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

Financial Statements,
Required Supplementary Information, and
Additional Information

June 30, 2014

(With Independent Auditors' Report Thereon)

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

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Independent Auditors' Report

The Board of Trustees
Employees' Retirement System of Georgia:

Report on the Financial Statements

We have audited the accompanying financial statements of the Employees' Retirement System of Georgia (the System), a component unit of the State of Georgia, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2014, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Report on Summarized Comparative Information

We have previously audited the System's 2013 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated September 30, 2013. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2013 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in note 3(a) to the basic financial statements, in 2014, the System adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans,* an amendment of GASB Statement No. 25. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedules of employers' and nonemployers' contributions, schedules of employers' and nonemployers' net pension liability, schedules of changes in employers' and nonemployers' net pension liability, schedule of investment returns, schedules of funding progress, and schedules of employer contributions on pages 4 – 10 and 51 – 60 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The schedule of administrative expenses – contributions and expenses is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The schedule of administrative expenses – contributions and expenses is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses – contributions and expenses is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia
October 31, 2014

This section provides a discussion and analysis of the financial performance of the Employees' Retirement System of Georgia (the System) for the year ended June 30, 2014. 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, three defined benefit OPEB plans and funds, and three defined contribution plans.

The defined benefit pension plans include:

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

The defined benefit OPEB plans and funds include:

- State Employees' Assurance Department Active Members Trust Fund (SEAD-Active)
- State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB)
- Survivors Benefit Fund

The defined contribution retirement plans include:

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

Financial Highlights

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

- The net position of the System increased by $1.6 billion, or 10.5%, from $15.6 billion at June 30, 2013 to $17.3 billion at June 30, 2014. The increase in net position from 2013 to 2014 was primarily due to the increase in the equity markets in 2014.

- For the year ended June 30, 2014, the total additions to net position were an increase of $3.2 billion compared to an increase of $2.4 billion for the year ended June 30, 2013. For the year ended June 30, 2014, the additions consisted of employer, nonemployer contributing entities (nonemployer), and member contributions totaling $611 million, insurance premiums of $5.1 million, net investment income of $2.6 billion, and participant fees of $1.1 million.

  For the year ended June 30, 2013, the total additions to net position were an increase of $2.4 billion compared to an increase of $712 million for the year ended June 30, 2012. For the year ended June 30, 2013, the additions consisted of employer, nonemployer and member contributions totaling $533 million, insurance premiums of $5.8 million, net investment income of $1.9 billion, and participant fees of $0.9 million.

- Net investment income of $2.6 billion in 2014 (comprised of interest and dividend income, the change in fair value of investments, and other, reduced by investment expenses) represents a $707 million increase, compared to the net investment income of $1.9 billion for the year ended June 30, 2013. The increase in net investment income from 2013 to 2014 is due primarily to the increase in equity markets in 2014.

- The total deductions were $1.55 billion and $1.53 billion for the years ended June 30, 2014 and 2013, respectively. For the year ended June 30, 2014, the deductions consisted of benefit payments of $1.5 billion, refunds of $27 million, death benefits of $34 million, and administrative expenses of $14.5 million. For the year ended June 30, 2013, the deductions consisted of benefit payments of $1.5 billion, refunds of $22.5 million, death benefits of $32 million, and administrative expenses of $14.4 million. Administrative expenses and related total deductions reflect the implementation of Governmental Accounting Standards Board (GASB) Statement No. 67 which requires investment-related costs to be reported as investment expense, a component of net investment income rather than administrative expense. For fiscal year 2013, these costs have been reclassified, from administrative expense to investment expense, for comparative purposes.

- Benefit payments paid to retirees and beneficiaries had a slight increase of $7.3 million, or 0.5%, from $1.466 billion in 2013 to $1.473 billion in 2014, resulting primarily from a slight increase in the number of new retirees and beneficiaries applying for benefits across all plans.

Overview of the Financial Statements

The basic financial statements include (1) the combining statement of fiduciary net position and changes in fiduciary net position, (2) the defined benefit plans combining statements of fiduciary net position and changes in fiduciary net position, 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 six types of required supplementary schedules, which provide historical trend information about the plan. The six types of schedules include (1) Schedule of Employers' and Nonemployers' Contributions (2) Schedule of Employers' and Nonemployers' Net Pension Liability (3) Schedule of Changes in Employers' and Nonemployers' Net Pension Liability (4) Schedule of Investment Returns (5) Schedule of Funding Progress and (6) Schedule of Employer Contributions.

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

Description of the Financial Statements

The *Combining Statement of Fiduciary Net Position* is the statement of financial position presenting information that includes all of the System's assets and liabilities, with the balance representing the *Net Position Restricted for Pensions and OPEB*. The investments of the System in this statement are presented at fair value. This statement is presented on page 11.

The *Combining Statement of Changes in Fiduciary Net Position* reports how the System's net position changed during the fiscal year. The additions include contributions to the retirement plans from employers, nonemployers, and members, group life insurance premiums, participant fees, and net investment income, which includes interest and dividends and the net increase in the fair value of investments, net of investment expenses. The deductions include benefit payments, life insurance death benefit payments, refunds of member contributions and interest, and administrative expenses. This statement is presented on page 13.

The Defined Benefit Plans *Combining Statement of Fiduciary Net Position* and the *Combining Statement of Changes in Fiduciary Net Position* present the financial position and changes in financial position for each of the funds administered by the System. These statements are on pages 12 and 14, respectively.

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

Required Supplementary Information begins on page 51. The required schedules are discussed as follows:

- The *Schedule of Employers' and Nonemployers' Contributions* presents the required contributions and the percent of required contributions actually contributed.
- The *Schedule of Employers' and Nonemployers' Net Pension Liability* presents the components of the net pension liability as of the fiscal year end and the fiduciary net position as a percentage of the total pension liability as of that date. This trend information will be accumulated to display a ten year presentation.
- The *Schedule of Changes in Employers' and Nonemployers' Net Pension Liability* presents total pension liability and is measured as total pension liability less the amount of the fiduciary net position. This trend information will be accumulated to display a ten year presentation.
- The *Schedule of Investment Returns* presents historical trend information about the annual money-weighted rate of return on plan investments, net of plan investment expense. This trend information will be accumulated to display a ten year presentation.

(Continued)

Three of the required schedules above, the *Schedule of Employers' and Nonemployers' Contributions*, the *Schedule of Employers' and Nonemployers' Net Pension Liability, and Schedule of Changes in Employers' and Nonemployers' Net Pension Liability* are applicable to five of the defined benefit pension plans: ERS, PSERS, LRS, GJRS, and GMPF.

Two additional required schedules, the *Schedule of Funding Progress* and the *Schedule of Employer Contributions* relate to defined benefit OPEB plans, which are postemployment benefit plans. 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.

Notes to Required Supplementary Information are presented to provide the information necessary for a full understanding of the supplementary schedules. The notes to required supplementary schedules begin on page 61.

Additional information is presented, beginning on page 65, which includes the *Schedule of Administrative Expenses – Contributions and Expenses*. The *Schedule of Administrative Expenses – Contributions and Expenses* 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. This schedule reflects the implementation of GASB 67 which requires investment-related costs to be reported as investment expense, a component of net investment income. For fiscal year 2013, these costs have been reclassified from administrative expense to investment expense, for comparative purposes.

Financial Analysis of the System

A summary of the System's net position at June 30, 2014 and 2013 is as follows (dollars in thousands):

	Net position 2014	Net position 2013	Amount change	Percentage change
Assets:				
Cash, cash equivalents, and receivables	$ 384,416	419,213	(34,797)	(8.3)%
Investments	16,917,235	15,242,010	1,675,225	11.0
Capital assets, net	6,797	3,778	3,019	79.9
Total assets	17,308,448	15,665,001	1,643,447	10.5
Liabilities:				
Due to brokers and accounts payable	41,756	40,720	1,036	2.5
Net position	$ 17,266,692	15,624,281	1,642,411	10.5%

The following table presents the investment allocation at June 30, 2014 and 2013:

		2014	2013
Asset allocation at June 30 (in percentages):			
Equities:			
Domestic		49.5%	51.8%
International		17.7	16.3
Private equity		0.1	—
Domestic obligations:			
U.S. Treasuries		9.3	13.2
U.S. Agencies		0.1	0.1
Corporate and other bonds		14.0	10.5
International obligations:			
Governments		0.5	0.6
Corporates		1.7	0.6
Mutual and common collective trust funds and separate accounts		7.1	6.9
Asset allocation at June 30 (in thousands):			
Equities:			
Domestic	$	8,372,234	7,887,778
International		2,999,387	2,485,682
Private equity		21,914	—
Domestic obligations:			
U.S. Treasuries		1,573,719	2,019,495
U.S. Agencies		10,028	18,074
Corporate and other bonds		2,374,957	1,605,803
International obligations:			
Governments		78,652	85,050
Corporates		276,764	82,707
Mutual and common collective trust funds and separate accounts		1,209,580	1,057,421
	$	16,917,235	15,242,010

The total investment portfolio increased by $1.7 billion from 2013, which is primarily due to the increase in the equity markets in 2014.

