



EMPLOYEES'
RETIREMENT SYSTEM
OF GEORGIA

2005 ANNUAL REPORT



FISCAL YEAR ENDED JUNE 30, 2005

INTRODUCTORY SECTION

TABLE OF CONTENTS

INTRODUCTORY SECTION

Boards of Trustees	2
Letter of Transmittal	3
Legislation	4

ACTUARIAL SECTION

Employees' Retirement System	5
Public School Employees Retirement System	8
Legislative Retirement System	11
Georgia Judicial Retirement System	14
Group Term Life Insurance	17
Georgia Military Pension Fund	20

INVESTMENT SECTION

Pooled Investment Fund/Structural Analysis	23
Temporary Investments/Bonds	24
Equity Holdings	25

FINANCIAL SECTION

Independent Auditors' Report	26
Management's Discussion and Analysis (Unaudited)	27
Basic Financial Statements:	
Combined Statements of Net Assets as of June 30, 2005 and 2004	32
Combined Statements of Changes in Net Assets for the years ended June 30, 2005 and 2004	33
Combining Statement of Net Assets as of June 30, 2005	34
Superior Court Judges and District Attorneys Retirement Funds – Combining Statement of Net Assets as of June 30, 2005	35
Combining Statement of Changes in Net Assets for the year ended June 30, 2005	36
Superior Court Judges and District Attorneys Retirement Funds – Combining Statement of Changes in Net Assets for the year ended June 30, 2005	37
Combining Statement of Net Assets as of June 30, 2004	38
Superior Court Judges and District Attorneys Retirement Funds – Combining Statement of Net Assets as of June 30, 2004	39
Combining Statement of Changes in Net Assets for the year ended June 30, 2004	40
Superior Court Judges and District Attorneys Retirement Funds – Combining Statement of Changes in Net Assets for the year ended June 30, 2004	41
Notes to Financial Statements	42
Required Supplementary Schedules (Unaudited)	
Schedules of Funding Progress	57
Schedules of Employer Contributions	58
Notes to Required Supplementary Schedules	59
Additional Information	
Administrative Expenses Schedule	61
Contributions and Expenses for the years ended June 30, 2005 and 2004	62

INTRODUCTORY SECTION

BOARDS OF TRUSTEES

Michael D. Kennedy

Chairman

Korn/Ferry International

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Employees' Assurance Department
State Social Security Trust Fund

Dan Ebersole, ex-officio

Director

Office of Treasury and Fiscal Services

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Employees' Assurance Department
State Social Security Trust Fund

Ned J. Winsor

Assistant Treasurer

United Parcel Service

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Social Security Trust Fund

Marcia H. Moore

Commissioner

Department of Early Care and Learning

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Social Security Trust Fund

Daniel J. Craig

District Attorney

Augusta Judicial Circuit

Georgia Judicial Retirement System

Samuel B. Xellett

President

LexisNexis Martindale-Hubbell

Public School Employees Retirement System

Russell W. Hinton, ex-officio

Vice Chairman

State Auditor

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Employees' Assurance Department
State Social Security Trust Fund

Peggy Rosser, ex-officio

Acting Commissioner

State Merit System

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Employees' Assurance Department
State Social Security Trust Fund

Celeste Osborn

Deputy Chief Financial Officer

Office of the Governor

Employees' Retirement System
Public School Employees Retirement System
Legislative Retirement System
Georgia Judicial Retirement System
Georgia Defined Contribution Plan
Georgia Military Pension Fund
State Social Security Trust Fund

Kelly D. Turner

State Court Judge

Lowndes County

Georgia Judicial Retirement System

Karlton Van Banke

Presiding Judge

Juvenile Court of Clayton County

Georgia Judicial Retirement System

Michael Thurmond, ex-officio

Commissioner of Labor

State Employees' Assurance Department

Bonny T. Wright

Attorney-at-Law

State Employees' Assurance Department

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL



EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

Two Northside 75
Suite 300
Atlanta, Georgia 30318-7778
Tel 404-350-6300
Fax 404-350-6310

Michael J. Nehf
Executive Director

The Boards of Trustees and staff are pleased to present the 2005 Annual Report of the retirement systems and programs administered by the Employees' Retirement System of Georgia (ERS).

ERS administers separate and distinct cost-sharing, multiple employer defined benefit pension plans for various employer agencies of the State of Georgia, as well as a defined contribution plan, a life insurance plan and a Social Security trust fund, as follows:

Defined Benefit Plans

- Employees' Retirement System of Georgia
- Public School Employees Retirement System
- Legislative Retirement System
- Georgia Judicial Retirement System
- Georgia Military Pension Fund
- Superior Court Judges Retirement Fund
- District Attorneys Retirement Fund

Defined Contribution Plan

- Georgia Defined Contribution Plan

Life Insurance Plan

- State Employees' Assurance Department

Other

- State Social Security Trust Fund

Categories of information provided in this annual report include:

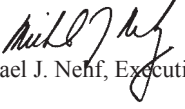
- Legislation
- Actuary's reports
- Investment information
- Auditors' report
- Financial information

During fiscal year 2005, the net assets of the System increased by \$521 million, or 3.6%, to \$14.8 billion by June 30, 2005. This improvement was primarily due to the increase in the fair value of the equity investments.

The mission of ERS is to be the guardian of the plans for the ultimate benefit of the members, retirees, and beneficiaries of the plans. In so doing, the ERS core responsibilities include pension administration; the collection, reconciliation and disbursement of contributions for the welfare of the members, retirees and beneficiaries of the plans; and the sound and secure investment of the retirement funds.

We believe that the information found within this report properly reflects the dedication of the Boards of Trustees, staff and consultants in carrying out ERS' mission.

We express our sincere thanks to the Boards of Trustees for their leadership and support. Many thanks are extended to the offices of the Governor, Lieutenant Governor, members of the House and Senate Retirement Committees and their staff, members of the House of Representatives and Senate, and the department officials whose support and assistance have helped ERS accomplish its mission over the years. With continued support along with the dedication of our staff, we represent to our members, retirees, beneficiaries and the general public ERS' continuing efforts to properly administer the responsibilities of the retirement systems.


Michael J. Nehf, Executive Director

INTRODUCTORY SECTION

LEGISLATION

EMPLOYEES' RETIREMENT SYSTEM

Act No. 116 (Senate Bill 161)

Amends 47-2-98 to allow a member who transferred to the Department of Community Affairs from the Georgia Housing and Finance Authority on July 1, 1995 to supplement amount required for full service accreditation.

Act No. 11 (House Bill 178)

Code Corrections (punctuation).

Act No. 85 (House Bill 319)

Amends 47-20-84 to allow large retirement systems to invest in exchange traded securities.

Act No. 14 (House Bill 381)

Amends 47-2-121(e.4) to correct wording from Option 5 to Option 6. Also, allows a retiree who was unmarried at the time of retirement and elected an optional allowance to revoke the election upon marriage and designate the spouse as beneficiary. In such event, the retiree shall receive an actuarially reduced benefit allowance.

Act No. 104 (House Bill 459)

Amends 47-2-125 to authorize the Board of Trustees to request relevant information from a disability retiree regarding post-retirement employment and related earnings limitations and provides authority to discontinue benefits if such is not provided.

Act No. 103 (House Bill 460)

Amends Georgia Code for various retirement systems to ensure Internal Revenue Code compliance.

GEORGIA JUDICIAL RETIREMENT SYSTEM

Act No. 16 (House Bill 492)

Amends 47-23-43 to provide that persons who become employed by the Office of Legislative Counsel pursuant to 28-4-3 or the Attorney General's Office pursuant to 45-15-31 and are employed in a full-time position requiring admission to the State Bar of Georgia would no longer be eligible to join GJRS effective July 1, 2005. Such members would be required to participate in the Employees' Retirement System.

OTHER LEGISLATION OF INTEREST

Act No. 23 (House Bill 275)

Amends Chapter 18 of Title 45 to transfer administration of certain deferred compensation plans from the State Personnel Board to the Board of Trustees of the Employees' Retirement System.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Employees' Retirement System



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

October 11, 2005

Board of Trustees
Employees' Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Employees' Retirement System of Georgia. Enclosed are 5 bound copies and one unbound copy of our revised report. The report was revised after the Board feedback to Mike Nehf on the appropriateness of the salary scale revealed that the salary scale would be more appropriate if it were not increased .25% over the scale used in the previous report.

Section 47-2-26 of the law governing the operation of the Employees' Retirement System of Georgia provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2004. The report indicates that annual employer contributions at the rate of 10.41% of active payroll for the fiscal year ending June 30, 2007 are sufficient to support the benefits of the System.

In preparing the valuation, we relied on census data provided by the System as summarized in Schedule G. While not verifying data at the source, we performed tests for consistency and reasonableness. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion, the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation. The actuarial assumptions we have recommended and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. We note that we have not been able to accurately determine the liability for terminated vested participants due to the lack of census information needed to perform such calculation. However, we have employed various estimation techniques to measure the liability. While our estimated liabilities for such employees could vary greatly from the true liability we feel that there is no significant degree of error from employing such estimation techniques.

Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%. The valuation based on the terms of the plan as summarized in Schedule F takes into account the effect of all amendments to the System enacted through the 2004 session of the General Assembly as well as all 1.5% ad hoc COLAs effective through January 1, 2007.

The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level percent of payroll within a 12-year period.

