EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

2008 ANNUAL REPORT

Fiscal Year Ended June 30, 2008

INTRODUCTORY SECTION

TABLE OF CONTENTS

BOARDS OF TRUSTEES

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL

EMPLOYEES' RETIREMENT
SYSTEM OF GEORGIA

The Boards of Trustees and staff are pleased to present the 2008 Annual Report of the retirement systems and programs administered by the Employees' Retirement System of Georgia (ERS).

This Report has been prepared in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board (GASB) and is presented in four sections: Introductory, Actuarial, Investment, and Financial.

The mission of ERS is to be the guardian of the plans for the ultimate benefit of the members, retirees, and beneficiaries of the plans. ERS's core responsibility is pension administration: the collection, reconciliation and disbursement of contributions for the welfare of the members, retirees, and beneficiaries of the plans and the sound and secure investment of retirement funds. We believe this report properly reflects the dedication of the Board of Trustees, staff, and consultants in carrying out ERS's mission.

Profile of the Systems

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

- Employees' Retirement System of Georgia
- Public School Employees Retirement System
- Legislative Retirement System
- Georgia Judicial Retirement System
- Georgia Military Pension Fund
- Superior Court Judges Retirement Fund
- District Attorneys Retirement Fund
- Georgia Defined Contribution Plan
- 401(k) Deferred Compensation Plan
- 457 Deferred Compensation Plan
- State Employees' Assurance Department

During fiscal year 2008, the net assets of the System decreased by $1.4 billion, or 7.8% to $16.1 billion by June 30, 2008. This decline was primarily due to the decrease in the fair market value of investments.

Legislative Overview

Three key pieces of legislation were passed during the 2008 Legislative session which impact the plans ERS administers:

Act 761 requires the boards of all public retirement funds of the State of Georgia to create and maintain a "Scrutinized Companies with Activities in the Iran Petroleum Energy Section List," and to divest from any such companies as long as they remain on the list. The Division of Investment Services complied with the requirements of this Act and will continue to supply any and all necessary reports.

Act 414 expanded the definition of public employment related crimes to include any felony offense related to an officer's or employee's public employment in the State of Georgia as provided under the law of this state, any other state, or the United States. These provisions shall apply to persons who first or again become members of a public retirement system on or after July 1, 2008.

LETTER OF TRANSMITTAL

Act 757, the largest of the three legislative changes, created the Georgia State Employees' Pension and Savings Plan (GSEPS). This plan provides a defined benefit plan (DB) and a 401(k) plan with matching employer contributions for new hires on and after January 1, 2009, and an option to transfer membership to GSEPS for those employees in the membership of ERS on December 31, 2008. The ERS Board of Trustees shall have the responsibility of administering GSEPS.

Persons who first or again become an employee entitled to membership in ERS on or after January 1, 2009 shall be a member of GSEPS. Group Term Life Insurance coverage will not be provided to any member of GSEPS.

The DB formula for GSEPS will be 1% for each year of service multiplied by the average of the highest 24 consecutive calendar months of salary while a member. The formula can be increased in the future up to 2% by the board of trustees, provided funds are appropriated by the General Assembly. Vesting in the DB plan requires 10 years of creditable service.

In addition, GSEPS members are automatically enrolled in the 401(k) plan to contribute 1% of their compensation. The state will match 100% of the employee's initial 1% of salary. Employees can choose to decline participation in the 401(k) and forego any match. Employees may elect to contribute up to an additional 4% and the state will match 50% of the additional 4% of salary. Therefore, the state will match 3% against the employee's 5% total savings. Employees may contribute more than 5%, subject to federal rules, with no match. The employee's own savings amounts and associated investment earnings are always 100% vested. State matching contributions and associated investment earnings will vest over 5 years at 20% per year, as follows:

Completed years of service	**Percent vested**
1	20%
2	40%
3	60%
4	80%
5	100%

Acknowledgements
We express our sincere thanks to the Boards of Trustees for their leadership and support. Many thanks are also extended to the offices of the Governor, Lieutenant Governor, members of the House and Senate Retirement Committees and their staff, members of the House of Representatives and the Senate, and the department officials whose support and assistance have helped ERS accomplish its mission over the years.

Respectfully submitted,

Pamela L. Pharris

Pamela L. Pharris, Executive Director
Employees' Retirement System of Georgia

ACTUARY'S CERTIFICATION LETTER

Employees' Retirement System

June 30, 2008

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

Board of Trustees
Employees' Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318-7778

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

Section 47-2-26 of the law governing the operation of the Employees' Retirement System of Georgia provides that the actuary shall make annual valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2007. The report indicates that annual employer contributions at the rate of 5.66% of compensation for Old Plan Members and 10.41% of compensation for New Plan Members for the fiscal year ending June 30, 2010 are sufficient to support the benefits of the System.

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

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2007 session of the General Assembly. The valuation reflects a 1.5% Ad Hoc COLA effective July 1, 2007, a 0.5% Ad Hoc COLA effective January 1, 2008, and semi-annual 1% COLAs effective through January 1, 2010.

The System is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level percent of payroll within a 15-year period.

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

ACTUARY'S CERTIFICATION LETTER
Employees' Retirement System

June 30, 2008
Board of Trustees
Page 2

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Cathy Turcot

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM: bdm

VALUATION BALANCE SHEET

Employees' Retirement System

- As of June 30, 2007 -

DOLLAR AMOUNTS IN THOUSANDS

ACTUARIAL LIABILITIES			
(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	• Service and disability benefits	$ 8,341,987	
	• Death and survivor benefits	557,745	
	• Deferred vested benefits	121,158	
	Total		$ 9,020,890
(2)	Present value of prospective benefits payable on account of present active members		7,526,619
(3)	TOTAL ACTUARIAL LIABILITIES		$ 16,547,509
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 13,843,689
(5)	Present value of total future contributions = (3)-(4)	$ 2,703,820	
(6)	Present value of future member contributions and employer normal contributions		1,662,330
(7)	Prospective unfunded accrued liability contributions = (5)-(6)		1,041,490
(8)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 16,547,509

SUMMARY OF PRINCIPAL RESULTS

Employees' Retirement System

DOLLAR AMOUNTS IN THOUSANDS

Valuation Date	**June 30, 2007**	**June 30, 2006**
Number of active members	73,985	74,089
Annual earnable compensation	$ 2,680,972	$ 2,630,167
Number of retired members and beneficiaries	34,174	32,839
Annual Allowances	$ 936,278	$ 842,157
Assets:		
Market Value	$ 14,272,114	$ 13,033,861
Actuarial Value	13,843,689	13,461,132
Unfunded actuarial accrued liability	$ 1,041,490	$ 781,713
Amortization period (years)	15	10
Funded Percentage	93.0%	94.5%

For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Annual Required Employer Contribution Rates (ARC)		
Old Plan		
Initial Normal Rate	6.83%	6.77%
Employer Paid on Behalf of Employee	(4.75)	(4.75)
Normal Rate	2.08%	2.02%
Accrued Liability Rate	3.58%	3.64%
Total	5.66%	5.66%
New Plan		
Normal Rate	6.83%	6.77%
Accrued Liability Rate	3.58%	3.64%
Total	10.41%	10.41%

ACTUARY'S CERTIFICATION LETTER

Public School Employees' Retirement System

June 20, 2008

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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

Members of the Board:

Section 47-4-60 of the law governing the operation of the Georgia Public School Employees' Retirement System provides that the employer contribution shall be actuarially determined and approved by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2007. Based on a monthly benefit accrual rate of $14.75, which is effective July 1, 2008, the valuation indicates that annual employer contributions of $5,529,000 or $141.46 per active member for the fiscal year ending June 30, 2010 are sufficient to support the benefits of the System.

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

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. Since the previous valuation, the monthly benefit rate has been increased to $14.75 per year of creditable service with an effective date of July 1, 2008. The valuation takes into account the effect of all amendments to the System enacted through the 2007 session of the General Assembly.

The System is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a dollar per active member. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level dollar per active member within a 15-year period.

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

ACTUARY'S CERTIFICATION LETTER

Public School Employees' Retirement System

June 20, 2008
Board of Trustees
Page 2

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:mjn

VALUATION BALANCE SHEET

Public School Employees' Retirement System

- As of June 30, 2007 -

ACTUARIAL LIABILITIES

(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	• Service and disability benefits	$ 411,562,719	
	• Death and survivor benefits	17,557,778	
	• Deferred vested benefits	27,747,831	
	Total		$ 456,868,328
(2)	Present value of prospective benefits payable on account of present active members		347,568,891
(3)	TOTAL ACTUARIAL LIABILITIES		$ 804,437,219

PRESENT AND PROSPECTIVE ASSETS

(4)	Actuarial value of assets		$ 785,460,000
(5)	Present value of total future contributions = (3)-(4)	$ 18,977,219	
(6)	Present value of future member contributions		7,113,888
(7)	Present value of future employer contributions = (5)-(6)	$ 11,863,331	
(8)	Employer normal contribution rate	$ 259.33	
(9)	Present value of future membership service	197,608	
(10)	Prospective normal contributions = (8) x (9)		51,245,683
(11)	Prospective unfunded actuarial accrued liability contributions = (7)-(10)		(39,382,352)
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 804,437,219

SUMMARY OF PRINCIPAL RESULTS

Public School Employees' Retirement System

Valuation Date	June 30, 2007	June 30, 2006
Number of active members	39,086	37,587
Retired members and beneficiaries:		
Number	13,193	13,014
Annual allowances[1]	$ 46,661,948	$ 44,266,003
Assets:		
Market Value	$ 811,649,000	$ 743,689,000
Actuarial Value	785,460,000	766,277,000
Unfunded actuarial accrued liability	$ (39,382,352)	$ (74,625,572)
Amortization period (years)	15	20
Funded ratio	105.3%	110.8%

For Fiscal Year Ending	June 30, 2010	June 30, 2009
Employer contribution rate per active member:		
Normal	$ 259.33	$ 237.64
Accrued liability	(117.87)	(196.82)
Total	$ 141.46	$ 40.82
Annual Required Employer Contribution (ARC)[2]:		
Normal	$ 10,136,000	$ 8,932,175
Accrued liability	(4,607,000)	(7,397,873)
Total	$ 5,529,000	$ 1,534,302

1 Does not include increases in benefit accrual rate effective after the valuation date. The results of the valuation have been adjusted to include these increases.