The implementation of GASB Statement No. 67 requires the System to report an annual money-weighted rate of return on plan investments, net of plan investment expense. A money-weighted return is weighted by the amount of dollars in the fund at the beginning and end of the performance period. A money-weighted return is highly influenced by the timing of cash flows into and out of the fund and is a better measure of an entity or person who controls the cash flows into and out of the fund. The nondiscretionary cash flows of the plan, primarily contributions and benefit payments, have a considerable impact on the money-weighted returns of the portfolio. The money-weighted rate of return for the fiscal year ended June 30, 2014 was 5.95%.

The investment rate of return in fiscal year ended June 30, 2014 was 17.3% with a 23.7% return on equities, a 6.8% return on private equity (inception date of October 3, 2013) and a 3.1% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2014 was 12.8%, with a 17.3% return on equities and a 4.4% return on fixed income investments.

A summary of the changes in the System's net position for the year ended June 30, 2014 is as follows (dollars in thousands):

	Changes in net position		Amount	Percentage
	2014	**2013**	**change**	**change**
Additions:				
Employer contributions	$ 445,214	369,224	75,990	20.6%
Nonemployer contributions	39,107	38,695	412	1.1
Member contributions	126,732	125,131	1,601	1.3
Participant fees	1,122	948	174	18.4
Insurance premiums	5,109	5,774	(665)	(11.5)
Net investment income	2,573,389	1,866,275	707,114	37.9
Other	7	7	—	—
Total additions	3,190,680	2,406,054	784,626	32.6
Deductions:				
Benefit payments	1,472,803	1,465,545	7,258	0.5
Refunds	27,044	22,490	4,554	20.2
Death benefits	33,946	32,044	1,902	5.9
Administrative expenses	14,476	14,395	81	0.6
Total deductions	1,548,269	1,534,474	13,795	0.9
Net increase in net position	$ 1,642,411	871,580	770,831	88.4%

Note: This schedule reflects the implementation of GASB 67 which requires investment-related costs to be reported as investment expense, a component of net investment income. For fiscal year 2013, these costs have been reclassified for comparative purposes, from administrative expenses to investment expense, which is included in net investment income. Additionally, nonemployer contributions have been reclassified from employer contributions.

(Continued)

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. In fiscal year 2014, total contributions increased 15%, primarily because of an increase in the employer contribution rates coupled with modest overall salary increases. Net investment income increased by $707 million, primarily due to the increase in the equity markets in 2014.

Deductions – For fiscal year 2014, total deductions increased 0.9%, primarily because of a 0.5% increase in benefit payments. This was due to an increase of approximately 0.3% in the number of retirees receiving benefit payments across all defined benefit pension plans. Refunds increased by 20.2%, which was primarily due to an increase in the number of refunds processed during 2014. Death benefits increased by 5.9%, which was primarily due to an increase in the number of death claims processed during 2014. Administrative expenses increased by 0.6% over the prior year, primarily due to an increase in required employer retirement contributions, contractual services, and computer services.

Requests for Information

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

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

June 30, 2014
(with comparative totals as of June 30, 2013)

(In thousands)

			Defined contribution plans					
Assets	**Defined Benefit Plans**	**Pooled Investment Fund**	**Georgia Defined Contribution Plan**	**401(k) Plan**	**457 Plan**	**Eliminations**	**Total 2014**	**Total 2013**
Cash and cash equivalents	$ 26,923	230,181	47,191	24	25	—	304,344	335,347
Receivables:								
Contributions	24,885	—	796	1,758	345	—	27,784	30,440
Interest and dividends	—	42,984	208	—	—	—	43,192	43,102
Due from brokers for securities sold	—	7,160	—	—	—	—	7,160	8,543
Other	1,378	—	—	427	131	—	1,936	1,781
Unremitted insurance premiums	759	—	—	—	—	(759)	—	—
Total receivables	27,022	50,144	1,004	2,185	476	(759)	80,072	83,866
Investments – at fair value:								
Domestic obligations:								
U.S. Treasuries	—	1,573,719	—	—	—	—	1,573,719	2,019,495
U.S. Agencies	—	—	10,028	—	—	—	10,028	18,074
Corporate and other bonds	—	2,324,117	50,840	—	—	—	2,374,957	1,605,803
International obligations:								
Governments	—	78,652	—	—	—	—	78,652	85,050
Corporates	—	276,764	—	—	—	—	276,764	82,707
Equities:								
Domestic	—	8,372,234	—	—	—	—	8,372,234	7,887,778
International	—	2,999,387	—	—	—	—	2,999,387	2,485,682
Private equity	—	21,914	—	—	—	—	21,914	—
Mutual funds, common collective trust funds, and separate accounts	—	—	—	616,687	592,893	—	1,209,580	1,057,421
Equity in pooled investment fund	15,913,400	—	—	—	—	(15,913,400)	—	—
Total investments	15,913,400	15,646,787	60,868	616,687	592,893	(15,913,400)	16,917,235	15,242,010
Capital assets, net	6,797	—	—	—	—	—	6,797	3,778
Total assets	15,974,142	15,927,112	109,063	618,896	593,394	(15,914,159)	17,308,448	15,665,001
Liabilities								
Accounts payable and other	22,970	2,001	563	3,700	811	—	30,045	31,751
Due to brokers for securities purchased	—	11,711	—	—	—	—	11,711	8,969
Insurance premiums payable	759	—	—	—	—	(759)	—	—
Due to participating systems	—	15,913,400	—	—	—	(15,913,400)	—	—
Total liabilities	23,729	15,927,112	563	3,700	811	(15,914,159)	41,756	40,720
Net position restricted for pensions and OPEB	$ 15,950,413	—	108,500	615,196	592,583	—	17,266,692	15,624,281

See accompanying notes to financial statements.

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

Defined Benefit Plans – Combining Statement of Fiduciary Net Position

June 30, 2014

(In thousands)

	Defined benefit pension plans							Defined benefit OPEB plans			
Assets	**Employees' Retirement System**	**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**	**State Employees' Assurance Department Active**	**State Employees' Assurance Department OPEB**	**Survivors Benefit Fund**	**Defined Benefit Plans Total**
Cash and cash equivalents	$ 25,731	87	25	409	6	25	2	107	433	98	26,923
Receivables:											
Contributions	24,600	2	28	255	—	—	—	—	—	—	24,885
Interest and dividends	—	—	—	—	—	—	—	—	—	—	—
Due from brokers for securities sold	—	—	—	—	—	—	—	—	—	—	—
Other	1,378	—	—	—	—	—	—	—	—	—	1,378
Unremitted insurance premiums	—	—	—	—	—	—	—	85	674	—	759
Total receivables	25,978	2	28	255	—	—	—	85	674	—	27,022
Investments – at fair value:											
Domestic obligations:											
U.S. Treasuries	—	—	—	—	—	—	—	—	—	—	—
U.S. Agencies	—	—	—	—	—	—	—	—	—	—	—
Corporate and other bonds	—	—	—	—	—	—	—	—	—	—	—
International obligations:											
Governments	—	—	—	—	—	—	—	—	—	—	—
Corporates	—	—	—	—	—	—	—	—	—	—	—
Equities:											
Domestic	—	—	—	—	—	—	—	—	—	—	—
International	—	—	—	—	—	—	—	—	—	—	—
Mutual funds, common collective trust funds, and separate accounts	—	—	—	—	—	—	—	—	—	—	—
Equity in pooled investment fund	13,254,496	822,744	32,808	400,723	15,278	—	—	235,210	1,037,189	114,952	15,913,400
Total investments	13,254,496	822,744	32,808	400,723	15,278	—	—	235,210	1,037,189	114,952	15,913,400
Capital assets, net	6,797	—	—	—	—	—	—	—	—	—	6,797
Total assets	13,313,002	822,833	32,861	401,387	15,284	25	2	235,402	1,038,296	115,050	15,974,142
Liabilities											
Accounts payable and other	20,726	1,100	65	585	33	22	—	44	395	—	22,970
Due to brokers for securities purchased	—	—	—	—	—	—	—	—	—	—	—
Insurance premiums payable	745	—	2	12	—	—	—	—	—	—	759
Due to participating systems	—	—	—	—	—	—	—	—	—	—	—
Total liabilities	21,471	1,100	67	597	33	22	—	44	395	—	23,729
Net position restricted for pensions and OPEB	$ 13,291,531	821,733	32,794	400,790	15,251	3	2	235,358	1,037,901	115,050	15,950,413

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 Changes in Fiduciary Net Position

Year ended June 30, 2014
(with comparative totals for the year ended June 30, 2013)