The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion the System is operating on an actuarially sound basis. The fund met the minimum funding standards for the fiscal year ended June 30, 2004. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of this and successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

Sincerely,

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

KNS:cj

ACTUARIAL SECTION

VALUATION BALANCE SHEET *Employees' Retirement System*

- As of June 30, 2004 -
DOLLAR AMOUNTS IN THOUSANDS

ACTUARIAL LIABILITIES

(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	- Service and disability benefits	\$ 6,554,432	
	- Death and survivor benefits	500,192	
	- Deferred vested benefits	<u>51,852</u>	
	Total		\$ 7,106,476
(2)	Present value of prospective benefits payable on account of present active members		
	- Retirement and survivor allowances	\$ 8,150,053	
	- Refunds of members' contributions	<u>59,597</u>	
	Total		<u>8,209,650</u>
(3)	TOTAL ACTUARIAL LIABILITIES		<u>\$ 15,316,126</u>

PRESENT AND PROSPECTIVE ASSETS

(4)	Actuarial value of assets		\$ 12,797,389
(5)	Necessary present value of total future contributions from members and employers = (3)-(4)	\$ 2,518,737	
(6)	Present value of future member contributions and employer paid member contributions		1,265,444
(7)	Balance is present value of future employer contributions = (5)-(6)	\$ 1,253,293	
(8)	Employer normal contribution rate	4.33%	
(9)	Present value of future payroll (1%)	\$ 218,022	
(10)	Prospective normal contributions = (8) x (9)		944,034
(11)	Prospective unfunded accrued liability contributions = (7)-(10)		<u>309,259</u>
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 15,316,126</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Employees' Retirement System

- As of June 30, 2004 -
DOLLAR AMOUNTS IN THOUSANDS

Valuation Date	June 30, 2004	June 30, 2003
Active members:		
Number	72,106	73,251
Annual compensation	\$ 2,445,619	\$ 2,489,490
Retired members and beneficiaries:		
Number	29,845	28,570
Annual allowances	\$ 718,478	\$ 655,872
Assets:		
Market Value	\$ 12,396,352	\$ 11,697,607
Actuarial Value	12,797,389	12,428,736
Unfunded actuarial accrued liability	\$ 309,259	\$ (58,173)
Amortization period	12 years	10 years
 For Fiscal Year Ending	 June 30, 2007	 June 30, 2005*
Annual required employer contribution rates (ARC):		
Old Plan		
Normal Rate		
Employer	4.33%	5.94%
Employer Pick-Up of Employee Contribution	<u>4.75</u>	<u>4.75</u>
Total Normal Rate	9.08%	10.69%
Accrued Liability Rate	<u>1.33%</u>	<u>(0.28)%</u>
Total	10.41%	10.41%
New Plan		
Normal Rate	9.08%	10.69%
Accrued Liability Rate	<u>1.33%</u>	<u>(0.28)</u>
Total	10.41%	10.41%

*The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER *Public School Employees Retirement System*



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

June 8, 2005

Board of Trustees
Georgia Public School Employees' Retirement System
Two Northside 75, Suite 300
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of Georgia Public School Employees Retirement System. Enclosed are 40 bound copies and one unbound copy.

Section 47-4-60 of the law governing the operation of the Georgia Public School Employees Retirement System provides that the employer contributions shall be actuarially determined and approved by the Board. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2004. The report indicates that annual employer contributions of \$3,634,496 or \$101.12 per active member, for the fiscal year ending June 30, 2007 are sufficient to support the benefits of the System. In preparing the valuation, we relied on data provided by the System. While not verifying data at the source, we performed tests for consistency and reasonableness. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion, the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%. The valuation takes into account the effect of amendments to the System enacted through the 2004 session of the General Assembly.

The actuarial assumptions we have recommended and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a dollar per active member. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level dollar per member within a 25-year period.

The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion the System is operating on an actuarially sound basis. The fund met the minimum funding standards for the fiscal year ended June 30, 2004. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of this and successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Sincerely,

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

Catherine G. Turcot
Director, Retirement

KNS/CGT:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET

Public School Employees Retirement System

- as of June 30, 2004 -

ACTUARIAL LIABILITIES

(1) Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits		\$ 393,196,639
(2) Present value of prospective benefits payable on account of present active members:		
Service retirement allowances	\$ 311,149,895	
Disability retirement allowances	16,019,551	
Refunds of members' contributions	<u>5,013,617</u>	
Total		<u>\$ 332,183,063</u>
(3) TOTAL ACTUARIAL LIABILITIES		<u>\$ 725,379,702</u>

PRESENT AND PROSPECTIVE ASSETS

(4) Actuarial value of assets		\$ 743,815,000
(5) Present value of total future contributions = (3) - (4)	(18,435,298)	
(6) Present value of future member contributions to the Members' Contributions Fund		6,364,296
(7) Present value of future employer contributions to the Pension Accumulation Fund = (5) - (6)	\$ (24,799,594)	
(8) Employer normal contribution rate	\$ 294.89	
(9) Present value of future membership service	176,786	
(10) Prospective normal contributions = (8) x (9)		52,132,424
(11) Prospective unfunded accrued liability contributions = (7) - (10)		<u>(76,932,018)</u>
(12) TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 725,379,702</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS *Public School Employees Retirement System*

- as of June 30, 2004 -

Valuation Date	June 30, 2004	June 30, 2003
Number of active members	35,943	35,681
Retired members and beneficiaries:		
Number	12,325	12,017
Annual allowances	\$ 40,265,812 ¹	\$ 37,571,156 ²
Assets:		
Market Value	\$ 723,071,000	\$ 694,709,000
Actuarial Value	743,815,000	734,879,000
Unfunded actuarial accrued liability	\$ (76,932,018)	\$ (70,672,332)
Amortization Period	25 years	11 years
Fiscal Year Ending	June 30, 2007	June 30, 2005³
Employer contribution rate per active member:		
Normal	\$ 294.89	\$ 294.96
Accrued liability	<u>(193.77)</u>	<u>(271.61)</u>
Total	101.12	\$ 23.35
Annual required employer contributions (ARC): ⁴		
Normal	\$ 10,599,231	\$ 10,524,468
Accrued liability	<u>(6,964,735)</u>	<u>(9,691,272)</u>
Total	\$ 3,634,496	\$ 833,196

¹ Does not include increase in benefit accrual rate effective July 1, 2004. The results of the valuation have been adjusted to include this increase.

² Does not include increase in benefit accrual rate effective July 1, 2003. The results of the valuation have been adjusted to include this increase.

³ The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

⁴ The ARC is in addition to any administrative expense allotments that are contributed to the System.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Legislative Retirement System



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

June 8, 2005

Board of Trustees
Legislative Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Georgia Legislative Retirement System. Enclosed are 40 bound copies and one unbound copy.

Section 47-6-22 of the law governing the operation of the Georgia Legislative Retirement System provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the valuation of the System prepared as of June 30, 2004. The report indicates that no annual employer contributions for the fiscal year ending June 30, 2007 are required to support the benefits of the System. While not verifying data at the source, we performed tests for consistency and reasonableness. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%. The valuation takes into account that effect of amendments to the System enacted through the 2004 session of the General Assembly.

The actuarial assumptions we have recommended and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a dollar per active member. The valuation method used is the unit credit cost method. The normal contribution rate to cover current cost has been determined as a dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level dollar per active member.

The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion the System is operating on an actuarially sound basis. The fund met the minimum funding standards for the fiscal year ended June 30, 2004. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of this and successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Sincerely,

Handwritten signature of Kerry N. Schmidt in black ink.

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

Handwritten signature of Catherine G. Turcot in black ink.

Catherine G. Turcot
Director, Retirement

KNS/CGT:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Legislative Retirement System

- as of June 30, 2004 -

ACTUARIAL LIABILITIES

Present value of prospective benefits payable on account of:

(1) Present retired members and beneficiaries of deceased members and members entitled to deferred vested benefits		\$ 16,260,898
(2) Present active members:		
Service retirement allowances	\$ 7,315,164	
Disability retirement allowances	479,364	
Survivor allowances	260,532	
Refunds of members' contributions	<u>354,379</u>	
Total		<u>\$ 8,409,439</u>
(3) TOTAL ACTUARIAL LIABILITIES		<u>\$ 24,670,337</u>

PRESENT AND PROSPECTIVE ASSETS

(4) Actuarial Value of Assets		\$ 27,892,000
(5) Present value of total future contributions = (3) - (4)	\$ (3,221,663)	
(6) Present value of future member contributions		1,497,193
(7) Present value of future employer contributions = (5) - (6)	\$ (4,718,856)	
(8) Prospective normal contributions		1,149,664
(9) Prospective unfunded actuarial accrued liability contributions = (7) - (8)		<u>(5,868,520)</u>
(10) TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 24,670,337</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Legislative Retirement System

- as of June 30, 2004 -

Valuation Date	June 30, 2004	June 30, 2003
Number of active members	210	212
Retired members and beneficiaries:		
Number	206	202
Annual allowances	\$ 1,360,657	\$ 1,317,694
Assets:		
Market Value	\$ 27,067,000	\$ 25,615,000
Actuarial Value	27,892,000	27,157,000
Unfunded actuarial accrued liability	\$ (5,868,520)	\$ (5,258,757)
Amortization period	N/A*	N/A*
For Fiscal Year Ending	June 30, 2007	June 30, 2005**
Employer contribution rate per active member:		
Normal	\$ 443.51	\$ 458.08
Accrued Liability	<u>(443.51)</u>	<u>(458.08)</u>
Total	\$ 0.00	\$ 0.00
Annual required employer contributions (ARC):		
Normal	\$ 93,137	\$ 97,112
Accrued Liability	<u>(93,137)</u>	<u>(97,112)</u>
Total	\$ 0	\$ 0

* If the annual required employer contribution (ARC) is based on 40 year amortization of the unfunded accrued liability, the ARC is less than \$0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set such that the total ARC equals \$0.

**The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Georgia Judicial Retirement System



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

June 8, 2005

Board of Trustees
Georgia Judicial Retirement System
Two Northside 75
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Georgia Judicial Retirement System. Enclosed are 40 bound copies and one unbound copy.

Section 47-23-21 of the law governing the operation of the Georgia Judicial Retirement System provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2004. The report indicates that annual employer contributions at the rate of 3.85% of payroll for the fiscal year ending June 30, 2007 are required to support the benefits of the System. In preparing the valuation, we relied on data provided by the System. While not verifying data at the source, we performed tests for consistency and reasonableness. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50% and the assumed rates of salary increase have been changed from 5.75% to 6.00%. The valuation takes into account the effect of amendments to the System enacted through the 2004 session of the General Assembly, as well as the 1.5% Ad Hoc COLA's effective through January 1, 2006.

The actuarial assumptions we have recommended and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level percent of payroll within an 11-year period.

The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion, the system is operating on an actuarially sound basis. The fund met the minimum funding standards for the fiscal year ended June 30, 2004. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of this and successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Sincerely,

Handwritten signature of Kerry N. Schmidt in cursive.

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

Handwritten signature of Catherine G. Turcot in cursive.

