Annual Report

Fiscal Year Ended June 30, 2009

Employees' Retirement
System of Georgia

2009

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INTRODUCTORY SECTION

Boards of Trustees

Letter of Transmittal

EMPLOYEES' RETIREMENT
SYSTEM OF GEORGIA

April 1, 2010

The Boards of Trustees and staff are pleased to present the 2009 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 (LRS)
- Georgia Judicial Retirement System (GJRS)
- 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 2009, the net assets of the System decreased by $3.0 billion, or 18.5% to $13.2 billion by June 30, 2009. This decrease was primarily due to declining equities markets in 2009.

Legislative Overview
Four key pieces of legislation were passed during the 2009 Legislative session which impact the plans ERS administers:

Act 44 allows ERS to increase its investment in equities to 75% by July 1, 2011. ERS can increase to 65% until July 1, 2010, an additional 5% for the next year, and then another 5% after July 1, 2011. The bill also changes the definition of a large retirement system which will impact local pension systems.

Act 82 eliminates cost of living adjustments for employees hired after 7/1/2009.

Act 94 ceases new entrants into the Group Term Life Insurance Plan (GTLI) after 7/1/2009. LRS, GJRS and new Appellate Judges in ERS were still allowed to enter into the plan. This complements the bill passed in 2008 for ERS new hires.

INTRODUCTORY SECTION

Letter of Transmittal

Act 275 updates the Georgia Statute to comply with all federal retirement plan laws and impacts rehires that return to state service effective 5/11/09.

- Normal retirement age is defined as age 62 and completion of 8 years of membership service or age 65 and completion of 10 years creditable service.
- If a retiree who has not reached normal retirement age returns to state service other than legislative service, retirement benefits are suspended.
- If a retiree who has not reached normal retirement age returns to legislative service, retirement benefits are suspended and active membership resumes.
- If a retiree has reached normal retirement age and returns to state service other than legislative service, retirement benefits are suspended if employed more than 1,040 hours per calendar year.
- If a retiree has reached normal retirement age and returns to legislative service, retiree has the option of suspending retirement benefits and returning to active membership or continuing retirement benefits with no additional membership accruals.

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 19, 2009

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: Ms. Pamela Pharris, 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, 2008. 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, 2011 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 2008 session of the General Assembly. The valuation reflects semi-annual 1.0% Ad Hoc COLAs effective through January 1, 2011.

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 26-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 19, 2009
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 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
Cathy Turcot
Principal and Managing Director

EAM: bdm

Valuation Balance Sheet

Employees' Retirement System

- As of June 30, 2008 -

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	$ 9,040,826	
	• Death and survivor benefits	591,303	
	• Deferred vested benefits	124,400	
	Total		$ 9,756,529
(2)	Present value of prospective benefits payable on account of present active members		7,654,201
(3)	TOTAL ACTUARIAL LIABILITIES		$ 17,410,730
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 14,017,346
(5)	Present value of total future contributions = (3)-(4)	$ 3,393,384	
(6)	Present value of future member contributions and employer normal contributions		1,729,873
(7)	Prospective unfunded accrued liability contributions = (5)-(6)		1,663,511
(8)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 17,410,730

Summary of Principal Results

Employees' Retirement System

Dollar Amount in Thousands

Valuation Date	June 30, 2008	June 30, 2007
Number of active members	75,293	73,985
Annual earnable compensation	$ 2,809,199	$ 2,680,972
Number of retired members and beneficiaries	35,579	34,174
Annual Allowances	$ 997,623	$ 936,278
Assets:		
Market Value	$ 13,080,653	$ 14,272,114
Actuarial Value	14,017,346	13,843,689
Unfunded actuarial accrued liability	$ 1,663,511	$ 1,041,490
Amortization period (years)	26	15
Funded Percentage	89.4 %	93.0 %

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Annual Required Employer Contribution Rates (ARC)		
Old Plan		
Initial Normal Rate	6.80 %	6.83 %
Employer Paid on Behalf of Employee	(4.75) %	(4.75) %
Normal Rate	2.05 %	2.08 %
Accrued Liability Rate	3.61 %	3.58 %
Total	5.66 %	5.66 %
New Plan		
Normal Rate	6.80 %	6.83 %
Accrued Liability Rate	3.61 %	3.58 %
Total	10.41 %	10.41 %

Actuary's Certification Letter

Public School Employees' Retirement System

June 19, 2009

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

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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, 2008. Based on a monthly benefit accrual rate of $14.75 effective July 1, 2008, the valuation indicates that annual employer contributions of $7,509,000 or $187.16 per active member for the fiscal year ending June 30, 2011 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 2008 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 10-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 19, 2009
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
Principal and Managing Director

EAM:mjn

Valuation Balance Sheet

Public School Employees' Retirement System

- As of June 30, 2008 -

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	$ 422,786,166	
	• Death and survivor benefits	17,922,001	
	• Deferred vested benefits	28,892,559	
	Total		$ 469,600,726
(2)	Present value of prospective benefits payable on account of present active members		361,723,557
(3)	TOTAL ACTUARIAL LIABILITIES		$ 831,324,283
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 791,855,000
(5)	Present value of total future contributions = (3)-(4)	$ 39,469,283	
(6)	Present value of future member contributions		7,267,464
(7)	Present value of future employer contributions = (5)-(6)	$ 32,201,819	
(8)	Employer normal contribution rate	$ 263.07	
(9)	Present value of future membership service	201,874	
(10)	Prospective normal contributions = (8) x (9)		53,106,993
(11)	Prospective unfunded actuarial accrued liability contributions = (7)-(10)		(20,905,174)
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 831,324,283

Summary of Principal Results

Public School Employees' Retirement System

Valuation Date	June 30, 2008	June 30, 2007
Number of active members	40,121	39,086
Retired members and beneficiaries:		
Number	13,487	13,193
Annual allowances[1]	$ 48,805,317	$ 46,661,948
Assets:		
Market Value	$ 740,364,000	$ 811,649,000
Actuarial Value	791,855,000	785,460,000
Unfunded actuarial accrued liability	$ (20,905,174)	$ (39,382,352)
Amortization period (years)	10	15
Funded ratio	102.7%	105.3%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Employer contribution rate per active member:		
Normal	$ 236.07	$ 259.33
Accrued liability	(75.91)	(117.87)
Total	$ 187.16	$ 141.46)
Annual Required Employer Contribution (ARC)[2]:		
Normal	$ 10,555,000)	$ 10,136,000
Accrued liability	(3,046,000)	(4,607,000)
Total	$ 7,509,000	$ 5,529,000

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 19, 2009

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

Cavanaugh Macdonald CONSULTING, LLC
The experience and dedication you deserve

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, 2008. The report indicates that no annual employer contributions for the fiscal year ending June 30, 2011 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 2008 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 19, 2009
Board of Trustees
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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
Cathy Turcot
Prinicipal and Managing Director

EAM/CT:jel

Valuation Balance Sheet

Legislative Retirement System

- As of June 30, 2008 -

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	$ 11,602,141	
	• Death and survivor benefits	3,344,954	
	• Deferred vested benefits	4,419,379	
	Total		$ 19,366,474
(2)	Present value of prospective benefits payable on account of present active members		6,786,236
(3)	TOTAL ACTUARIAL LIABILITIES		$ 26,152,710
PRESENT AND PROSPECTIVE ASSETS			
(4)	Actuarial value of assets		$ 30,706,000
(5)	Present value of total future contributions = (3)-(4)	$ (4,553,290)	
(6)	Present value of future member contributions		1,626,986
(7)	Present value of future employer contributions = (5)-(6)	$ (6,180,276)	
(8)	Prospective normal contributions		71,795
(9)	Prospective unfunded actuarial accrued liability contributions = (7)-(8)		(6,252,071)
(10)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 26,152,710