(In thousands)

	Defined Benefit Plans	Pooled Investment Fund	Defined contribution plans: Georgia Defined Contribution Plan	Defined contribution plans: 401(k) Plan	Defined contribution plans: 457 Plan	Total 2014	Total 2013
Additions:							
Contributions:							
Employer	$ 423,701	—	—	21,513	—	445,214	369,224
Nonemployer	39,107	—	—	—	—	39,107	38,695
Member	39,095	—	16,290	53,724	17,623	126,732	125,131
Participant fees	—	—	—	1,122	—	1,122	948
Insurance premiums	5,109	—	—	—	—	5,109	5,774
Administrative expense allotment	7	—	—	—	—	7	7
Investment income:							
Net increase in fair value of investments	—	2,103,091	445	80,064	73,837	2,257,437	1,537,278
Interest and dividends	—	333,072	980	—	—	334,052	344,298
Other	—	—	—	523	748	1,271	1,204
Less investment expenses	(7,846)	(8,625)	(57)	(2,004)	(839)	(19,371)	(16,505)
Allocation of investment income	2,427,538	(2,427,538)	—	—	—	—	—
Net investment income	2,419,692	—	1,368	78,583	73,746	2,573,389	1,866,275
Total additions	2,926,711	—	17,658	154,942	91,369	3,190,680	2,406,054
Deductions:							
Benefit payments	1,383,854	—	9	43,133	45,807	1,472,803	1,465,545
Refunds of member contributions and interest	9,323	—	17,721	—	—	27,044	22,490
Death benefits	33,946	—	—	—	—	33,946	32,044
Administrative expenses	10,373	—	991	2,300	812	14,476	14,395
Total deductions	1,437,496	—	18,721	45,433	46,619	1,548,269	1,534,474
Net increase in net position	1,489,215	—	(1,063)	109,509	44,750	1,642,411	871,580
Net position restricted for pensions and OPEB:							
Beginning of year	14,461,198	—	109,563	505,687	547,833	15,624,281	14,752,701
End of year	$ 15,950,413	—	108,500	615,196	592,583	17,266,692	15,624,281

See accompanying notes to financial statements.

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

Defined Benefit Plans – Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2014

(In thousands)

	Defined benefit pension plans							Defined benefit OPEB plans			
	Employees' Retirement System	**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**	**State Employees' Assurance Department Active**	**State Employees' Assurance Department OPEB**	**Survivors Benefit Fund**	**Defined Benefit Plans Total**
Additions:											
Contributions:											
Employer	$ 418,807	—	45	1,373	1,892	1,504	80	—	—	—	423,701
Nonemployer	10,945	27,160	—	1,002	—	—	—	—	—	—	39,107
Member	32,423	1,659	282	4,731	—	—	—	—	—	—	39,095
Participant fees	—	—	—	—	—	—	—	—	—	—	—
Insurance premiums	—	—	—	—	—	—	—	607	4,502	—	5,109
Administrative expense allotment	—	—	—	—	—	6	1	—	—	—	7
Investment income:											
Net increase in fair value of investments	—	—	—	—	—	—	—	—	—	—	—
Interest and dividends	—	—	—	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—	—	—	—
Less investment expenses	(6,859)	(309)	(12)	(149)	(5)	—	—	(51)	(461)	—	(7,846)
Allocation of investment income	2,028,607	124,108	4,981	60,161	2,184	—	—	35,124	155,329	17,044	2,427,538
Net investment income	2,021,748	123,799	4,969	60,012	2,179	—	—	35,073	154,868	17,044	2,419,692
Total additions	2,483,923	152,618	5,296	67,118	4,071	1,510	81	35,680	159,370	17,044	2,926,711
Deductions:											
Benefit payments	1,305,998	56,189	1,801	17,441	841	1,504	80	—	—	—	1,383,854
Refunds of member contributions and interest	8,757	514	30	22	—	—	—	—	—	—	9,323
Death benefits	—	—	—	—	—	—	—	5,055	28,891	—	33,946
Administrative expenses	7,440	1,450	152	754	110	6	1	46	414	—	10,373
Total deductions	1,322,195	58,153	1,983	18,217	951	1,510	81	5,101	29,305	—	1,437,496
Transfers to (from) other plans	—	—	—	—	—	—	—	—	5	(5)	—
Net increase in net position	1,161,728	94,465	3,313	48,901	3,120	—	—	30,579	130,070	17,039	1,489,215
Net position restricted for pensions and OPEB:											
Beginning of year, as adjusted (Note 3g)	12,129,803	727,268	29,481	351,889	12,131	3	2	204,779	907,831	98,011	14,461,198
End of year	$ 13,291,531	821,733	32,794	400,790	15,251	3	2	235,358	1,037,901	115,050	15,950,413

See accompanying notes to financial statements.

(1) General

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

(2) Authorizing Legislation and Plan Descriptions

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

(a) ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation. There were 425 employers and 1 nonemployer contributing entity participating in the plan during 2014.

Membership

As of June 30, 2014, participation in ERS is as follows:

Inactive members and beneficiaries currently receiving benefits	45,819
Inactive members entitled to benefits but not yet receiving benefits	81,621
Active plan members	60,490
Total	187,930

Benefits

The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the old plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are new plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

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

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

Contributions and Vesting

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

Pursuant to The Official Code of Georgia Annotated (O.C.G.A.) 47-2-292 the employer contributions for local tax commissioners are funded by the State of Georgia on behalf of the local county employer and pursuant to O.C.G.A. 47-2-290 the employer contribution for certain State Court employees is funded by the State on behalf of the local county employer.

(Continued)

Employer and nonemployer contributions as a percentage of covered payroll required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation for the old plan, new plan, and GSEPS as follows:

	Old plan	**New plan**	**GSEPS**
Employer and nonemployer:			
Normal	1.51%	6.26%	2.98%
Employer paid for member	4.75	—	—
Accrued liability	12.20	12.20	12.20
Total	18.46%	18.46%	15.18%

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.

(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. There were 184 employers and 1 nonemployer contributing entity participating in the plan during 2014.

Membership

As of June 30, 2014, participation in PSERS is as follows:

Inactive members and beneficiaries currently receiving benefits	16,434
Inactive members entitled to benefits but not yet receiving benefits	77,322
Active plan members	36,109
Total	129,865

Benefits

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

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

Contributions and Vesting

Individuals who became members prior to July 1, 2012 contribute $4 per month for nine months each fiscal year. Individuals who became members on or after July 1, 2012 contribute $10 per month for nine months each fiscal year. The State of Georgia, although not the employer of PSERS members, is required by statute to make employer contributions actuarially determined and approved and certified by the PSERS Board of Trustees.

Employer contributions required for the year ended June 30, 2014 were $692 per active member and were based on the June 30, 2011 actuarial valuation.

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

(c) LRS is a single-employer defined benefit pension plan established by the Georgia General Assembly from 1967-1971, and later reestablished 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. There was one employer in the plan for 2014.

Membership

As of June 30, 2014, participation in LRS is as follows:

Inactive members and beneficiaries currently receiving benefits	259
Inactive members entitled to benefits but not yet receiving benefits	148
Active plan members	222
Total	629

Benefits

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

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

Contributions and Vesting

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

There were no employer contributions required for the year ended June 30, 2014 based on the June 30, 2011 actuarial valuation.

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

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

(d) GJRS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly in 1998 for the purpose of providing retirement allowances for judges and solicitors generals of the state courts and juvenile court judges in Georgia, and their survivors and other beneficiaries, superior court judges of the state of Georgia, and district attorneys of the state of Georgia.

The GJRS was also created to serve the members and beneficiaries of the Trial Judges and Solicitors Retirement Fund, the Superior Court Judges Retirement System, and the District Attorneys Retirement System (collectively, the Predecessor Retirement Systems). As of June 30, 1998, any person who was an active, inactive, or retired member or beneficiary of the Predecessor Retirement Systems was transferred to GJRS in the same status effective July 1, 1998. All assets of the Predecessor Retirement Systems were transferred to GJRS as of July 1, 1998. The ERS Board of Trustees and three additional trustees administer GJRS. There were 92 employers and 1 nonemployer contributing entity participating in the plan during 2014.

Membership

As of June 30, 2014, participation in GJRS is as follows:

Inactive members and beneficiaries currently receiving benefits	278
Inactive members entitled to benefits but not yet receiving benefits	66
Active plan members	514
Total	858

Benefits

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

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

Contributions and Vesting

Members are required to contribute 7.5% of their annual salary. Those who became members prior to July 1, 2012 must also contribute 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.

Pursuant to O.C.G.A. 47-23-81 the employer contributions for state court judges and solicitors are funded by the State of Georgia on behalf of the local county employers and pursuant to O.C.G.A. 47-23-82 the employer contributions for juvenile court judges are funded by the State on behalf of local county employers.