Catherine G. Turcot
Director, Retirement

KNS/CGT:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET *Georgia Judicial Retirement System*

- as of June 30, 2004 -

ACTUARIAL LIABILITIES

Present value of prospective benefits payable on account of:

(1) Present retired members and beneficiaries of deceased members, and members entitled to deferred vested benefits	\$	66,887,723
(2) Present active members		<u>220,721,873</u>
(3) TOTAL ACTUARIAL LIABILITIES	\$	<u>287,609,596</u>

PRESENT AND PROSPECTIVE ASSETS

(4) Actuarial Value of Assets:	\$	250,313,000
(5) Present value of total future contributions = (3) – (4)	\$	37,296,596
(6) Present value of future member contributions		26,283,848
(7) Present value of future employer contributions = (5) – (6)	\$	11,012,748
(8) Employer normal contribution rate		19.25%
(9) Present value of future payroll (1%)	\$	3,367,448
(10) Prospective normal contributions = (8) x (9)		64,823,374
(11) Prospective unfunded actuarial accrued liability contributions = (7) – (10)		<u>(53,810,626)</u>
(12) TOTAL PRESENT AND PROSPECTIVE ASSETS	\$	<u>287,609,596</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS *Georgia Judicial Retirement System*

- as of June 30, 2004 -

Valuation Date	June 30, 2004	June 30, 2003
Active members:		
Number	451	425
Annual compensation	\$ 40,908,303	\$ 38,867,399
Retired members and beneficiaries:		
Number	155	150
Annual allowances	\$ 7,697,943	\$ 7,346,141
Assets:		
Market Value	\$ 239,957,000	\$ 220,585,000
Actuarial Value	250,313,000	237,683,000
Unfunded actuarial accrued liability	\$ (53,810,626)	\$ (51,858,127)
Amortization Period	11 years	11 years
For Fiscal Year Ending	June 30, 2007	June 30, 2005*
Annual required employer contribution rates (ARC):		
Normal	19.25%	19.70%
Accrued liability	<u>(15.40)</u>	<u>(15.85)</u>
Total	3.85%	3.85%

*The ARC will also be payable for fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Group Term Life Insurance Plan



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

June 8, 2005

Board of Trustees
Employees' Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Georgia Employees' Group Term Life Insurance Plan. We have enclosed 40 bound copies and one unbound copy.

Chapters 47-2 and 47-19 of the Code of Georgia which govern the operation of the Georgia Employees' Group Term Life Insurance Plan provide that the actuary shall make periodic valuations of the contingent assets and liabilities of the Insurance Plan on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2004. The report indicates that employee contributions at the rate of 0.50% of active payroll for Old Plan members, and 0.25% of active payroll for New Plan members and members of the Legislative Retirement System are sufficient to support the benefits of the Plan. No employer contributions are required for the fiscal year ending June 30, 2007.

Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%, with a corresponding increase of 0.25% in the assumed salary scale for ERS members at all ages under 60. The valuation takes into account the effect of all amendments to the System enacted through the 2004 session of the General Assembly.

The actuarial assumptions used are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan. In our opinion, the Plan is operating on an actuarially sound basis and the sufficiency of the funds to provide the benefits called for by the Plan may be safely anticipated.

Sincerely yours,

A handwritten signature in cursive script that reads "Kerry N. Schmidt".

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

A handwritten signature in cursive script that reads "Catherine G. Turcot".

Catherine G. Turcot
Director, Retirement

KNS/CGT:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Group Term Life Insurance Plan

- as of June 30, 2004 -

ACTUARIAL LIABILITIES

(1)	Present value of prospective benefits payable on account of present retired members	\$	308,549,984
(2)	Present value of prospective benefits payable on account of present active members		<u>398,921,145</u>
(3)	TOTAL ACTUARIAL LIABILITIES	\$	<u>707,471,129</u>

PRESENT AND PROSPECTIVE ASSETS

(4)	Actuarial value of assets	\$	871,004,000
(5)	Present value of future member premiums		72,195,552
(6)	Present value of future employer contributions		<u>4,437,653</u>
(7)	Total present assets and present value of future employee premiums and employer contributions	\$	947,637,205
(8)	Actuarial Deficit		<u>(240,166,076)</u>
(9)	TOTAL PRESENT AND PROSPECTIVE ASSETS	\$	<u>707,471,129</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Group Term Life Insurance Plan

- as of June 30, 2004 -

Valuation Date	June 30, 2004	June 30, 2003
Active members:		
Number	72,316	73,463
Annual compensation	\$ 2,449,021,089	\$ 2,492,924,023
Retired members:		
Number	24,353	23,093
Insurance amount	\$ 894,574,810	\$ 811,281,629
Assets:		
Market Value	\$ 843,947,000	\$ 782,791,000
Actuarial Value	871,004,000	831,995,000
Actuarial Deficit	\$ (240,166,076)	\$ (196,379,526)

Fiscal Year Ending	June 30, 2007	June 30, 2005*
Contribution rates:		
Old Plan Members		
Employee	0.50%**	0.50%**
Employer	<u>0.00</u>	<u>0.00</u>
Total	0.50%	0.50%
New Plan and LRS Members		
Employee	0.25%	0.25%
Employer	<u>0.00</u>	<u>0.00</u>
Total	0.25%	0.25%

* Employer contribution rates payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

** 0.25% paid by employer.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Georgia Military Pension Fund



200 Galleria Parkway, NW
Suite 1900
Atlanta, GA 30339-5945

June 15, 2005

Board of Trustees
Georgia Military Pension Fund
Two Northside 75, Suite 300
Atlanta, GA 30318

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Georgia Military Pension Fund. Enclosed are 40 bound copies and one unbound copy.

Section 47-24-22 of the law governing the operation of the Georgia Military Pension Fund provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement Fund on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the Fund prepared as of June 30, 2004. The report indicates that an annual employer contribution of \$1,005,099 for the fiscal year ending June 30, 2007 is required to support the benefits of the Fund. The June 30, 2005 valuation will determine the contribution for the fiscal year ending June 30, 2008. In preparing the valuation, we relied on data provided by the Defense Department. While not verifying data at the source, we performed tests for consistency and reasonableness. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50% and the amortization period has been reduced from 40 to 30 years in accordance with GASB 25 and 27.

The Fund is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a dollar per active member. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level dollar amount within a 40-year period.

The Pension Fund is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion, the Fund is operating on an actuarially sound basis. Assuming that contributions to the Fund are made by the employer from year to year in the future at the rates recommended on the basis of this and successive actuarial valuations, the continued sufficiency of the retirement Fund to provide the benefits called for under the Fund may be safely anticipated.

This is to certify that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement Fund and on actuarial assumptions that are internally consistent and reasonably based on the anticipated experience of the Fund.

Sincerely,

Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

Alisa Bennett, E.A.
Senior Consultant, Actuary

KNS/AB:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Georgia Military Pension Fund

- as of June 30, 2004 -

ACTUARIAL LIABILITIES

(1) Present value of prospective benefits payable on account of present retired members	\$	486,030
(2) Present value of prospective benefits payable on account of present members entitled to deferred benefits		2,225,323
(3) Present value of prospective benefits payable on account of present active members		<u>9,943,791</u>
(4) TOTAL ACTUARIAL LIABILITIES	\$	12,655,144

PRESENT AND PROSPECTIVE ASSETS

(5) Actuarial Value of assets	\$	1,250,000
(6) Present value of future employer contributions = (4) – (5)	\$	11,405,144
(7) Employer normal contribution rate	\$	7.68
(8) Present value of future membership service		40,698
(9) Present value of future normal contributions (7) x (8)		312,561
(10) Present value of unfunded accrued liability contributions = (6) – (9)		<u>11,092,583</u>
(11) TOTAL PRESENT AND PROSPECTIVE ASSETS	<u>\$</u>	<u>12,655,144</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Georgia Military Pension Fund

- as of June 30, 2004 -

Valuation Date	June 30, 2004	June 30, 2003
Number of active members included in valuation	8,573	9,986
Retired members		
Number	48	17
Annual pensions	\$ 49,740	\$ 18,120
Former members entitled to deferred vested pensions		
Number	385	203
Annual deferred pensions	\$ 371,160	\$ 189,660
Assets		
Actuarial value	\$ 1,250,000	\$ 609,000
Market value	1,280,000	626,000
Unfunded accrued liability	\$ 11,092,583	\$ 10,488,937
Amortization period	30 years	40 years
Fiscal Year Ending	June 30, 2007	June 30, 2005*
Employer contribution rate per active member		
Normal	\$ 7.68	\$ 8.11
Accrued liability	<u>109.56</u>	<u>81.08</u>
Total	\$ 117.24	\$ 89.19
Annual required employer contributions (ARC)		
Normal	\$ 65,841	\$ 80,986
Accrued liability	<u>939,258</u>	<u>809,665</u>
Total	\$ 1,005,099	\$ 890,651

*The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

INVESTMENT SECTION

POOLED INVESTMENT FUND

- as of June 30, 2005 -

Employees' Retirement System	\$	12,801,750
Public School Employees Retirement System		738,491
Legislative Retirement System		27,833
Georgia Judicial Retirement System		256,489
State Employees' Assurance Department		891,817
Georgia Military Pension Fund		2,124
Superior Court Judges Retirement Fund*		1,140
Georgia Defined Contribution Plan		43,161
	\$	14,762,805

* The Superior Court Judges Retirement Fund was closed on December 31, 1976. As of June 30, 2005 there were two active members remaining in the Fund with retirement payments funded through Department of Administrative Services appropriations.

