

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

*Management's Discussion and Analysis for the Year Ended
June 30, 2002, Combined Financial Statements
as of and for the Years Ended
June 30, 2002 and 2001,
Required Supplementary Schedules and
Additional Information as of and for the Years
Ended June 30, 2002 and 2001,
and Independent Auditors' Report*

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Employees' Retirement System of Georgia:

We have audited the accompanying combined statements of net assets of the Employees' Retirement System of Georgia, including all plans and funds administered by the Employees' Retirement System of Georgia (collectively, the "System"), a component unit of the state of Georgia, as of June 30, 2002 and 2001, and the related combined statements of changes in net assets for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial status of the System as of June 30, 2002 and 2001, and the changes in financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 3 to the financial statements, as of July 1, 2001, the System adopted the provisions of the Governmental Accounting Standards Board Statements No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis and the required supplementary schedules listed in the Table of Contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. This information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information is the responsibility of the System's management. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Deloitte + Touche LLP".

November 27, 2002

MANAGEMENT'S DISCUSSION & ANALYSIS

This discussion and analysis of the Employees' Retirement System of Georgia (the "System") provides an overview of the financial performance during the fiscal year ended June 30, 2002. It is intended to be a narrative supplement to the financial information that begins on page 2, and should be read within the context of the accompanying financial statements, notes to the financial statements and disclosures, supplementary schedules, and additional information.

The System is responsible for administering a cost-sharing multiple-employer defined benefit pension plan for various employer agencies of Georgia, along with five 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")
- Superior Court Judges Retirement Fund ("SCJRF")
- District Attorneys Retirement Fund ("DARF")

The defined contribution retirement plan is the Georgia Defined Contribution Plan ("GDGP").

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 decreased by \$884 million, or 6.2%, from \$14.2 billion to \$13.3 billion for the year ended June 30, 2002. The decrease was primarily due to the downturn in equity markets.
- Net investment loss (interest and dividend income, reduced by net depreciation in the fair value of investments and investment expenses) was \$562 million for the year ended June 30, 2002 – an improvement over the loss of \$911 million for the prior fiscal year.
- Contributions from employers declined by \$89 million, or 26.5% for the year ended June 30, 2002. The decline was primarily due to a planned reduction in the contribution rate of approximately 30%. Retirement payments increased by \$58 million, or 10.4% for the year ended June 30, 2002.

Overview of the Financial Statements

The financial statement include: (1) the combined statements of net assets, (2) the combined statements of changes in net assets, (3) notes to the financial statements, (4) required supplementary schedules, and (5) additional information. The financial statements are prepared on an accrual basis in accordance with accounting principles generally accepted in the United States of America promulgated by the Government Accounting Standards Board.

The required supplementary schedules include a schedule of funding progress and a schedule of employer contributions.

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 statements are presented as of June 30, 2002 and June 30, 2001 for comparative purposes. These statements are presented on page 7.

The *Combined Statement of Changes in Net Assets* reports the changes in net assets during the fiscal years ended June 30, 2002 and June 30, 2001 for comparative purposes. Additions and deductions of net assets are summarized in this statement. Additions include contributions to the retirement plans from employers and members, group life insurance premiums, and investment loss, which includes interest and dividends and the net depreciation in the fair value of investments. Deductions include retirement payments, life insurance death benefit payments, refunds of member contributions, and administrative expenses. These statements are presented on page 8.

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 9 of the report.

There are two *Required Supplementary Schedules* included in this report. These required schedules are applicable to the four defined benefit plans: ERS, PSERS, LRS, and GJRS. The *Schedule of Funding Progress* presents historical trend information about the actuarially-determined funded status of the plans from a long-term, on-going 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 22.

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 24.

Additional information is presented, beginning on page 27. There are three statements included in this section of the report. They are: (1) *Combining Statements of Net Assets*, (2) *Combining Statements of Changes in Net Assets*, and (3) *Administrative Expense Fund Statement*. The combining statements present the financial position and change in financial position for each of the plans and funds administered by the System, including the Pooled Investment Fund that holds and invests funds from each of the participating plans and funds. The *Administrative Expense Fund Statement* presents the expenses incurred in the administration of these plans and funds, and the contributions from each plan and fund to provide for these expenses.

