



2003

ANNUAL REPORT



EMPLOYEES'
RETIREMENT SYSTEM
OF GEORGIA



Public Pension Coordinating Council
Public Pension Standards
2003 Award

Presented to

Employees Retirement System of Georgia

In recognition of meeting professional standards for
plan design and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

INTRODUCTORY SECTION

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INTRODUCTORY SECTION

BOARDS OF TRUSTEES

Ray Crawford, Jr.

Executive Director

State Properties Commission

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

Russell W. Hinton, ex-officio

Vice-Chairman

State Auditor

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

Michael D. Kennedy

Chairman

Korn/Ferry International

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

Michael Thurmond, ex-officio

Commissioner of Labor

State Employees' Assurance Department

Barbara Ward

Financial Manager

City of Atlanta, Department of Finance

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

Bonny T. Wright

Attorney-at-Law

Schulten Ward & Turner

State Employees' Assurance Department

Dan Ebersole, ex-officio

Director

Office of Treasury & Fiscal Services

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

Robert E. Keller

District Attorney

Clayton Judicial Circuit

Georgia Judicial Retirement System

William F. Roberts

Retired Director, Georgia State Finance & Investment Commission

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

Kelly D. Turner

State Court Judge

Lowndes County

Georgia Judicial Retirement System

Cynthia D. Wright

Superior Court Judge

Superior Court of Fulton County

Georgia Judicial Retirement System

Marjorie Young, ex-officio

Commissioner

State Merit System

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

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL



EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

TWO NORTHSIDE 75
SUITE 300
ATLANTA, GEORGIA 30318-7778
TEL 404-350-6300
FAX 404-350-6310

JIM LARCHE
INTERIM DIRECTOR

The Boards of Trustees and staff are pleased to present the 2003 Annual Report on the systems and programs administered by the Employees' Retirement System ("ERS"). By statute, ERS administers ten separate and distinct systems:

- Employees' Retirement System of Georgia
- Public School Employees Retirement System
- Legislative Retirement System
- Georgia Judicial Retirement System
- Georgia Defined Contribution Plan
- Georgia Military Pension Fund
- State Employees' Assurance Department
- Superior Court Judges Retirement Fund
- District Attorneys Retirement Fund
- State Social Security Trust Fund

This annual report includes letters from our actuary, Buck Consultants, Inc., on the funding of the retirement systems and the Group Term Life Insurance Program with highlights from the most recent valuation of each system; an investment summary; and the independent auditors' report from Deloitte & Touche.

EDUCATIONAL PROGRAMS

In 1970, the Employees' Retirement System developed and began offering pre-retirement planning seminars for prospective retirees. Currently, there are two different seminars. **Financial Planning** (one-day seminar) covers comprehensive and long-range financial planning. Topics include Social Security, Deferred Compensation, insurance coverage, savings and investments, wills and estate planning, as well as the benefits from the ERS. **Retirement Planning** (two-day seminar) is for members within 5 years of eligibility for retirement. While covering many of the same topics as the Financial Planning seminar, emphasis is placed on the needs of retirees and the adjustments to be made during retirement.

Both programs are held in our Atlanta office, as well as locations throughout the state. Classes are coordinated and conducted by our staff with assistance from outside resources.

INVESTMENTS

During fiscal year 2003, investments of the Pooled Investment Fund, which includes the funds from all systems administered by the Employees' Retirement System (with the exception of a portion of the Georgia Defined Contribution Plan), continued to grow. The fiscal year-end fair value of the fund was \$13,407,000,000. Net investment income was \$563,690,000.

We at ERS express our sincere thanks to the Boards of Trustees for their leadership. In addition, we appreciate the support of the Governor, Lieutenant Governor, members of the House and Senate Retirement Committees, the House of Representatives and Senate, and departmental officials. With this continued support and the diligence of our staff, we can assure our members and retirees that we have a successful operation and are providing protection and financial soundness to the retirement system.

Jim Larche, Interim Director

INTRODUCTORY SECTION

LEGISLATION

EMPLOYEES' RETIREMENT SYSTEM (ERS)

There were no changes in O.C.G.A. 47-2, which governs the ERS, during the 2003 Session of the Georgia General Assembly.

PUBLIC SCHOOL EMPLOYEES RETIREMENT SYSTEM (PSERS)

Act No. 169 (House Bill 266)

Amends O.C.G.A. 47-4-101 to permit an increase in the benefit formula multiplier with funds expressly intended for the PSERS provided the increase does not exceed the maximum amount allowed by law. Such increase shall be based on the recommendation of the actuary, the maintenance of the actuarial soundness of the fund, and other factors deemed relevant by the Board of Trustees.

The benefit formula multiplier for current and future retirees was increased from \$12.50 to \$13.00 for each year of service effective July 1, 2003.

GEORGIA MILITARY PENSION FUND (GMPF)

Act No. 267 (House Bill 461)

Amends O.C.G.A. 47-24-100 (a) (3) to clarify that activation of a Georgia National Guard member into any of the regular components of the armed forces shall not constitute a break in service.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Employees' Retirement System



A Mellon Financial Company™

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

May 30, 2003

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

Attention: Ms. Cecelia Corbin Hunter, 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 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, 2002. The report indicates that annual employer contributions at the rate of 5.66% of active payroll for Old Plan members and 10.41% of active payroll for New Plan members for the fiscal year ending June 30, 2004 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 used are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2002 session of the General Assembly as well as the 1.5% Ad Hoc COLAs effective July 1, 2002 and January 1, 2003.