STRUCTURAL ANALYSIS OF INVESTMENTS AT FAIR VALUE

Type of Investment	June 30, 2005
Short-Term Investments	1.2%
Bonds	39.2%
Common Stocks	59.6%
Real Estate	0.0%
Total	100.0%

INVESTMENT SECTION

SHORT-TERM INVESTMENTS

- as of June 30, 2005 -

Face Amount	Issuer	Fair Value
\$ 170,179,000*	United States Government, Agency and Corporate Obligations (subject to repurchase agreements due 7/01/05)	\$ 170,179,000*

*Consists of Employees' Retirement System \$156,344,000 and Georgia Defined Contribution Plan \$13,835,000

US GOVERNMENT, AGENCY AND CORPORATE BONDS

- as of June 30, 2005 -

Issuer	Year of Maturity	Interest Rate %	Par Value	Fair Value
US TREAS. BOND	2031	5.375	\$ 762,000,000	\$ 899,160,000
US TREAS. NOTE	2007	3.750	528,000,000	528,802,560
US TREAS. NOTE	2006	2.375	460,000,000	453,748,600
FHLMC-CALLABLE	2008	3.560	385,000,000	380,380,000
US TREAS. NOTE	2006	3.500	370,000,000	369,581,900
US TREAS. NOTE	2007	3.375	328,000,000	326,566,640
FHLMC-CALLABLE	2007	3.520	245,000,000	242,550,000
US TREAS. BOND	2029	6.125	182,000,000	232,384,880
US TREAS. NOTE	2010	3.625	217,000,000	215,973,590
GENERAL ELECTRIC CAP CORP	2009	3.500	205,000,000	200,088,200
GENERAL ELECTRIC CAP CORP	2010	4.250	175,000,000	174,485,500
FNMA-CALLABLE	2008	3.750	174,000,000	172,260,000
US TREAS. NOTE	2008	2.625	171,000,000	166,170,960
FHLB-CALLABLE	2007	4.020	148,000,000	148,046,176
FHLMC	2008	3.625	140,000,000	138,775,000
US TREAS. NOTE	2014	4.250	135,000,000	138,169,800
WELLS FARGO	2015	4.750	135,000,000	136,625,400
GENERAL ELECTRIC CAP CORP	2012	4.375	130,000,000	128,302,200
CITIGROUP GLOBAL NOTES	2009	3.625	130,000,000	127,851,100
WELLS FARGO SR HLD CO NTS	2010	3.980	125,000,000	123,838,750
US TREAS. NOTE	2015	4.125	114,000,000	115,665,540
US TREAS. NOTE	2008	3.250	96,000,000	94,803,840
US TREAS. NOTE	2006	2.500	90,000,000	88,804,800
FHLMC	2011	6.000	75,000,000	82,547,250
FNMA	2009	6.375	70,000,000	76,169,100
ERS Fixed Income Securities			\$ 5,590,000,000	\$ 5,761,751,786
Defined Contribution Fixed Income Securities			7,000,000	6,931,220
Total ERS and Defined Contribution Fixed Income Securities			\$ 5,597,000,000	\$ 5,768,683,006

INVESTMENT SECTION

EQUITY HOLDINGS

- as of June 30, 2005 -

Shares	Company	Fair Value
3,925,300	GENERAL ELECTRIC CO	\$ 136,011,645
2,321,494	EXXON MOBIL CORP	133,416,260
2,162,140	CITIGROUP INC	99,955,732
1,424,120	JOHNSON & JOHNSON	92,567,800
3,100,645	PFIZER INC	85,515,789
3,123,000	MICROSOFT CORP	77,575,320
1,653,286	BANK OF AMERICA CORP	75,406,375
1,143,878	CONOCOPHILLIPS	65,761,546
1,208,400	UNITEDHEALTH GROUP INC	63,005,976
1,186,120	PROCTER & GAMBLE CO	62,567,830
918,000	ALTRIA GROUP INC	59,357,880
2,245,157	MBNA CORP	58,733,307
2,178,800	INTEL CORP	56,692,376
2,902,700	CISCO SYSTEMS INC	55,383,516
1,068,800	MEDTRONIC INC	55,353,152
898,702	ALLSTATE CORP	53,697,445
976,460	PEPSICO INC	52,660,488
1,069,000	WAL-MART STORES INC	51,525,800
1,278,800	DELL INC	50,461,448
657,800	SCHLUMBERGER LTD	49,953,332
	TOTAL – 20 LARGEST HOLDINGS	\$ 1,435,603,017
	TOTAL – ALL HOLDINGS	\$ 8,786,268,057

A complete listing is available upon written request.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT



KPMG LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, GA 30308

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 years ended June 30, 2005 and 2004, 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 audits.

We conducted our audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide 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, 2005 and 2004, and the changes in net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2, the System adopted the provisions of Governmental Accounting Standards Board Statement No. 40, *Deposits and Investment Risk Disclosures*, during 2005.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 21, 2005 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 audits.

The management's discussion and analysis, the schedules of funding progress, and schedules of employer contributions on pages 27 through 31 and pages 57 through 58, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 audits were 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 financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole.

KPMG LLP

October 21, 2005

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

This section provides a discussion and analysis of the financial performance of the Employees' Retirement System of Georgia (the "System") for the years ended June 30, 2005 and 2004. 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 six other defined benefit pension plans, a defined contribution plan, and a life insurance plan.

The defined benefit pension plans include:

- Employees' Retirement System (ERS)
- Legislative Retirement System (LRS)
- Public School Employees Retirement System (PSERS)
- Georgia Judicial Retirement System (GJRS)
- Georgia Military Pension Fund (GMPF)
- Superior Court Judges Retirement Fund (SCJRF)
- District Attorneys Retirement Fund (DARF)

The defined contribution retirement plan is the Georgia Defined Contribution Plan (GDGP) and the life insurance plan is the State Employees' Assurance Department (SEAD).

Financial Highlights

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

- The net assets of the System increased by \$521 million, or 3.6%, from \$14.3 billion at June 30, 2004 to \$14.8 billion at June 30, 2005. The improvement was primarily due to the increase in the fair value of investments. The net assets of the System increased by \$818 million, or 6.1%, from \$13.5 billion at June 30, 2003 to \$14.3 billion at June 30, 2004. The improvement was primarily due to the increase in the fair value of equity investments.
- For the year ended June 30, 2005, the total additions to net assets were \$1.4 billion and the total deductions were \$881 million. The deductions consisted of benefit payments of \$831 million, refunds of \$17 million, death benefits of \$22 million, and administrative expenses of \$11 million. The additions consisted of employer and member contributions totaling \$320 million, insurance premiums of \$8 million, net investment income of \$1.1 billion, and other income of \$0.9 million. Net investment income of \$1.1 billion (comprised of interest and dividend income and the change in fair value of investments, reduced by investment expenses) represents a \$212 million decrease, compared to the net investment income of \$1.3 billion for the year ended June 30, 2004. The decrease was primarily due to lower returns in the equity market in 2005, compared to 2004. For the year ended June 30, 2004, the total additions to net assets were \$1.6 billion and the total deductions were \$801 million. The deductions consisted of benefit payments of \$753 million, refunds of \$15 million, death benefits of \$23 million, and administrative expenses of \$10 million. The additions consisted of employer and member contributions totaling \$324 million, insurance premiums of \$9 million, net investment income of \$1.3 billion, and other income of \$0.9 million. Net investment income of \$1.3 billion (comprised of interest and dividend income and the change in fair value of investments, reduced by investment expenses) was an improvement over the net investment income of \$564 million for the year ended June 30, 2003. The increase was primarily due to the improved equity market in 2004, compared to 2003.
- Benefit payments paid to retirees and beneficiaries increased by \$78 million, or 10.5% from \$753 million in 2004 to \$831 million in 2005. This increase was the result of increases in the number of retirees and beneficiaries receiving benefits across all plans and postretirement cost-of-living increases in benefits. Benefit payments paid to retirees and beneficiaries increased by \$69 million, or 10% from \$684 million in 2003 to \$753 million in 2004. This increase was the result of increases in the number of retirees and beneficiaries receiving benefits across all plans and postretirement cost-of-living increases in benefits.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Overview of the Financial Statements

The basic financial statements include (1) the combined statements 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 accounting principles generally accepted in the United States of America. 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. These statements are presented on page 32.

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, and investment income (loss), which includes interest and dividends and the net increase (decrease) 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. These statements are presented on page 33.

The *Combining Statements of Net Assets and Combining Statements 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 34.

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 42.

There are two *Required Supplementary Schedules* included in this report. These required schedules are applicable to five 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 57.

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 59.

Additional information is presented, beginning on page 61. 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 SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Financial Analysis of the System

A summary of the System's net assets is as follows:

	Net assets (in thousands)			2005		2004	
	June 30			Amount change	Percentage change	Amount change	Percentage change
	2005	2004	2003				
Assets:							
Cash and receivables	\$ 125,744	\$ 117,392	\$ 104,721	\$ 8,352	7.1%	\$ 12,671	12.1%
Investments	14,725,130	14,203,576	13,403,535	521,554	3.7%	800,041	6.0%
Capital assets, net	6,271	3,987	3,786	2,284	57.3%	201	5.3%
Total assets	14,857,145	14,324,955	13,512,042	532,190	3.7%	812,913	6.0%
Liabilities:							
Due to brokers and accounts payable	45,561	34,179	39,339	11,382	33.3%	(5,160)	(13.1)%
Net assets	\$ 14,811,584	\$ 14,290,776	\$ 13,472,703	\$ 520,808	3.6%	\$ 818,073	6.1%

The following table presents the investment allocation at June 30, 2005, 2004, and 2003:

	2005	2004	2003
Asset allocation at June 30 (in percentages):			
Equities	59.6%	58.9%	51.5%
Fixed income	39.2%	39.8%	47.0%
Short-term securities*	1.2%	1.3%	1.5%
Asset allocation at June 30 (in thousands):			
Equities	\$ 8,786,268	\$ 8,373,078	\$ 6,912,595
Fixed income	5,768,683	5,649,196	6,295,131
Short-term securities*	170,179	181,302	195,809
	\$ 14,725,130	\$ 14,203,576	\$ 13,403,535

* Includes mortgages.

The total investment portfolio increased \$522 million from 2004, which is due primarily to an increase in the fair value of investments.

The total investment portfolio increased \$800 million from 2003, which is due primarily to an increase in the fair value of equity investments.

The investment rate of return in fiscal year ended June 30, 2005 was 7.8%, with an 8.4% return on equities and a 7.2% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2005 was 2.2%, with a (1.7)% return on equities and a 7.8% return on fixed income investments.