Financial Analysis

	Net Assets (in thousands)		Amount Change	Percentage Change
	June 30,			
	2002	2001		
Assets:				
Cash and receivables	\$ 108,753	\$ 132,488	\$ (23,735)	(17.9)%
Investments	13,195,741	14,055,934	(860,193)	(6.1)%
Capital assets, net	<u>33</u>	<u>-</u>	<u>33</u>	<u>-</u>
Total assets	<u>13,304,527</u>	<u>14,188,422</u>	<u>(883,895)</u>	<u>(6.2)%</u>
Liabilities:				
Accounts payable and other	<u>10,684</u>	<u>10,430</u>	<u>254</u>	<u>2.4 %</u>
Net assets	<u>\$ 13,293,843</u>	<u>\$ 14,177,992</u>	<u>\$ (884,149)</u>	<u>(6.2)%</u>

The allocation of investments by type at June 30, 2002 and 2001 are as follows:

	2002	2001
<u>Asset Allocation at June 30 (in percentages)</u>		
Equities	54.1 %	57.0 %
Fixed income	44.1 %	41.4 %
Short-term securities*	1.8 %	1.6 %

	2002	2001
<u>Asset Allocation at June 30 (in thousands)</u>		
Equities	\$ 7,140,706	\$ 8,014,283
Fixed income	5,815,140	5,822,463
Short-term securities*	<u>239,895</u>	<u>219,188</u>
	<u>\$ 13,195,741</u>	<u>\$ 14,055,934</u>

*Includes mortgages and real estate

The total investment portfolio decreased by approximately \$860 million. The decline was primarily due to unfavorable conditions in the equity markets.

The investment rate of return in fiscal year ended June 30, 2002 was (4.0%), with a (14.5%) return on equities and a 10.9% return on fixed income investments. The five year annualized rate of return on

investments at June 30, 2002 was 5.7%, with a 2.9% return on equities, and a 9.3% return on fixed income investments.

	<u>Changes in Net Assets (in thousands)</u>		<u>Amount Change</u>	<u>Percentage Change</u>
	<u>2002</u>	<u>2001</u>		
Additions:				
Employer contributions	\$ 247,101	\$ 335,988	\$ (88,887)	(26.5)%
Member contributions	75,704	72,448	3,256	4.5 %
Insurance premiums	14,364	13,813	551	4.0 %
Net investment loss	(562,199)	(910,655)	348,456	38.3 %
Other	<u>940</u>	<u>940</u>	<u>-</u>	
Total additions	<u>(224,090)</u>	<u>(487,466)</u>	<u>263,376</u>	54.0 %
Deductions:				
Retirement payments	618,682	560,572	58,110	10.4 %
Refunds	13,704	14,998	(1,294)	(8.6)%
Death benefits	18,227	18,017	210	1.2 %
Administrative expenses	<u>9,446</u>	<u>8,425</u>	<u>1,021</u>	12.1 %
Total deductions	<u>660,059</u>	<u>602,012</u>	<u>58,047</u>	9.6 %
Net decrease in net assets	<u>\$ (884,149)</u>	<u>\$ (1,089,478)</u>	<u>\$ 205,329</u>	18.8 %

An explanation of the significant components of the changes in net assets follows:

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. Employer contributions decreased 26.5%, primarily because of a reduction in the ERS employer contribution rate of approximately 30%. The fiscal year ended June 30, 2001 employer contribution rate was higher than the employer contribution rate recommended by the actuary and was approved by the System’s Board of Trustees. Member contributions increased 4.5%, primarily because of increased ERS membership participation from 151,393 in 2001 to 153,687 in 2002, and increases in average compensation levels in 2002. The net investment loss is the result of the continuing unfavorable market conditions, as previously discussed.

Deductions – Deductions increased 9.6%, primarily because of a 10.4% increase in retirement payments. This is partly due to an increase of approximately 4% in the number of retirees receiving benefit payments across all defined benefit plans. Administrative expenses increased by approximately \$1 million, an increase of 12% over the prior year due primarily to costs related to the reengineering of the System’s business processes.