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

ACTUARY'S CERTIFICATION LETTER

Legislative Retirement System

June 30, 2008

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

Members of the Board:

Section 47-6-22 of the law governing the operation of the Georgia Legislative Retirement System provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2007. The report indicates that no annual employer contributions for the fiscal year ending June 30, 2010 are required to support the benefits of the System.

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

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2007 session of the General Assembly.

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

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

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

ACTUARY'S CERTIFICATION LETTER

Legislative Retirement System

June 30, 2008
Board of Trustees
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:mjn

VALUATION BALANCE SHEET

Legislative Retirement System

- As of June 30, 2007 -

ACTUARIAL LIABILITIES			
(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	• Service and disability benefits	$ 11,556,383	
	• Death and survivor benefits	3,226,209	
	• Deferred vested benefits	5,064,294	
	Total		$ 19,846,886
(2)	Present value of prospective benefits payable on account of present active members		6,255,519
(3)	TOTAL ACTUARIAL LIABILITIES		$ 26,102,405
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 30,049,000
(5)	Present value of total future contributions = (3)-(4)	$ (3,946,595)	
(6)	Present value of future member contributions		1,610,334
(7)	Present value of future employer contributions = (5)-(6)	$ (5,556,929)	
(8)	Prospective normal contributions		134,915
(9)	Prospective unfunded actuarial accrued liability contributions = (7)-(8)		(5,691,844)
(10)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 26,102,405

SUMMARY OF PRINCIPAL RESULTS
Legislative Retirement System

Valuation Date	**June 30, 2007**	**June 30, 2006**
Number of active members	218	218
Retired members and beneficiaries:		
Number	224	216
Annual allowances	$ 1,608,813	$ 1,531,685
Assets:		
Market Value	$ 31,121,000	$ 28,288,000
Actuarial Value	30,049,000	29,172,000
Unfunded actuarial accrued liability	$ (5,691,844)	$ (5,764,509)
Amortization period (years)	N/A*	N/A*
Funded Ratio	123.4%	124.6%

For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Employer contribution rate per active member:		
Normal	$ 154.55	$ 228.77
Accrued liability	(154.55)	(228.77)
Total	$ 0.00	$ 0.00
Annual Required Employer Contribution Rates (ARC):		
Normal	$ 33,692	$ 49,872
Accrued liability	(33,692)	(49,872)
Total	$ 0	$ 0

* If the annual required employer contribution (ARC) is based on 30 year amortization of the unfunded accrued liability as of June 30, 2007 and June 30, 2006, the ARC is less than $0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set to such that the total ARC equals $0.

ACTUARY'S CERTIFICATION LETTER

Georgia Judicial Retirement System

July 3, 2008

Cavanaugh Macdonald CONSULTING, LLC
The experience and dedication you deserve

Board of Trustees,
Georgia Judicial Retirement System
Suite 400, Two Northside 75
Atlanta, GA 30318

Members of the Board:

Section 47-23-21 of the law governs the operation of the Georgia Judicial Retirement System. The actuary makes annual valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2007. The report indicates that annual employer contributions at the rate of 3.85% of compensation for the fiscal year ending June, 30, 2010 are sufficient to support the benefits of the System.

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

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2007 session of the General Assembly as well as 1.5% Ad Hoc COLAs effective July 1, 2007, January 1, 2008, July 1, 2008 and July 1, 2009.

The System is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the System and to reasonable expectations of anticipated experience under the System. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level percent of payroll within a 16-year period.

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

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

ACTUARY'S CERTIFICATION LETTER

Georgia Judicial Retirement System

July 3, 2008
Board of Trustees
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Cathy Turcot

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:kc

VALUATION BALANCE SHEET

Georgia Judicial Retirement System

- As of June 30, 2007 -

ACTUARIAL LIABILITIES			
(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	• Service and disability benefits	$ 73,230,126	
	• Death and survivor benefits	9,655,214	
	• Deferred vested benefits	4,447,255	
	Total		$ 87,332,595
(2)	Present value of prospective benefits payable on account of present active members		237,780,733
(3)	TOTAL ACTUARIAL LIABILITIES		$ 325,113,328
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 297,090,000
(5)	Present value of total future contributions = (3)-(4)	$ 28,023,328	
(6)	Present value of future member contributions		31,606,302
(7)	Present value of future employer contributions = (5)-(6)	$ (3,582,974)	
(8)	Employer normal contribution rate	12.05%	
(9)	Present value of future payroll	$ 367,043,024	
(10)	Prospective normal contributions = (8) x (9)		44,228,684
(11)	Prospective unfunded actuarial accrued liability contributions = (7)-(10)		(47,811,658)
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 325,113,328

SUMMARY OF PRINCIPAL RESULTS
Georgia Judicial Retirement System

Valuation Date	**June 30, 2007**	**June 30, 2006**
Number of active members	480	478
Annual compensation	$ 48,620,963	$ 45,307,981
Retired members and beneficiaries:		
Number	171	165
Annual Allowances	$ 9,472,721	$ 8,916,617
Assets:		
Market Value	$ 304,974,000	$ 269,207,000
Actuarial Value	297,090,000	279,564,000
Unfunded actuarial accrued liability	$ (47,811,658)	$ (49,727,147)
Amortization period (years)	16	18
Funded Ratio	119.2%	121.6%

For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Annual Required Employer Contribution Rates (ARC):		
Normal	12.05%	12.26%
Accrued liability	(8.20)	(8.41)
Total	3.85%	3.85%

ACTUARY'S CERTIFICATION LETTER

Group Term Life Insurance Plan

Pre-Retirement

June 19, 2008

Board of Trustees
Employees' Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318-7778

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

Chapters 47-2 and 47-19 of the Code of Georgia which govern the operation of the Georgia Employees' Group Term Life Insurance Plan provide that the actuary shall make periodic valuations of the contingent assets and liabilities of the Insurance Plan on the basis of regular interest and the tables last adopted by the Board of Trustees. In this report, we have determined liabilities for life insurance benefits payable upon death in active service (Pre-Retirement).

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations for post-retirement benefit plans separately from pre-retirement plans. Since the previous valuation, separate trusts were established for pre-retirement life insurance benefits and for post-retirement life insurance benefits and assets were split based on actuarial accrued liabilities. Assets in excess of what were actuarially required were transferred to the Employees' Retirement System Survivor Benefit Fund.

We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2007. The report indicates that employee contributions at the rate of 0.05% of active payroll for Old Plan members, and 0.02% of active payroll for New Plan members, members of the Legislative Retirement System and members of the Judicial Retirement System are sufficient to support the pre-retirement benefits of the Plan. No employer contributions are required for the fiscal year ending June 30, 2010 for pre-retirement benefits.

The funding method used for this valuation is the unit credit actuarial cost method with projected benefits. Gains and losses are reflected in the unfunded accrued liability. The actuarial assumptions used are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan. In our opinion, the Plan is operating on an actuarially sound basis and the sufficiency of the funds to provide the benefits called for by the Plan may be safely anticipated.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

ACTUARY'S CERTIFICATION LETTER

Group Term Life Insurance Plan

Pre-Retirement

Board of Trustees
June 19, 2008
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Cathy Turcot

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:kc

VALUATION RESULTS

Group Term Life Insurance Plan

Pre-Retirement

- As of June 30, 2007 -

(1)	**ACTUARIAL ACCRUED LIABILITY:**		
	Present value of prospective benefits payable on account of present retired members	$	0
	Present value of prospective benefits payable on account of present active members		59,508,589
	TOTAL ACTUARIAL ACCRUED LIABILITY	$	59,508,589
(2)	**PRESENT ASSETS FOR VALUATION PURPOSES:**	$	185,335,000
(3)	**UNFUNDED ACTUARIAL ACCRUED LIABILITY: (1)-(2)**	$	(125,826,411)
(4)	**EMPLOYER NORMAL CONTRIBUTION RATE:**		0.22%
(5)	**ACCRUED LIABILITY CONTRIBUTION:**		(0.22)
(6)	**TOTAL EMPLOYER CONTRIBUTION: (4)+(5)**		0.00%

SUMMARY OF PRINCIPAL RESULTS

Group Term Life Insurance Plan

Pre-Retirement

Valuation Date	**June 30, 2007**	**June 30, 2006***
Active members:		
Number	74,549	74,647
Annual compensation	$ 2,720,771,905	$ 2,667,158,543
Retired members:		
Number	N/A	N/A
Insurance amount	N/A	N/A
Actuarial Accrued Liability	$ 59,508,589	$ 57,747,250
Market value of assets	$ 185,335,000	$ 164,375,375
Unfunded Actuarial Accrued Liability	$ (125,826,411)	$ (106,628,125)
Funding Period	40 years	30 years
Funded Ratio	311.4%	284.6%

For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Annual Required Contribution Rates:		
Total Normal Rate	0.25%	0.25%
Employee Rates:		
Old Plan Members	0.05% **	0.05% **
New Plan, LRS and JRS Members	0.02%	0.02%
Employer Normal Rate	0.22%	0.22%
Accrued Liability Rate	(0.22)%	(0.22)%
Total Employer Rate	0.00%	0.00%

* Based on hypothetical valuation results from page 10 of June 30, 2006 valuation report

** 0.03% paid by employer

ACTUARY'S CERTIFICATION LETTER

Group Term Life Insurance Plan

Post-Retirement

June 19, 2008

Board of Trustees
Employees' Retirement System of Georgia
Two Northside 75, Suite 300
Atlanta, GA 30318-7778

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

Chapters 47-2 and 47-19 of the Code of Georgia which govern the operation of the Georgia Employees' Group Term Life Insurance Plan provide that the actuary shall make periodic valuations of the contingent assets and liabilities of the Insurance Plan on the basis of regular interest and the tables last adopted by the Board of Trustees. In this report, we have determined liabilities for life insurance benefits payable upon death after retirement (Post-Retirement).

Governmental Accounting Standards Board Statements No. 43 and 45 require actuarial valuations for post-retirement benefit plans separately from pre-retirement plans. Since the previous valuation, separate trusts were established for pre-retirement life insurance benefits and for post-retirement life insurance benefits and assets were split based on actuarial accrued liabilities. Assets in excess of what were actuarially required were transferred to the Employees' Retirement System Survivor Benefit Fund.

