1%	5.2
U.S. Agencies	22,272,650	0.5	1.6
Corporates	1,212,751,890	28.3	5.1
International obligations:			
Governments	218,351,790	5.1	4.0
Corporates	87,213,400	2.1	2.0
Repurchase agreements	380,789,000	8.9	—
Total	$ 4,282,390,530	100.0%	4.6*

* Total effective duration (years) does not include repurchase agreements.

Mutual funds, common collective trust funds, and separate investments of the deferred compensation plans are not considered to have interest rate risk and do not require disclosure of interest rate risk.

(5) Investments Lending Program

State statutes and Board of Trustees policies permit the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System is presently involved in a securities lending program with major brokerage firms. The System lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the System 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 115% of the loaned securities' value, depending on the type of collateral security.

Securities loaned totaled $2,854,540,198 at fair value at June 30, 2011. The collateral value was equal to 105.7% of the loaned securities' value at June 30, 2011. The System's lending collateral was held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying combined statement of net assets since the System maintains ownership. The related collateral securities are not recorded as assets on the System's combined statement of net assets, and a corresponding liability is not recorded, since the System is deemed not to have the ability to pledge or trade the collateral securities. The System is deemed not to have the ability to pledge or sell the collateral securities, since the System's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default, the System has not previously demonstrated that ability, and there are no indications of the System's ability to pledge or sell the collateral securities.

(6) Operating Leases

The System leases copier machines and mailing equipment under long-term, noncancelable operating lease agreements. The leases expire at various dates through 2013 and provide for renewal options ranging from one year to five years. Lease expense totaled $12,206 during 2011. The following is a schedule by years of future minimum rental payments required under operating leases in excess of one year as of June 30, 2011.

Fiscal year ending June 30:		
2012	$	8,805
2013		1,267
Total minimum payments required	$	10,072

(7) Capital Assets

The following is a summary of capital assets and depreciation information as of and for the year ended June 30, 2011:

	Balance at June 30, 2010	Additions	Disposals	Balance at June 30, 2011
Capital assets:				
Land	$ 944,225	—	—	944,225
Building	2,800,000	—	—	2,800,000
Equipment	1,516,095	504,835	—	2,020,930
Vehicles	13,381	—	—	13,381
Computer software	14,344,610	—	—	14,344,610
	19,618,311	504,835	—	20,123,146
Accumulated depreciation for:				
Building	(420,000)	(70,000)	—	(490,000)
Equipment	(958,067)	(168,033)	—	(1,126,100)
Vehicles	(6,544)	(1,911)	—	(8,455)
Computer software	(11,444,874)	(2,868,921)	—	(14,313,795)
	(12,829,485)	(3,108,865)	—	(15,938,350)
Capital assets, net	$ 6,788,826	(2,604,030)	—	4,184,796

During fiscal year 2011, the System did not experience any capital asset impairment loss with respect to the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

(8) Funded Status and Funding Progress

The funded status of each plan as of June 30, 2010, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL/ (funding excess) (b-a)	Funding ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/(funding excess) as percentage of covered payroll [(b-a)/c]
ERS	$ 13,046,193	16,295,352	3,249,159	80.1%	$ 2,571,042	126.4%
PSERS [1]	737,406	875,396	137,990	84.2	N/A	N/A
LRS	29,581	25,003	(4,578)	118.3	3,745	(122.2)
GJRS	320,050	281,496	(38,554)	113.7	51,293	(75.2)
GMPF [2]	7,558	23,773	16,215	31.8	N/A	N/A

[1] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member per month for nine months each fiscal year.

[2] No statistics regarding covered payroll are available. Active and inactive plan member information is maintained by the Georgia Department of Defense.

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plans assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

	ERS	PSERS	LRS
Valuation date	June 30, 2010	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percent of pay, open	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	30 years	N/A
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market
Actuarial assumptions:			
Investment rate of return[1]	7.50%	7.50%	7.50%
Projected salary increases[1]		N/A	N/A
Fiscal Year 2011	0.00 %		
Fiscal Years 2012-2013	2.725 - 4.625%		
Fiscal Years 2014+	5.45 - 9.25%		
Postretirement cost-of-living adjustment	None	3.00% annually	3.00% annually

	GJRS	GMPF
Valuation date	June 30, 2010	June 30, 2010
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level dollar, open
Remaining amortization period	16 years	20 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]		N/A
Fiscal Year 2011	0.00 %	
Fiscal Years 2012-2013	3.00 %	
Fiscal Years 2014+	6.00 %	
Postretirement cost-of-living adjustment	None	None

[1] Includes inflation rate of 3.00%.

REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

(See Accompanying Independent Auditors' Report)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Required Supplementary Schedules

Schedules of Funding Progress

(In thousands)

(Unaudited)

	Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL/(funding excess) (b-a)	Funding ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/(funding excess) as percentage of covered payroll [(b-a)/c]
Employees' Retirement System	6/30/2005	$ 13,134,472	13,512,773	378,301	97.2%	$ 2,514,430	15.0%
	6/30/2006	13,461,132	14,242,845	781,713	94.5	2,630,167	29.7
	6/30/2007	13,843,689	14,885,179	1,041,490	93.0	2,680,972	38.8
	6/30/2008	14,017,346	15,680,857	1,663,511	89.4	2,809,199	59.2
	6/30/2009	13,613,606	15,878,022	2,264,416	85.7	2,674,155	84.7
	6/30/2010	13,046,193	16,295,352	3,249,159	80.1	2,571,042	126.4
Public School Employees Retirement System [1]	6/30/2005	753,767	671,040	(82,727)	112.3	N/A	N/A
	6/30/2006	766,277	691,651	(74,626)	110.8	N/A	N/A
	6/30/2007	785,460	746,078	(39,382)	105.3	N/A	N/A
	6/30/2008	791,855	770,950	(20,905)	102.7	N/A	N/A
	6/30/2009	769,618	823,232	53,614	93.5	N/A	N/A
	6/30/2010	737,406	875,396	137,990	84.2	N/A	N/A
Legislative Retirement System	6/30/2005	28,462	23,531	(4,931)	121.0	3,586	(137.5)
	6/30/2006	29,172	23,407	(5,765)	124.6	3,602	(160.0)
	6/30/2007	30,049	24,357	(5,692)	123.4	3,688	(154.3)
	6/30/2008	30,706	24,454	(6,252)	125.6	3,778	(165.5)
	6/30/2009	30,303	23,523	(6,780)	128.8	3,780	(179.4)
	6/30/2010	29,581	25,003	(4,578)	118.3	3,745	(122.2)
Georgia Judicial Retirement System	6/30/2005	264,924	213,060	(51,864)	124.3	42,916	(120.9)
	6/30/2006	279,564	229,837	(49,727)	121.6	45,308	(109.8)
	6/30/2007	297,090	249,278	(47,812)	119.2	48,621	(98.3)
	6/30/2008	313,315	268,516	(44,799)	116.7	51,102	(87.7)
	6/30/2009	317,624	282,474	(35,150)	112.4	52,083	(67.5)
	6/30/2010	320,050	281,496	(38,554)	113.7	51,293	(75.2)
Georgia Military Pension Fund [2]	6/30/2005	2,176	14,454	12,278	15.1	N/A	N/A
	6/30/2006	3,100	17,625	14,525	17.6	N/A	N/A
	6/30/2007	4,165	19,887	15,722	20.9	N/A	N/A
	6/30/2008	5,269	19,124	13,855	27.6	N/A	N/A
	6/30/2009	6,413	21,021	14,608	30.5	N/A	N/A
	6/30/2010	7,558	23,773	16,215	31.8	N/A	N/A

This data, except for annual covered payroll, was provided by the System's actuary.

[1] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member per month for nine months each fiscal year.

[2] No statistics regarding covered payroll are available. Active and inactive plan member information is maintained by the Georgia Department of Defense.

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Required Supplementary Schedules

Schedules of Employer Contributions

(In thousands)

(Unaudited)

	Year ended June 30	State annual required contribution	Percentage contributed
Employees' Retirement System	2005	$ 243,074	100.0%
	2006	258,482	100.0
	2007	270,141	100.0
	2008	286,256	100.0
	2009*	282,103	99.9
	2010	263,064	100.0
Public School Employees Retirement System	2005	833	100.0
	2006	3,634	100.0
	2007	6,484	100.0
	2008	2,866	100.0
	2009	5,529	100.0
	2010	5,529	100.0
Legislative Retirement System	2005	—	N/A
	2006	—	N/A
	2007	—	N/A
	2008	—	N/A
	2009	—	N/A
	2010	—	N/A
Georgia Judicial Retirement System	2005	1,594	100.0
	2006	1,683	100.0
	2007	1,778	100.0
	2008	2,395	100.0
	2009	1,703	100.0
	2010	2,600	100.0
Georgia Military Pension Fund	2005	891	100.0
	2006	891	100.0
	2007	1,005	100.0
	2008	1,103	100.0
	2009	1,323	100.0
	2010	1,434	100.0

This data was provided by the System's actuary.
*Since the previous valuation it was determined that an employer group within ERS did not contribute the full ARC every year. The amount above has been revised from the previous valuation to reflect the difference between the ARC and the actual contributions made.