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, 2001 and June 30, 2000 actuarial valuations, the latest valuations available, indicate the actuarial value of assets and funding ratios for the four defined benefit retirement plans were as follows:

	Actuarial Value of Plan Assets (in thousands)		Funding Ratio	
	June 30, 2001	June 30, 2000	June 30, 2001	June 30, 2000
ERS	\$ 11,750,624	\$ 10,999,901	101.7%	104.0%
PSERS	708,391	667,642	115.5%	108.5%
LRS	26,034	24,666	120.5%	114.0%
GJRS	219,288	204,136	140.5%	147.5%

The System continues to be in a strong financial position as evidenced by the funding ratios, and it remains financially sound, despite the unfavorable investment results in the current fiscal year. 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.

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

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2002 AND 2001
(In Thousands)

	<u>2002</u>	<u>2001</u>
ASSETS		
CASH	\$ 5,044	\$ 1,546
RECEIVABLES:		
Employer and member contributions	28,600	36,986
Interest and dividends	<u>75,109</u>	<u>93,956</u>
Total receivables	103,709	130,942
INVESTMENTS - at fair value:		
Short-term	235,569	214,837
Obligations of the U.S. Government and its agencies, corporate, and other bonds	5,815,140	5,822,463
Common stocks	7,140,706	8,014,283
Mortgage loans and real estate	<u>4,326</u>	<u>4,351</u>
Total investments	<u>13,195,741</u>	<u>14,055,934</u>
CAPITAL ASSETS, net	<u>33</u>	<u> </u>
Total assets	13,304,527	14,188,422
LIABILITIES		
Accounts payable and other	<u>10,684</u>	<u>10,430</u>
Total liabilities	<u>10,684</u>	<u>10,430</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 13,293,843</u>	<u>\$ 14,177,992</u>
(A schedule of funding progress is presented on page 22.)		

See notes to combined financial statements.

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

**COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001**
(In Thousands)

	<u>2002</u>	<u>2001</u>
NET ASSETS HELD IN TRUST FOR PENSION		
BENEFITS - Beginning of year	\$ 14,177,992	\$ 15,267,470
ADDITIONS:		
Contributions:		
Employer	247,101	335,988
Member	75,704	72,448
Insurance premiums	14,364	13,813
Administrative expense allotment	940	940
Investment loss:		
Net depreciation in fair value of investments	(991,765)	(1,379,000)
Interest and dividends	441,176	479,631
Total investment loss	(550,589)	(899,369)
Less investment expenses	11,610	11,286
Net investment loss	(562,199)	(910,655)
Total additions	(224,090)	(487,466)
DEDUCTIONS:		
Retirement payments	618,682	560,572
Refunds of member contributions and interest	13,704	14,998
Death benefits	18,227	18,017
Administrative expenses	9,446	8,425
Total deductions	660,059	602,012
NET DECREASE	(884,149)	(1,089,478)
NET ASSETS HELD IN TRUST FOR PENSION		
BENEFITS - End of year	<u>\$ 13,293,843</u>	<u>\$ 14,177,992</u>

See notes to combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2002 AND 2001

1. GENERAL

The accompanying combined financial statements of 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 Systems ("PSERS"), Legislative Retirement System ("LRS"), Georgia Judicial Retirement System ("GJRS"), 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 of Governmental Accounting Standards ("SGAS") No. 14. The concept underlying the definition of the reporting entity is that elected officials are accountable. Based on these criteria, the System has not included any other entities in its reporting entity. The System is a component unit of the State of Georgia.