In accordance with GASB 43 and 45, we have determined the liabilities for life insurance benefits payable upon death after retirement. We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2007. The report indicates, for post-retirement benefits, there is no employer annual required contribution for the fiscal year ending June 30, 2010 based on a 36-year amortization period of the unfunded accrued liability.

The funding method used for this valuation is the unit credit actuarial cost method with projected benefits. Gains and losses are reflected in the unfunded accrued liability. The actuarial assumptions used are in the aggregate reasonably related to the experience under the Plan and to reasonable expectations of anticipated experience under the Plan. In our opinion, the Plan is operating on an actuarially sound basis and the sufficiency of the funds to provide the benefits called for by the Plan may be safely anticipated.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Plan.

ACTUARY’S CERTIFICATION LETTER

Group Term Life Insurance Plan
Post-Retirement

Board of Trustees
June 19, 2008
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan’s funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:kc

VALUATION RESULTS

Group Term Life Insurance Plan

Post-Retirement

- As of June 30, 2007 -

(1)	**ACTUARIAL ACCRUED LIABILITY:**		
	Present value of prospective benefits payable on account of present retired members	$	436,529,500
	Present value of prospective benefits payable on account of present active members		206,000,933
	TOTAL ACTUARIAL ACCRUED LIABILITY	$	642,530,433
(2)	**PRESENT ASSETS FOR VALUATION PURPOSES:**	$	778,048,000
(3)	**UNFUNDED ACTUARIAL ACCRUED LIABILITY: (1)-(2)**	$	(135,517,567)
(4)	**EMPLOYER NORMAL CONTRIBUTION RATE:**		0.25%
(5)	**ACCRUED LIABILITY CONTRIBUTION:**		(0.25)
(6)	**TOTAL EMPLOYER CONTRIBUTION: (4)+(5)**		0.00%

SUMMARY OF PRINCIPAL RESULTS

Group Term Life Insurance Plan

Post-Retirement

Valuation Date	**June 30, 2007**	**June 30, 2006***
Active members:		
Number	74,549	74,647
Annual compensation	$ 2,720,771,905	$ 2,667,158,543
Retired members:		
Number	28,998	27,154
Insurance amount	$ 1,215,944,463	$ 1,065,925,933
Actuarial Accrued Liability	$ 642,530,433	$ 568,475,523
Market Value of Assets	$ 778,048,000	$ 689,371,903
Unfunded Actuarial Accrued Liability	$ (135,517,567)	$ (120,896,380)
Funding Period	36 years	30 years
Funded Ratio	121.1%	121.3%

For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Annual Required Contribution Rates:		
Total Normal Rate	0.50%	0.50%
Employee rates:		
Old Plan Members	0.45% **	0.45% **
New Plan, LRS, and JRS Members	0.23%	0.23%
Employer Normal Rate	0.25%	0.25%
Accrued Liability Rate	(0.25)%	(0.25)%
Total Employer Rate	0.00%	0.00%

* Based on hypothetical valuation results from page 10 of June 30, 2006 valuation report

** 0.22% paid by employer

ACTUARY'S CERTIFICATION LETTER

Georgia Military Pension Fund

June 20, 2008

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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

Members of the Board:

Section 47-24-22 of the law governing the operation of the Georgia Military Pension Fund provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Pension Fund on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the Fund prepared as of June 30, 2007. The report indicates that annual employer contributions of $1,433,628 or $119.30 per active member for the fiscal year ending June 30, 2010 are sufficient to support the benefits of the Fund.

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

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the Fund enacted through the 2007 session of the General Assembly.

The Fund is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund. The assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by Governmental Accounting Standards Board (GASB) Statement Nos. 25 and 27. The funding objective of the plan is that contribution rates over time will remain level as a percent dollar per active member. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level dollar per active member within a 30-year period.

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

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience is performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Fund.

ACTUARY'S CERTIFICATION LETTER

Georgia Military Pension Fund

June 20, 2008
Board of Trustees
Page 2

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Sincerely yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:mjn

VALUATION BALANCE SHEET

Georgia Military Pension Fund

- As of June 30, 2007 -

ACTUARIAL LIABILITIES					
Present value of prospective benefits payable on account of:					
(1)	Present retired members			$	2,495,166
(2)	Former members entitled to deferred benefits				5,159,549
(3)	Present active members				12,757,007
(4)	TOTAL ACTUARIAL LIABILITIES			$	20,411,722
PRESENT AND PROSPECTIVE ASSETS					
(5)	Actuarial value of assets			$	4,165,000
(6)	Present value of total future contributions = (4)-(5)	$	16,246,722		
(7)	Employer normal contribution rate	$	8.52		
(8)	Present value of future membership service	$	61,612		
(9)	Prospective normal contributions = (7) x (8)				524,934
(10)	Prospective unfunded actuarial accrued liability contributions = (6)-(9)				15,721,788
(11)	TOTAL PRESENT AND PROSPECTIVE ASSETS			$	20,411,722

SUMMARY OF PRINCIPAL RESULTS
Georgia Military Pension Fund

Valuation Date	June 30, 2007	June 30, 2006
Number of active members	12,017	10,320
Retired members:		
Number	235	163
Annual pensions	$ 260,400	$ 178,320
Former members entitled to deferred vested pensions:		
Number	1,068	937
Annual deferred pensions	$ 953,172	$ 846,144
Assets:		
Market Value	$ 4,336,000	$ 3,053,000
Actuarial Value	$ 4,165,000	$ 3,100,000
Unfunded actuarial accrued liability	$ 15,721,788	$ 14,525,320
Amortization Period	30 years	30 years
Funded Ratio	20.9%	17.6%
For Fiscal Year Ending	**June 30, 2010**	**June 30, 2009**
Employer contribution rate per active member:		
Normal	$ 8.52	$ 9.03
Accrued liability	110.78	119.17
Total	$ 119.30	$ 128.20
Annual Required Employer Contribution Rates (ARC):		
Normal	$ 102,385	$ 93,190
Accrued liability	1,331,243	1,229,834
Total	$ 1,433,628	$ 1,323,024

POOLED INVESTMENT FUND

- As of June 30, 2008 -
Dollar Amounts in Thousands

Employees' Retirement System	$ 13,150,642
Public School Employees Retirement System	740,857
Legislative Retirement System	28,672
Georgia Judicial Retirement System	290,992
State Employees' Assurance Department - Active	172,258
State Employees' Assurance Department - OPEB	736,084
Georgia Military Pension Fund	4,927
Superior Court Judges Retirement Fund	1,299
Georgia Defined Contribution Plan	50,684
	$ 15,176,415

STRUCTURAL ANALYSIS OF INVESTMENTS AT FAIR VALUE

- As of June 30, 2008 -

Type of Investment	
Short-term Investments	1.5%
Bonds	37.2%
Common Stock	55.6%
Mutual funds, common collective trust funds and separate accounts*	5.7%
Total	100.0%

*Investments of state Deferred Compensation 401(k) and 457 Plans and Reserve Trust.

SHORT-TERM INVESTMENTS

- As of June 30, 2008 -

Face Amount	Issuer	Fair Value
$244,278,000*	United States Government, Agency, and Corporate Obligations (subject to repurchase agreements due 7/01/08)	$244,278,000*

*Consists of Pooled Investment Fund $234,503,000 and Georgia Defined Contribution Plan $9,775,000.

US GOVERNMENT, AGENCY AND CORPORATE BONDS

- As of June 30, 2008 -

Issuer	Year of Maturity	Interest Rate %	Par Value	Fair Value
US TREAS. NOTE	2017	4.500	$ 365,500,000	$ 380,690,180
US TREAS. NOTE	2013	2.500	394,000,000	380,119,380
US TREAS. NOTE	2015	4.000	362,000,000	372,096,180
US TREAS. NOTE	2018	3.500	280,000,000	269,522,400
US TREAS. NOTE	2012	4.125	236,000,000	244,278,880
US TREAS. NOTE	2008	4.625	240,000,000	242,625,600
US TREAS. NOTE	2018	3.875	241,000,000	238,985,240
US TREAS. NOTE	2012	3.375	236,000,000	237,033,680
FHLMC-CALLABLE	2011	3.500	232,000,000	229,741,944
US TREAS. BOND	2028	5.250	207,000,000	224,383,860
US TREAS. NOTE	2010	3.625	198,000,000	201,744,180
US TREAS. BOND	2036	4.500	196,000,000	194,606,440
US TREAS. NOTE	2010	3.875	181,000,000	185,695,140
GENERAL ELECTRIC CAP CORP	2011	4.110	185,000,000	183,777,150
US TREAS. NOTE	2008	4.625	175,000,000	176,244,250
GENERAL ELECTRIC CAP CORP	2020	5.550	174,000,000	166,906,020
US TREAS. NOTE	2010	2.125	155,000,000	153,873,150
US TREAS. NOTE	2009	3.625	139,000,000	141,335,200
FHLMC-CALLABLE	2011	3.600	139,000,000	137,429,300
WELLS FARGO	2011	4.000	139,000,000	136,745,420
FNMA-CALLABLE	2022	5.780	122,000,000	122,328,668
BERKSHIRE HATHAWAY	2012	5.125	116,000,000	119,393,000
3M COMPANY	2012	4.650	116,000,000	116,963,960
GENERAL ELECTRIC	2013	5.400	116,000,000	116,750,520
US TREAS. NOTE	2010	2.875	116,000,000	116,570,720
UNITED PARCEL SERVICE	2013	4.500	116,000,000	116,234,320
FNMA-CALLABLE	2020	5.550	104,000,000	103,125,360
GENERAL ELECTRIC CAP CORP	2026	5.550	111,000,000	99,588,090
US TREAS. NOTE	2008	3.250	92,000,000	92,172,960
US TREAS. NOTE	2009	4.750	89,000,000	90,460,490
US TREAS. BOND	2029	5.250	74,000,000	80,284,080
FNMA-CALLABLE	2011	3.600	75,000,000	74,354,925
US TREAS. NOTE	2012	3.875	70,000,000	71,782,900
JOHNSON AND JOHNSON	2012	5.150	60,000,000	62,847,600
JOHNSON AND JOHNSON	2017	5.550	58,000,000	60,395,400
US TREAS. NOTE	2009	4.500	36,000,000	36,638,280
ERS Fixed Income Securities			$ 5,945,500,000	$ 5,977,724,867
Georgia Defined Contribution Plan Fixed Income Securities			22,000,000	22,405,330
Total ERS and Georgia Defined Contribution Plan Fixed Income Securities			$ 5,967,500,000	$ 6,000,130,197