Summary of Principal Results
Legislative Retirement System

Valuation Date	June 30, 2008	June 30, 2007
Number of active members	218	218
Retired members and beneficiaries:		
Number	226	224
Annual allowances	$ 1,638,815	$ 1,608,813
Assets:		
Market Value	$ 28,764,000	$ 31,121,000
Actuarial Value	30,706,000	30,049,000
Unfunded actuarial accrued liability	$ (6,252,071)	$ (5,691,844)
Amortization period (years)	N/A*	N/A*
Funded Ratio	125.6%	123.4%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Total Normal Cost	$ 335,548	$ 347,183
Less Member Contributions	321,188	313,491
Employer Paid Normal Cost	14,360	$ 33,692
Annual Required Employer Contribution Rates (ARC):		
Normal	$ 14,360	33,692
Accrued liability	(14,360)	(33,692)
Total	$ 0	0
Employer contribution rate per active member:		
Normal	$ 65.87	$ 154.55
Accrued liability	(65.87)	(154.55)
Total	$ 0.00	$ 0.00

* If the annual required employer contribution (ARC) is based on 30 year amortization of the unfunded accrued liability as of June 30, 2008 and June 30, 2007, 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

June 19, 2009

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

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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, 2008. The report indicates that annual employer contributions at the rate of 3.85% of compensation for the fiscal year ending June 30, 2011 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 2008 session of the General Assembly as well as 1.5% Ad Hoc COLAs effective July 1, 2008, July 1, 2009 and July 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 negative and being amortized as a level percent of payroll within a 14-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

June 19, 2009
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
Cathy Turcot
Principal and Managing Director

EAM/CT:jel

Valuation Balance Sheet

Georgia Judicial Retirement System

- As of June 30, 2008 -

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	$ 74,097,302	
	• Death and survivor benefits	11,498,026	
	• Deferred vested benefits	5,005,299	
	Total		$ 90,600,627
(2)	Present value of prospective benefits payable on account of present active members		254,602,374
(3)	TOTAL ACTUARIAL LIABILITIES		$ 345,203,001

PRESENT AND PROSPECTIVE ASSETS

(4)	Actuarial value of assets		$ 313,315,000
(5)	Present value of total future contributions = (3)-(4)	$ 31,888,001	
(6)	Present value of future member contributions		31,959,104
(7)	Present value of future employer contributions = (5)-(6)	$ (71,103)	
(8)	Employer normal contribution rate	11.98%	
(9)	Present value of future payroll	$ 373,357,924	
(10)	Prospective normal contributions = (8) x (9)		44,728,279
(11)	Prospective unfunded actuarial accrued liability contributions = (7)-(10)		(44,799,382)
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 345,203,001

Summary of Principal Results

Georgia Judicial Retirement System

Valuation Date	June 30, 2008	June 30, 2007
Number of active members	482	480
Annual compensation	$ 51,101,951	$ 48,620,963
Retired members and beneficiaries:		
Number	178	171
Annual Allowances	$ 9,965,350	$ 9,472,721
Assets:		
Market Value	$ 291,484,000	$ 304,974,000
Actuarial Value	313,315,000	297,090,000
Unfunded actuarial accrued liability	$ (44,799,382)	$ (47,811,658)
Amortization period (years)	14	16
Funded Ratio	116.7%	119.2%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Annual Required Employer Contribution Rates (ARC):		
Normal	11.98%	12.05%
Accrued liability	(8.13)	(8.20)
Total	3.85%	3.85%

Actuary's Certification Letter

Group Term Life Insurance Plan
Pre-Retirement

June 19, 2009

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: Ms. Pamela Pharris, 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).

We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2008. 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, 2011 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, 2009
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
Cathy Turcot
Principal and Managing Director

EAM/CT:mjn

Valuation Results

Group Term Life Insurance Plan
Pre-Retirement

- As of June 30, 2008 -

(1)	**ACTUARIAL ACCRUED LIABILITY:**	
	Present value of benefits payable on account of present retired members	$ 0
	Present value of benefits payable on account of present active members	62,170,533
	TOTAL ACTUARIAL ACCRUED LIABILITY	$ 62,170,533
(2)	**PRESENT ASSETS FOR VALUATION PURPOSES:**	$ 172,595,000
(3)	**UNFUNDED ACTUARIAL ACCRUED LIABILITY: (1)-(2)**	$ (110,424,467)
(4)	**EMPLOYER NORMAL CONTRIBUTION RATE:**	0.23%
(5)	**ACCRUED LIABILITY CONTRIBUTION:**	(0.23)
(6)	**TOTAL EMPLOYER CONTRIBUTION: (4)+(5)**	0.00%

Summary of Principal Results

Group Term Life Insurance Plan

Pre-Retirement

Valuation Date	June 30, 2008	June 30, 2007
Active members:		
Number	75,859	74,549
Annual compensation	$ 2,850,849,928	$ 2,720,771,905
Retired members:		
Number	N/A	N/A
Insurance amount	N/A	N/A
Actuarial Accrued Liability	$ 62,170,533	$ 59,508,589
Market value of assets	$ 172,595,000	$ 185,335,000
Unfunded Actuarial Accrued Liability	$ (110,424,467)	$ (125,826,411)
Funding Period	27 years	40 years
Funded Ratio	277.6%	311.4%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
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	0.23 %	0.22 %
Accrued Liability Rate	(0.23) %	(0.22) %
Total Employer Rate	0.00 %	0.00 %

* 0.03% paid by employer.

Actuary's Certification Letter

Group Term Life Insurance Plan
Post-Retirement

June 19, 2009

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: Ms. Pamela Pharris, 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).

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, 2008. The report indicates, for post-retirement benefits, there is no employer annual required contribution for the fiscal year ending June 30, 2011 based on a 6-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, 2009
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
Principal and Managing Director

EAM/CT:mjn

Valuation Results

Group Term Life Insurance Plan

Post-Retirement

- As of June 30, 2008 -

(1)	**ACTUARIAL ACCRUED LIABILITY:**	
	Present value of prospective benefits payable on account of present retired members	$ 486,568,677
	Present value of prospective benefits payable on account of present active members	213,315,357
	TOTAL ACTUARIAL ACCRUED LIABILITY	$ 699,884,034
(2)	**PRESENT ASSETS FOR VALUATION PURPOSES:**	$ 737,114,000
(3)	**UNFUNDED ACTUARIAL ACCRUED LIABILITY: (1)-(2)**	$ (37,229,966)
(4)	**EMPLOYER NORMAL CONTRIBUTION RATE:**	0.26%
(5)	**ACCRUED LIABILITY CONTRIBUTION:**	(0.26)
(6)	**TOTAL EMPLOYER CONTRIBUTION: (4)+(5)**	0.00%

Summary of Principal Results

Group Term Life Insurance Plan

Post-Retirement

Valuation Date	June 30, 2008	June 30, 2007
Active members:		
Number	75,859	74,549
Annual compensation	$ 2,850,849,928	$ 2,720,771,905
Retired members:		
Number	31,562	28,998
Insurance amount	$ 1,330,922,085	$ 1,215,944,463
Actuarial Accrued Liability	$ 699,884,034	$ 642,530,433
Market Value of Assets	$ 737,114,000	$ 778,048,000
Unfunded Actuarial Accrued Liability	$ (37,229,966)	$ (135,517,567)
Funding Period	6 years	36 years
Funded Ratio	105.3%	121.1%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Annual Required Contribution Rates:		
Total Normal Rate	0.51 %	0.50 %
Employee rates:		
Old Plan Members	0.45 %*	0.45 %*
New Plan, LRS, and JRS Members	0.23 %	0.23 %
Employer Normal Rate	0.26 %	0.25 %
Accrued Liability Rate	(0.26) %	(0.25) %
Total Employer Rate	0.00 %	0.00 %

* 0.22% paid by employer.