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, combined 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 by state law. The following summarizes authorizing legislation and the plan description of each retirement fund:

- a. ERS is a single-employer, public employee, 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, 2002, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	27,272
Terminated employees entitled to benefits but not yet receiving benefits	59,796
Active plan members	<u>73,924</u>
Total	<u>160,992</u>
Employers	<u>518</u>

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. 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 2002 were based on the June 30, 2000 actuarial valuation as follows:

	Old Plan	New Plan
Employer:		
Normal	6.24 %	6.24 %
Employer paid for member	-	4.75 %
Accrued liability	<u>(0.58)%</u>	<u>(0.58)%</u>
Total	<u>5.66 %</u>	<u>10.41 %</u>

Employer contributions for fiscal year 2001, as approved by the System's Board of Trustees, were as follows:

	Old Plan	New Plan
Employer:		
Normal	6.66 %	6.66 %
Employer paid for member	-	4.75 %
Accrued liability	<u>3.09 %</u>	<u>3.09 %</u>
Total	<u>9.75 %</u>	<u>14.50 %</u>

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 20 years based upon the actuarial valuation at June 30, 2001, on the assumption that the total payroll of active members will increase by 3.5% 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 132 and 256 members eligible to participate in this portion of ERS as of June 30, 2002 and 2001, respectively. Employer contributions of \$2,802,000 and \$2,780,000 and retirement payments of \$2,509,000 and \$2,742,000 under the SRBP are included in the combined statements of changes in net assets for the years ended June 30, 2002 and 2001, respectively. Cash of \$542,000 and \$114,000 and employer receivable of \$96,000 and \$205,000 under the SRBP are

included in the combined statements of net assets for the years ended June 30, 2002 and 2001, respectively.

- b. PSERS is a 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. PSERS is administered by the ERS Board of Trustees plus two additional trustees.

Membership – As of June 30, 2002, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	11,917
Terminated employees entitled to benefits but not yet receiving benefits	40,873
Active plan members	<u>46,551</u>
Total	<u>99,341</u>
Employers	<u>183</u>

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 \$12.50 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, 2002 and 2001 were \$320.97 and \$391.33 per active member, respectively, and were based on the June 30, 2000 and 1999 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 contributions, the member forfeits all rights to retirement benefits.

The employer contributions are projected to liquidate the actuarial accrued funding excess within 40 years based upon the actuarial valuation at June 30, 2001.

- c. LRS is a 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, 2002, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	193
Terminated employees entitled to benefits but not yet receiving benefits	130
Active plan members	<u>212</u>
 Total	 <u>535</u>
 Employers	 <u>1</u>

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, 2002 and 2001 based on the June 30, 2000 and 1999 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.

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

GJRS is a 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, 2002, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	136
Terminated employees entitled to benefits but not yet receiving benefits	43
Active plan members	<u>458</u>
 Total	 <u><u>637</u></u>
 Employers	 <u><u>4</u></u>

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.

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.

There were no employer contributions required for the year ended June 30, 2002 based on the June 30, 2000 actuarial valuation. The employer contribution required for the year ended June 30, 2001 was 4.62% of active members' compensation, which was based on the June 30, 1999 actuarial valuation.

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

The employer contributions are projected to liquidate the actuarial accrued funding excess within ten years based upon the actuarial valuation at July 1, 2001 assuming that the amount of accrued liability payment increases 3.5% each year.

- e. SCJRF is a 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, 2002, participation in SCJRF is as follows:

Retirees and beneficiaries currently receiving benefits	32
Terminated employees entitled to benefits but not yet receiving benefits	4
Active plan members	<u>2</u>
Total	<u>38</u>
Employers	<u>1</u>

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.

- f. 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, 2002, DARF had eight retirees and beneficiaries currently receiving benefits.

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

- g. 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, 2002, participation in GDCP is as follows:

Terminated employees entitled to benefits but not yet receiving benefits	70,225
Active plan members	<u>32,540</u>
Total	<u>102,765</u>
Employers	<u>310</u>

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES AND SYSTEM ASSET MATTERS

Basis of Accounting – The System's combined 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.

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.

Real Estate Investments – An office building that is included in mortgage loans and real estate is owned equally by the System and the Teachers Retirement System of Georgia. The System incurred approximately \$341,000 in rental expense for the years ended June 30, 2002 and 2001, which is included in administrative expenses. The remainder of the building is leased to outside parties, and the rental revenue is included in interest and dividends.

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 combined financial statements.

New Accounting Pronouncements - The GASB has issued SGAS No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as amended by SGAS No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments: Omnibus - an amendment of GASB Statements No. 21 and No. 34*, and SGAS No. 38,

Certain Financial Statement Note Disclosures. The System adopted these statements on July 1, 2001. In general, these statements required the System to present a Management's Discussion and Analysis ("MD&A") and to depreciate capital assets. The MD&A is considered to be required supplementary information and precedes the financial statements. The adoption of these statements did not have a material effect on the financial status of the System. See Note 7 for information regarding capital assets.