Employer and nonemployer contributions required for fiscal year 2014 were based on the June 30, 2011 actuarial valuation as follows:

Employer and nonemployer:	
Normal	12.78%
Accrued liability	(8.55)
Total	4.23%

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.

(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, 2014, GMPF had 795 retirees and beneficiaries currently receiving benefits. Active and inactive plan member information is maintained by one employer, the Georgia Department of Defense.

Benefits

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

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

Contributions and Vesting

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

Employer contributions required for the year ended June 30, 2014 were $137.32 per active member and were based on the June 30, 2011 actuarial valuation.

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

(f) SEAD-Active is a cost-sharing multiple-employer defined other post employment benefit plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, and GJRS. Effective July 1, 2009, no newly hired members of any Georgia public retirement system are eligible for term life insurance under SEAD. The SEAD-Active trust fund accumulates in the fund the premiums received from the aforementioned retirement systems, including interest earned on deposits and investments of such payments from active members. There were 482 employers participating in the plan during 2014.

As of June 30, 2014, participation in SEAD-Active is as follows:

Retirees and beneficiaries	N/A
Terminated employees	—
Active plan members	38,711
Total	38,711

Employee contribution rates of 0.05% or 0.02% of member's salaries were appropriated for the fiscal year ending June 30, 2014 as follows: ERS Old Plan – 0.05% and ERS New Plan, LRS and GJRS – 0.02%. ERS Old Plan members were hired prior to July 1, 1982 and new plan members were hired on or after July 1, 1982, but prior to January 1, 2009.

Georgia law provides that employee contributions to the plan shall be in an amount established by the board of trustees not to exceed one half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2014.

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

The amount of insurance coverage is equal to 18 times monthly earnable compensation frozen at age 60. For members with no creditable service prior to April 1, 1964, the amount decreases from age 60 by a half of 1% per month until age 65 at which point the member will be covered for 70% of the age 60 coverage. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the member.

Administrative costs for the plan are determined based on the plan's share of overhead costs to accumulate and invest funds, actuarial services, and to process benefit payments to beneficiaries. Administrative fees are financed from the assets of the plan.

(g) SEAD-OPEB is a cost-sharing multiple-employer defined other post employment benefit plan created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of ERS, LRS, and GJRS. Effective July 1, 2009, no newly hired members of any Georgia public retirement system are eligible for term life insurance under SEAD. The SEAD-OPEB trust fund accumulates in the fund the premiums received from the aforementioned retirement systems, including interest earned on deposits and investments of such payments from retired and vested inactive members. There were 482 employers participating in the plan during 2014.

As of June 30, 2014, participation in SEAD-OPEB is as follows:

Retirees and beneficiaries	40,789
Terminated employees	1,038
Active plan members	38,711
Total	80,538

Employee contribution rates of 0.45% or 0.23% of member's salaries were appropriated for the fiscal year ending June 30, 2014 as follows: ERS old plan– 0.45% and ERS new plan, LRS and GJRS – 0.23%. ERS old plan members were hired prior to July 1, 1982 and new plan members were hired on or after July 1, 1982, but prior to January 1, 2009.

Georgia law provides that employee contributions to the plan shall be in an amount established by the board of trustees not to exceed one half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2014.

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

The amount of insurance for a retiree with creditable service prior to April 1, 1964 is the full amount of insurance under SEAD-Active in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 is 70% of the amount of insurance under SEAD-Active at age 60 or at termination, if earlier. Life insurance proceeds are paid in lump sum to the beneficiary upon death of the retiree.

Administrative costs for the plan are determined based on the plan's share of overhead costs to accumulate and invest funds, actuarial services, and to process benefit payments to beneficiaries. Administrative fees are financed from the assets of the plan.

(h) Survivors Benefit Fund (SBF) was established under O.C.G.A. 47-2-128(c)(3) within the ERS trust solely for maintaining group term life insurance coverage for members of the plan. All assets of SBF are therefore limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits of ERS. SBF is shown on the financial statements separately with the OPEB plans to closely align with their ultimate purpose. While shown with the OPEB plans for reporting purposes, SBF may only be used to pay benefits or expenses of SEAD-OPEB or SEAD-Active with authorization by the ERS Board of Trustees. There are no liabilities associated with this fund and an actuarial valuation is not prepared, as there are no funding requirements.

(i) 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, 2014, SCJRF had 20 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into SCJRF.

Benefits

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

(Continued)

Contributions and Vesting

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

(j) DARF is a multiple-employer 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, 2014, DARF had 7 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into DARF.

Benefits

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

Contributions and Vesting

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

(k) GDCP is a defined contribution plan established by the Georgia General Assembly in July 1992 for the purpose of providing retirement allowances for state employees who are not members of a public retirement or pension system and do not participate in Social Security. GDCP is administered by the ERS Board of Trustees. There were 67 employers participating in the plan during 2014. There were 131,869 members as of June 30, 2014.

Benefits

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

Contributions

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

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

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

Effective July 1, 2005 (HB275), ERS became the trustee of the 401(k) Plan. Aon Hewitt and JPMorgan Chase hold, administer, and invest the assets of the Master Trust.

Contributions and Vesting

Participating CSBs, the GLC, and Walton and Henry County Boards of Education offer employer contributions, some matching, some automatic, and some a combination of both, to eligible employees at various rates (limited to a maximum of $255,000 base salary for calendar year 2013 and $260,000 base salary for calendar year 2014). As of January 1, 2009 individual participants may defer up to 80% of eligible compensation, or up to limits prescribed by the IRC (whichever is less).

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

Education, or who are not GSEPS eligible do not receive any employer contributions in their 401(k) plan.

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

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

For CSB/GLC participants whose services terminated prior to January 1, 2010 but after December 31, 2001, the following vesting schedule applies:

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

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

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

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

Distributions

The participant may receive the value of his or her vested accounts upon attaining age 59.5, qualifying financial hardship, or 30 days after retirement or other termination of service (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Employees who die while actively employed and eligible for 401(k) employer matching contributions become fully vested in employer contributions upon death. Distributions are made in installments or in a lump sum.

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

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

Effective July 1, 2005 (HB275), ERS became the trustee of the 457 Plan. Aon Hewitt and JPMorgan Chase hold, administer, and invest the assets of the Master Trust.

Distributions

The balance in the employee's account in the 457 Plan is not available to the employee until age 70.5, termination, retirement, death, or unforeseeable emergency as defined in the 457 Plan. Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

(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, nonemployers, and members are recognized when due, based on statutory requirements. Retirement benefits and refund payments are recognized as deductions when due and payable.

During fiscal year 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25. This Statement establishes new financial reporting standards for state and local governmental pension plans that are administered through a trust or similar arrangement. This statement resulted in changes to the actuarial calculation of total and net pension liability and comprehensive related footnote disclosure and supplementary schedule.

(b) Reporting Entity

The System is a component unit of the State of Georgia, however, it is accountable for its own fiscal matters and presentation of its separate financial statements. The System has considered potential component units under GASB Statements No. 61, *The Financial Reporting Entity's Omnibus – An Amendment of GASB Statement No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and determined there were no component units of the System.

(c) Cash and Cash Equivalents

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

(d) Investments

Investments are reported at fair value. Equity securities traded on a national or international exchange are valued at the last reported sales price. Private equity fair value is measured using the valuation of the underlying companies as reported by the general partner. These investments, in the form of limited partnerships, reflect values and related performance on a quarter lag basis due to the nature of the investments and the time it takes to value them. The estimated fair value of investments without readily ascertainable market values could differ significantly if a ready market for these assets existed. For fixed income securities, values are based primarily on quoted market prices provided by independent pricing sources. Global foreign exchange holdings are translated using a third party vendor. Investment income is recognized as earned by the System. There are no investments in, loans to, or leases with parties related to the System.

The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, foreign currency, 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.

The System's policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the System's adopted asset allocation policy as of June 30, 2014:

Asset class	Target allocation
Fixed income	25%–45%
Equities	55%–75%
Alternative investments	0%–5%
Cash and cash equivalents	—
Total	100%

Approximately 9.4% of the investments held in trust for pension benefits are invested in debt securities of the U.S. government and its instrumentalities, of which 9.3% are U.S. government debt securities and 0.1% are debt securities of the U.S. government instrumentalities. The System has no investments in any one organization, other than those issued by the U.S. government and its instrumentalities, that represent 5% or more of the System's net position restricted for pensions and OPEB.