Actuary's Certification Letter

Georgia Military Pension Fund

June 29, 2009

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

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

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, 2008. The report indicates that annual employer contributions of $1,281,784 or $110.28 per active member for the fiscal year ending June 30, 2011 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. Since the previous valuation, the assumed rates of withdrawal, retirement and mortality have been revised to reflect the results of the experience investigation for the three-year period ending June 30, 2007. The valuation takes into account the effect of all amendments to the Fund enacted through the 2008 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.

Actuary's Certification Letter

Georgia Military Pension Fund

June 29, 2009
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 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.

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
Principal and Managing Director

EAM:mjn

Valuation Balance Sheet

Georgia Military Pension Fund

- As of June 30, 2008 -

ACTUARIAL LIABILITIES			
Present value of prospective benefits payable on account of:			
(1)	Present retired members		$ 3,128,422
(2)	Former members entitled to deferred benefits		6,320,259
(3)	Present active members		10,237,605
(4)	TOTAL ACTUARIAL LIABILITIES		$ 19,686,286
PRESENT AND PROSPECTIVE ASSETS			
(5)	Actuarial value of assets		$ 5,269,000
(6)	Present value of total future contributions = (4)-(5)	$ 14,417,286	
(7)	Employer normal contribution rate	$ 9.35	
(8)	Present value of future membership service	$ 60,101	
(9)	Prospective normal contributions = (7) x (8)		561,944
(10)	Prospective unfunded actuarial accrued liability contributions = (6)-(9)		13,855,342
(11)	TOTAL PRESENT AND PROSPECTIVE ASSETS		$ 19,686,286

Summary of Principal Results
Georgia Military Pension Fund

Valuation Date	June 30, 2008	June 30, 2007
Number of active members	11,623	12,017
Retired members:		
Number	304	235
Annual pensions	$ 334,440	$ 260,400
Former members entitled to deferred vested pensions:		
Number	1,307	1,068
Annual deferred pensions	$ 1,169,904	$ 953,172
Assets:		
Market Value	$ 4,945,000	$ 4,336,000
Actuarial Value	$ 5,269,000	$ 4,165,000
Unfunded actuarial accrued liability	$ 13,855,342	$ 15,721,788
Amortization Period	30 years	30 years
Funded Ratio	27.6%	20.9%

For Fiscal Year Ending	June 30, 2011	June 30, 2010
Employer contribution rate per active member:		
Normal	$ 9.35	$ 8.52
Accrued liability	100.93	110.78
Total	$ 110.28	$ 119.30
Annual Required Employer Contribution Rates (ARC):		
Normal	$ 108,675	$ 102,385
Accrued liability	1,173,109	1,331,243
Total	$ 1,281,784	$ 1,433,628

Pooled Investment Fund

- As of June 30, 2009 -

Dollar Amounts in Thousands

Employees' Retirement System	$	10,646,483
Public School Employees Retirement System		598,901
Legislative Retirement System		23,601
Georgia Judicial Retirement System		248,178
State Employees' Assurance Department - Active		144,003
State Employees' Assurance Department - OPEB		627,209
Georgia Military Pension Fund		5,170
Superior Court Judges Retirement Fund		1,213
Georgia Defined Contribution Plan		44,050
	$	12,338,808

Structural Analysis of Investments at Fair Value

- As of June 30, 2009 -

Type of Investment	
Short-term Investments	1.8%
Bonds	39.8%
Common Stock	52.3%
*Mutual funds, common collective trust funds and separate accounts**	6.1%
Total	100.0%

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

Short-Term Investments

- As of June 30, 2009 -

Face Amount	Issuer	Fair Value
$235,623,000*	United States Government, Agency, and Corporate Obligations (subject to repurchase agreements due 7/01/09)	$235,623,000*

*Consists of Pooled Investment Fund $229,299,000 and Georgia Defined Contribution Plan $6,324,000.

US Government, Agency and Corporate Bonds

- As of June 30, 2009 -

Issuer	Year of Maturity	Interest Rate %	Par Value	Fair Value
US TREAS. NOTE	2016	2.625	$ 381,000,000	$ 369,718,590
US TREAS. NOTE	2017	4.500	296,500,000	319,965,010
US TREAS. NOTE	2018	3.875	296,000,000	304,995,440
US TREAS. NOTE	2013	2.750	292,000,000	297,407,840
US TREAS. NOTE	2012	3.375	228,000,000	240,040,680
US TREAS. NOTE	2013	3.125	230,000,000	237,941,900
US TREAS. NOTE	2012	1.375	235,000,000	234,797,900
US TREAS. BOND	2028	5.250	199,000,000	223,751,620
US TREAS. NOTE	2010	3.625	191,000,000	194,327,220
GENERAL ELECTRIC CAP CORP	2011	4.110	179,000,000	180,253,000
US TREAS. NOTE	2010	2.875	168,000,000	171,897,600
GENERAL ELECTRIC CAP CORP/FDIC	2011	3.000	148,000,000	152,684,200
GENERAL ELECTRIC CAP CORP	2020	5.550	168,000,000	152,569,200
PFIZER INC	2015	5.350	134,000,000	143,996,400
US TREAS. NOTE	2009	3.625	135,000,000	136,487,700
WELLS FARGO & COMPANY	2011	4.000	134,000,000	132,642,580
US TREAS. NOTE	2012	4.125	116,000,000	124,590,960
3M COMPANY	2011	4.500	112,000,000	119,070,560
PROCTER & GAMBLE CO	2014	4.600	112,000,000	117,788,160
UNITED PARCEL SERVICE	2019	5.125	112,000,000	117,731,040
UNITED PARCEL SERVICE	2013	4.500	112,000,000	117,456,640
3M COMPANY	2012	4.650	112,000,000	115,281,600
GENERAL ELECTRIC CAP CORP	2013	5.400	112,000,000	111,062,560
VERIZON WIRELESS	2014	5.550	101,000,000	107,224,630
US TREAS. BOND	2036	4.500	100,000,000	103,016,000
BERKSHIRE HATHAWAY INC	2012	5.125	90,000,000	95,147,100
FEDERAL NATIONAL MORTGAGE ASSN	2014	2.750	95,000,000	94,791,950
CHEVRON CORP	2014	3.950	90,000,000	92,660,400
MICROSOFT CORP	2014	2.950	90,000,000	89,347,500
GENERAL ELECTRIC CAP CORP	2026	5.550	107,000,000	84,738,650
US TREAS. NOTE	2012	3.875	67,000,000	71,627,020
JOHNSON AND JOHNSON	2012	5.150	58,000,000	63,808,700
JOHNSON AND JOHNSON	2017	5.550	56,000,000	60,866,400
ERS Fixed Income Securities			$ 5,056,500,000	$ 5,179,686,750
Georgia Defined Contribution Plan Fixed Income Securities			32,000,000	32,777,840
Total ERS and Georgia Defined Contribution Plan Fixed Income Securities			$ 5,088,500,000	$ 5,212,464,590