The investment rate of return in fiscal year ended June 30, 2004 was 9.8%, with a 20.1% return on equities and a (1.4)% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2004 was 2.1%, with a (2.0)% return on equities and a 7.7% return on fixed income investments.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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

	Changes in net assets (in thousands)			2005		2004	
	2005	2004	2003	Amount change	Percentage change	Amount change	Percentage change
Additions:							
Employer contributions	\$ 248,728	\$ 250,356	\$ 252,852	\$ (1,628)	(0.7)%	\$ (2,496)	(1.0)%
Member contributions	71,071	73,691	74,550	(2,620)	(3.6)%	(859)	(1.2)%
Insurance premiums	8,424	9,223	14,847	(799)	(8.7)%	(5,624)	(37.9)%
Net investment income	1,072,764	1,284,938	563,690	(212,174)	(16.5)%	721,248	128.0%
Other	903	903	909	—	0.0%	(6)	(0.7)%
Total additions	1,401,890	1,619,111	906,848	(217,221)	(13.4)%	712,263	78.5%
Deductions:							
Benefit payments	831,140	752,447	684,118	78,693	10.5%	68,329	10.0%
Refunds	17,001	15,418	14,993	1,583	10.3%	425	2.8%
Death benefits	21,916	23,261	18,924	(1,345)	(5.8)%	4,337	22.9%
Administrative expenses	11,025	9,912	9,953	1,113	11.2%	(41)	(0.4)%
Total deductions	881,082	801,038	727,988	80,044	10.0%	73,050	10.0%
Net increase in net assets	\$ 520,808	\$ 818,073	\$ 178,860	\$ (297,265)	(36.3)%	\$ 639,213	357.4%

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. In fiscal year 2005, total contributions decreased 1.3%, reflecting a contribution percentage that remained unchanged with a modest overall salary decline. Net investment income decreased by \$212 million. This decrease is principally due to lower returns in the equity market in 2005, as compared to 2004. For fiscal year 2004, total contributions decreased 1.0%, reflecting a contribution percentage that remained unchanged, with a modest overall salary decline. Insurance premiums decreased 37.9%, due to a reduction in the employer contribution rate. Net investment income increased by over \$721 million. This increase is principally due to the improved market conditions in 2004, as compared to 2003.

Deductions – For fiscal year 2005, total deductions increased 10.0%, primarily because of a 10.5% increase in benefit payments. This was due to an increase of approximately 8.3% in the number of retirees receiving benefit payments across all defined benefit plans and to postretirement cost-of-living increases in benefits. Refunds increased 10.3%, which was primarily due to an increase in the number of refunds processed during 2005. Administrative expenses increased 11.2% over the prior year, due primarily to an increase in permanent staffing. For fiscal year 2004, deductions increased 10%, primarily because of a 10% increase in benefit payments. This is due to an increase of approximately 7.2% in the number of retirees receiving benefit payments across all defined benefit plans and to postretirement cost-of-living increases in benefits. Death benefits increased 22.9%, which was primarily due to an increase in the number of death claims processed during 2004. Refunds of member contributions increased by 2.8%. Administrative expenses decreased by approximately 0.4%, from the prior year.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

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, 2004, 2003, and 2002 actuarial valuations, the latest valuations available, indicate the actuarial value of assets and funding ratios for the five defined benefit retirement plans were as follows:

	Actuarial value of plan assets (in thousands)			Funding ratio		
	June 30, 2004	June 30, 2003	June 30, 2002	June 30, 2004	June 30, 2003	June 30, 2002
ERS	\$ 12,797,389	\$ 12,428,736	\$ 12,124,414	97.6%	100.5%	101.1%
PSERS	743,815	734,879	727,529	111.5%	110.6%	115.4%
LRS	27,892	27,157	26,637	126.6%	124.0%	122.3%
GJRS	250,313	237,683	228,417	127.4%	127.9%	130.4%
GMPF	1,250	609	—	10.1%	5.5%	—

The System continues to be in a sound financial position, 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.

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.

FINANCIAL SECTION

COMBINED STATEMENTS OF NET ASSETS

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 STATEMENTS OF NET ASSETS

June 30, 2005 and 2004

(In thousands)

	2005	2004
ASSETS		
CASH	\$ 10,228	\$ 12,526
RECEIVABLES:		
Employer and member contributions	29,327	30,186
Interest and dividends	74,409	62,378
Due from brokers for securities sold	11,780	12,302
Total receivables	115,516	104,866
INVESTMENTS – AT FAIR VALUE:		
Short-term	170,179	180,777
Obligations of the U.S. Government and its agencies, corporate, and other bonds	5,768,683	5,649,196
Common stocks	8,786,268	8,373,078
Mortgage loans	—	525
Total investments	14,725,130	14,203,576
CAPITAL ASSETS, NET	6,271	3,987
Total assets	14,857,145	14,324,955
LIABILITIES		
Accounts payable and other	19,788	14,222
Due to brokers for securities purchased	25,773	19,957
Total liabilities	45,561	34,179
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 14,811,584	\$ 14,290,776

(A schedule of funding progress is presented on page 57.)

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINED STATEMENTS OF CHANGES IN NET ASSETS

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 STATEMENTS OF CHANGES IN NET ASSETS
Years ended June 30, 2005 and 2004
(In thousands)

	2005	2004
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS – BEGINNING OF YEAR	\$ 14,290,776	\$ 13,472,703
ADDITIONS:		
Contributions:		
Employer	248,728	250,356
Member	71,071	73,691
Insurance premiums	8,424	9,223
Administrative expense allotment	903	903
Investment income:		
Net increase in fair value of investments	707,307	971,901
Interest and dividends	380,954	327,149
Total investment income	1,088,261	1,299,050
Less investment expenses	15,497	14,112
Net investment income	1,072,764	1,284,938
Total additions	1,401,890	1,619,111
DEDUCTIONS:		
Benefit payments	831,140	752,447
Refunds of member contributions and interest	17,001	15,418
Death benefits	21,916	23,261
Administrative expenses	11,025	9,912
Total deductions	881,082	801,038
Net increase	520,808	818,073
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS – END OF YEAR	\$ 14,811,584	\$ 14,290,776

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINING STATEMENT OF NET ASSETS

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, 2005
(In thousands)

Assets	Plans and funds										Total 2005
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department	Georgia Military Pension Fund	Superior Court Judges And District Attorneys Retirement Funds	Pooled Investment Fund	Georgia Defined Contribution Plan	Eliminations	
Cash	\$ 7,933	\$ 25	\$ 3	\$ 468	\$ 1,035	\$ 57	\$ 113	\$ 1	\$ 593	\$	\$ 10,228
Receivables:											
Employer and member contributions	27,924	3	33	138	—	—	—	—	1,229	—	29,327
Interest and dividends	—	—	—	—	—	—	—	74,380	29	—	74,409
Due from brokers for securities sold	—	—	—	—	—	—	—	11,779	1	—	11,780
Unremitted insurance premiums	—	—	—	—	1,799	—	—	—	—	(1,799)	—
Total receivables	27,924	3	33	138	1,799	—	—	86,159	1,259	(1,799)	115,516
Investments – at fair value:											
Short-term	—	—	—	—	—	—	—	156,344	13,835	—	170,179
Obligations of the U.S. Government and its agencies, corporate, and other bonds	—	—	—	—	—	—	—	5,761,752	6,931	—	5,768,683
Common stocks	—	—	—	—	—	—	—	8,786,268	—	—	8,786,268
Equity in pooled investment fund	12,801,750	738,491	27,833	256,489	891,817	2,124	1,140	—	43,161	(14,762,805)	—
Total investments	12,801,750	738,491	27,833	256,489	891,817	2,124	1,140	14,704,364	63,927	(14,762,805)	14,725,130
Capital assets, net	6,271	—	—	—	—	—	—	—	—	—	6,271
Total assets	12,843,878	738,519	27,869	257,095	894,651	2,181	1,253	14,790,524	65,779	(14,764,604)	14,857,145
Liabilities											
Accounts payable and other	16,987	589	22	154	50	—	39	1,946	1	—	19,788
Due to brokers for securities purchased	—	—	—	—	—	—	—	25,773	—	—	25,773
Insurance premiums payable	1,765	—	12	22	—	—	—	—	—	(1,799)	—
Total liabilities	18,752	589	34	176	50	—	39	27,719	1	(1,799)	45,561
Net assets held in trust for pension benefits	\$ 12,825,126	\$ 737,930	\$ 27,835	\$ 256,919	\$ 894,601	\$ 2,181	\$ 1,214	\$ 14,762,805	\$ 65,778	\$ (14,762,805)	\$ 14,811,584

(A schedule of funding progress is presented on page 57.)

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINING STATEMENT OF NET ASSETS

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)

SUPERIOR COURT JUDGES AND DISTRICT ATTORNEYS RETIREMENT FUNDS

COMBINING STATEMENT OF NET ASSETS

June 30, 2005

(In thousands)

Assets	Pension trust funds		Total 2005
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	
Cash	\$ 112	\$ 1	\$ 113
Investments – at fair value:			
Equity in pooled investment fund	1,140	—	1,140
Total assets	1,252	1	1,253
Liabilities			
Accounts payable and other	38	1	39
Total liabilities	38	1	39
Net assets held in trust for pension benefits	\$ 1,214	\$ —	\$ 1,214

(A schedule of funding progress is presented on page 57.)

See accompanying notes to financial statements.

COMBINING STATEMENT OF CHANGES IN NET ASSETS

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 CHANGES IN NET ASSETS

Year ended June 30, 2005

(In thousands)

	Plans and funds							Eliminations	Total 2005		
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department	Georgia Military Pension Fund	Superior Court Judges And District Attorneys Retirement Funds			Pooled Investment Fund	Georgia Defined Contribution Plan
Net assets held in trust for pension benefits – beginning of year	\$ 12,396,352	\$ 723,071	\$ 27,067	\$ 239,957	\$ 843,947	\$ 1,280	\$ 1,120	\$ 14,241,611	\$ 57,982	\$ (14,241,611)	\$ 14,290,776
Additions:											
Contributions:											
Employer	243,074	840	54	1,826	—	891	2,043	—	—	—	248,728
Member	49,973	1,352	302	4,779	—	—	14	—	14,651	—	71,071
Insurance premiums	—	—	—	—	8,424	—	—	—	—	—	8,424
Administrative expense allotment	—	588	110	175	—	—	30	—	—	—	903
Investment income:											
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—	—	(20)	—	707,307
Interest and dividends	38	—	—	—	2	—	—	—	427	—	380,954
Less investment expenses	(1,825)	(15)	(2)	(1)	—	(1)	(2)	—	(4)	—	(15,497)
Allocation of investment earnings	932,074	53,985	2,036	18,423	64,369	104	82	—	3,094	(1,074,167)	—
Net investment income	930,287	53,970	2,034	18,422	64,371	103	80	1,074,167	3,497	(1,074,167)	1,072,764
Total additions	1,223,334	56,750	2,500	25,202	72,795	994	2,167	1,074,167	18,148	(1,074,167)	1,401,890
Deductions:											
Benefit payments	778,463	41,016	1,553	7,972	—	93	2,043	—	—	—	831,140
Refunds of member contributions and interest	6,510	287	69	93	—	—	—	—	10,042	—	17,001
Death benefits	—	—	—	—	21,916	—	—	—	—	—	21,916
Administrative expenses	9,587	588	110	175	225	—	30	—	310	—	11,025
Total deductions	794,560	41,891	1,732	8,240	22,141	93	2,073	—	10,352	—	881,082
Transfers to systems from pooled investment fund	—	—	—	—	—	—	—	(552,973)	—	552,973	—
Net increase in net assets	428,774	14,859	768	16,962	50,654	901	94	521,194	7,796	(521,194)	520,808
Net assets held in trust for pension benefits – end of year	\$ 12,825,126	\$ 737,930	\$ 27,835	\$ 256,919	\$ 894,601	\$ 2,181	\$ 1,214	\$ 14,762,805	\$ 65,778	\$ (14,762,805)	\$ 14,811,584