EQUITY HOLDINGS

- As of June 30, 2008 -

Shares	Company	Fair Value
2,124,682	Exxon Mobil Corp.	$ 187,248,225
3,607,000	Microsoft Corp.	99,228,570
175,700	Google Inc.	92,491,994
824,000	Schlumberger Ltd.	88,522,320
517,700	Apple Inc.	86,683,688
822,006	Chevron Corp.	81,485,455
1,415,700	Wal-Mart Stores Inc.	79,562,340
2,949,200	General Electric Co.	78,714,148
1,292,555	Procter & Gamble Co.	78,600,270
827,678	ConocoPhillips	78,124,526
656,600	International Business Machines Corp.	77,826,798
1,186,020	Johnson & Johnson	76,308,527
1,044,200	iShares MSCI EAFE Index	71,705,214
761,140	Occidental Petroleum Corp.	68,396,040
2,883,100	Cisco Systems Inc.	67,060,906
1,949,968	AT&T Inc.	65,694,422
1,025,160	Pepsico Inc.	65,189,924
3,270,445	Pfizer Inc.	57,134,674
2,618,200	Intel Corp.	56,238,936
1,198,600	QUALCOMM Inc.	53,181,882
	Total - 20 Largest Holdings	$ 1,609,398,859
	Total - All Holdings	$ 8,946,541,243

A complete listing is available upon written request, subject to restrictions of O.C.G.A. Section 47-1-14.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Independent Auditors' Report

The Board of Trustees
Employees' Retirement System of Georgia:

We have audited the accompanying financial statements of the Employees' Retirement System of Georgia (the System), a component unit of the state of Georgia, as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized comparative information has been derived from the System's June 30, 2007 financial statements and, in our report dated September 27, 2007, we expressed an unqualified opinion on those financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the System's net assets as of June 30, 2008 and the changes in net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards,* we have also issued our report dated September 30, 2008 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis, the schedules of funding progress, and schedules of employer contributions on pages 37 through 41 and pages 65 through 66, respectively, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information, and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the administrative expenses schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects, in relation to the financial statements taken as a whole. The introductory, actuarial and investment sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG

September 30, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- June 30, 2008 -

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, 2008. The discussion and analysis of the System's financial performance is within the context of the accompanying basic financial statements, notes to the financial statements, required supplementary schedules, and additional information following this section.

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

The defined benefit pension plans include:

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

The defined contribution retirement plans include:

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

Financial Highlights

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

- The net assets of the System decreased by $1.4 billion, or 7.8%, from $17.5 billion at June 30, 2007 to $16.1 billion at June 30, 2008. The decline was primarily due to a decrease in the fair value of investments.

- For the year ended June 30, 2008, the total additions to net assets were a decrease of $152 million compared to an increase of $2.7 billion for the year ended June 30, 2007. For the year ended June 30, 2008, the additions consisted of employer and member contributions totaling $445 million, insurance premiums of $8.6 million, net investment loss of $608 million, participant fees of $1.7 million, and other income of $1 million. For the year ended June 30, 2007, the additions consisted of employer and member contributions totaling $429 million, insurance premiums of $9.1 million, net investment income of $2.3 billion, participant fees of $1.2 million, and other income of $1 million.

- Net investment loss of $608 million (comprised of interest and dividend income, the change in fair value of investments, and other, reduced by investment expenses) represents a $2.9 billion decrease, compared to the net investment income of $2.3 billion for the year ended June 30, 2007. The net investment loss is primarily due to declining equities markets in 2008, compared to 2007.

- The total deductions were $1.2 billion and $1.1 billion for the years ended June 30, 2008 and 2007, respectively. For the year ended June 30, 2008, the deductions consisted of benefit payments of $1.15 billion, refunds of $20 million, death benefits of $29 million, and administrative expenses of $23 million. For the year ended June 30, 2007, the deductions consisted of benefit payments of $1.0 billion, refunds of $20 million, death benefits of $25 million, and administrative expenses of $18 million.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

- Benefit payments paid to retirees and beneficiaries increased by $82.6 million, or 7.7% from $1.07 billion in 2007 to $1.15 billion in 2008. This increase was the result of increases in the number of retirees and beneficiaries receiving benefits across all plans and postretirement cost of living increases in benefits as well as a contingent liability involving retroactive benefit payments (see note 7).

Overview of the Financial Statements

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

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

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

Description of the Financial Statements

The *Combined Statement of Net Assets* is the statement of financial position presenting information that includes all of the System's assets and liabilities, with the balance representing the *Net Assets Held in Trust for Pension Benefits*. The investments of the System in this statement are presented at fair value. This statement is presented on page 42.

The *Combined Statement of Changes in Net Assets* reports how the System's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employers and members, group life insurance premiums, participant fees, and investment income, which includes interest and dividends and the net increase/decrease in the fair value of investments. The deductions include benefit payments, life insurance death benefit payments, refunds of member contributions and interest, and administrative expenses. This statement is presented on page 43.

The *Combining Statement of Net Assets and Combining Statement of Changes in Net Assets* present the financial position and change in financial position for each of the funds administered by the System, including the Pooled Investment Fund that holds and invests funds from each of the participating plans and funds. These statements begin on page 44.

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 48.

There are two *Required Supplementary Schedules* included in this report. These required schedules are applicable to five of the defined benefit plans: ERS, PSERS, LRS, GJRS, and GMPF. The *Schedule of Funding Progress* presents historical trend information about the actuarially determined funded status of the plans from a long term, ongoing plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Employer Contributions* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented. The required supplementary schedules begin on page 65.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Notes to Required Supplementary Schedules are presented to provide the information necessary for a full understanding of the supplementary schedules. The notes to required supplementary schedules begin on page 67.

Additional information is presented, beginning on page 69. This section includes the *Administrative Expenses Schedule*. The *Administrative Expenses Schedule* presents the expenses incurred in the administration of these plans and funds, and the contributions from each plan and fund to provide for these expenses.

Financial Analysis of the System

A summary of the System's net assets at June 30, 2008 and 2007 is as follows:

	Net Assets (in thousands)			
	2008	2007	Amount Change	Percentage change
Assets:				
Cash and receivables	$ 133,963	$ 205,023	$ (71,060)	(34.7) %
Investments	16,106,069	17,334,129	(1,228,060)	(7.1)
Capital assets, net	12,573	15,340	(2,767)	(18.0)
Total Assets	16,252,605	17,554,492	(1,301,887)	(7.4)
Liabilities:				
Due to brokers and accounts payable	109,048	37,589	71,459	190.1
Net assets	$ 16,143,557	$ 17,516,903	$ (1,373,346)	(7.8) %

The following table presents the investment allocation at June 30, 2008 and 2007:

	2008	2007
Asset allocation at June 30 (in percentages):		
Equities	55.6 %	59.5 %
U.S. Treasuries	25.8	18.0
U.S. Agencies	4.1	9.6
Corporate and other bonds	7.3	3.4
Mutual and common collective trust funds	5.7	5.5
Short-term securities	1.5	4.0
Asset allocation at June 30 (in thousands):		
Equities	$ 8,946,541	$ 10,306,659
U.S. Treasuries	4,153,549	3,122,490
U.S. Agencies	666,980	1,663,751
Corporate and other bonds	1,179,601	588,076
Mutual and common collective trust funds	915,120	953,540
Short-term securities	244,278	699,613
	$ 16,106,069	$ 17,334,129

The total investment portfolio decreased by $1.23 billion from 2007, which is due primarily to a decrease in the fair value of investments.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

The investment rate of return in fiscal year ended June 30, 2008 was (3.5)%, with a (10.8)% return on equities and a 9.7% return on fixed income investments. The five year annualized rate of return on investments at June 30, 2008 was 6.8%, with a 9.2% return on equities and a 3.8% return on fixed income investments.

A summary of the changes in the System's net assets for the years ended June 30, 2008 and 2007 is as follows:

	Changes in net assets (in thousands)			
	2008	**2007**	**Amount change**	**Percentage change**
Additions:				
Employer contributions	$ 308,962	$ 296,277	$ 12,685	4.3 %
Member contributions	136,046	133,169	2,877	2.2
Participant fees	1,682	1,211	471	38.9
Insurance premiums	8,620	9,107	(487)	(5.3)
Net investment income (loss)	(608,051)	2,276,431	(2,884,482)	(126.7)
Other	903	903	—	—
Total additions	(151,838)	2,717,098	(2,868,936)	(105.6)
Deductions:				
Benefit payments	1,150,192	1,067,604	82,588	7.7
Refunds	19,716	19,588	128	0.7
Death benefits	28,716	25,223	3,493	13.8
Administrative expenses	22,884	18,311	4,573	25.0
Total deductions	1,221,508	1,130,726	90,782	8.0
Net increase (decrease) in net assets	$ (1,373,346)	$ 1,586,372	$ (2,959,718)	(186.6) %

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. In fiscal year 2008, total contributions increased 3.6%, reflecting a contribution percentage that increased along with a modest overall salary increase. Net investment income decreased by $2.9 billion. The decrease was primarily due to declining equity markets in 2008, compared to 2007.

Deductions – For fiscal year 2008, total deductions increased 8.0%, primarily because of a 7.7 % increase in benefit payments. This was due to an increase of approximately 3.9% in the number of retirees receiving benefit payments across all defined benefit plans and to postretirement cost of living increases in benefits as well as a contingent liability involving retroactive benefit payments in 2007. Refunds increased 0.7%, which was primarily due to an increase in the number of refunds processed during 2008. Administrative expenses increased 25% over the prior year, due primarily to increases in computer services, contractual services, and accounting and investment services.