Common Stocks

- As of June 30, 2009 -

Shares	Company	Fair Value
3,111,000	iShares S&P 500 Index	$ 287,300,850
2,133,011	Exxon Mobil Corp.	149,118,799
3,452,228	Microsoft Corp.	82,059,460
570,948	Apple Inc.	81,320,124
1,284,194	Johnson & Johnson	72,942,219
171,030	Google Inc.	72,104,538
1,278,424	Procter & Gamble Co.	65,327,466
2,522,691	AT&T Inc.	62,663,644
1,289,638	Wal-Mart Stores Inc.	62,470,065
922,955	Chevron Corp.	61,145,769
582,623	International Business Machines Corp.	60,837,494
1,555,307	Hewlett-Packard Co.	60,112,615
1,286,976	QUALCOMM Inc.	58,171,315
1,690,262	JPMorgan Chase & Co.	57,654,837
982,375	Pepsico Inc.	53,991,330
3,247,484	Intel Corp.	53,745,860
2,116,431	Wells Fargo & Co.	51,344,616
4,323,918	General Electric Co.	50,676,319
761,016	Occidental Petroleum Corp.	50,082,463
3,772,888	Bank of America Corp.	49,802,122
	Total - 20 Largest Holdings	$ 1,542,871,905
	Total - All Holdings	$ 6,857,211,226

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

Independent Auditors' Report

Independent Auditors' Report

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

The Board of Trustees
Employees' Retirement System of Georgia:

We have audited the accompanying financial statements of Employees' Retirement System of Georgia (the System), a component unit of the State of Georgia, as of and for the year ended June 30, 2009 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, 2008 financial statements and, in our report dated September 30, 2008, we expressed an unqualified opinion on those financial statements.

We 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, 2009, 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, 2009, 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 42 and pages 67 through 68, 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 LLP

September 30, 2009

Management's Discussion and Analysis (UNAUDITED)

- June 30, 2009 -

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, 2009. 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 $3.0 billion, or 18.5%, from $16.1 billion at June 30, 2008 to $13.2 billion at June 30, 2009. The decrease was due primarily to declining equities markets in 2009.
- For the year ended June 30, 2009, the total additions to net assets were a decrease of $1.7 billion compared to a decrease of $152 million for the year ended June 30, 2008. For the year ended June 30, 2009, the additions consisted of employer and member contributions totaling $422 million, insurance premiums of $8.4 million, net investment loss of $2.1 billion, participant fees of $1.4 million, and other income of $1.0 million. 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 $1.0 million.

(continued)

Management's Discussion and Analysis (UNAUDITED)

- Net investment loss of $2.1 billion in 2009 (comprised of interest and dividend income, the change in fair value of investments, and other, reduced by investment expenses) represents a $1.5 billion additional decline, compared to the net investment loss of $608 million for the year ended June 30, 2008. The net investment loss is due primarily to declining equities markets in 2009.

- The total deductions were $1.3 billion and $1.2 billion for the years ended June 30, 2009 and 2008, respectively. For the year ended June 30, 2009, the deductions consisted of benefit payments of $1.2 billion, refunds of $18 million, death benefits of $26 million, and administrative expenses of $21 million. 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.

- Benefit payments paid to retirees and beneficiaries increased by $92.7 million, or 8.1% from $1.15 billion in 2008 to $1.24 billion in 2009. 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 recording liabilities 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 43.

The *Combined Statement of Changes in Net Assets* reports how the System's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employers and members, group life insurance premiums, participant fees, and net investment loss, which includes interest and dividends and the net 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 44.

The *Combining Statement of Net Assets* and the *Combining Statement of Changes in Net Assets* present the financial position and change in financial position for each of the funds administered by the System, including the Pooled Investment Fund that holds and invests funds from each of the participating plans and funds. These statements begin on page 45.

(continued)

Management's Discussion and Analysis (UNAUDITED)

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 49.

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 67.

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 69.

Additional information is presented, beginning on page 71. 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, 2009 and 2008 is as follows:

Net Assets (in thousands)

	2009	2008	Amount Change	Percentage Change
Assets:				
Cash and receivables	$ 137,999	133,963	4,036	3.0 %
Investments	13,103,879	16,106,069	(3,002,190)	(18.6)
Capital assets, net	9,791	12,573	(2,782)	(22.1)
Total Assets	13,251,669	16,252,605	(3,000,936)	(18.5)
Liabilities:				
Due to brokers and accounts payable	94,537	109,048	(14,511)	(13.3)
Net assets	$ 13,157,132	16,143,557	(2,986,425)	(18.5) %

(continued)

Management's Discussion and Analysis (UNAUDITED)

The following table presents the investment allocation at June 30, 2009 and 2008:

	2009	2008
Asset allocation at June 30 (in percentages):		
Equities	52.3%	55.6%
U.S. Treasuries	23.3	25.8
U.S. Agencies	2.0	4.1
Corporate and other bonds	14.5	7.3
Mutual and common collective trust funds and separate accounts	6.1	5.7
Short-term securities	1.8	1.5
Asset allocation at June 30 (in thousands):		
Equities	$ 6,857,211	8,946,541
U.S. Treasuries	3,054,228	4,153,549
U.S. Agencies	256,591	666,980
Corporate and other bonds	1,901,645	1,179,601
Mutual and common collective trust funds and separate accounts	798,581	915,120
Short-term securities	235,623	244,278
	$ 13,103,879	16,106,069

The total investment portfolio decreased by $3.0 billion from 2008, which is due primarily to declining equities markets in 2009.

The investment rate of return in fiscal year ended June 30, 2009 was (13.0)% with a (27.3)% return on equities and a 7.5% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2009 was 2.0%, with a (1.2)% return on equities and a 5.6% return on fixed income investments.

(continued)

Management's Discussion and Analysis (UNAUDITED)

A summary of the changes in the System's net assets for the years ended June 30, 2009 and 2008 is as follows:

Changes in Net Assets (in thousands)	2009	2008	Amount Change	Percentage Change
Additions				
Employer contributions	$ 298,356	308,962	(10,606)	(3.4) %
Member contributions	123,509	136,046	(12,537)	(9.2)
Participant fees	1,376	1,682	(306)	(18.2)
Insurance premiums	8,431	8,620	(189)	(2.2)
Net investment loss	(2,111,007)	(608,051)	(1,502,956)	247.2
Other	903	903	—	—
Total additions	(1,678,432)	(151,838)	(1,526,594)	1,005.4
Deductions				
Benefit Payments	1,242,927	1,150,192	92,735	8.1
Refunds	17,547	19,716	(2,169)	(11.0)
Death Benefits	26,475	28,716	(2,241)	(7.8)
Administrative expenses	21,044	22,884	(1,840)	(8.0)
Total deductions	1,307,993	1,221,508	86,485	7.1
Net decrease in net assets	$ (2,986,425)	(1,373,346)	(1,613,079)	117.5 %

Additions – The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. In fiscal year 2009, total contributions decreased 5.2%, reflecting a contribution percentage that decreased along with a decrease in the number of active contributing members. Net investment loss increased by $1.5 billion, due primarily to declining equities markets in 2009.

Deductions – For fiscal year 2009, total deductions increased 7.1%, primarily because of an 8.1% increase in benefit payments. This was due to an increase of approximately 7.5% 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 recording liabilities involving retroactive benefit payments in 2009. Refunds decreased 11%, which was due primarily to a decrease in the number of refunds processed during 2009. Administrative expenses decreased 8.0% over the prior year, primarily due to decreases in the employer portion of health insurance, computer services, and contractual services.