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINING STATEMENT OF CHANGES IN NET ASSETS

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)

SUPERIOR COURT JUDGES AND DISTRICT ATTORNEYS RETIREMENT FUNDS

COMBINING STATEMENT OF CHANGES IN NET ASSETS

Year ended June 30, 2005

(In thousands)

	Plans and Funds		Total 2005
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	
Net assets held in trust for pension benefits – beginning of year	\$ 1,120	\$ —	\$ 1,120
Additions:			
Contributions:			
Employer	1,947	96	2,043
Member	14	—	14
Administrative expense allotment	30	—	30
Investment income:			
Less investment expenses	(2)	—	(2)
Allocation of investment earnings	82	—	82
Net investment income	80	—	80
Total additions	2,071	96	2,167
Deductions:			
Benefit payments	1,947	96	2,043
Administrative expenses	30	—	30
Total deductions	1,977	96	2,073
Net increase	94	—	94
Net assets held in trust for pension benefits – end of year	\$ <u>1,214</u>	\$ <u>—</u>	\$ <u>1,214</u>

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, 2004
(In thousands)

Assets	Plans and funds										Total 2004
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department	Georgia Military Pension Fund	Superior Court Judges And District Attorneys Retirement Funds	Pooled Investment Fund	Georgia Defined Contribution Plan	Eliminations	
Cash	\$ 11,770	\$ 208	\$ 13	\$ 114	\$ (90)	\$ 50	\$ 102	\$ 1	\$ 358	\$ —	\$ 12,526
Receivables:											
Employer and member contributions	28,020	2	31	955	—	—	—	—	1,178	—	30,186
Interest and dividends	—	—	—	—	—	—	—	—	64	—	62,378
Due from brokers for securities sold	—	—	—	—	—	—	—	—	12,302	—	12,302
Unremitted insurance premiums	—	—	—	—	1,163	—	—	—	—	(1,163)	—
Total receivables	28,020	2	31	955	1,163	—	—	74,616	1,242	(1,163)	104,866
Investments - at fair value:											
Short-term	—	—	—	—	—	—	—	174,104	6,673	—	180,777
Obligations of the U.S. Government and its agencies, corporate, and other bonds	—	—	—	—	—	—	—	5,639,244	9,952	—	5,649,196
Common stocks	—	—	—	—	—	—	—	8,373,078	—	—	8,373,078
Mortgage loans	—	—	—	—	—	—	—	525	—	—	525
Equity in pooled investment fund	12,366,625	723,394	27,052	239,036	843,149	1,230	1,058	—	40,067	(14,241,611)	—
Total investments	12,366,625	723,394	27,052	239,036	843,149	1,230	1,058	14,186,951	56,692	(14,241,611)	14,203,576
Capital assets, net	3,987	—	—	—	—	—	—	—	—	—	3,987
Total assets	12,410,402	723,604	27,096	240,105	844,222	1,280	1,160	14,261,568	58,292	(14,242,774)	14,324,955
Liabilities											
Accounts payable and other	12,916	533	20	128	275	—	40	—	310	—	14,222
Due to brokers for securities purchased	—	—	—	—	—	—	—	19,957	—	—	19,957
Insurance premiums payable	1,134	—	9	20	—	—	—	—	—	(1,163)	—
Total liabilities	14,050	533	29	148	275	—	40	19,957	310	(1,163)	34,179
Net assets held in trust for pension benefits	\$ 12,396,352	\$ 723,071	\$ 27,067	\$ 239,957	\$ 843,947	\$ 1,280	\$ 1,120	\$ 14,241,611	\$ 57,982	\$ (14,241,611)	\$ 14,290,776

(A schedule of funding progress is presented on page 57.)

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINING STATEMENT OF NET ASSETS

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)

SUPERIOR COURT JUDGES AND DISTRICT ATTORNEYS RETIREMENT FUNDS COMBINING STATEMENT OF NET ASSETS

June 30, 2004
 (In thousands)

Assets	Pension Trust Funds		Total 2004
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	
Cash	\$ 101	\$ 1	\$ 102
Investments – at fair value:			
Equity in pooled investment fund	1,058	—	1,058
Total assets	1,159	1	1,160
Liabilities			
Accounts payable and other	39	1	40
Total liabilities	39	1	40
Net assets held in trust for pension benefits	\$ 1,120	\$ —	\$ 1,120

(A schedule of funding progress is presented on page 57.)

See accompanying notes to financial statements.

COMBINING STATEMENT OF CHANGES IN NET ASSETS

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 CHANGES IN NET ASSETS

Year ended June 30, 2004

(In thousands)

	Plans and funds										Eliminations	Total 2004
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department	Georgia Military Pension Fund	Superior Court Judges And District Attorneys Retirement Funds	Pooled Investment Fund	Georgia Defined Contribution Plan			
Net assets held in trust for pension benefits - beginning of year	\$ 11,697,607	\$ 694,709	\$ 25,615	\$ 220,585	\$ 782,791	\$ 626	\$ 1,023	\$ 13,437,841	\$ 49,747	\$ (13,437,841)	\$	\$ 13,472,703
Additions:												
Contributions:												
Employer	245,388	836	52	1,558	—	617	1,905	—	—	—	—	250,356
Member	54,166	1,317	293	3,848	—	—	181	—	13,886	—	—	73,691
Insurance premiums	—	—	—	—	9,223	—	—	—	—	—	—	9,223
Administrative expense allotment	—	588	110	175	—	—	30	—	—	—	—	903
Investment income:												
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—	972,059	(158)	—	—	971,901
Interest and dividends	—	—	—	—	3	—	—	326,885	261	—	—	327,149
Less investment expenses	(1,895)	(37)	(5)	(4)	—	(3)	(9)	(12,149)	(10)	—	—	(14,112)
Allocation of investment earnings	1,117,693	66,186	2,449	21,319	75,416	89	90	—	3,553	(1,286,795)	—	—
Net investment income	1,115,798	66,149	2,444	21,315	75,419	86	81	1,286,795	3,646	(1,286,795)	—	1,284,938
Total additions	1,415,352	68,890	2,899	26,896	84,642	703	2,197	1,286,795	17,532	(1,286,795)	—	1,619,111
Deductions:												
Benefit payments	702,314	39,646	1,323	7,042	—	49	2,070	—	3	—	—	752,447
Refunds of member contributions and interest	5,819	294	14	307	—	—	—	—	8,984	—	—	15,418
Death benefits	—	—	—	—	23,261	—	—	—	—	—	—	23,261
Administrative expenses	8,474	588	110	175	225	—	30	—	310	—	—	9,912
Total deductions	716,607	40,528	1,447	7,524	23,486	49	2,100	—	9,297	—	—	801,038
Transfers to systems from pooled investment fund	—	—	—	—	—	—	—	(483,025)	—	483,025	—	—
Net increase in net assets	698,745	28,362	1,452	19,372	61,156	654	97	803,770	8,235	(803,770)	—	818,073
Net assets held in trust for pension benefits - end of year	\$ 12,396,352	\$ 723,071	\$ 27,067	\$ 239,957	\$ 843,947	\$ 1,280	\$ 1,120	\$ 14,241,611	\$ 57,982	\$ (14,241,611)	\$	\$ 14,290,776

See accompanying notes to financial statements.

FINANCIAL SECTION

COMBINING STATEMENT OF CHANGES IN NET ASSETS

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)

SUPERIOR COURT JUDGES AND DISTRICT ATTORNEYS RETIREMENT FUNDS
COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year ended June 30, 2004
(In thousands)

	Plans and Funds		Total 2004
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	
Net assets held in trust for pension benefits – beginning of year	\$ 1,023	\$ —	\$ 1,023
Additions:			
Contributions:			
Employer	1,807	98	1,905
Member	181	—	181
Administrative expense allotment	30	—	30
Investment income:			
Less investment expenses	(9)	—	(9)
Allocation of investment earnings	90	—	90
Net investment income	81	—	81
Total additions	2,099	98	2,197
Deductions:			
Benefit payments	1,972	98	2,070
Administrative expenses	30	—	30
Total deductions	2,002	98	2,100
Net increase	97	—	97
Net assets held in trust for pension benefits – end of year	\$ <u>1,120</u>	\$ <u>—</u>	\$ <u>1,120</u>

See accompanying notes to financial statements.

FINANCIAL SECTION

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)

June 30, 2005 and 2004

(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), Superior Court Judges Retirement Fund (SCJRF), District Attorneys Retirement Fund (DARF), Georgia Defined Contribution Plan (GDGP), and State Employees' Assurance Department (SEAD). 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, as amended by GASB Statement No. 39. 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 Boards of Trustees, comprised of active and retired members and ex-officio state employees, 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, 2005, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	31,453
Terminated employees entitled to benefits but not yet receiving benefits	63,062
Active plan members	74,414
Total	<u>168,929</u>
Employers	530

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. 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. All other members are “new plan” members, subject to the modified plan provisions.

Under both the old and new plans, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 65. Additionally, there are some provisions allowing for retirement after 25 years of creditable service, regardless of age.

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 are also made to members’ benefits. 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 are 1.25% of annual compensation. The state is required to contribute at a specified percentage of active member payroll, determined annually by actuarial valuation.