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)

Funding Status

The schedules of funding progress and employer contributions provide information regarding how the plans are performing and funded from an actuarial perspective. The information is based upon actuarial valuations conducted by certified actuaries. The funding ratio, which is presented on the schedule of funding progress, indicates the ratio of the actuarial value of assets and the actuarial accrued liabilities. The higher this ratio, the better position the System is in with regard to its funding requirements. The June 30, 2007 and 2006 actuarial valuations, the latest valuations available, indicate the actuarial value of assets and funding ratios for the five applicable defined benefit retirement plans were as follows:

	Actuarial value of plan assets (in thousands)		Funding ratio	
	June 30, 2007	**June 30, 2006**	**June 30, 2007**	**June 30, 2006**
ERS	$ 13,843,689	$ 13,461,132	93.0 %	94.5 %
PSERS	785,460	766,277	105.3	110.8
LRS	30,049	29,172	123.4	124.6
GJRS	297,090	279,564	119.2	121.6
GMPF	4,165	3,100	20.9	17.6

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

Requests for Information

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

COMBINED STATEMENT OF NET ASSETS

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

COMBINED STATEMENT OF NET ASSETS
June 30, 2008
(With Comparative Totals as of June 30, 2007)
(In thousands)

ASSETS	**2008**	**2007**
CASH	$ 5,535	$ 7,977
RECEIVABLES:		
Employer and member contributions	38,127	37,072
Interest and dividends	67,428	79,320
Due from brokers for securities sold	19,389	80,202
Other	3,484	452
Total receivables	128,428	197,046
INVESTMENTS - AT FAIR VALUE:		
Short-term	244,278	699,613
U.S. Treasuries	4,153,549	3,122,490
U.S. Agencies	666,980	1,663,751
Corporate and other bonds	1,179,601	588,076
Common stocks	8,946,541	10,306,659
Mutual funds, common collective trust funds, and separate accounts	915,120	953,540
Total investments	16,106,069	17,334,129
CAPITAL ASSETS, NET	12,573	15,340
Total assets	16,252,605	17,554,492
LIABILITIES		
Accounts payable and other	42,017	20,446
Due to brokers for securities purchased	67,031	17,143
Total liabilities	109,048	37,589
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 16,143,557	$ 17,516,903

(A schedule of funding progress is presented on page 65.)

See accompanying notes to financial statements.

COMBINED STATEMENT OF CHANGES IN NET ASSETS

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

COMBINED STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2008
(With Comparative Totals for the Year Ended June 30, 2007)
(In thousands)

	2008	2007
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	$ 17,516,903	$ 15,930,531
ADDITIONS:		
Contributions:		
Employer	308,962	296,277
Member	136,046	133,169
Participant fees	1,682	1,211
Insurance premiums	8,620	9,107
Administrative expense allotment	903	903
Investment income (loss):		
Net increase (decrease) in fair value of investments	(1,095,707)	1,769,567
Interest and dividends	504,993	523,686
Other	1,846	1,467
Total investment income (loss)	(588,868)	2,294,720
Less investment expenses	(19,183)	(18,289)
Net investment income (loss)	(608,051)	2,276,431
Total additions	(151,838)	2,717,098
DEDUCTIONS:		
Benefit payments	1,150,192	1,067,604
Refunds of member contributions and interest	19,716	19,588
Death benefits	28,716	25,223
Administrative expenses	22,884	18,311
Total deductions	1,221,508	1,130,726
Net increase (decrease) in net assets	(1,373,346)	1,586,372
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	$ 16,143,557	$ 17,516,903

See accompanying notes to financial statements.

COMBINING STATEMENT OF NET ASSETS

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

COMBINING STATEMENT OF NET ASSETS
June 30, 2008
(In thousands)

			Defined Contribition Plans				
Assets	**Defined Benefit Plans**	**Pooled Investment Fund**	**Georgia Defined Contribution Plan**	**401(k) Plan**	**457 Plan**	**Eliminations**	**Total 2008**
Cash	$ 5,167	$ 1	$ 321	$ 23	$ 23	$ —	$ 5,535
Receivables							
Employer and member contributions	34,772	—	1,238	1,443	674	—	38,127
Interest and dividends	—	67,224	198	3	3	—	67,428
Due from brokers for securities sold	—	19,388	1	—	—	—	19,389
Other	2,895	—	—	295	294	—	3,484
Unremitted insurance premiums	1,367	—	—	—	—	(1,367)	—
Total receivables	39,034	86,612	1,437	1,741	971	(1,367)	128,428
Investments - at fair value:							
Short-term	—	234,503	9,775	—	—	—	244,278
U.S. Treasuries	—	4,131,144	22,405	—	—	—	4,153,549
U.S. Agencies	—	666,980	—	—	—	—	666,980
Corporate and other bonds	—	1,179,601	—	—	—	—	1,179,601
Common stocks	—	8,946,541	—	—	—	—	8,946,541
Mutul funds, common collective trust funds, and separate accounts	—	—	—	341,073	574,047	—	915,120
Equity in pooled investment fund	15,125,731	—	50,684	—	—	(15,176,415)	—
Total investments	15,125,731	15,158,769	82,864	341,073	574,047	(15,176,415)	16,106,069
Capital assets, net	12,573	—	—	—	—	—	12,573
Total assets	15,182,505	15,245,382	84,622	342,837	575,041	(15,177,782)	16,252,605
Liabilities							
Accounts payable and other	36,655	1,936	272	1,739	1,415	—	42,017
Due to brokers for securities purchased	—	67,031	—	—	—	—	67,031
Insurance premiums payable	1,367	—	—	—	—	(1,367)	—
Due to participating systems	—	15,176,415	—	—	—	(15,176,415)	—
Total liabilities	38,022	15,245,382	272	1,739	1,415	(15,177,782)	109,048
Net assets held in trust for pension benefits	$ 15,144,483	$ —	$ 84,350	$ 341,098	$ 573,626	$ —	$ 16,143,557

(A schedule of funding progress is presented on page 65)

See accompanying notes to financial statements.

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

DEFINED BENEFIT PLANS - COMBINING STATEMENT OF NET ASSETS
June 30, 2008
(In thousands)

	Defined Benefit Plans									
Assets	**Employees' Retirement System**	**Public School Employees Retirement System**	**Legislative Retirement System**	**Georgia Judicial Retirement System**	**State Employees' Assurance Department Active**	**State Employees' Assurance Department OPEB**	**Georgia Military Pension Fund**	**Superior Court Judges Retirement Fund**	**District Attorneys Retirement Fund**	**Defined Benefit Plans Total**
Cash	$ 4,581	$ 106	$ 82	$ 66	$ 89	$ 46	$ 19	$ 175	$ 3	$ 5,167
Receivables										
Employer and member contributions	34.122	—	35	615	—	—	—	—	—	34,772
Interest and dividends	—	—	—	—	—	—	—	—	—	—
Due from brokers for securities sold	—	—	—	—	—	—	—	—	—	—
Other	2,776	—	—	—	119	—	—	—	—	2,895
Unremitted insurance premiums	—	—	—	—	129	1,238	—	—	—	1,367
Total receivables	36,898	—	35	615	248	1,238	—	—	—	39,034
Investments - at fair value:										
Short-term	—	—	—	—	—	—	—	—	—	—
U.S. Treasuries	—	—	—	—	—	—	—	—	—	—
U.S. Agencies	—	—	—	—	—	—	—	—	—	—
Corporate and other bonds	—	—	—	—	—	—	—	—	—	—
Common stocks	—	—	—	—	—	—	—	—	—	—
Mutul funds, common collective trust funds, and separate accounts	—	—	—	—	—	—	—	—	—	—
Equity in pooled investment fund	13,150,642	740,857	28,672	290,992	172,258	736,084	4,927	1,299	—	15,125,731
Total investments	13,150,642	740,857	28,672	290,992	172,258	736,084	4,927	1,299	—	15,125,731
Capital assets, net	12,573	—	—	—	—	—	—	—	—	12,573
Total assets	13,204,694	740,963	28,789	291,673	172,595	737,368	4,946	1,474	3	15,182,505
Liabilities										
Accounts payable and other	35,572	599	22	169	—	254	1	37	1	36,655
Due to brokers for securities purchased	—	—	—	—	—	—	—	—	—	—
Insurance premiums payable	1,344	—	3	20	—	—	—	—	—	1,367
Due to participating systems	—	—	—	—	—	—	—	—	—	—
Total liabilities	36,916	599	25	189	—	254	1	37	1	38,022
Net assets held in trust for pension benefits	$ 13,167,778	$ 740,364	$ 28,764	$ 291,484	$ 172,595	$ 737,114	$ 4,945	$ 1,437	$ 2	$ 15,144,483

(A schedule of funding progress is presented on page 65)

See accompanying notes to financial statements.

COMBINING STATEMENT OF CHANGES IN NET ASSETS

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

COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2008
(In thousands)

			Defined Contribution Plans			
	Defined Benefit Plans	Pooled Investment Fund	Georgia Defined Contribution Plan	401(k) Plan	457 Plan	Total 2008
Net assets held in trust for pension benefits - beginning of year	$ 16,479,404	$ —	$ 80,654	$ 336,379	$ 620,466	$ 17,516,903
Additions:						
Contributions						
Employer	294,769	—	—	14,193	—	308,962
Member	54,793	—	15,860	38,927	26,466	136,046
Participant fees	—	—	—	921	761	1,682
Insurance premiums	8,620	—	—	—	—	8,620
Administrative expense allotment	903	—	—	—	—	903
Investments income (loss):						
Net increase (decrease) in fair value of investments	—	(1,043,942)	359	(20,903)	(31,221)	(1,095,707)
Interest and dividends	162	502,933	1,222	373	303	504,993
Other	—	—	—	726	1,120	1,846
Less investment expenses	(1,685)	(14,412)	(43)	(1,498)	(1,545)	(19,183)
Allocation of investment earnings (loss)	(553,552)	555,421	(1,869)	—	—	—
Net investment income (loss)	(555,075)	—	(331)	(21,302)	(31,343)	(608,051)
Total addtiions	(195,990)	—	15,529	32,739	(4,116)	(151,838)
Deductions						
Benefit payment	1,082,080	—	9	26,548	41,555	1,150,192
Refunds of member contributions and interest	8,202	—	11,514	—	—	19,716
Death benefits	28,716	—	—	—	—	28,716
Administrative expenses	19,933	—	310	1,472	1,169	22,884
Total deductions	1,138,931	—	11,833	28,020	42,724	1,221,508
Net increase (decrease) in net assets	(1,334,921)	—	3,696	4,719	(46,840)	(1,373,346)
Net assets held in trust for pension benefits - end of year	$ 15,144,483	$ —	$ 84,350	$ 341,098	$ 573,626	$ 16,143,557

See accompanying notes to financial statements.