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 5.95%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

(e) Capital Assets

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

(f) Use of Estimates

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

(g) Adoption of New Accounting Standard

During fiscal year 2014, the System adopted the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, an amendment of GASB Statement No. 25. The implementation of GASB Statement No. 67 resulted in a change in reporting from the previous year. GASB Statement No. 67 requires the net pension liability to be measured as the total pension liability, less the amount of the plan's fiduciary net position. Under O.C.G.A. 47-2-128(c)(3), the Survivors Benefit Fund (SBF) was established within the ERS trust solely for maintaining group term life insurance coverage for members of the plan. All assets of SBF are therefore limited to the payment of benefits and expenses for such coverage and cannot be used to pay pension benefits of ERS. System management determined based on consultation with legal counsel that SBF assets while previously included as a part of the ERS trust, under GASB 67 such amounts could not be reported as assets available to meet pension obligations. Amounts were reclassified to report SBF as a fund under OPEB plans to properly characterize that these assets are available to provide life insurance benefits for plan member if approved by the ERS Board of Trustees. The following reflects the impact of reporting the SBF in connection with the provisions of GASB 67 (dollars in thousands):

		ERS	SBF
Net position – beginning of year as previously reported	$	12,227,814	—
Adjustment		(98,011)	98,011
Net position – beginning of year as adjusted	$	12,129,803	98,011

(4) Investment Program

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

(a) Cash and Cash Equivalents

The carrying amount of the System's deposits totaled $289,344,798 at June 30, 2014 with actual bank balances of $295,256,178. The System's bank balances of $278,550,770 fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. government. The remaining bank deposits $16,705,408 are uninsured and uncollateralized.

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

- Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. government or obligations unconditionally guaranteed by agencies of the U.S. government or U.S. corporations. The System or broker promises to repay the cash received, plus interest, at a specific date in the future in exchange for the same securities. The System held repurchase agreements of $15,000,000 at June 30, 2014.

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

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

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

(b) Investments

Fixed income investments are authorized in the following instruments:

- U.S. and foreign government obligations. At June 30, 2014, the System held U.S. Treasury bonds of $1,573,718,920 and international government bonds of $78,651,610.
- Obligations unconditionally guaranteed by agencies of the U.S. government. At June 30, 2014, the System held agency bonds of $10,027,950.
- Corporate bonds with at least an “A” rating by a national rating agency. At June 30, 2014, the System held U.S. corporate bonds of $2,374,957,270 and international corporate bonds of $276,764,370.
- Private placements are authorized under the same general restrictions applicable to corporate bonds. At June 30, 2014, the System did not hold private placements.

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

Equity securities are also authorized (in statutes) for investment as a complement to the System’s fixed-income portfolio and as a long-term inflation hedge. By statute, no more than 75% of the total invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division of Investment Services (the Division), in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the Board of Trustees, in-house research considering such matters as yield, growth, and sales statistics, and analysis of independent market research. Equity trades are approved and executed by the Division’s staff. Common stocks eligible for investment are approved by the Investment Committee of the Board of Trustees before being placed on an approved list.

Equity investments are authorized in the following instruments:

- Domestic equities are those securities considered by O.C.G.A. to be domiciled in the United States. At June 30, 2014, the System held domestic equities of $8,372,233,711.
- International equities, including American Depository Receipts (ADR), are not considered by the O.C.G.A. to be domiciled in the United States. At June 30, 2014, the System held international equities of $333,964,318 and ADRs of $2,665,423,257.
- Alternative investments are authorized (in statutes) to provide portfolio diversification and to enhance the risk-adjusted rate of return for the retirement fund that benefits the members of the System. By statute, the allocation to alternative investments shall not, in the aggregate, exceed 5% of the System's plan assets at any time. Further, in any calendar year, new commitments to alternative investments shall not, in the aggregate exceed 1% of the System's plan assets until the first occurrence that 4 ½% of the assets have been invested, at which time there shall be no limit on the percentage of commitments that may be made in any calendar year, subject to compliance with other provisions of the statue. At June 30, 2014, the System held private equity investments of $21,913,875.

The State of Georgia Employee's Deferred Compensation Group Trust (Master Trust) invests in various mutual funds, common collective trust funds, and separate accounts, as selected by participants. Each participant is allowed to select and invest contributions into investment options that own one or more of 2 mutual funds, 11 common collective trust funds, and 2 separate accounts, as authorized by the Board of Trustees. Mutual funds, common collective trust funds, and separate accounts are reported at the fair value of participant balances.

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

The units and fair value of each plan's equity in the pooled common investment fund at June 30, 2014 were as follows (dollars in thousands):

	Fair value	Units
Employees' Retirement System	$ 13,254,496	3,459,990
Public School Employees Retirement System	822,744	214,771
Legislative Retirement System	32,808	8,564
Georgia Judicial Retirement System	400,723	104,606
State Employees' Assurance Department-Active	235,210	61,400
State Employees' Assurance Department-OPEB	1,152,141	300,758
Georgia Military Pension Fund	15,278	3,988
	$ 15,913,400	4,154,077

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

It is the System's investment policy to require that the bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics and marketability. The System's policy is to require that new purchases of bonds be restricted to high grade bonds rated no lower than "A" by any nationally recognized statistical rating organization. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The quality ratings of investments in fixed income securities as described by Standard & Poor's and by Moody's Investors Service, which are nationally recognized statistical rating organizations, at June 30, 2014 are shown in the following chart:

Quality Ratings of Fixed Income Investments
Held at June 30, 2014

Investment type	Standard & Poor's/Moody's quality rating	June 30, 2014 fair value
Domestic obligations:		
U.S. Treasuries		$ 1,573,718,920
U.S. Agencies	AA/Aaa	10,027,950
Corporates	AAA/Aaa	213,366,160
	AA/Aa	535,009,830
	AA/A	586,359,960
	A/Aa	81,323,580
	A/A	958,897,740
Total Corporates		2,374,957,270
International obligations:		
Governments	AA/Aa	78,651,610
Corporates	AA/Aa	276,764,370
Total Fixed Income Investments		$ 4,314,120,120

The investment policy requires that repurchase agreements be limited to the purchase of U.S. Treasury or Agency obligations or corporate bonds rated no lower than "A" by any nationally recognized statistical rating organization with a market value in excess of funds advanced. As of June 30, 2014, the System held repurchase agreements included in cash and cash equivalents of $15,000,000.

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

(Continued)

Concentration of Credit Risk. Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. On June 30, 2014, the System did not have debt or equity investments in any one organization, other than those issued or guaranteed by the U. S. Government or its agencies, which represented greater than 5% of plan net position.

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

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

Fixed income and repurchase agreements security type	Fair value June 30, 2014	Percent of all fixed income assets and repurchase agreements	Effective duration (Years)
Domestic obligations:			
U.S. Treasuries	$ 1,573,718,920	36.4%	4.9
U.S. Agencies	10,027,950	0.2	1.3
Corporates	2,374,957,270	54.9	4.1
International obligations:			
Governments	78,651,610	1.8	3.3
Corporates	276,764,370	6.4	3.7
Repurchase agreements	15,000,000	0.3	—
Total	$ 4,329,120,120	100.0%	4.4*

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

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

Foreign Currency Risk. Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risks, primarily reside within the System's international equity investment holdings. The System's foreign exchange risk management policy is to minimize risk and protect the investments from negative impact by hedging foreign currency exposures with foreign exchange instruments when market conditions and circumstances are deemed appropriate. As of June 30, 2014, the System's exposure to foreign currency risk in U.S. Dollars is highlighted in the following table:

International Investment Securities at Fair Value as of June 30, 2014

Currency	Equities	Fixed income	Total
Australian Dollar	$ 32,533,321	—	32,533,321
Brazilian Real	3,411,073	—	3,411,073
British Pound	77,785,672	—	77,785,672
Canadian Dollar	9,047,130	—	9,047,130
Danish Krone	6,049,169	—	6,049,169
Euro	42,507,522	—	42,507,522
Hong Kong Dollar	51,614,155	—	51,614,155
Indonesian Rupiah	160,979	—	160,979
Japanese Yen	34,209,250	—	34,209,250
Malaysian Ringgit	4,440,277	—	4,440,277
Mexican Peso	6,268,212	—	6,268,212
New Taiwan Dollar	2,076,806	—	2,076,806
New Zealand Dollar	1,059,524	—	1,059,524
Norwegian Krone	4,921,378	—	4,921,378
Philippine Peso	603,656	—	603,656
Polish Zloty	2,437,174	—	2,437,174
Singapore Dollar	8,560,399	—	8,560,399
South African Rand	18,382,292	—	18,382,292
South Korean Won	4,686,622	—	4,686,622
Swedish Krona	10,616,447	—	10,616,447
Swiss Franc	6,189,798	—	6,189,798
Thailand Baht	6,403,462	—	6,403,462
Total Holdings subject to Foreign Currency Risk	333,964,318	—	333,964,318
Investment Securities payable in U.S. Dollars	2,665,423,257	355,415,980	3,020,839,237
Total International Investment Securities – at Fair Value	$ 2,999,387,575	355,415,980	3,354,803,555

(5) Securities 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, corporate bonds, and equities. The collateral value must be equal to at least 102% to 109% of the loaned securities' value, depending on the type of collateral security.