Employer contributions required for fiscal year 2005 were based on the June 30, 2003 actuarial valuation as follows:

	Old Plan	New Plan
Employer:		
Normal	5.94%	10.69%
Employer paid for member	4.75	—
Accrued liability	(0.28)	(0.28)
Total	10.41%	10.41%

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

Employer contributions required for fiscal year 2004 were based on the June 30, 2002 actuarial valuation as follows:

	Old Plan	New Plan
Employer:		
Normal	6.21%	6.21%
Employer paid for member	—	4.75
Accrued liability	(0.55)	(0.55)
Total	5.66%	10.41%

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 actuarial accrued funding excess within 12 years, based upon the actuarial valuation at June 30, 2004, on the assumption that the total payroll of active members will increase by 3.75% 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 198 and 199 members eligible to participate in this portion of ERS as of June 30, 2005 and 2004, respectively. Employer contributions of \$2,405,000 and \$2,200,000 and benefit payments of \$2,409,000 and \$2,193,000 under the SRBP are included in the combined statements of changes in net assets for the years ended June 30, 2005 and 2004, respectively. Cash of \$43,000 and \$48,000 under the SRBP is included in the combined statements of net assets for the years ended June 30, 2005 and 2004, respectively.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

- (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, 2005, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	12,703
Terminated employees entitled to benefits but not yet receiving benefits	44,019
Active plan members	57,438
Total	<u>114,160</u>
Employers	184

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 \$13.50, multiplied by the number of years of creditable service. Death, disability, and spousal 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 years ended June 30, 2005 and 2004 were \$23.35 and \$24.36 per active member, respectively, and were based on the June 30, 2003 and 2002 actuarial valuations, respectively.

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.

The employer contributions are projected to liquidate the actuarial accrued funding excess within 25 years, based upon the actuarial valuation at June 30, 2004.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

- (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, 2005, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	226
Terminated employees entitled to benefits but not yet receiving benefits	160
Active plan members	221
	<hr/>
Total	607
	<hr/> <hr/>
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 \$32, multiplied by the number of years of creditable service, reduced by age reduction factors, if applicable. Death, disability, and spousal 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 years ended June 30, 2005 and 2004, based on the June 30, 2003 and 2002 actuarial valuations, respectively.

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.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

- (d) The GJRS is a system created to serve the members and beneficiaries of the Trial Judges and Solicitors, the Superior Court Judges, and the District Attorneys (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 trial judges and solicitors of certain courts 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, 2005, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	171
Terminated employees entitled to benefits but not yet receiving benefits	2
Active plan members	582
Total	755
Employers	5

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 66-2/3% of annual salary, 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 2005 were based on the June 30, 2003 actuarial valuation as follows:

Employer:	
Normal	19.70%
Accrued liability	(15.85)
Total	3.85%

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

Employer contributions required for fiscal year ended June 30, 2004 were based on the June 30, 2002 actuarial valuation as follows:

Employer:	
Normal	20.33%
Accrued liability	<u>(16.48)</u>
Total	<u>3.85%</u>

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 11 years, based upon the actuarial valuation at June 30, 2004, assuming that the amount of accrued liability payment increases 4.00% 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, 2004 and 2005, GMPF had 104 and 61 retirees and beneficiaries, respectively, 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 years ended June 30, 2005 and 2004 were \$89.19 and \$68.79 per active member, respectively, and were based on the June 30, 2003 and 2002 actuarial valuations, respectively.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

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 30 years, based upon the actuarial valuation at June 30, 2004.

- (f) 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, 2005, participation in SCJRF is as follows:

Retirees and beneficiaries currently receiving benefits	28
Terminated employees entitled to benefits but not yet receiving benefits	4
Active plan members	2
	<hr/>
Total	34
	<hr/> <hr/>
Employers	1

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

Member contributions are 5.0% of their salary, plus an additional 2.5% for the spousal coverage benefit, if elected. The state pays member contributions of 5.0% of the member's annual salary. Additional employer contributions are not actuarially determined, but are provided on an as-needed basis to fund current benefits.

- (g) 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, 2005, DARF had seven retirees and beneficiaries currently receiving benefits.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

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

Member contributions were 5.0% of their annual salary, plus an additional 2.5% for the spousal coverage benefit, if elected. The state paid member contributions of 5.0% of the member's annual salary. Employer contributions are not actuarially determined, but are provided on an as-needed basis to fund current benefits.

- (h) 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. GDCP is administered by the ERS Board of Trustees.

Membership

As of June 30, 2005, participation in GDCP is as follows:

Terminated employees entitled to benefits but not yet receiving benefits	89,510
Active plan members	34,177
Total	<u>123,687</u>
Employers	284

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 to be adopted by the ERS Board of Trustees. If a member has less than \$3,500 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.

- (i) SEAD was created in 1953 by the Georgia General Assembly to furnish survivors' benefits for eligible members of ERS. SEAD contracts with ERS, LRS, GJRS, and SCJRF to provide group term life insurance coverage for their participants. Death benefit payments are payable to the beneficiary or estate of the insured individual.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

(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 and refund payments are recognized as deductions when due and payable.

During fiscal year 2005, the System adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. This pronouncement requires additional disclosures presented in these notes, but has no impact on the System's net assets. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Included as an element of interest rate risk, Statement No. 40 requires disclosures of investments that have fair values that are highly sensitive to changes in interest rates.

(b) *Investments*

Investments are reported at fair value. Short-term investments are reported at cost, which approximates 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. No investment in any one organization except the U.S. Government represents 5% or more of the net assets available for pension benefits. There are no investments in, loans to, or leases with parties related to the System.

(c) *Capital Assets*

Capital assets are stated at cost less accumulated depreciation. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of three 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 plan net assets in the period of disposal.

(d) *Use of Estimates*

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

(4) Investment Program

The System maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested in either short-term or long-term investment securities as directed by the Board of Trustees. All investments are held by agent custodial banks in the name of the System.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

Cash

Cash balances are fully insured through the Federal Deposit Insurance Corporation, an agency of the U.S. Government. Fiduciary accounts, such as those of the System, are granted \$100,000 of insurance coverage per participant in the System. Temporary cash on hand not committed for a specific purpose is invested overnight.

Investments

State statutes authorize the System to invest in a variety of short-term and long-term securities as follows:

(a) *Short-Term*

Short-term investments 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 in obligations unconditionally guaranteed by the 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 \$170,179,000 and \$180,777,000 at June 30, 2005 and 2004, respectively.
- U.S. Treasury obligations with varying terms up to 360 days.

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

- 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-1 and/or A-1 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-1 and/or A-1 by national credit rating agencies.

Investments in commercial paper or master notes are limited to no more than \$100 million in any one name.

(b) *Long-Term*

Fixed income investments are authorized in the following instruments:

- Obligations unconditionally guaranteed by agencies of the U.S. Government and corporate bonds with at least an "A" rating by a national rating agency and limited to no more than 5% of total System assets in any one name. Maturities of these securities vary up to a period of 40 years to provide the System with flexibility necessary to meet changing market conditions. The System held agency and corporate bonds of \$2,131,919,000 and \$1,754,167,000 at June 30, 2005 and 2004, respectively.
- U.S. and foreign government obligations with terms up to 30 years. Quality and call requirements of corporate bonds are applicable. The System held U.S. Government obligations of \$3,636,764,000 and \$3,895,029,000 at June 30, 2005 and 2004, respectively.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

- Private placements are authorized under the same general restrictions applicable to corporate bonds.

Mortgage investments are authorized to the extent that they are secured by first mortgages on improved real property located in the state of Georgia having a loan-to-value ratio no higher than 75%. Mortgages, as a group, cannot exceed 10% of total assets or 1% for any one loan.

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 60% of the total invested assets on a historical cost basis may be placed in equities and no more than 5% in any one corporation. 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. The System held common stocks totaling \$8,786,268,000 and \$8,373,078,000 at June 30, 2005 and 2004, respectively.

Substantially all of the investments of ERS, PSERS, LRS, SCJRF, GJRS, GMPF, and SEAD, and certain investments of GDCP are pooled into one common investment fund. Investments of approximately \$20,766,000 and \$16,624,000 at June 30, 2005 and 2004, respectively, held by GDCP, are not included in the 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, 2005 and 2004 were as follows (dollars in thousands):

	2005		2004	
	Fair value	Units	Fair value	Units
Employees' Retirement System	\$ 12,801,750	6,247,963	\$ 12,366,625	6,501,622
Public School Employees' Retirement System	738,491	360,424	723,394	380,317
Legislative Retirement System	27,833	13,584	27,052	14,222
Georgia Judicial Retirement System	256,489	125,181	239,036	125,670
State Employees' Assurance Department	891,817	435,256	843,149	443,277
Georgia Military Pension Fund	2,124	1,037	1,230	647
Superior Court Judges Retirement Fund	1,140	556	1,058	556
Georgia Defined Contribution Plan	43,161	21,065	40,067	21,065
	<u>\$ 14,762,805</u>	<u>7,205,066</u>	<u>\$ 14,241,611</u>	<u>7,487,376</u>

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

GASB Statement No. 40 was effective for the fiscal year ending June 30, 2005; the System has determined that it is not practical to show these amounts for the previous year.

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. The System's investment in U.S. Agencies was 21.5% of the total fixed income portfolio and was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The System's investment in corporate bonds was 15.4% of the total fixed income portfolio which consisted of 8.7% rated AAA/Aaa and 6.7% rated AA/Aa.

The investment policy requires that repurchase agreements be limited to the purchase of U.S. Treasury or Agency obligations or corporate bonds rated at no lower than "A" by any nationally recognized statistical rating organization with a market value in excess of funds advanced. As of June 30, 2005, the System held repurchase agreements of \$170,179,000.

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. State statutes and the System's investment policy limit investments to no more than 5% of total System net assets in any one corporation. On June 30, 2005, the System did not have debt or equity investments in any one organization, other than those issued by the U. S. Government, which represented greater than 5% of plan net assets.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. 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**

<u>Fixed income and repurchase agreements security type</u>	<u>Market value June 30, 2005</u>	<u>Percent of all fixed income assets and repurchase agreements</u>	<u>Effective duration (years)</u>
U.S. Treasuries	\$ 3,636,764,330	61.2%	6.2
U.S. Agencies	1,240,727,526	20.9%	2.4
Corporate Bonds	891,191,150	15.0%	4.7
Repurchase Agreements	170,179,000	2.9%	0.0
Total	<u>\$ 5,938,862,006</u>	<u>100.0%</u>	5.0

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

(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 110% of the loaned securities' value, depending on the type of collateral security.