DEFINED BENEFIT PLANS - COMBINING STATEMENT OF CHANGES IN NET ASSETS

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

DEFINED BENEFIT PLANS - COMBINING STATEMENT OF CHANGES IN NET ASSETS
Year Ended June 30, 2008
(In thousands)

	Defined Benefit Plans									
	Employees' Retirement System	Public School Employees Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department Active	State Employees' Assurance Department OPEB	Georgia Military Pension Fund	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	Defined Benefit Plans Total
Net assets held in trust for pension benefits - beginning of year	$ 14,362,447	$ 811,649	$ 31,121	$ 304,974	$ 185,335	$ 778,048	$ 4,336	$ 1,492	$ 2	$ 16,479,404
Additions:										
Contributions										
Employer	286,256	2,869	73	2,395	—	—	1,103	1,993	80	294,769
Member	48,324	1,451	320	4,698	—	—	—	—	—	54,793
Participant fees	—	—	—	—	—	—	—	—	—	—
Insurance premiums	—	—	—	—	864	7,756	—	—	—	8,620
Administrative expense allotment	—	588	110	175	—	—	—	30	—	903
Investment income (loss):										
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—	—	—	—
Interest and dividends	162	—	—	—	—	—	—	—	—	162
Other	—	—	—	—	—	—	—	—	—	—
Less investment expenses	(1,685)	—	—	—	—	—	—	—	—	(1,685)
Allocation of investment earnings (loss)	(481,156)	(27,052)	(1,051)	(10,702)	(6,321)	(27,032)	(191)	(47)	—	(553,552)
Net investment income (loss)	(482,679)	(27,052)	(1,051)	(10,702)	(6,321)	(27,032)	(191)	(47)	—	(555,075)
Total additions	(148,099)	(22,144)	(548)	(3,434)	(5,457)	(19,276)	912	1,976	80	(195,990)
Deductions:										
Benefit payments	1,019,950	48,245	1,634	9,867	—	—	303	2,001	80	1,082,080
Refunds of member contributions and interest	7,815	308	65	14	—	—	—	—	—	8,202
Death benefits	—	—	—	—	7,261	21,455	—	—	—	28,716
Administrative expenses	18,805	588	110	175	22	203	—	30	—	19,933
Total deductions	1,046,570	49,141	1,809	10,056	7,283	21,658	303	2,031	80	1,138,931
Net increase (decrease) in net assets	(1,194,669)	(71,285)	(2,357)	(13,490)	(12,740)	(40,934)	609	(55)	—	(1,334,921)
Net assets held in trust for pension benefits - end of year	$ 13,167,778	$ 740,364	$ 28,764	$ 291,484	$ 172,595	$ 737,114	$ 4,945	$ 1,437	$ 2	$ 15,144,483

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

- June 30, 2008 -

(1) **General**

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

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

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

(2) **Authorizing Legislation and Plan Descriptions**

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

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

Membership

As of June 30, 2008, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	35,186
Terminated employees entitled to benefits but not yet receiving benefits	68,815
Active plan members	74,935
Total	178,936
Employers	726

Benefits

The benefit structure of ERS was significantly modified on July 1, 1982. Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon state employment that started prior to July 1, 1982 is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. All other members are "new plan" members, subject to the modified plan provisions.

(continued)

Under both the old and new plans, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 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 are also made to members' benefits. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

Contributions and Vesting

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

Employer contributions required for fiscal year 2008 were based on the June 30, 2005 actuarial valuation as follows:

	Old plan	New plan
Employer:		
Normal	2.41 %	7.16 %
Employer paid for member	4.75	—
Accrued liability	3.25	3.25
Total	10.41 %	10.41 %

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

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within 15 years, based upon the actuarial valuation at June 30, 2007, on the assumption that the total payroll of active members will increase by 3.75% each year.

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

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

(continued)

NOTES TO FINANCIAL STATEMENTS

There were 180 members eligible to participate in this portion of ERS for the year ended June 30, 2008. Employer contributions of $2,000,000 and benefit payments of $2,022,024 under the SRBP are included in the combined statements of changes in net assets for the year ended June 30, 2008. Cash of $15,120 under the SRBP is included in the combined statements of net assets as of June 30, 2008.

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

Membership

As of June 30, 2008, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	13,558
Terminated employees entitled to benefits but not yet receiving benefits	66,950
Active plan members	40,131
Total	120,639
Employers	214

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 $14.25, multiplied by the number of years of creditable service. Death and disability benefits are also available through PSERS. Additionally, PSERS makes periodic cost of living adjustments to the monthly benefits.

Contributions and Vesting

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

Employer contributions required for the year ended June 30, 2008 were $41.80 per active member and based on the June 30, 2005 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.

The employer contributions are projected to liquidate the actuarial accrued funding excess within 15 years, based upon the actuarial valuation at June 30, 2007.

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

(continued)

NOTES TO FINANCIAL STATEMENTS

Membership
As of June 30, 2008, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	225
Terminated employees entitled to benefits but not yet receiving benefits	130
Active plan members	218
Total	573
Employers	1

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

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

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

There were no employer contributions required for the year ended June 30, 2008 based on the June 30, 2005 actuarial valuation.

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

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

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

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

(continued)

Membership

As of June 30, 2008, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	179
Terminated employees entitled to benefits but not yet receiving benefits	66
Active plan members	477
Total	722
Employers	95

Benefits

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

Annual retirement benefits paid to members are computed as 66 2/3% of state paid salary at retirement for district attorneys and superior court judges and 66 2/3% of the average over 24 consecutive months for trial judges and solicitors, plus 1% for each year of credited service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

Contributions and Vesting

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

Employer contributions required for fiscal year 2008 were based on the June 30, 2005 actuarial valuation as follows:

Employer:		
Normal	12.41	%
Accrued liability	(8.56)	
Total	3.85	%

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

The employer contributions are projected to liquidate the actuarial accrued funding excess within 16 years, based upon the actuarial valuation at June 30, 2007, assuming that the amount of accrued liability payment increases 3.75% each year.

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

Membership

As of June 30, 2008, GMPF had 305 retirees and beneficiaries currently receiving benefits. Active and inactive plan member information is maintained by one employer, the Georgia Department of Defense.

(continued)

NOTES TO FINANCIAL STATEMENTS

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, 2008 were $124.36 per active member and were based on the June 30, 2005 actuarial valuation.

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

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within 30 years, based upon the actuarial valuation at June 30, 2007.

(f) SEAD-Active was created in 2007 by the Georgia General Assembly to amend Title 47 of the Official Code of Georgia Annotated, relating to retirement, so as to establish a fund for the provision of term life insurance to active members of ERS, LRS, JRS, and SCJRF. 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.

Employee contribution rates of 0.05% and 0.02% of members' salaries for old plan members and new plan members, respectively, were appropriate for the fiscal year ending June 30, 2008. There were no employer contribution rates required for the fiscal year ended June 30, 2008. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

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

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

(continued)

NOTES TO FINANCIAL STATEMENTS

Employee contribution rates of 0.45% and 0.23% of members' salaries for old plan members and new plan members, respectively, were appropriate for the fiscal year ending June 30, 2008. There were no employer contribution rates required for the fiscal year ended June 30, 2008. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

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

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

Membership
As of June 30, 2008, SCJRF had 27 retirees and beneficiaries currently receiving benefits and no active members.

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

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

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

Membership
As of June 30, 2008, DARF had 7 retirees and beneficiaries currently receiving benefits and no active members.

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

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

(continued)

NOTES TO FINANCIAL STATEMENTS

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

Membership

As of June 30, 2008, participation in GDCP is as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving benefits	94,873
Active plan members	19,452
Total	114,326
Employers	378

Benefits

A member may retire and elect to receive periodic payments after attainment of age 65. The payments will be based upon mortality tables and interest assumptions to be adopted by the ERS Board of Trustees. If a member has less than $50,000 credited to his/her account, the ERS Board of Trustees has the option of requiring a lump-sum distribution to the member. Upon the death of a member, a lump sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary.

Contributions

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

(k) The 401(k) Plan was established by the State of Georgia Employee Benefit Plan Council (the Council) in accordance with Georgia Law 1985, page 441, 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 (the GLC).

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.

Effective July 1, 2005 (HB275), ERS became the trustee of the 401(k) Plan. CitiStreet LLC and State Street Bank and Trust Company hold, administer, and invest the assets of the Master Trust.

Contributions and Vesting

The 401(k) Plan requires participating CSBs and the GLC to annually contribute 7.5% of all eligible employees' base salary (limited to a maximum of $220,000 base salary for 2007). Through December 31, 2001, the 401(k) Plan allowed individual participants to defer up to the lesser of 15% of eligible gross compensation earned (increased to 100% of eligible compensation as of January 1, 2002) or up to limits prescribed by the IRC.

(continued)

NOTES TO FINANCIAL STATEMENTS

A maximum 50% matching contribution of participant deferrals may be made by the employer, subject to appropriation by the State Legislature. No appropriations by the State Legislature were made during 2008. Currently, the state does not provide any sort of match to the Plan, nor has it in the past.

Employer contributions vest according to the following schedule:

Less than 2 years	0	%
2	20	
3	40	
4	60	
5	80	
6 or more	100	

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

Less than 3 years	0	%
3	20	
4	40	
5	60	
6	80	
7 or more	100	

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

Distributions
The participant may receive the value of their vested accounts upon attaining age 59.5, qualifying financial hardship, or retirement or other termination of service. Upon death of a participant, his or her beneficiary shall be entitled to the full value of his or her accounts. Distributions are made in installments or in a lump sum.

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

Effective July 1, 1998, the State of Georgia Employee’s Deferred Compensation Group Trust (Master Trust) was formed for the State of Georgia Deferred Compensation Program to serve as the funding medium for the 457 Plan. All assets of the 457 Plan are held in trust for the exclusive benefit of the participants and their beneficiaries. The assets of the 457 Plan and the State of Georgia Employees’ Deferred Compensation 401(k) Plan are commingled in the Master Trust with the respective trusts owning units of the Master Trust.