(continued)

Management's Discussion and Analysis (UNAUDITED)

Funding Status

The schedules of funding progress and employer contributions provide information regarding how the plans are performing and funded from an actuarial perspective. The information is based upon actuarial valuations conducted by certified actuaries. The funding ratio, which is presented on the schedule of funding progress, indicates the ratio of the actuarial value of assets and the actuarial accrued liabilities. The higher this ratio, the better position the System is in with regards to its funding requirements. The June 30, 2008 and 2007 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, 2008	June 30, 2007	June 30, 2008	June 30, 2007
ERS	$ 14,017,346	13,843,689	89.4%	93.0%
PSERS	791,855	785,460	102.7	105.3
LRS	30,706	30,049	125.6	123.4
GJRS	313,315	297,090	116.7	119.2
GMPF	5,269	4,165	27.6	20.9

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, 2009
(with comparative totals as of June 30, 2008)
(In thousands)

ASSETS	2009	2008
CASH	$ 6,858	5,535
RECEIVABLES:		
Employer and member contributions	27,277	38,127
Interest and dividends	56,471	67,428
Due from brokers for securities sold	45,433	19,389
Other	1,960	3,484
Total receivables	131,141	128,428
INVESTMENTS - AT FAIR VALUE:		
Short-term	235,623	244,278
U.S. Treasuries	3,054,228	4,153,549
U.S. Agencies	256,591	666,980
Corporate and other bonds	1,901,645	1,179,601
Common stocks	6,857,211	8,946,541
Mutual funds, common collective trust funds, and separate accounts	798,581	915,120
Total investments	13,103,879	16,106,069
CAPITAL ASSETS, NET	9,791	12,573
Total assets	13,251,669	16,252,605
LIABILITIES		
Accounts payable and other	66,649	42,017
Due to brokers for securities purchased	27,888	67,031
Total liabilities	94,537	109,048
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 13,157,132	16,143,557

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, 2009
(with comparative totals for the year ended June 30, 2008)
(In thousands)

	2009	2008
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - BEGINNING OF YEAR	$ 16,143,557	17,516,903
ADDITIONS:		
Contributions:		
Employer	298,356	308,962
Member	123,509	136,046
Participant fees	1,376	1,682
Insurance premiums	8,431	8,620
Administrative expense allotment	903	903
Investment loss:		
Net decrease in fair value of investments	(2,526,222)	(1,101,895)
Interest and dividends	423,042	504,993
Other	1,608	1,846
Total investment loss	(2,101,572)	(595,056)
Less investment expenses	(9,435)	(12,995)
Net investment loss	(2,111,007)	(608,051)
Total additions	(1,678,432)	(151,838)
DEDUCTIONS:		
Benefit payments	1,242,927	1,150,192
Refunds of member contributions and interest	17,547	19,716
Death benefits	2 26,475	28,716
Administrative expenses	21,044	22,884
Total deductions	1,307,993	1,221,508
Net decrease in net assets	(2,986,425)	(1,373,346)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - END OF YEAR	$ 13,157,132	16,143,557

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, 2009
(In thousands)

			Defined Contribition Plans				
Assets	**Defined Benefit Plans**	**Pooled Investment Fund**	**Georgia Defined Contribution Plan**	**401(k) Plan**	**457 Plan**	**Eliminations**	**Total**
Cash	$ 6,355	1	457	22	23	—	6,858
Receivables							
Employer and member contributions	24,250	—	727	1,606	694	—	27,277
Interest and dividends	—	56,231	218	20	2	—	56,471
Due from brokers for securities sold	—	45,433	—	—	—	—	45,433
Other	1,590	—	—	157	213	—	1,960
Unremitted insurance premiums	1,270	—	—	—	—	(1,270)	—
Total receivables	27,110	101,664	945	1,783	909	(1,270)	131,141
Investments - at fair value:							
Short-term	—	229,299	6,324	—	—	—	235,623
U.S. Treasuries	—	3,030,566	23,662	—	—	—	3,054,228
U.S. Agencies	—	247,476	9,115	—	—	—	256,591
Corporate and other bonds	—	1,901,645	—	—	—	—	1,901,645
Common stocks	—	6,857,211	—	—	—	—	6,857,211
Mutul funds, common collective trust funds, and separate accounts	—	—	—	309,207	489,374	—	798,581
Equity in pooled investment fund	12,294,758	—	44,050	—	—	(12,338,808)	—
Total investments	12,294,758	12,266,197	83,151	309,207	489,374	(12,338,808)	13,103,879
Capital assets, net	9,791	—	—	—	—	—	9,791
Total assets	12,338,014	12,367,862	84,553	311,012	490,306	(12,340,078)	13,251,669
Liabilities							
Accounts payable and other	62,583	1,166	585	1,256	1,059	—	66,649
Due to brokers for securities purchased	—	27,888	—	—	—	—	27,888
Insurance premiums payable	1,270	—	—	—	—	(1,270)	—
Due to participating systems	—	12,338,808	—	—	—	(12,338,808)	—
Total liabilities	63,853	12,367,862	585	1,256	1,059	(12,340,078)	94,537
Net assets held in trust for pension benefits	$ 12,274,161	—	83,968	309,756	489,247	—	13,157,132

See accompanying notes to financial statements.

Defined Benefit Plans - 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)

DEFINED BENEFIT PLANS - COMBINING STATEMENT OF NET ASSETS
June 30, 2009
(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	$ 5,627	267	64	155	62	42	60	75	3	6,355
Receivables										
Employer and member contributions	24,114	—	—	136	—	—	—	—	—	24.250
Interest and dividends	—	—	—	—	—	—	—	—	—	—
Due from brokers for securities sold	—	—	—	—	—	—	—	—	—	—
Other	1,584	—	—	—	—	—	—	—	6	1,590
Unremitted insurance premiums	—	—	—	—	119	1,151	—	—	—	1,270
Total receivables	25,698	—	—	136	119	1,151	—	—	6	27,110
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	10,646,483	598,901	23,601	248,178	144,003	627,209	5,170	1,213	—	12,294,758
Total investments	10,646,483	598,901	23,601	248,178	144,003	627,209	5,170	1,213	—	12,294,758
Capital assets, net	9,791	—	—	—	—	—	—	—	—	9,791
Total assets	10,687,599	599,168	23,665	248,469	144,184	628,402	5,230	1,288	9	12,338,014
Liabilities										
Accounts payable and other	60,249	1,850	18	195	23	203	1	37	7	62,583
Due to brokers for securities purchased	—	—	—	—	—	—	—	—	—	—
Insurance premiums payable	1,254	—	3	13	—	—	—	—	—	1,270
Due to participating systems	—	—	—	—	—	—	—	—	—	—
Total liabilities	61,503	1,850	21	208	23	203	1	37	7	63,853
Net assets held in trust for pension benefits	$ 10,626,096	597,318	23,644	248,261	144,161	628,199	5,229	1,251	2	12,274,161

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, 2009
(In thousands)