Securities loaned totaled $3,950,689,359 at fair value at June 30, 2014. The collateral value was equal to 103.5% of the loaned securities' value at June 30, 2014. The System's lending collateral was held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying combined statement of fiduciary net position since the System maintains ownership. The related collateral securities are not recorded as assets on the System's combined statement of fiduciary net position, 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) Capital Assets

The following is a summary of capital assets and depreciation information as of and for the year ended June 30, 2014:

	Balance at June 30, 2013	Additions	Disposals	Balance at June 30, 2014
Capital assets:				
Land	$ 944,225	3,127,941	—	4,072,166
Building	2,800,000	—	—	2,800,000
Equipment	2,321,010	161,152	—	2,482,162
Vehicles	13,381	—	—	13,381
Computer software	14,344,610	—	—	14,344,610
	20,423,226	3,289,093	—	23,712,319
Accumulated depreciation for:				
Building	(630,000)	(70,000)	—	(700,000)
Equipment	(1,658,479)	(198,727)	—	(1,857,206)
Vehicles	(12,282)	(1,100)	—	(13,382)
Computer software	(14,344,609)	—	—	(14,344,609)
	(16,645,370)	(269,827)	—	(16,915,197)
Capital assets, net	$ 3,777,856	3,019,266	—	6,797,122

During fiscal year 2014, the System did not experience any capital asset impairment loss with respect to the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*.

(7) Commitments

As of June 30, 2014, the System had committed to fund certain private equity partnerships for a total capital commitment of $70,750,000. Of this amount, $44,600,000 remained unfunded and is not recorded on the System's Combining Statement of Fiduciary Net Position.

(Continued)

(8) Net Pension Liability of Employers and Nonemployers – ERS

The components of the net pension liability of the participating employers and nonemployers at June 30, 2014 were as follows (dollars in thousands):

Total pension liability	$	17,042,149
Plan fiduciary net position		13,291,531
Employers' and nonemployers' net pension liability	$	3,750,618
Plan fiduciary net position as a percentage of the total pension liability		77.99%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	5.45–9.25%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the periods after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (dollars in thousands):

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employers' and nonemployers' net pension liability	$ 5,469,145	3,750,618	2,287,751

Actuarial valuation date: June 30, 2013 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2014 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

(9) Net Pension Liability of Employers and Nonemployers – PSERS

The components of the net pension liability of the participating employers and nonemployers at June 30, 2014 were as follows (dollars in thousands):

Total pension liability	$	930,745
Plan fiduciary net position		821,733
Employers' and nonemployers' net pension liability	$	109,012
Plan fiduciary net position as a percentage of the total pension liability		88.29%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table set forward one year for males for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back two years for males and set forward one year for females for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

(Continued)

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (dollars in thousands):

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employers' and nonemployers' net pension liability	$ 211,620	109,012	22,657

Actuarial valuation date: June 30, 2013 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2014 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

(10) Net Pension Liability of Employer – LRS

The components of the net pension liability of the participating employer at June 30, 2014 were as follows (dollars in thousands):

Total pension liability	$	25,216
Plan fiduciary net position		32,794
Employer's net pension liability (asset)	$	(7,578)
Plan fiduciary net position as a percentage of the total pension liability		130.05%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	None
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	**Target allocation**	**Long-term expected real rate of return***
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (dollars in thousands):

	1% Decrease (6.50%)	**Current discount rate (7.50%)**	**1% Increase (8.50%)**
Employer's net pension liability (asset)	$ (5,259)	(7,578)	(9,545)

Actuarial valuation date: June 30, 2013 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2014 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

(11) Net Pension Liability of Employers and Nonemployers – GJRS

The components of the net pension liability of the participating employers and nonemployers at June 30, 2014 were as follows (dollars in thousands):

Total pension liability	$	350,443
Plan fiduciary net position		400,790
Employers' and nonemployers' net pension liability (asset)	$	(50,347)
Plan fiduciary net position as a percentage of the total pension liability		114.37%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	6.00%, including inflation
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the period after service retirement, for dependent beneficiaries, and for deaths in active service, and the RP-2000 Disabled Mortality Table set back eleven years for males for the period after disability retirement.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (dollars in thousands):

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employers' and nonemployers' net pension liability (asset)	$ (16,060)	(50,347)	(80,106)

Actuarial valuation date: June 30, 2013 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2014 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

(12) Net Pension Liability of Employer – GMPF

The components of the net pension liability of the participating employer at June 30, 2014 were as follows (dollars in thousands):

Total pension liability	$	31,511
Plan fiduciary net position		15,251
Employer's net pension liability	$	16,260
Plan fiduciary net position as a percentage of the total pension liability		48.40%

Actuarial assumptions: The total pension liability was determined by an actuarial valuation as of June 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increase	N/A
Investment rate of return	7.50 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Mortality Table for the period after service retirement, for dependent beneficiaries, and for deaths in active service.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period July 1, 2004 – June 30, 2009.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	3.00%
Domestic large stocks	39.70	6.50
Domestic mid stocks	3.70	10.00
Domestic small stocks	1.60	13.00
International developed market stocks	18.90	6.50
International emerging market stocks	6.10	11.00
Total	100.00%	

* Rates shown are net of the 3.00% assumed rate of inflation

Discount rate: The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate: The following presents the net pension liability, calculated using the discount rate of 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate (dollars in thousands):

	1% Decrease (6.50%)	Current discount rate (7.50%)	1% Increase (8.50%)
Employer's net pension liability	$ 21,006	16,260	12,405

Actuarial valuation date: June 30, 2013 is the actuarial valuation date upon which the total pension liability is based. An expected total pension liability is determined as of June 30, 2014 using standard roll forward

(Continued)

techniques. The roll forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

(13) Funded Status and Funding Progress –Defined Benefit OPEB Plans

The funded status of the SEAD-Active and SEAD-OPEB plans as of June 30, 2013, the most recent actuarial valuation date, are as follows (dollar amounts in thousands):

	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) projected unit credit (b)	Unfunded AAL/ (funded excess) (b-a)	Funded ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/(funded excess) as percentage of covered payroll [(b-a)/c]
SEAD-Active	$ 204,779	37,512	(167,267)	545.9%	1,767,052	(9.5)%
SEAD-OPEB	907,831	754,786	(153,045)	120.3%	1,762,052	(8.7)%

The SBF does not have an actuarial valuation as there are no funding requirements and no liabilities related to the fund.

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

Additional information as of the latest actuarial valuation follows:

	SEAD-Active	**SEAD-OPEB**
Valuation date	June 30, 2013	June 30, 2013
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	N/A	N/A
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases:		
ERS[1]	5.45 – 9.25%	5.45 – 9.25%
GJRS[1]	6.00%	6.00%
LRS	—	—
Postretirement cost-of-living adjustment	N/A	N/A

[1] Includes inflation rate of 3.00%.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

(See Accompanying Independent Auditors' Report)

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

Required Supplementary Information

Schedules of Employers' and Nonemployers' Contributions – Defined Benefit Pension Plans

For the year ended June 30

(In thousands)

(Unaudited)

	Year ended	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a-b)	Covered employee payroll (c)	Contributions as a percentage of covered-employee payroll (b/c)
Employees' Retirement System [1]	6/30/2005	$ 243,074	243,074	—	2,514,430	9.7%
	6/30/2006	258,482	258,482	—	2,630,167	9.8
	6/30/2007	270,141	270,141	—	2,680,972	10.1
	6/30/2008	286,256	286,256	—	2,809,199	10.2
	6/30/2009	282,103	281,206	897	2,674,155	10.5
	6/30/2010	263,064	263,064	—	2,571,042	10.2
	6/30/2011	261,132	261,132	—	2,486,780	10.5
	6/30/2012	273,623	274,034	(411)	2,414,884	11.3
	6/30/2013	358,376	358,992	(616)	2,335,773	15.4
	6/30/2014	428,982	429,752	(770)	2,335,773	18.4
Public School Employees Retirement System [2]	6/30/2005	840	840	—	N/A	N/A
	6/30/2006	3,638	3,638	—	N/A	N/A
	6/30/2007	6,490	6,490	—	N/A	N/A
	6/30/2008	2,869	2,869	—	N/A	N/A
	6/30/2009	5,529	5,529	—	N/A	N/A
	6/30/2010	5,530	5,530	—	N/A	N/A
	6/30/2011	7,509	7,509	—	N/A	N/A
	6/30/2012	15,884	15,884	—	N/A	N/A
	6/30/2013	24,829	24,829	—	N/A	N/A
	6/30/2014	27,160	27,160	—	N/A	N/A
Legislative Retirement System [3]	6/30/2005	—	54	(54)	N/A	N/A
	6/30/2006	—	54	(54)	N/A	N/A
	6/30/2007	—	62	(62)	N/A	N/A
	6/30/2008	—	73	(73)	N/A	N/A
	6/30/2009	—	71	(71)	N/A	N/A
	6/30/2010	—	75	(75)	N/A	N/A
	6/30/2011	—	75	(75)	N/A	N/A
	6/30/2012	—	76	(76)	N/A	N/A
	6/30/2013	—	128	(128)	N/A	N/A
	6/30/2014	—	45	(45)	N/A	N/A