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 management. All investments are held by agent custodial banks in the name of the System.

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 – SGAS No. 3 requires governmental entities to categorize investments as an indication of the level of custodial credit risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the System's name. All of the securities held by the System at June 30, 2002 and 2001 are of Category 1 risk level. The System is authorized by its Board of Trustees (through statutes) 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 \$235,569,000 and \$214,837,000 at June 30, 2002 and 2001, 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 \$25 million in any one name.

(b) *Long-Term:*

Fixed income investments are authorized in the following instruments:

- 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 corporate bonds of \$132,075,000 and \$6,139,000 at June 30, 2002 and 2001, 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 \$5,683,065,000 and \$5,816,324,000 at June 30, 2002 and 2001, respectively.
- 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 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 Investment Services Division (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.

Substantially all of the investments of ERS, PSERS, LRS, SCJRF, GJRS, SEAD, and certain investments of GDCP are pooled into one common investment fund. Investments of approximately \$15,231,000, held by GDCP, are not included in the investment pool. Units in the pooled investment fund are allocated to the respective funds based upon the cost of assets contributed, and additional units are allocated to the participating funds based on the market value of the pooled investment fund at the date of contribution. Net income of the pooled investment fund is allocated monthly to the participating funds based upon the number of units outstanding during the month.

The units of the pooled investment fund at June 30, 2002 and 2001 were allocated as follows (in thousands):

	<u>2002</u>	<u>2001</u>
Employees' Retirement System	6,950	7,118
Public School Employees' Retirement System	420	433
Legislative Retirement System	15	16
Georgia Judicial Retirement System	129	130
State Employees' Assurance Department	454	459
Superior Court Judges Retirement Fund	1	1
Georgia Defined Contribution Plan	<u>16</u>	<u>13</u>
	<u>7,985</u>	<u>8,170</u>

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 U.S. 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 \$5,675,299,000 and \$5,993,645,000 at fair value at June 30, 2002 and 2001, respectively. The collateral value was equal to 104.9% and 104.2% of the loaned securities' value at June 30, 2002 and 2001, respectively. The loaned securities are classified as Category 1 investments (see Note 4) based on the custodial arrangements for the collateral securities.

Loaned securities are included in the accompanying combined statements of net assets since the System maintains ownership. The related collateral securities are not recorded as assets on the System's combined 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. In accordance with the criteria set forth in SGAS No. 28, 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, 2001. The valuation indicated that the employee contribution rate of .50% and .25% and the employer contribution rate of .25% and .25% of members' salaries for old plan members and new plan members, respectively, as of June 30, 2001 was

appropriate. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

7. CAPITAL ASSETS

As the result of the adoption of SGAS No. 34 discussed in Note 3, the System has included capital assets and depreciation expense in the accompanying financial statements. The following is a summary of capital assets and depreciation information as of June 30, 2002 and for the year then ended:

	Balance at June 30, 2001	Additions	Disposals	Balance at June 30, 2002
Capital assets:				
Equipment	\$ -	\$ 41,597	\$ -	\$ 41,597
Vehicles	-	20,551	-	20,551
	<u>-</u>	<u>62,148</u>	<u>-</u>	<u>62,148</u>
Accumulated depreciation for:				
Equipment		(18,639)	-	(18,639)
Vehicles	-	(10,276)	-	(10,276)
	<u>-</u>	<u>(28,915)</u>	<u>-</u>	<u>(28,915)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 33,233</u>	<u>\$ -</u>	<u>\$ 33,233</u>

REQUIRED SUPPLEMENTARY SCHEDULES

(See Independent Auditors' Report)

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

REQUIRED SUPPLEMENTARY SCHEDULES
(In Thousands)