			Defined Contribution Plans			
	Defined Benefit Plans	Pooled Investment Fund	Georgia Defined Contribution Plan	401(k) Plan	457 Plan	Total
Net assets held in trust for pension benefits - beginning of year	$ 15,144,483	—	84,350	341,098	573,626	16,143,557
Additions:						
Contributions						
Employer	291,417	—	—	6,939	—	298,356
Member	50,382	—	15,608	33,432	24,087	123,509
Participant fees	—	—	—	750	626	1,376
Insurance premiums	8,431	—	—	—	—	8,431
Administrative expense allotment	903	—	—	—	—	903
Investments income (loss):						
Net increase (decrease) in fair value of investments	—	(2,406,885)	384	(49,937)	(69,784)	(2,526,222)
Interest and dividends	31	421,716	998	166	131	423,042
Other	—	—	—	666	942	1,608
Less investment expenses	(1,883)	(4,930)	(42)	(1,225)	(1,355)	(9,435)
Allocation of investment loss	(1,983,465)	1,990,099	(6,634)	—	—	—
Net investment income loss	(1,985,317)	—	(5,294)	(50,330)	(70,066)	(2,111,007)
Total additions	(1,634,184)	—	10,314	(9,209)	(45,353)	(1,678,432)
Deductions						
Benefit payment	1,184,556	—	9	21,105	37,257	1,242,927
Refunds of member contributions and interest	7,170	—	10,377	—	—	17,547
Death benefits	26,475	—	—	—	—	26,475
Administrative expenses	17,937	—	310	1,028	1,769	21,044
Total deductions	1,236,138	—	10,696	22,133	39,026	1,307,993
Net decrease in net assets	(2,870,322)	—	(382)	(31,342)	(84,379)	(2,986,425)
Net assets held in trust for pension benefits - end of year	$ 12,274,161	—	83,968	309,756	489,247	13,157,132

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, 2009
(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	$ 13,167,778	740,364	28,764	291,484	172,595	737,114	4,945	1,437	2	15,144,483
Additions:										
Contributions										
Employer	281,206	5,096	71	1,703	—	—	1,323	1,938	80	291,417
Member	43,978	1,472	320	4,612	—	—	—	—	—	50,382
Participant fees	—	—	—	—	—	—	—	—	—	—
Insurance premiums	—	—	—	—	880	7,551	—	—	—	8,431
Administrative expense allotment	—	588	110	175	—	—	—	24	6	903
Investment income (loss):										
Net increase (decrease) in fair value of investments	—	—	—	—	—	—	—	—	—	—
Interest and dividends	31	—	—	—	—	—	—	—	—	31
Other	—	—	—	—	—	—	—	—	—	—
Less investment expenses	(1,883)	—	—	—	—	—	—	—	—	(1,883)
Allocation of investment loss	(1,724,450)	(97,156)	(3,772)	(38,164)	(22,656)	(96,424)	(657)	(186)	—	(1,983,465)
Net investment loss	(1,726,302)	(97,156)	(3,772)	(38,164)	(22,656)	(96,424)	(657)	(186)	—	(1,985,317)
Total additions	(1,401,118)	(90,000)	(3,271)	(31,674)	(21,776)	(88,873)	666	1,776	86	(1,634,184)
Deductions:										
Benefit payments	1,117,158	52,197	1,690	11,111	—	—	382	1,938	80	1,184,556
Refunds of member contributions and interest	6,597	261	49	263	—	—	—	—	—	7,170
Death benefits	—	—	—	—	6,636	19,839	—	—	—	26,475
Administrative expenses	16,809	588	110	175	22	203	—	24	6	17,937
Total deductions	1,140,564	53,046	1,849	11,549	6,658	20,042	382	1,962	86	1,236,138
Net increase (decrease) in net assets	(2,541,682)	(143,046)	(5,120)	(43,223)	(28,434)	(108,195)	284	(186)	—	(2,870,322)
Net assets held in trust for pension benefits - end of year	$ 10,626,096	597,318	23,644	248,261	144,161	628,199	5,229	1,251	2	12,274,161

See accompanying notes to financial statements.

Notes to Financial Statements

- June 30, 2009 -

(1) **General**

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

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

Although the System is a component unit of the State of Georgia's financial reporting entity, it is accountable for its own fiscal matters and presentation of its separate financial statements. The 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, 2009, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	37,049
Terminated employees entitled to benefits but not yet receiving benefits	67,033
Active plan members	71,272
Total	175,354
Employers	744

Benefits

Unless the employee elects otherwise, an employee who currently maintains membership with ERS based upon state employment that started prior to July 1, 1982 is an "old plan" member subject to the plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are "new plan" members, subject to the modified plan provisions.

(continued)

Notes to Financial Statements

Effective January 1, 2009, newly hired state employees, as well as rehired state employees who did not maintain eligibility for the "old" or "new" plan, are members of the Georgia State Employees' Pension and Savings Plan (GSEPS). ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to the GSEPS plan.

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

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

Contributions and Vesting

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

Employer contributions required for fiscal year 2009 were based on the June 30, 2006 actuarial valuation for the old and new plans and were set by the Board on September 18, 2008 for GSEPS as follows:

	Old plan	New plan	GSEPS
Employer:			
Normal	2.02 %	6.77 %	2.96 %
Employer paid for member	4.75	—	—
Accrued liability	3.64	3.64	3.58
Total	10.41 %	10.41 %	6.54 %

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

The employer contributions are projected to liquidate the unfunded actuarial accrued liability within 26 years, based upon the actuarial valuation at June 30, 2008, on the assumption that the total payroll of active members will increase by 3.75% each year.

(continued)

Notes to Financial Statements

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

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

There were 175 members eligible to participate in this portion of ERS for the year ended June 30, 2009. Employer contributions of $2,300,000 and benefit payments of $2,306,480 under the SRBP are included in the combined statements of changes in net assets for the year ended June 30, 2009. Cash of $9,790 under the SRBP is included in the combined statements of net assets as of June 30, 2009.

(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, 2009, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	13,804
Terminated employees entitled to benefits but not yet receiving benefits	69,027
Active plan members	40,646
Total	123,477
Employers	213

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

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

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

Employer contributions required for the year ended June 30, 2009 were $40.82 per active member and based on the June 30, 2006 actuarial valuation.

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

(continued)

Notes to Financial Statements

The employer contributions are projected to liquidate the actuarial accrued funding excess within 10 years, based upon the actuarial valuation at June 30, 2008.

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

Membership

As of June 30, 2009, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	229
Terminated employees entitled to benefits but not yet receiving benefits	126
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, 2009 based on the June 30, 2006 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.

(continued)

Notes to Financial Statements

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

Membership
As of June 30, 2009, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	201
Terminated employees entitled to benefits but not yet receiving benefits	61
Active plan members	502
Total	764
Employers	97

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 2009 were based on the June 30, 2006 actuarial valuation as follows:

Employer:	
Normal	12.26 %
Accrued liability	(8.41)
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 14 years, based upon the actuarial valuation at June 30, 2008, assuming that the amount of accrued liability payment increases 3.75% each year.

(continued)

Notes to Financial Statements

(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, 2009, GMPF had 386 retirees and beneficiaries currently receiving benefits. Active and inactive plan member information is maintained by one employer, the Georgia Department of Defense.

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

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

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

Employer contributions required for the year ended June 30, 2009 were $128.20 per active member and were based on the June 30, 2006 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, 2008.

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

Employee contribution rates of .05% and .02% of members' salaries for old plan members and new plan members, respectively, were appropriated for the fiscal year ending June 30, 2009. There were no employer contribution rates required for the fiscal year ended June 30, 2009. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982, but prior to January 1, 2009.

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

(continued)

Notes to Financial Statements

(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, GJRS, and SCJRF. The SEAD-OPEB trust fund accumulates in the fund the premiums received from the aforementioned retirement systems, including interest earned on deposits and investments of such payments from retired and vested inactive members.

Employee contribution rates of .45% and .23% of members' salaries for old plan members and new plan members, respectively, were appropriated for the fiscal year ending June 30, 2009. There were no employer contribution rates required for the fiscal year ended June 30, 2009. 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, 2009, SCJRF had 27 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into SCJRF.