(Continued)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
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Schedules of Employers' and Nonemployers' Contributions – Defined Benefit Pension Plans

For the year ended June 30

(In thousands)

(Unaudited)

	Year ended	Actuarially determined contribution (a)	Contributions in relation to the actuarially determined contribution (b)	Contribution deficiency (excess) (a-b)	Covered employee payroll (c)	Contributions as a percentage of covered-employee payroll (b/c)
Georgia Judicial Retirement System	6/30/2005	$ 1,594	1,594	—	42,916	3.7%
	6/30/2006	1,683	1,683	—	45,308	3.7
	6/30/2007	1,778	1,778	—	48,621	3.7
	6/30/2008	2,395	2,395	—	51,102	4.7
	6/30/2009	1,703	1,703	—	52,803	3.2
	6/30/2010	2,600	2,600	—	51,293	5.1
	6/30/2011	1,932	1,932	—	52,331	3.7
	6/30/2012	2,083	2,083	—	51,898	4.0
	6/30/2013	2,279	2,279	—	52,807	4.3
	6/30/2014	2,375	2,375	—	54,787	4.3
Georgia Military Pension Fund [4]	6/30/2005	891	891	—	N/A	N/A
	6/30/2006	891	891	—	N/A	N/A
	6/30/2007	1,005	1,005	—	N/A	N/A
	6/30/2008	1,103	1,103	—	N/A	N/A
	6/30/2009	1,323	1,323	—	N/A	N/A
	6/30/2010	1,434	1,434	—	N/A	N/A
	6/30/2011	1,282	1,282	—	N/A	N/A
	6/30/2012	1,521	1,521	—	N/A	N/A
	6/30/2013	1,703	1,703	—	N/A	N/A
	6/30/2014	1,892	1,892	—	N/A	N/A

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

[1] An employer group within ERS did not contribute the full actuarially determined contribution. This employer is making additional contributions to repay this shortfall.

[2] 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 if hired prior to July 1, 2012 and $10 per month, per member, per month, for nine months, if hired after July 1, 2012.

[3] The General Assembly of Georgia makes contributions each year that are not required.

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

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

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
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Schedules of Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

June 30, 2014

(In thousands)

(Unaudited)

Employees' Retirement System:		
Total pension liability	$	17,042,149
Plan fiduciary net position		13,291,531
Employers' and nonemployers' net pension liability	$	3,750,618
Plan fiduciary net position as a percentage of the total pension liability		77.99%
Covered-employee payroll	$	2,335,773
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll		160.57%
Public School Employees Retirement System:		
Total pension liability	$	930,745
Plan fiduciary net position		821,733
Employers' and nonemployers' net pension liability	$	109,012
Plan fiduciary net position as a percentage of the total pension liability		88.29%
Covered-employee payroll		N/A
Employers' and nonemployers' net pension liability as a percentage of covered-employee payroll		N/A
Legislative Retirement System:		
Total pension liability	$	25,216
Plan fiduciary net position		32,794
Employer's net pension liability (asset)	$	(7,578)
Plan fiduciary net position as a percentage of the total pension liability		130.05%
Covered-employee payroll		N/A
Employer's net pension liability (asset) as a percentage of covered-employee payroll		N/A
Georgia Judicial Retirement System:		
Total pension liability	$	350,443
Plan fiduciary net position		400,790
Employers' and nonemployers' net pension liability (asset)	$	(50,347)
Plan fiduciary net position as a percentage of the total pension liability		114.37%
Covered-employee payroll	$	54,787
Employers' and nonemployers' net pension liability (asset) as a percentage of covered-employee payroll		(91.90)%

(Continued)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
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Schedules of Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

June 30, 2014

(In thousands)

(Unaudited)

Georgia Military Pension Fund:		
Total pension liability	$	31,511
Plan fiduciary net position		15,251
Employer's net pension liability	$	16,260
Plan fiduciary net position as a percentage of the total pension liability		48.40%
Covered-employee payroll		N/A
Employer's net pension liability as a percentage of covered-employee payroll		N/A

Schedules above are intended to show information for 10 years. Additional years will be displayed as they become available.

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

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
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Schedules of Changes in the Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

June 30, 2014

(In thousands)

(Unaudited)

Employees' Retirement System:	
Total pension liability:	
Service cost	$ 150,075
Interest	1,224,380
Benefit changes	—
Differences between expected and actual experience	—
Changes of assumptions	—
Benefit payments	(1,305,998)
Refunds of contributions	(8,757)
Net change in total pension liability	59,700
Total pension liability-beginning	16,982,449
Total pension liability-ending (a)	17,042,149
Plan fiduciary net position:	
Contributions-employer	418,807
Contributions-nonemployer	10,945
Contributions-member	32,423
Net investment income	2,021,748
Benefit payments	(1,305,998)
Administrative expense	(7,440)
Refunds of contributions	(8,757)
Other	—
Net change in plan fiduciary net position	1,161,728
Plan fiduciary net position-beginning	12,129,803
Plan fiduciary net position-ending (b)	13,291,531
Net pension liability-ending (a)-(b)	$ 3,750,618
Public School Employees Retirement System:	
Total pension liability:	
Service cost	$ 11,049
Interest	66,143
Benefit changes	—
Differences between expected and actual experience	—
Changes of assumptions	—
Benefit payments	(56,189)
Refunds of contributions	(514)
Net change in total pension liability	20,489
Total pension liability-beginning	910,256
Total pension liability-ending (a)	930,745
Plan fiduciary net position:	
Contributions-nonemployer	27,160
Contributions-member	1,659
Net investment income	123,799
Benefit payments	(56,189)
Administrative expense	(1,450)
Refunds of contributions	(514)
Other	—
Net change in plan fiduciary net position	94,465
Plan fiduciary net position-beginning	727,268
Plan fiduciary net position-ending (b)	821,733
Net pension liability-ending (a)-(b)	$ 109,012

(Continued)

Required Supplementary Information

Schedules of Changes in the Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

June 30, 2014

(In thousands)

(Unaudited)

Legislative Retirement System:		
Total pension liability:		
Service cost	$	344
Interest		1,799
Benefit changes		—
Differences between expected and actual experience		—
Changes of assumptions		—
Benefit payments		(1,801)
Refunds of contributions		(30)
Net change in total pension liability		312
Total pension liability-beginning		24,904
Total pension liability-ending (a)		25,216
Plan fiduciary net position:		
Contributions-employer		45
Contributions-member		282
Net investment income		4,969
Benefit payments		(1,801)
Administrative expense		(152)
Refunds of contributions		(30)
Other		—
Net change in plan fiduciary net position		3,313
Plan fiduciary net position-beginning		29,481
Plan fiduciary net position-ending (b)		32,794
Net pension liability (asset)-ending (a)-(b)	$	(7,578)
Georgia Judicial Retirement System:		
Total pension liability:		
Service cost	$	7,584
Interest		24,530
Benefit changes		—
Differences between expected and actual experience		—
Changes of assumptions		—
Benefit payments		(17,441)
Refunds of contributions		(22)
Net change in total pension liability		14,651
Total pension liability-beginning		335,792
Total pension liability-ending (a)		350,443
Plan fiduciary net position:		
Contributions-employer		1,373
Contributions-nonemployer		1,002
Contributions-member		4,731
Net investment income		60,012
Benefit payments		(17,441)
Administrative expense		(754)
Refunds of contributions		(22)
Other		—
Net change in plan fiduciary net position		48,901
Plan fiduciary net position-beginning		351,889
Plan fiduciary net position-ending (b)		400,790
Net pension liability (asset)-ending (a)-(b)	$	(50,347)

(Continued)

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
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Schedules of Changes in the Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

June 30, 2014

(In thousands)

(Unaudited)

Georgia Military Pension Fund:

Total pension liability:		
Service cost	$	73
Interest		2,223
Benefit changes		—
Differences between expected and actual experience		—
Changes of assumptions		—
Benefit payments		(841)
Refunds of contributions		—
Net change in total pension liability		1,455
Total pension liability-beginning		30,056
Total pension liability-ending (a)		31,511
Plan fiduciary net position:		
Contributions-employer		1,892
Contributions-member		—
Net investment income		2,179
Benefit payments		(841)
Administrative expense		(110)
Refunds of contributions		—
Other		—
Net change in plan fiduciary net position		3,120
Plan fiduciary net position-beginning		12,131
Plan fiduciary net position-ending (b)		15,251
Net pension liability-ending (a)-(b)	$	16,260

Schedules above are intended to show information for 10 years. Additional years will be displayed as they become available.