Schedule of Funding Progress		Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability ("AAL") - Entry Age (b)	Unfunded AAL/(Funding Excess) (b - a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	Excess) as a Percentage of Covered Payroll [(b-a)/c]
Employees' Retirement System	6/30/97	7,432,306	8,159,345	727,039	91.1%	1,977,928	36.8 %	
	6/30/98	8,613,575	9,093,758	480,183	94.7%	2,055,966	23.4 %	
	6/30/99	9,848,723	9,695,614	(153,109)	101.6%	2,152,072	(7.1)%	
	6/30/00	10,999,901	10,573,408	(426,493)	104.0%	2,304,289	(18.5)%	
	6/30/01	11,750,624	11,557,255	(193,369)	101.7%	2,397,169	(8.1)%	
Public School Employees' Retirement System ¹	6/30/97	462,639	465,764	3,125	99.3%	N/A	N/A	
	6/30/98	528,770	504,779	(23,991)	104.8%	N/A	N/A	
	6/30/99	599,464	586,352	(13,112)	102.2%	N/A	N/A	
	6/30/00	667,642	615,357	(52,285)	108.5%	N/A	N/A	
	6/30/01	708,391	613,347	(95,044)	115.5%	N/A	N/A	
Legislative Retirement System	6/30/97	18,197	18,086	(111)	100.6%	2,340	(4.7)%	
	6/30/98	20,375	19,272	(1,103)	105.7%	2,363	(46.7)%	
	6/30/99	22,679	20,129	(2,550)	112.7%	2,411	(105.8)%	
	6/30/00	24,666	21,628	(3,038)	114.0%	2,411	(126.0)%	
	6/30/01	26,034	21,610	(4,424)	120.5%	3,567	(124.0)%	
Georgia Judicial Retirement System	7/1/98	160,171	117,771	(42,400)	136.0%	26,226	(161.7)%	
	7/1/99	183,249	129,233	(54,016)	141.8%	29,594	(182.5)%	
	7/1/00	204,136	138,427	(65,709)	147.5%	34,856	(188.5)%	
	7/1/01	219,288	156,083	(63,205)	140.5%	37,688	(167.7)%	

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 SGAS No. 25. Additional years will be added as data become available.

¹No 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 notes to required supplementary schedules.

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

REQUIRED SUPPLEMENTARY SCHEDULES
(In Thousands)

Schedule of Employer Contributions

	<u>Year Ended June 30.</u>	<u>State Annual Required Contribution</u>	<u>Percentage Contributed</u>
Employees' Retirement System	1997	282,249	100%
	1998	286,794	100%
	1999	304,461	100%
	2000	302,332	100%
	2001	315,505	100%
Public School Employees' Retirement System	1997	13,645	100%
	1998	13,638	107%
	1999	10,839	158%
	2000	9,789	184%
	2001	12,874	132%
Legislative Retirement System	1997	159	100%
	1998	164	126%
	1999	84	108%
	2000	22	436%
	2001	-	N/A
Georgia Judicial Retirement System	1999	694	100%
	2000	834	100%
	2001	1,741	11%

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

See notes to required supplementary schedules.

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

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

Employees' Retirement System:

Valuation date	June 30, 2001	June 30, 2000
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	20 years	40 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases ¹	5.20-9.00%	5.20-9.00%
Postretirement cost-of-living adjustment	None	None

Public School Employees'
Retirement System:

Valuation date	June 30, 2001	June 30, 2000
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	40 years	40 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

Legislative Retirement System:

Valuation date	June 30, 2001	June 30, 2000
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%	7%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

Georgia Judicial Retirement System:

Valuation date	July 1, 2001	July 1, 2000
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	10 years	12 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases ¹	5.50%	5.50%
Postretirement cost-of-living adjustment	None	None

¹Includes inflation rate of 3.50%

(Concluded)

ADDITIONAL INFORMATION

(See Independent Auditors' Report)

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

COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2002 WITH COMPARATIVE TOTALS FOR 2001
(In Thousands)