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

Contributions and Vesting
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, 2009, DARF had 7 retirees and beneficiaries currently receiving benefits and no active members. No new members are allowed into DARF.

(continued)

Notes to Financial Statements

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

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

(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, 2009, participation in GDCP is as follows:

Retirees and beneficiaries currently receiving benefits	1
Terminated employees entitled to benefits but not yet receiving benefits	98,846
Active plan members	15,534
Total	114,381
Employers	377

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 $5,000 credited to his/her account, the ERS Board of Trustees has the option of requiring a lump-sum distribution to the member. Upon the death of a member, a lump-sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary.

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

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

(continued)

Notes to Financial Statements

The assets of the 401(k) Plan and the State of Georgia Employees' Deferred Compensation 457 Plan are commingled in the Master Trust with the respective trusts owning units of the Master Trust. Participant contributions are invested according to the participant's investment election. If the participant does not make an election, investments are automatically defaulted to a Lifecycle fund based on the participant's date of birth.

Effective July 1, 2005 (HB275), ERS became the trustee of the 401(k) Plan. ING 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 $230,000 base salary for 2008). 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.

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

The employer contributions for both the CSB/GLC plan and the GSEPS plan are subject to vesting schedules which determine eligibility to receive all or a portion of the employer contribution balance at the time of any distribution from the account after separation from service.

Employer contributions for the CSB/GLC vest according to the following schedule:

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

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

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

(continued)

Notes to Financial Statements

Employer contributions for the GSEPS plan vest according to the following schedule:

Less than 1 year	—%
1	20
2	40
3	60
4	80
5 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 (employer contribution balances are only eligible for distribution upon separation from service). Upon the death of a participant, his or her beneficiary shall be entitled to the vested value of his or her accounts. Distributions are made in installments or in a lump sum.

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

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

Effective July 1, 2005 (HB275), ERS became the trustee of the 457 Plan. ING 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.

(continued)

Notes to Financial Statements

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

(a) ***Basis of Accounting***

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

(b) ***Reclassifications***

Certain amounts have been reclassified to conform to the current period presentation.

(c) ***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. 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.

(d) ***Capital Assets***

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

(e) ***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 $250,000 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 obligations unconditionally guaranteed by agencies of the U.S. Government or U.S. corporations. The System or broker promises to repay the cash received, plus interest, at a specific date in the future in exchange for the same securities. The System held repurchase agreements of $235,623,000 at June 30, 2009.

- U.S. Treasury obligations.

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 $500 million in any one name.

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

Fixed income investments are authorized in the following instruments:

- U.S. and foreign government obligations. The System held U.S. Treasuries of $3,054,227,900 at June 30, 2009.

- Obligations unconditionally guaranteed by agencies of the U.S. Government. The System held agency bonds of $256,591,570 at June 30, 2009.

- Corporate bonds with at least an "A" rating by a national rating agency. The System held corporate bonds of $1,901,645,120 at June 30, 2009.

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

(continued)

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.

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 65% of the total invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division of Investment Services (the Division), in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the Board of Trustees, in-house research considering such things as yield, growth, and sales statistics, and analysis of independent market research. Equity trades are approved and executed by the Division's staff. Common stocks eligible for investment are approved by the Investment Committee of the Board of Trustees before being placed on an approved list. The System held common stocks totaling $6,857,211,226 at June 30, 2009.

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 $39,101,000 at June 30, 2009 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, 2009 were as follows (dollars in thousands):

	Fair value	Units
Employees' Retirement System	$ 10,646,483	5,091,161
Public School Employees Retirement System	598,901	286,395
Legislative Retirement System	23,601	11,286
Georgia Judicial Retirement System	248,178	118,679
State Employees' Assurance Department - Active	144,003	68,862
State Employees' Assurance Department - OPEB	627,209	299,932
Georgia Military Pension Fund	5,170	2,472
Superior Court Judges Retirement Fund	1,213	580
Georgia Defined Contribution Plan	44,050	21,065
	$ 12,338,808	5,900,432

(continued)

Notes to Financial Statements

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 quality ratings of investments in fixed income securities as described by Standard & Poor's and by Moody's Investors Service, which are nationally recognized statistical rating organizations, at June 30, 2009 and 2008, are shown in the following chart:

Quality Ratings of Fixed Income Investments
Held at June 30, 2009 and 2008

Investment Type	Standard & Poor's/ Moody's Quality Rating	June 30,2009 Fair Value	June 30, 2008 Fair Value
U.S. Treasuries		$ 3,054,227,900	4,153,548,520
U.S. Agencies	AAA/Aaa	256,591,570	666,980,197
Corporate Bonds	AAA/Aaa	214,022,600	809,657,780
	AAA/Aa	239,143,500	—
	AA/Aa	1,208,611,810	369,943,700
	AA/A	132,642,580	—
	A/A	107,224,630	—
Total Corporate Bonds		1,901,645,120	1,179,601,480
Total Fixed Income Investments		$ 5,212,464,590	6,000,130,197

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, 2009, the System held repurchase agreements of $235,623,000.

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, 2009, the System did not have debt or equity investments in any one organization, other than those issued or guaranteed by the U. S. Government or its agencies, which represented greater than 5% of plan net assets.

(continued)

Notes to Financial Statements

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

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

Fixed income and repurchase agreements security type	Market Value June 30, 2009	Percent of All Fixed Income Assets and Repurchase Agreements	Effective Duration (Years)
U.S. Treasuries	$ 3,054,227,900	56.1 %	5.2
U.S. Agencies	256,591,570	4.7	3.2
Corporate Bonds	1,901,645,120	34.9	4.4
Repurchase Agreements	235,623,000	4.3	—
Total	$ 5,448,087,590	100.0 %	4.8*

**Total Effective Duration (Years) does not include Repurchase Agreements*

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

(5) **Investments Lending Program**

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

Securities loaned totaled $3,455,401,939 at fair value at June 30, 2009. The collateral value was equal to 105.8% of the loaned securities' value at June 30, 2009. The System's lending collateral was held in the System's name by the tri-party custodian.

(continued)

Notes to Financial Statements

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 for the year ended June 30, 2009:

	Balance at June 30, 2008	Additions	Disposals	Balance at June 30, 2009
Capital Assets:				
Land	$ 944,225	—	—	944,225
Building	2,800,000	—	—	2,800,000
Equipment	1,039,850	345,219	(21,090)	1,363,979
Vehicles	13,381	—	—	13,381
Computer Software	14,344,610	—	—	14,344,610
	19,142,066	345,219	(21,090)	19,466,195
Accumulated depreciation for:				
Building	(280,000)	(70,000)	—	(350,000)
Equipment	(579,770)	(184,419)	19,081	(745,108)
Vehicles	(2,722)	(1,911)	—	(4,633)
Computer software	(5,707,032)	(2,868,921)	—	(8,575,953)
	(6,569,524)	(3,125,251)	19,081	(9,675,694)
Capital assets, net	$ 12,572,542	(2,780,032)	(2,009)	9,790,501

During fiscal year 2009, 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**

Employees' Retirement System of Georgia

In January 2007, multiple retirees filed a civil action in Fulton County Superior Court against the Employees' Retirement System of Georgia (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 were identical to those brought against the Teachers Retirement System of Georgia (TRS) under class action, by the same attorneys, in 2004. On February 19, 2009 the Court of Appeals issued a final ruling against TRS in favor of the plaintiffs and also denied the parties' motions for reconsideration. Because of this final decision against TRS, ERS has conceded liability on the breach of contract claim.