Securities loaned totaled \$5,627,900,000 and \$5,345,289,000 at fair value at June 30, 2005 and 2004, respectively. The collateral value was equal to 105.1% and 105.0% of the loaned securities' value at June 30, 2005 and 2004, respectively. The System's lending collateral was held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying statements of net assets since the System maintains ownership. The related collateral securities are not recorded as assets on the System's statements 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) SEAD Actuarial Valuation

According to the SEAD 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 is held as a reserve for payment of death benefits under existing policies.

The most current actuarial valuation of SEAD is as of June 30, 2004. The valuation indicated that the employee contribution rates of 0.50% and 0.25% of members' salaries for old plan members and new plan members, respectively, were appropriate as of June 30, 2004. There were no employer contributions required for the year ended June 30, 2005. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

FINANCIAL SECTION

NOTES TO FINANCIAL STATEMENTS

(7) Capital Assets

The following is a summary of capital assets and depreciation information as of June 30, 2005 and 2004 and for the years then ended:

	Balance at June 30, 2004	Additions	Disposals	Balance at June 30, 2005
Capital assets:				
Land	\$ 944,225	\$ —	\$ —	\$ 944,225
Building	2,800,000	—	—	2,800,000
Equipment	295,823	402,783	—	698,606
Vehicles	20,551	—	—	20,551
Software under development	—	2,036,877	—	2,036,877
	<u>4,060,599</u>	<u>2,439,660</u>	<u>—</u>	<u>6,500,259</u>
Accumulated depreciation for:				
Building	—	(70,000)	—	(70,000)
Equipment	(56,801)	(83,142)	—	(139,943)
Vehicles	(16,146)	(2,936)	—	(19,082)
Software under development	—	—	—	—
	<u>(72,947)</u>	<u>(156,078)</u>	<u>—</u>	<u>(229,025)</u>
Capital assets, net	<u>\$ 3,987,652</u>	<u>\$ 2,283,582</u>	<u>\$ —</u>	<u>\$ 6,271,234</u>
	Balance at June 30, 2003	Additions	Disposals	Balance at June 30, 2004
Capital assets:				
Land	\$ 944,225	\$ —	\$ —	\$ 944,225
Building	2,800,000	—	—	2,800,000
Equipment	62,686	233,137	—	295,823
Vehicles	20,551	—	—	20,551
	<u>3,827,462</u>	<u>233,137</u>	<u>—</u>	<u>4,060,599</u>
Accumulated depreciation for:				
Equipment	(28,006)	(28,795)	—	(56,801)
Vehicles	(13,211)	(2,935)	—	(16,146)
	<u>(41,217)</u>	<u>(31,730)</u>	<u>—</u>	<u>(72,947)</u>
Capital assets, net	<u>\$ 3,786,245</u>	<u>\$ 201,407</u>	<u>\$ —</u>	<u>\$ 3,987,652</u>

(8) Commitments and Contingencies

The System is subject to legal actions in the ordinary course of its business. In the opinion of management, the System has adequate legal defenses and insurance coverage with respect to such actions and their final outcome will not have a material adverse effect upon the financial status of the System.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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 (UNAUDITED)
SCHEDULES OF FUNDING PROGRESS
(In thousands)**

	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)	Excess as percentage of covered payroll [(b-a)/c]
Employees' Retirement System	6/30/1999	\$ 9,848,723	\$ 9,695,614	\$ (153,109)	101.6%	\$ 2,152,072	(7.1)%
	6/30/2000	10,999,901	10,573,408	(426,493)	104.0%	2,304,289	(18.5)%
	6/30/2001	11,750,624	11,557,255	(193,369)	101.7%	2,397,169	(8.1)%
	6/30/2002	12,124,414	11,994,850	(129,564)	101.1%	2,408,306	(5.4)%
	6/30/2003	12,428,736	12,370,563	(58,173)	100.5%	2,489,490	(2.3)%
6/30/2004	12,797,389	13,106,648	309,259	97.6%	2,445,619	12.6%	
Public School Employees' Retirement System ¹	6/30/1999	599,464	586,352	(13,112)	102.2%	N/A	N/A
	6/30/2000	667,642	615,357	(52,285)	108.5%	N/A	N/A
	6/30/2001	708,391	613,347	(95,044)	115.5%	N/A	N/A
	6/30/2002	727,529	630,295	(97,234)	115.4%	N/A	N/A
	6/30/2003	734,879	664,207	(70,672)	110.6%	N/A	N/A
	6/30/2004	743,815	666,883	(76,932)	111.5%	N/A	N/A
	6/30/1999	22,679	20,129	(2,550)	112.7%	2,411	(105.8)%
6/30/2000	24,666	21,628	(3,038)	114.0%	2,411	(126.0)%	
6/30/2001	26,034	21,610	(4,424)	120.5%	3,567	(124.0)%	
6/30/2002	26,637	21,779	(4,858)	122.3%	3,413	(142.3)%	
6/30/2003	27,157	21,898	(5,259)	124.0%	3,434	(153.1)%	
6/30/2004	27,892	22,023	(5,869)	126.6%	3,402	(172.5)%	
Georgia Judicial Retirement System	6/30/1999	183,249	129,233	(54,016)	141.8%	29,594	(182.5)%
	6/30/2000	204,136	138,427	(65,709)	147.5%	34,856	(188.5)%
	6/30/2001	219,288	156,083	(63,205)	140.5%	37,688	(167.7)%
	6/30/2002	228,417	175,154	(53,263)	130.4%	38,650	(137.9)%
	6/30/2003	237,683	185,825	(51,858)	127.9%	38,867	(133.4)%
6/30/2004	250,313	196,502	(53,811)	127.4%	40,908	(131.5)%	
Georgia Military Pension Fund	6/30/2002	—	8,322	8,322	—	N/A	N/A
	6/30/2003	609	11,098	10,489	5.5%	N/A	N/A
	6/30/2004	1,250	12,343	11,093	10.1%	N/A	N/A

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

Information is shown only for the years available in accordance with the parameters of GASB No. 25. Additional years will be added as data become available.

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.

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

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

(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 EMPLOYEE CONTRIBUTIONS
(In thousands)

	Year ended June 30	State annual required contribution	Percentage contributed
Employees' Retirement System	1999	\$ 304,461	100%
	2000	302,332	100%
	2001	315,505	100%
	2002	233,229	100%
	2003	246,172	100%
	2004	245,388	100%
Public School Employees' Retirement System	1999	10,839	158%
	2000	9,789	184%
	2001	12,874	132%
	2002	11,623	100%
	2003	4,121	86%
	2004	833	100%
Legislative Retirement System	1999	84	108%
	2000	22	436%
	2001	—	N/A
	2002	—	N/A
	2003	—	N/A
	2004	—	N/A
Georgia Judicial Retirement System	1999	694	100%
	2000	834	100%
	2001	1,741	11%
	2002	—	N/A
	2003	—	N/A
	2004	1,558	100%
Georgia Military Pension Plan	2003	591	100%
	2004	617	100%

This data was provided by the System's actuary.
Information is shown only for the years available in accordance with the parameters of GASB No. 25.
Additional years will be added as data becomes available.
See accompanying notes to required supplementary schedules.
See accompanying independent auditors' report.

FINANCIAL SECTION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (Unaudited)

June 30, 2005

(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 20% 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.

Employees' Retirement System:

Valuation date	June 30, 2004	June 30, 2003
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	12 years	10 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.25%
Projected salary increases ¹	5.45-9.25%	5.45-9.25%
Postretirement cost-of-living adjustment	None	None

Public School Employees' Retirement System:

Valuation date	June 30, 2004	June 30, 2003
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	25 years	11 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.25%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

FINANCIAL SECTION

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (Unaudited)

June 30, 2005

Legislative Retirement System:

Valuation date	June 30, 2004	June 30, 2003
Actuarial cost method	Unit credit	Unit credit
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	N/A	N/A
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.25%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

Georgia Judicial Retirement System:

Valuation date	June 30, 2004	June 30, 2003
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	11 years	11 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.25%
Projected salary increases ¹	6.00%	5.75%
Postretirement cost-of-living adjustment	None	None

Georgia Military Pension Fund:

Valuation date	June 30, 2004	June 30, 2003
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	40 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7.50%	7.25%
Projected salary increases ¹	N/A	N/A
Postretirement cost-of-living adjustment	None	None

¹Includes inflation rate of 4.00% .

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

Years ended June 30, 2005 and 2004

(In thousands)

	<u>2005</u>	<u>2004</u>
Contributions:		
Employees' Retirement System	\$ 9,587	\$ 8,474
Public School Employees' Retirement System	588	588
Legislative Retirement System	110	110
Georgia Judicial Retirement System	175	175
State Employees' Assurance Department	225	225
Georgia Defined Contribution Plan	310	310
Superior Court Judges Retirement Fund	30	30
	<u>11,025</u>	<u>9,912</u>
Expenses:		
Personal services:		
Salaries and wages	3,791	2,623
Retirement contributions	367	259
FICA	262	179
Health insurance	499	343
Miscellaneous	22	11
	<u>4,941</u>	<u>3,415</u>
Communications:		
Postage	204	210
Publications and printing	72	35
Telecommunications	78	130
Travel	10	15
	<u>364</u>	<u>390</u>
Professional services:		
Accounting and investment services	2,954	2,616
Computer services	732	1,022
Contracts	36	268
Actuarial services	334	347
Medical services	233	200
Professional fees	68	72
Legal services	24	24
	<u>4,381</u>	<u>4,549</u>

FINANCIAL SECTION

ADDITIONAL INFORMATION

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
 Years ended June 30, 2005 and 2004
 (In thousands)

	2005	2004
Expenses, Continued:		
Management fees:		
Building maintenance	\$ 561	\$ 561
Other services and charges:		
Equipment	—	9
Temporary services	292	689
Supplies and materials	223	84
Repairs and maintenance	57	53
Courier services	13	14
Depreciation	156	32
Miscellaneous	34	115
Office equipment	3	1
	778	997
Total expenses	11,025	9,912
Net income	—	—
Balance:		
Beginning of year	—	—
End of year	\$ —	\$ —

See accompanying independent auditors' report.

Notes

Notes