ASSETS	Plans and Funds										Eliminations	Total	2001
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Department	District Attorneys Retirement Funds	Pooled Investment Fund	Georgia Defined Contribution Plan	Superior Court Judges and				
CASH	\$ 4,353	\$ (73)	\$ (17)	\$ 86	\$ 36	\$ 90	\$ 569				\$ 5,044	\$ 1,546	
RECEIVABLES:													
Employer and member contributions	27,144	4	30	273		3	1,146				28,600	36,986	
Interest and dividends							94				75,109	93,956	
Unremitted insurance premiums					1,123						\$ (1,123)		
Total receivables	27,144	4	30	273	1,123	3	1,240				103,709	130,942	
INVESTMENTS - at fair value:													
Short-term													
Obligations of the U.S. Government and its agencies, corporate, and other bonds							7,566				235,569	214,837	
Common stocks							7,664				5,815,140	5,822,463	
Mortgage loans and real estate	3,744						7,140,706				7,140,706	8,014,283	
Equity in pooled investment fund	11,538,019	697,942	25,507	213,352	752,895	930	26,874				4,326	4,351	
Total investments	11,538,019	697,942	25,507	213,352	752,895	930	42,104				13,195,761	14,055,934	
CAPITAL ASSETS, net	33										33		
Total assets	11,569,549	697,873	25,520	213,718	754,054	1,023	43,913				13,304,527	\$ 14,188,422	
LIABILITIES													
Accounts payable and other	10,091	412	15	107		45	14				10,684	10,430	
Insurance premiums payable	1,085		38								(1,123)		
Total liabilities	11,176	412	53	107		45	14				10,684	10,430	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS													
(A schedule of funding progress is presented on page 22.)	\$ 11,558,373	\$ 697,461	\$ 25,467	\$ 213,611	\$ 754,054	\$ 978	\$ 43,899				\$ 13,293,843	\$ 14,177,992	

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

Superior Court Judges and District Attorneys Retirement Funds

COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2002 WITH COMPARATIVE TOTALS FOR 2001
(In Thousands)

	Pension Trust Funds			Total
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund		
ASSETS				
CASH	\$ 87	\$ 3	\$ 90	\$ 59
RECEIVABLES:				
Employer and member contributions	<u>3</u>		<u>3</u>	<u>-</u>
Total receivables	3		3	-
INVESTMENTS - at fair value:				
Equity in pooled investment fund	<u>930</u>		<u>930</u>	<u>1,725</u>
Total assets	1,020	3	1,023	1,784
LIABILITIES				
ACCOUNTS PAYABLE AND OTHER	<u>42</u>	<u>3</u>	<u>45</u>	<u>45</u>
Total liabilities	42	3	45	45
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 978</u>	<u>\$ -</u>	<u>\$ 978</u>	<u>\$ 1,739</u>

(A schedule of funding progress is presented on page 22.)

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

COMBINING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2002 WITH COMPARATIVE TOTALS FOR 2001
(In Thousands)

	Plans and Funds										Eliminations	2002	2001	
	Employees' Retirement System	Public School Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department	Superior Court Judges and District Attorneys Retirement Funds	Pooled Investment Fund	Georgia Defined Contribution Plan	Total					
NET ASSETS HELD IN TRUST FOR PENSION														
BENEFITS - Beginning of year	\$ 12,343,625	\$ 748,571	\$ 27,777	\$ 225,173	\$ 790,700	\$ 1,739	\$ 14,129,531	\$ 40,407	\$ (14,129,531)	\$ 14,177,992	\$ 15,267,470			
ADDITIONS:														
Contributions:														
Employer	233,229	11,623	70	20		2,159				247,101	335,988			
Member	57,920	1,275	291	3,527	14,364	13		12,678		75,704	72,448			
Insurance premiums										14,364	13,813			
Administrative expense allotment		625	110	175		30				940	940			
Investment loss:														
Net depreciation in fair value of investments	60				\$		(991,710)	(55)		(991,765)	(1,379,000)			
Interest and dividends	(730)	(58)	(3)	(11)		(3)	440,444	667		441,176	479,631			
Less investment expenses	(487,723)	(28,895)	(1,412)	(9,117)	(32,563)	(745)	(10,798)	(7)		(11,610)	(11,286)			
Allocation of investment earnings		(28,953)	(1,415)	(9,128)	(32,538)	(748)	(562,064)	(992)		(562,064)	(910,655)			
Net investment loss	(488,398)	(15,430)	(944)	(5,400)	(18,193)	(1,454)	(562,064)	(1,679)		(562,064)	(487,466)			
Total additions	(197,249)									(224,090)				
DEDUCTIONS:														
Retirement payments	574,602	34,794	1,240	5,861		2,185				618,682	560,572			
Refunds of employee contributions and interest	5,430	261	16	120				7,877		13,704	14,998			
Death benefits					18,227					18,227	18,017			
Administrative expenses	7,971	625	110	175	225	30		310		9,446	8,425			
Total deductions	588,003	35,680	1,366	6,156	18,452	2,215		8,187		660,059	602,012			
TRANSFERS TO SYSTEMS FROM POOLED INVESTMENT FUND														
NET (DECREASE) INCREASE	(785,252)	(51,110)	(2,310)	(11,562)	(36,646)	(761)	(315,685)	(3,492)		(884,149)	(1,089,478)			
NET ASSETS HELD IN TRUST FOR PENSION														
BENEFITS - End of year	\$ 11,558,373	\$ 697,461	\$ 25,467	\$ 213,611	\$ 754,054	\$ 978	\$ 13,251,782	\$ 43,899	\$ (13,251,782)	\$ 13,293,843	\$ 14,177,992			