(continued)

Notes to Financial Statements

At June 30, 2009, management estimates a liability of approximately $43 million based on the final judgment and estimated final payments. This amount is recorded in accounts payable and other liabilities in the accompanying statement of plan net assets. Although the ultimate liability may vary from the amount recorded, management believes that it will not have a material impact on the financial statements of the System.

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

Public School Employees Retirement System

On August 7, 2008, multiple retirees filed a civil action in Fulton County Superior Court against Public School Employees Retirement 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 TRS and ERS above. Because of the final decision against TRS, PSERS has conceded liability on the breach of contract claim.

At June 30, 2009 management estimates a liability of $856,000 related to retroactive benefits and related attorneys' fees. These amounts are recorded in accounts payable and other liabilities in the accompanying statement of plan net assets. Although the ultimate liability may vary from the amount recorded, management believes that it will not have a material impact on the financial statements of the System.

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

The funded status of each plan as of June 30, 2008, 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	$ 14,017,346	15,680,857	1,663,511	89.4 %	$ 2,809,199	59.2 %
PSERS[1]	791,855	770,950	(20,905)	102.7	N/A	N/A
LRS	30,706	24,454	(6,252)	125.6	3,778	(165.5)
GJRS	313,315	268,516	(44,799)	116.7	51,102	(87.7)
GMPF[2]	5,269	19,124	13,855	27.6	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.

(continued)

Notes to Financial Statements

Additional information as of the latest actuarial valuation follows:

	ERS	PSERS	LRS
Valuation date	June 30, 2008	June 30, 2008	June 30, 2008
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level percent of pay, open	Level dollar, open	Level dollar, open
Remaining amortization period	26 years	10 years	N/A
Asset valuation method	7-year smoothed market	7-year smoothed market	7-year smoothed market
Actuarial assumptions			
Investment rate of return[1]	7.50%	7.50%	7.50%
Projected salary increases[1]	5.45-9.25%	N/A	N/A
Postretirement cost-of-living adjustment	None	3.00% annually	3.00% annually

	GJRS	GMPF
Valuation date	June 30, 2008	June 30, 2008
Actuarial cost method	Entry Age	Entry Age
Amortization method	Level percent of pay, open	Level dollar, open
Remaining amortization period	14 years	30 years
Asset valuation method	7-year smoothed market	7-year smoothed market
Actuarial assumptions		
Investment rate of return[1]	7.50%	7.50%
Projected salary increases[1]	6.00%	N/A
Postretirement cost-of-living adjustment	None	None

[1] *Includes inflation rate of 3.75% in 2007 and 3.75% in 2008.*

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	6/30/2003	$ 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
	6/30/2008	14,017,346	15,680,857	1,663,551	89.4	2,809,199	59.2
Public School Employees Retirement System[1]	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
	6/30/2008	791,855	770,950	(20,905)	102.7	N/A	N/A
Legislative Retirement System	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)
	6/30/2008	30,706	24,454	(6,252)	125.6	3,778	(165.5)
Georgia Judicial Retirement System	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)
	6/30/2008	313,315	268,516	(44,799)	116.7	51,102	(87.7)
Georgia Military Pension Fund[2]	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
	6/30/2008	5,269	19,124	13,855	27.6	N/A	N/A

This data, except for annual covered payroll, was provided by the System's actuary.
[1] No statistics regarding covered payroll are available. Contributions are not based upon members' salaries, but are simply $4.00 per member per month for nine months each fiscal year.
[2] No statistics regarding covered payroll are available. Active and inactive plan member information is maintained by the Georgia Department of Defense.

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

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 EMPLOYER CONTRIBUTIONS
(In thousands)

	Year ended June 30	State annual required contribution	Percentage contributed
Employees' Retirement System	2003	$ 246,172	100 %
	2004	245,388	100
	2005	243,074	100
	2006	258,482	100
	2007	270,141	100
	2008	286,256	100
Public School Employees Retirement System	2003	4,121	86
	2004	833	100
	2005	833	100
	2006	3,634	100
	2007	6,484	100
	2008	2,866	100
Legislative Retirement System	2003	—	N/A
	2004	—	N/A
	2005	—	N/A
	2006	—	N/A
	2007	—	N/A
	2008	—	N/A
Georgia Judicial Retirement System	2003	—	N/A
	2004	1,558	100
	2005	1,594	100
	2006	1,683	100
	2007	1,778	100
	2008	2,395	100
Georgia Military Pension Fund	2003	591	100
	2004	617	100
	2005	891	100
	2006	891	100
	2007	1,005	100
	2008	1,103	100

This data was provided by the System's actuary.

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

Notes to Required Supplementary Schedules

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
June 30, 2009

(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, 2008	June 30, 2007
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	26 years	15 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%
Post-retirement cost-of-living adjustment	None	None

Public School Employees Retirement System:		
Valuation date	June 30, 2008	June 30, 2007
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	10 years	15 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
Post-retirement cost-of-living adjustment	3% annually	3% annually

[1] *Includes inflation rate of 3.75% in 2007 and 3.75% in 2008.*

(continued)

Notes to Required Supplementary Schedules

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES
June 30, 2009

Legislative Retirement System:		
Valuation date	June 30, 2008	June 30, 2007
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
Post-retirement cost-of-living adjustment	3% annually	3% annually

Georgia Judicial Retirement System:		
Valuation date	June 30, 2008	June 30, 2007
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	14 years	16 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%
Post-retirement cost-of-living adjustment	None	None

Georgia Military Pension Fund:		
Valuation date	June 30, 2008	June 30, 2007
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
Post-retirement cost-of-living adjustment	None	None

[1] *Includes inflation rate of 3.75% in 2007 and 3.75% in 2008.*

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, 2009
(With comparative totals for the Year Ended June 30, 2008)
(In thousands)

	2009	2008
Contributions:		
Employees' Retirement System	$ 16,809	18,805
Public School Employees Retirement System	588	588
Legislative Retirement System	110	110
Georgia Judicial Retirement System	175	175
State Employees' Assurance Department - Active	22	22
State Employees' Assurance Department - OPEB	203	203
Georgia Defined Contribution Plan	310	310
401(k) Plan	1,028	1,472
457 Plan	1,769	1,169
Superior Court Judges Retirement Fund	24	30
District Attorneys Retirement Fund	6	—
Total contributions	21,044	22,884
Expenses:		
Personal services:		
Salaries and wages	4,887	4,272
Retirement contributions	511	430
FICA	354	304
Health insurance	621	961
Miscellaneous	33	50
	6,406	6,017
Communications:		
Postage	167	258
Publications and printing	47	78
Telecommunications	86	62
Travel	15	26
	315	424
Professional Services:		
Accounting and investment services	4,802	4,491
Computer services	1,565	3,807
Contracts	2,538	2,317
Actuarial services	482	646
Medical services	153	257
Professional fees	115	155
Legal services	131	59
	9,786	11,732

(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, 2009
(With comparative totals for the Year Ended June 30, 2008)
(In thousands)

	2009	2008
Management fees:		
Building maintenance	$ 636	636
Other services and charges:		
Temporary services	521	733
Supplies and materials	147	125
Repairs and maintenance	41	48
Courier services	14	14
Depreciation	3,125	3,094
Miscellaneous	49	53
Office equipment	4	8
	3,901	4,075
Total expenses	21,044	22,884
Net income	$ —	—

See accompanying independent auditors' report.

EMPLOYEES' RETIREMENT
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