Effective July 1, 2005 (HB275), ERS became the trustee of the 457 Plan. CitiStreet LLC and State Street Bank and Trust Company hold, administer, and invest the assets of the Master Trust.

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

(3) **Significant Accounting Policies and System Asset Matters**

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

During fiscal year 2008, the System adopted the provisions of GASB Statement No. 50, *Pension Disclosures*. The objective of this Statement is to amend note disclosure and required supplementary information (RSI) standards of Statement No. 25 and Statement No. 27 to conform with applicable changes adopted in Statement No. 43 and Statement No. 45 for other post employment benefits.

(b) ***Investments***
Investments are reported at fair value. Short term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price. Investment income is recognized as earned by the System. No investment in any one organization except the U.S. Government or its agencies represents 5% or more of the net assets available for pension benefits. There are no investments in, loans to, or leases with parties related to the System.

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

(c) ***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, vehicles, and purchased computer software. Depreciation on capital assets is computed using the straight line method over estimated useful lives of five to forty years. Depreciation expense is included in administrative expenses. Maintenance and repairs are charged to administrative expenses when incurred. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statements of changes in plan net assets in the period of disposal.

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

(continued)

NOTES TO FINANCIAL STATEMENTS

(4) **Investment Program**

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

Cash

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

Investments

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

(a) ***Short-Term***

Short-term investments are authorized in the following instruments:

- Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. Government or in obligations unconditionally guaranteed by the agencies of the U.S. Government or U.S. corporations. The System or broker promises to repay the cash received, plus interest, at a specific date in the future in exchange for the same securities. The System held repurchase agreements of $244,278,000 at June 30, 2008.

- U.S. Treasury obligations with varying terms up to 360 days.

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

- Commercial paper, with a maturity of 180 days or less. Commercial paper is an unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The System considers for investment only commercial paper of the highest quality, rated P-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 $100 million in any one name.

(b) ***Long-Term***

Fixed income investments are authorized in the following instruments:

- U.S. and foreign government obligations with terms up to 30 years. The System held U.S. Treasuries of $4,153,548,520 at June 30, 2008.

- Obligations unconditionally guaranteed by agencies of the U.S. Government with terms up to 30 years. The System held agency bonds of $666,980,197 at June 30, 2008.

- Corporate bonds with at least an “A” rating by a national rating agency and limited to no more than 5% of total System assets in any one name. Maturities of these securities vary up to a period of 40 years. The System held corporate bonds of $1,179,601,480 at June 30, 2008.

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

NOTES TO FINANCIAL STATEMENTS

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

Equity securities are also authorized (in statutes) for investment as a complement to the System's fixed-income portfolio and as a long-term inflation hedge. By statute, no more than 60% of the total invested assets on a historical cost basis may be placed in equities and no more than 5% in any one corporation. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division of Investment Services (the Division), in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the Board of Trustees, in-house research considering such things as yield, growth, and sales statistics, and analysis of independent market research. Equity trades are approved and executed by the Division's staff. Common stocks eligible for investment are approved by the Investment Committee of the Board of Trustees before being placed on an approved list. The System held common stocks totaling $8,946,541,243 at June 30, 2008.

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 3 mutual funds, 7 common collective trust funds, and 4 separate accounts, as authorized by the Board of Trustees. Mutual funds, common collective trust funds, and separate accounts are reported at the fair value of participant balances.

Substantially all of the investments of ERS, PSERS, LRS, SCJRF, GJRS, GMPF, and SEAD, and certain investments of GDCP are pooled into one common investment fund. Investments of approximately $32,180,000 at June 30, 2008 held by GDCP, are not included in the common investment fund. Units in the pooled common investment fund are allocated to the respective plans, based upon the cost of assets contributed, and additional units are allocated to the participating plans, based on the market value of the pooled common investment fund at the date of contribution. Net income of the pooled common investment fund is allocated monthly to the participating plans, based upon the number of units outstanding during the month.

The units and fair value of each plan's equity in the pooled common investment fund at June 30, 2008 were as follows (dollars in thousands):

	Fair value	Units
Employees' Retirement System	$ 13,150,642	5,465,485
Public School Employees Retirement System	740,857	307,905
Legislative Retirement System	28,672	11,916
Georgia Judicial Retirement System	290,992	120,938
State Employees' Assurance Department - Active	172,258	71,592
State Employees' Assurance Department - OPEB	736,084	305,921
Georgia Military Pension Fund	4,927	2,048
Superior Court Judges Retirement Fund	1,299	540
Georgia Defined Contribution Plan	50,684	21,065
	$ 15,176,415	6,307,410

(continued)

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

It is the System's investment policy to require that the bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics and marketability. The System's policy is to require that new purchases of bonds be restricted to high grade bonds rated no lower than "A" by any nationally recognized statistical rating organization. The System's investment in U.S. Agencies was 11.1% of total fixed income securities and was rated AAA by Standard & Poor's and Aaa by Moody's Investors Service. The System's investment in corporate bonds was 19.7% of total fixed income securities which consisted of 13.5% rated AAA/Aaa and 6.2% rated AA/Aa.

The investment policy requires that repurchase agreements be limited to the purchase of U.S. Treasury or Agency obligations or corporate bonds rated no lower than "A" by any nationally recognized statistical rating organization with a market value in excess of funds advanced. As of June 30, 2008, the System held repurchase agreements of $244,278,000.

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.

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, 2008, the System did not have debt or equity investments in any one organization, other than those issued by the U. S. Government or its agencies, which represented greater than 5% of plan net assets.

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

Fixed income and repurchase agreements security type	Market value June 30, 2008	Percent of all fixed income assets and repurchase agreements	Effective duration (years)
U.S. Treasuries	$ 4,153,548,520	66.5 %	5.2
U.S. Agencies	666,980,197	10.7	3.6
Corporate bonds	1,179,601,480	18.9	5.1
Repurchase agreements	244,278,000	3.9	—
Total	$ 6,244,408,197	100.0 %	5.0*

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

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

(continued)

(5) **Investments Lending Program**

State statutes and Board of Trustees policies permit the System to lend its securities to broker-dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System is presently involved in a securities lending program with major brokerage firms. The System lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. During a loan, the System continues to receive dividends and interest as the owner of the loaned securities. The brokerage firms pledge collateral securities consisting of U.S. Government and agency securities, mortgage backed securities issued by a U.S. Government agency, and corporate bonds. The collateral value must be equal to at least 102% to 110% of the loaned securities' value, depending on the type of collateral security.

Securities loaned totaled $5,255,646,467 at fair value at June 30, 2008. The collateral value was equal to 104.9% of the loaned securities' value at June 30, 2008. The System's lending collateral was held in the System's name by the tri-party custodian.

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

(6) **Capital Assets**

The following is a summary of capital assets and depreciation information as of June 30, 2008 and for the year then ended:

	Balance at June 30, 2007	Additions	Disposals	Balance at June 30, 2008
Capital Assets:				
Land	$ 944,225	$ —	$ —	$ 944,225
Building	2,800,000	—	—	2,800,000
Equipment	789,793	250,057	—	1,039,850
Vehicles	13,381	—	—	13,381
Computer Software	14,267,473	77,137	—	14,344,610
	18,814,872	327,194	—	19,142,066
Accumulated depreciation for:				
Building	(210,000)	(70,000)	—	(280,000)
Equipment	(410,844)	(168,926)	—	(579,770)
Vehicles	(810)	(1,912)	—	(2,722)
Computer software	(2,853,495)	(2,853,537)	—	(5,707,032)
	(3,475,149)	(3,094,375)	—	(6,569,524)
Capital assets, net	$ 15,339,723	$ (2,767,181)	$ —	$ 12,572,542

During fiscal year 2008, 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 and Contingencies**

In January 2007, multiple retirees filed a civil action in Fulton County Superior Court (the Court) against ERS seeking additional benefits retroactive to the time of their retirement dates for a class of those retirees who elected survivorship options and who retired during the preceding twenty-year period. Plaintiffs alleged that ERS did not use updated mortality tables in the calculation of their benefits. These claims are identical to those brought against the Teachers Retirement System of Georgia (TRS) under class action, by the same attorneys, in 2004.

In the TRS case, the Court granted summary judgment for TRS. However, this was reversed by the Georgia Supreme Court and remanded back to the Court to determine the applicable statute of limitations. On February 29, 2008 the Court ruled for the plaintiffs using a twenty-year statute of limitations. This judgment is being appealed by both TRS and plaintiffs. TRS is appealing the twenty-year statute of limitations and related attorney fees. The plaintiffs are appealing the interest rate granted. On February 29, 2008, the Court issued an uncontested claims order against TRS using the minimum statute of limitations of six years. Because of the above decisions against TRS, ERS has conceded liability on the breach of contract claim.

The ultimate liability to the System is impacted by certain variables that are uncertain until the final decision by the Court, most notably the applicable statute of limitations and any applicable interest rates on such liability. The System anticipates a decision from the Court within the fiscal year 2009. At June 30, 2008, management recorded an estimate of the potential liability of approximately $17.5 million using the six-year statute of limitations and the interest rate used during that period. This amount is recorded in accounts payable and other liabilities in the accompanying statement of plan net assets.

Management’s assessment of the potential liability on the twenty-year statute of limitations cannot be reasonably estimated at June 30, 2008. Although the ultimate liability may exceed the amount recorded for the six-year statue of limitations, management believes that it will not have a material adverse impact on the financial condition of the System.

The System is subject to legal actions in the ordinary course of its business. There may be other cases involving similar claims which may impact other retirement systems currently being administered by the System. In the opinion of management, the System has adequate legal defenses with respect to such actions and their final outcome will not have a material adverse effect upon the financial status of the System.

(8) **Subsequent Events**

On August 7, 2008, multiple retirees filed a civil action in Fulton County Superior Court against PSERS seeking additional benefits retroactive to the time of their retirement dates for a class of those retirees who elected survivorship options and who retired during the preceding twenty year period. The case asserts the same claims as were asserted against the Teachers Retirement System of Georgia (TRS) and ERS. In management’s opinion, the ultimate liability of the suit will not have a material adverse impact on the financial statements of the System.