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

Superior Court Judges and District Attorneys Retirement Funds

COMBINING STATEMENTS OF CHANGES IN NET ASSETS
JUNE 30, 2002 WITH COMPARATIVE TOTALS FOR 2001
(In Thousands)

	Pension Trust Funds			Total
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund		
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -				
Beginning of year	\$ 1,739			\$ 1,896
ADDITIONS:				
Contributions:				
Employer	2,042	\$ 117		2,087
Member	13			12
Administrative expense allotment	30			30
Investment loss:				
Interest and dividends	(3)			-
Less investment expenses	(745)		(3)	(111)
Allocation of investment earnings	(748)		(745)	(111)
Net investment loss			(748)	(111)
Total additions	1,337	117	1,454	2,018
DEDUCTIONS:				
Retirement payments	2,068	117		2,145
Administrative expenses	30		30	30
Total deductions	2,098	117	2,215	2,175
NET INCREASE (DECREASE)	(761)		(761)	(157)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS -				
End of year	\$ 978	\$ -	\$ 978	\$ 1,739

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

Administrative Expense Fund

CONTRIBUTIONS AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(In Thousands)

	<u>2002</u>	<u>2001</u>
Contributions:		
Employees' Retirement System	\$ 7,971	\$ 6,950
Public School Employees' Retirement System	625	625
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	<u>30</u>	<u>30</u>
Total contributions	<u>9,446</u>	<u>8,425</u>
Expenses:		
Personal services:		
Salaries and wages	1,947	1,805
Retirement contributions	204	310
FICA	138	125
Health insurance	254	236
Miscellaneous	<u>29</u>	<u>43</u>
	<u>2,572</u>	<u>2,519</u>
Communications:		
Postage	155	101
Publications and printing	82	40
Telecommunications	83	78
Travel	<u>23</u>	<u>17</u>
	<u>343</u>	<u>236</u>
Professional services:		
Accounting and investment services	1,758	1,474
Computer services	1,026	1,879
Consulting services	1,603	826
Actuarial services	305	155
Medical services	168	192
Professional fees	87	61
Legal services	<u>68</u>	<u>37</u>
	<u>5,015</u>	<u>4,624</u>

(Continued)

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

Administrative Expense Fund

CONTRIBUTIONS AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2002 AND 2001
(In Thousands)

	<u>2002</u>	<u>2001</u>
Rentals:		
Office space	\$ 341	\$ 341
Office equipment	<u>3</u>	<u>1</u>
	<u>344</u>	<u>342</u>
Other services and charges:		
Equipment	99	4
Temporary services	580	218
Supplies and materials	85	29
Repairs and maintenance	335	441
Courier services	11	5
Board member expenses	14	5
Depreciation	29	-
Miscellaneous	<u>19</u>	<u>2</u>
	<u>1,172</u>	<u>704</u>
Total expenses	<u>9,446</u>	<u>8,425</u>
Net Income	-	-
Balance:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

(Concluded)