See accompanying notes to required supplementary schedules and accompanying independent auditors' report.

(1) Schedule of Funding Progress

The actuarial value of assets recognizes a portion of the difference between the fair value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 1/7th of the difference between fair value and expected actuarial value.

(2) Schedule of Employer Contributions

The required employer contributions and percent of those contributions actually made are presented in the schedule.

(3) Actuarial Assumptions

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information from the actuarial valuations for the most recent two-year period is as follows:

Employees' Retirement System:		
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period of the unfunded actuarial accrued liability	30 years	30 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]		5.45-9.25%
Fiscal Year 2011	0.00 %	
Fiscal Years 2012-2013	2.725 - 4.625%	
Fiscal Years 2014+	5.45 - 9.25%	
Postretirement cost-of-living adjustment	None	None
Public School Employees Retirement System:		
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the unfunded actuarial accrued liability	30 years	30 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Notes to Required Supplementary Schedules

June 30, 2011

Legislative Retirement System:		
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	N/A	N/A
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually
Georgia Judicial Retirement System:		
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period of the Funding Excess	16 years	10 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]		6.00%
Fiscal Year 2011	0.00%	
Fiscal Years 2012-2013	3.00%	
Fiscal Years 2014+	6.00%	
Postretirement cost-of-living adjustment	None	None
Georgia Military Pension Fund:		
Valuation date	June 30, 2010	June 30, 2009
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the unfunded actuarial accrued liability	20 years	20 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	None	None

[1] Includes inflation rate of 3.00% in the 2010 valuation and 3.75% in the 2009 valuation.

ADDITIONAL INFORMATION

(See Accompanying Independent Auditors’ Report)

EMPLOYEES’ RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees’ Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Administrative Expenses Schedule

Contributions and Expenses

Year ended June 30, 2011
(with comparative amounts for the year ended June 30, 2010)

(In thousands)

		2011	2010
Contributions:			
Employees’ Retirement System	$	14,431	14,505
Public School Employees Retirement System		2,046	1,956
Legislative Retirement System		131	120
Georgia Judicial Retirement System		290	270
State Employees’ Assurance Department – Active		22	22
State Employees’ Assurance Department – OPEB		203	203
Georgia Defined Contribution Plan		1,180	1,110
401(k) Plan		2,054	829
457 Plan		1,064	2,115
Georgia Military Pension Fund		37	43
Superior Court Judges Retirement Fund		6	6
District Attorneys Retirement Fund		1	1
Total contributions		21,465	21,180
Expenses:			
Personal services:			
Salaries and wages		5,067	5,045
Retirement contributions		498	514
FICA		357	358
Health insurance		1,265	1,043
Miscellaneous		49	35
		7,236	6,995
Communications:			
Postage		197	146
Publications and printing		11	25
Telecommunications		74	78
Travel		16	15
		298	264
Professional services:			
Accounting and investment services		5,433	5,044
Computer services		784	1,547
Contracts		2,591	2,528
Actuarial services		321	324
Medical services		223	164
Professional fees		147	150
Legal services		46	74
		9,545	9,831

(Continued)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
Employees' Retirement System of Georgia)
(A Component Unit of the State of Georgia)

Administrative Expenses Schedule

Contributions and Expenses

Year ended June 30, 2011
(with comparative amounts for the year ended June 30, 2010)

(In thousands)

		2011	2010
Management fees:			
Building maintenance	$	636	636
Other services and charges:			
Temporary services		512	125
Supplies and materials		45	71
Repairs and maintenance		23	41
Courier services		9	11
Depreciation		3,109	3,154
Miscellaneous		48	48
Office equipment		4	4
		3,750	3,454
Total expenses		21,465	21,180
Net income	$	—	—

See accompanying independent auditors' report.