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

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

Required Supplementary Information

Schedule of Investment Returns

For the year ended June 30

(Unaudited)

	2014
Pooled Investment Fund:	
Annual money-weighted rate of return, net of investment expense	5.95%

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

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

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered by the
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Required Supplementary Information

Schedules of Funding Progress-Defined Benefit OPEB Plans

June 30, 2014

(In thousands)

(Unaudited)

	Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) project unit credit (b)	Unfunded AAL/(funded excess) (b-a)	Funded ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/(funded excess) as percentage of covered payroll [(b-a)/c]
State Employees' Assurance Department-Active	6/30/2008	$ 172,595	62,171	(110,424)	277.6%	$ 2,850,850	(3.9)%
	6/30/2009	144,161	61,351	(82,810)	235.0	2,653,527	(3.1)
	6/30/2010	156,132	40,523	(115,609)	385.3	2,401,974	(4.8)
	6/30/2011	184,783	40,145	(144,638)	460.3	2,166,982	(6.7)
	6/30/2012	183,390	39,317	(144,073)	466.4	1,962,800	(7.3)
	6/30/2013	204,779	37,512	(167,267)	545.9	1,767,052	(9.5)
State Employees' Assurance Department-OPEB	6/30/2008	737,114	699,884	(37,230)	105.3	2,850,850	(1.3)
	6/30/2009	628,199	733,671	105,472	85.6	2,653,527	4.0
	6/30/2010	680,449	691,001	10,552	98.5	2,401,974	0.4
	6/30/2011	807,893	678,421	(129,472)	119.1	2,166,982	(6.0)
	6/30/2012	818,284	704,617	(113,667)	116.1	1,962,800	(5.8)
	6/30/2013	907,831	754,786	(153,045)	120.3	1,767,052	(8.7)

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

The SBF does not obtain an actuarial valuation as there are no funding requirements or liabilities related to the fund.

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

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

Required Supplementary Information

Schedules of Employer Contributions-Defined Benefit OPEB Plans

June 30, 2014

(In thousands)

(Unaudited)

	Year ended June 30		State annual required contribution	Percentage contributed
State Employees' Assurance Department-Active	2008	$	—	N/A
	2009		—	N/A
	2010		—	N/A
	2011		—	N/A
	2012		—	N/A
	2013		—	N/A
State Employees' Assurance Department-OPEB	2008		—	N/A
	2009		—	N/A
	2010		—	N/A
	2011		—	N/A
	2012[1]		12,724	100.0%
	2013[1]		5,009	100.0%

This data was provided by the System's actuary.

There are no required contributions to the SBF fund.

[1] During fiscal year 2012 in lieu of a required employer contribution $12,724,000 was transferred from Survivor Benefit Fund to SEAD-OPEB. During fiscal year 2013, in lieu of a required employer contribution, $5,009,000 was paid from Survivor Benefit Fund.

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

(1) Schedule of Employers' and Nonemployers' Contributions – Defined Benefit Pension Plans

This schedule presents the required contributions and the percent of required contributions actually contributed.

(2) Schedule of Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

The components of the net pension liability as of the fiscal year end and the fiduciary net position as a percentage of the total pension liability as of that date are presented in this schedule. This trend information will be accumulated to display a ten year presentation.

(3) Schedule of Changes in Employers' and Nonemployers' Net Pension Liability – Defined Benefit Pension Plans

Net pension liability which is measured as total pension liability less the amount of the fiduciary net position is presented in this schedule. This trend information will be accumulated to display a ten year presentation.

(4) Schedule of Investment Returns

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

(5) Notes to Required Supplementary Information

This note provides information about changes of benefit terms, changes of assumptions, and methods and assumptions used in calculations of actuarially determined contributions.

Employees' Retirement System

Changes of benefit terms-a new benefit tier was added for members joining the System on and after July 1, 2009.

Changes of assumptions-in 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Public School Employees Retirement System

Changes of benefit terms-the member contribution rate was increased from $4 to $10 per month for members joining the System on or after July 1, 2012.

Changes of assumptions-in 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience.

Legislative Retirement System

Changes of benefit terms-none.

Changes of assumptions-in 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal and mortality were adjusted to more closely reflect actual experience.

Georgia Judicial Retirement System

Changes of benefit terms-spouses benefits were changed for members joining the System on and after July 1, 2012.

Changes of assumptions-in 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Georgia Military Pension Fund

Changes of benefit terms-none.

Changes of assumptions-in 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement and mortality were adjusted to more closely reflect actual experience.

(Continued)

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedules of employers' and nonemployers' contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rates reported in those schedules:

	ERS	**GJRS**
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level percent of pay, open
Remaining amortization period	30 years	10 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Inflation	3.00 percent	3.00 percent
Salary increases:		
Fiscal Year 2011	0.00%	0.00%
Fiscal Years 2012-2013	2.725 – 4.625%	3.00%
Fiscal Years 2014+, including inflation	5.45 – 9.25%	6.00%
Investment rate of return	7.5 percent net of pension plan investment expense, including inflation	7.5 percent net of pension plan investment expense, including inflation

	PSERS	**GMPF**
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period	30 years	20 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Inflation	3.00 percent	3.00 percent
Salary increase	N/A	N/A
Investment rate of return	7.5 percent net of pension plan investment expense, including inflation	7.5 percent net of pension plan investment expense, including inflation

	LRS
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period	30 years
Asset valuation method	7-year smoothed market
Inflation	3.00 percent
Salary increase	N/A
Investment rate of return	7.5 percent net of pension plan investment expense, including inflation

(6) Schedule of Funding Progress – Defined Benefit OPEB Plans

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

(7) Schedule of Employer Contributions – Defined Benefit OPEB Plans

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

(8) Actuarial Assumptions – Defined Benefit OPEB Plans

The SBF does not have an actuarial valuation as there are no funding requirements and no liabilities related to the fund. The information presented as the required supplementary information was determined as part of the actuarial valuations for the SEAD-Active and SEAD-OPEB plans at the dates indicated. Additional information from the actuarial valuations for the most recent two-year period is as follows:

SEAD-Active:		
Valuation date	June 30, 2013	June 30, 2012
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the funded excess	N/A	30 years
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases:		
ERS[1]	5.45-9.25%	5.45-9.25%
GJRS[1]	6.00%	6.00%
LRS	0.00%	0.00%
SEAD-OPEB:		
Valuation date	June 30, 2013	June 30, 2012
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the funded excess	N/A	30 years
Asset valuation method	Market value of assets	Market value of assets
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases:		
ERS[1]	5.45-9.25%	5.45-9.25%
GJRS[1]	6.00%	6.00%
LRS	0.00%	0.00%

[1] Includes inflation rate of 3.00% in the 2013 and 2012 valuations.

ADDITIONAL INFORMATION

(See Accompanying Independent Auditors' Report)

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

Schedule of Administrative Expenses

Contributions and Expenses

Year ended June 30, 2014
(with comparative amounts for the year ended June 30, 2013)

(In thousands)

		2014	2013
Contributions:			
Employees’ Retirement System	$	7,440	7,818
Public School Employees Retirement System		1,450	1,745
Legislative Retirement System		152	116
Georgia Judicial Retirement System		754	203
State Employees’ Assurance Department – Active		46	21
State Employees’ Assurance Department – OPEB		414	195
Georgia Defined Contribution Plan		991	1,105
401(k) Plan		2,300	2,247
457 Plan		812	906
Georgia Military Pension Fund		110	32
Superior Court Judges Retirement Fund		6	6
District Attorneys Retirement Fund		1	1
Total contributions		14,476	14,395
Expenses:			
Personal services:			
Salaries and wages		4,961	5,060
Retirement contributions		881	775
FICA		349	355
Health insurance		1,529	1,523
Miscellaneous		93	76
		7,813	7,789
Communications:			
Postage		228	206
Publications and printing		11	9
Telecommunications		71	71
Travel		14	12
		324	298
Professional services:			
Accounting services		585	564
Computer services		715	632
Contracts		2,753	2,687
Actuarial services		213	213
Medical services		177	158
Professional fees		172	169
Legal services		37	32
		4,652	4,455

(Continued)

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

Schedule of Administrative Expenses

Contributions and Expenses

Year ended June 30, 2014
(with comparative amounts for the year ended June 30, 2013)

(In thousands)

		2014	2013
Management fees:			
Building maintenance	$	617	636
Other services and charges:			
Temporary services		673	675
Supplies and materials		54	106
Repairs and maintenance		17	22
Courier services		3	3
Depreciation		270	362
Miscellaneous		50	46
Office equipment		3	3
		1,070	1,217
Total expenses		14,476	14,395
Net income	$	—	—

Note: This schedule reflects the implementation of GASB 67 which requires investment-related costs to be reported as investment expense, a component of net investment income. For fiscal year 2013, these costs have been reclassified from administrative expense to investment expense, for comparative purposes.

See accompanying independent auditors' report.