On September 7, 2008, the Federal Housing Finance Agency (FHFA) placed Federal National Mortgage Association (FNMA) and Federal Home Loan Mortgage Corporation (FHLMC) into conservatorship with FHFA as the conservator. The conservatorship is a statutory process designed to stabilize a troubled institution with the objective of returning the entities to normal business operations. As a result there will be a financing and investing relationship with the United States Government via the FHFA. Changes in fair values of the Plan’s investments in FNMA and FHLMC subsequent to June 30, 2008 have not had a material impact on the fair value of Plan assets.

(continued)

(9) **Funded Status and Funding Progress**

The funded status of each plan as of June 30, 2007, the most recent actuarial valuation date, is as follows (dollar amounts in thousands):

	Actuarial value of plan assets (a)	Actuarial accrued liability (AAL) entry age (b)	Unfunded AAL/(funding excess) (b-a)	Funding ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/(funding excess) as percentage of covered payroll [(b-a)/c]
ERS	$ 13,843,689	$ 14,885,179	$ 1,041,490	93.0 %	$ 2,680,972	38.8 %
PSERS[1]	785,460	746,078	(39,382)	105.3	N/A	N/A
LRS	30,049	24,357	(5,692)	123.4	3,688	(154.3)
GJRS	297,090	249,278	(47,812)	119.2	48,621	(98.3)
GMPF[2]	4,165	19,887	15,722	20.9	N/A	N/A

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

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

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

Additional information as of the latest actuarial valuation follows:

	ERS	PSERS	LRS
Valuation date	June 30, 2007	June 30, 2007	June 30, 2007
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percentage of pay, open	Level dollar, open	Level dollar, open
Remaining amortization period	15 years	15 years	N/A
Asset valuation method	7-year market	7-year market	7-year market
Actuarial assumptions			
Investment rate of return[1]	7.50%	7.50%	7.50%
Projected salary increases[1]	5.45-9.25%	N/A	N/A
Postretirement cost-of-living adjustment	None	3% annually	3% annually

[1] *Includes inflation rate of 3.75% in 2006 and 3.75% in 2007.*

(continued)

NOTES TO FINANCIAL STATEMENTS

	GJRS	GMPF
Valuation date	June 30, 2007	June 30, 2007
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level percent of pay, open	Level dollar, open
Remaining amortization period	16 years	30 years
Asset valuation method	7-year market	7-year market
Actuarial assumptions		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]	6.00%	N/A
Postretirement cost-of-living adjustment	None	None

[1] *Includes inflation rate of 3.75% in 2006 and 3.75% in 2007.*

REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

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

REQUIRED SUPPLEMENTARY SCHEDULES (Unaudited)
SCHEDULES OF FUNDING PROGRESS
(In thousands)

	Actuarial valuation date	Actuarial value of plan assets (a)	Actuarial accrued liablility (AAL) entry age (b)	Unfunded AAL/(funding excess) (b-a)	Funding ratio (a/b)	Annual covered payroll (c)	Unfunded AAL/ (funding excess) as percentage of covered payroll [(b-a)/c]
Employees' Retirement System	6/30/2002	$ 12,124,414	$ 11,994,850	$ (129,564)	101.1 %	$ 2,408,306	(5.4) %
	6/30/2003	12,428,736	12,370,563	(58,173)	100.5	2,489,490	(2.3)
	6/30/2004	12,797,389	13,106,648	309,259	97.6	2,445,619	12.6
	6/30/2005	13,134,472	13,512,773	378,301	97.2	2,514,430	15.0
	6/30/2006	13,461,132	14,242,845	781,713	94.5	2,630,167	29.7
	6/30/2007	13,843,689	14,885,179	1,041,490	93.0	2,680,972	38.8
Public School Employees Retirement System[1]	6/30/2002	727,529	630,295	(97,234)	115.4	N/A	N/A
	6/30/2003	734,879	664,207	(70,672)	110.6	N/A	N/A
	6/30/2004	743,815	666,883	(76,932)	111.5	N/A	N/A
	6/30/2005	753,767	671,040	(82,727)	112.3	N/A	N/A
	6/30/2006	766,277	691,651	(74,626)	110.8	N/A	N/A
	6/30/2007	785,460	746,078	(39,382)	105.3	N/A	N/A
Legislative Retirement System	6/30/2002	26,637	21,779	(4,858)	122.3	3,413	(142.3)
	6/30/2003	27,157	21,898	(5,259)	124.0	3,434	(153.1)
	6/30/2004	27,892	22,023	(5,869)	126.6	3,402	(172.5)
	6/30/2005	28,462	23,531	(4,931)	121.0	3,586	(137.5)
	6/30/2006	29,172	23,407	(5,765)	124.6	3,602	(160.0)
	6/30/2007	30,049	24,357	(5,692)	123.4	3,688	(154.3)
Georgia Judicial Retirement System	6/30/2002	228,417	175,154	(53,263)	130.4	38,630	(137.9)
	6/30/2003	237,683	185,825	(51,858)	127.9	38,867	(133.4)
	6/30/2004	250,313	196,502	(53,811)	127.4	40,908	(131.5)
	6/30/2005	264,924	213,060	(51,864)	124.3	42,916	(120.9)
	6/30/2006	279,564	229,837	(49,727)	121.6	45,308	(109.8)
	6/30/2007	297,090	249,278	(47,812)	119.2	48,621	(98.3)
Georgia Military Pension Fund[2]	6/30/2002	—	8,322	8,322	—	N/A	N/A
	6/30/2003	609	11,098	10,489	5.5	N/A	N/A
	6/30/2004	1,250	12,343	11,093	10.1	N/A	N/A
	6/30/2005	2,176	14,454	12,278	15.1	N/A	N/A
	6/30/2006	3,100	17,625	14,525	17.6	N/A	N/A
	6/30/2007	4,165	19,887	15,722	20.9	N/A	N/A

This data, except for annual covered payroll, was provided by the System's actuary.
Information is shown only for the years available in accordance with the parameters of GASB Statement No. 25. Additional years will be added as data become available.
[1] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member per month for nine months each fiscal year.
[2] No statistics regarding covered payroll are available. Active and inactive plan member information is maintained by the Georgia Department of Defense.

See accompanying notes to required supplementary schedules.

REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

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

REQUIRED SUPPLEMENTARY SCHEDULES
SCHEDULES OF EMPLOYER CONTRIBUTIONS
(In thousands)

	Year ended June 30	**State annual required contribution**	**Percentage contributed**
Employees' Retirement System	2002	$ 233,229	100 %
	2003	246,172	100
	2004	245,388	100
	2005	243,074	100
	2006	258,482	100
	2007	270,141	100
Public School Employees Retirement System	2002	11,623	100
	2003	4,121	86
	2004	833	100
	2005	833	100
	2006	3,634	100
	2007	6,484	100
Legislative Retirement System	2002	—	N/A
	2003	—	N/A
	2004	—	N/A
	2005	—	N/A
	2006	—	N/A
	2007	—	N/A
Georgia Judicial Retirement System	2002	—	N/A
	2003	—	N/A
	2004	1,558	100
	2005	1,594	100
	2006	1,683	100
	2007	1,778	100
Georgia Military Pension Fund	2003	591	100
	2004	617	100
	2005	891	100
	2006	891	100
	2007	1,005	100

This data was provided by the System's actuary.

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

See accompanying notes to required supplementary schedules.

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (Unaudited)
June 30, 2008

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

(2) **Schedule of Employer Contributions**
The required employer contributions and percent of those contributions actually made are presented in the schedule.

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

Employees' Retirement System:		
Valuation date	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period of the Funding Excess	15 years	10 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]	5.45-9.25%	5.45-9.25%
Postretirement cost-of-living adjustment	None	None
Public School Employees Retirement System:		
Valuation date	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	15 years	20 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

[1] *Includes inflation rate of 3.75% in 2006 and 3.75% in 2007.*

(continued)

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES (Unaudited)
June 30, 2008

Legislative Retirement System:		
Valuation date	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	N/A	N/A
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually
Georgia Judicial Retirement System:		
Valuation date	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period of the Funding Excess	16 years	18 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]	6.00%	6.00%
Postretirement cost-of-living adjustment	None	None
Georgia Military Pension Fund:		
Valuation date	June 30, 2007	June 30, 2006
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	30 years	30 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions:		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	None	None

[1] *Includes inflation rate of 3.75% in 2006 and 3.75% in 2007.*

ADDITIONAL INFORMATION

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

ADMINISTRATIVE EXPENSES SCHEDULE
CONTRIBUTIONS AND EXPENSES
Year Ended June 30, 2008
(With comparative totals for the Year Ended June 30, 2007)
(In thousands)

	2008	2007
Contributions:		
Employees' Retirement System	$ 18,805	$ 14,901
Public School Employees Retirement System	588	588
Legislative Retirement System	110	110
Georgia Judicial Retirement System	175	175
State Employees' Assurance Department - Active	—	225
State Employees' Assurance Department - OPEB	22	—
Georgia Defined Contribution Plan	203	—
401(k) Plan	310	310
403(b) Plan	1,472	1,050
457 Plan	—	1
Superior Court Judges Retirement Fund	1,169	921
	30	30
Total contributions	22,884	18,311
Expenses:		
Personal services:		
Salaries and wages	4,272	4,218
Retirement contributions	430	438
FICA	304	303
Health insurance	961	707
Miscellaneous	50	25
	6,017	5,691
Communications:		
Postage	258	235
Publications and printing	78	99
Telecommunications	62	77
Travel	26	32
	424	443
Professional Services:		
Accounting and investment services	4,491	4,020
Computer services	3,807	1,042
Contracts	2,317	1,576
Actuarial services	646	523
Medical services	257	180
Professional fees	155	152
Legal services	59	51
	11,732	7,544

(continued)

ADDITIONAL INFORMATION

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

ADMINISTRATIVE EXPENSES SCHEDULE
CONTRIBUTIONS AND EXPENSES
Year Ended June 30, 2008
(With comparative totals for the Year Ended June 30, 2007)
(In thousands)

	2008	2007
Management fees:		
Building maintenance	$ 636	$ 636
Other services and charges:		
Temporary services	733	683
Supplies and materials	125	106
Repairs and maintenance	48	60
Courier services	14	15
Depreciation	3,094	3,080
Miscellaneous	53	47
Office equipment	8	6
	4,075	3,997
Total expenses	22,884	18,311
Net income	—	—

See accompanying independent auditors' report.

EMPLOYEES' RETIREMENT
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