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 13-year period.

The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Macdonald".

Edward A. Macdonald
Principal, Consulting Actuary

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Employees' Retirement System

- as of June 30, 2002 -
DOLLAR AMOUNTS IN THOUSANDS

<u>ACTUARIAL LIABILITIES</u>			
(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	\$ 5,260,707	
	Death and survivor benefits	428,033	
	Deferred vested benefits	<u>101,640</u>	
	Total		\$ 5,790,380
(2)	Present value of prospective benefits payable on account of present active members:		
	Retirement and survivor allowances	\$ 9,032,941	
	Refunds of members= contributions	<u>59,095</u>	
	Total		<u>9,092,036</u>
(3)	TOTAL ACTUARIAL LIABILITIES		<u>\$ 14,882,416</u>
 <u>PRESENT AND PROSPECTIVE ASSETS</u> 			
(4)	Actuarial value of assets		\$ 12,124,414
(5)	Present value of total future contributions = (3) - (4)	\$ 2,758,002	
(6)	Present value of future member contributions and employer paid member contributions		1,394,843
(7)	Present value of future employer contributions = (5) - (6)	\$ 1,363,159	
(8)	Employer normal contribution rate	6.21%	
(9)	Present value of future payroll (1%)	\$ 240,374	
(10)	Prospective normal contributions = (8) x (9)		1,492,723
(11)	Prospective unfunded accrued liability contributions = (7) - (10)		<u>(129,564)</u>
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 14,882,416</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Employees' Retirement System

- as of June 30, 2002 -

DOLLAR AMOUNTS IN THOUSANDS

<u>Valuation Date</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Active members:		
Number	71,790	75,132
Annual Compensation	\$ 2,408,306	2,397,169
Retired members and beneficiaries:		
Number	27,229	25,889
Annual allowances	\$ 598,493	538,890
Assets:		
Market Value	\$ 11,558,373	12,343,625
Actuarial Value	12,124,414	11,750,624
Unfunded actuarial accrued liability	\$ (129,564)	(193,369)
Amortization Period	13 years	20 years
For Fiscal Year Ending	June 30, 2004	June 30, 2003
Annual required employer contribution rates (ARC):		
Old Plan		
Normal	6.21%	6.24%
Accrued Liability	<u>(0.55)</u>	<u>(0.58)</u>
Total	5.66%	5.66%
New Plan		
Normal (includes 4.75% paid for member)	10.96%	10.99%
Accrued liability	<u>(0.55)</u>	<u>(0.58)</u>
Total	10.41%	10.41%

The valuation reflects 1.5% Ad Hoc COLAs effective July 1, 2002 and January 1, 2003 and the effect of amendments to the System enacted through the 2002 session of the General Assembly.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER Public School Employees' Retirement System

**BUCK
CONSULTANTS**

A Mellon Financial Company™

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

June 4, 2003

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

Attention: Ms. Cecelia Corbin Hunter, Executive Director

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 contributions shall be actuarially determined and approved by the Board. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2002. The report indicates that annual employer contributions at the rate of \$24.36 per active member for the fiscal year ending June 30, 2003 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 used are reasonable as a basis for the valuation. The valuation takes into account the effect of amendments to the System enacted through the 2002 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 member within a 20-year period.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) of the employer under GASB for the fiscal year ending June 30, 2004 is \$833,196, which will liquidate the unfunded accrued liability over a 20-year period. The System continues to have a negative Net Pension Obligation (NPO) because more than the annual required contribution under GASB 25/27 was made for the fiscal years ending June 30, 1998, June 30, 1999, June 30, 2000, and June 30, 2001.

The Retirement 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.

Sincerely,



Edward A. Macdonald
Principal, Consulting Actuary

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Public School Employees' Retirement System

- as of June 30, 2002 -

<u>ACTUARIAL LIABILITIES</u>			
(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and terminated members entitled to deferred benefits		\$ 382,513,139
(2)	Present value of prospective benefits payable on account of present active members:		
	Service retirement allowances	\$ 284,193,081	
	Disability retirement allowances	15,300,005	
	Refunds of members' contributions	<u>4,993,260</u>	
	Total		<u>\$ 304,486,346</u>
(3)	TOTAL ACTUARIAL LIABILITIES		<u>\$ 686,999,485</u>
 <u>PRESENT AND PROSPECTIVE ASSETS</u> 			
(4)	Actuarial value of assets		\$ 727,529,000
(5)	Present value of total future contributions = (3) - (4)	\$ (40,529,515)	
(6)	Present value of future member contributions to the Members' Contributions Funds		6,210,936
(7)	Present value of future employer contributions to the Pension Accumulation Fund = (5) - (6)	\$ (46,740,451)	
(8)	Employer normal contribution rate	\$ 292.67	
(9)	Present value of future membership service	172,526	
(10)	Prospective normal contributions = (8) x (9)		50,493,184
(11)	Prospective unfunded accrued liability contributions = (7) - (10)		<u>(97,233,635)</u>
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 686,999,485</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS
Public School Employees' Retirement System

- as of June 30, 2002-

<u>Valuation Date</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Active members:		
Number	34,207	38,997
Retired members and beneficiaries:		
Number	11,784	11,661
Annual allowances	\$ 35,113,773*	\$ 34,151,616*
Assets:		
Market Value	\$ 697,461,000	\$ 748,571,000
Actuarial Value	727,529,000	708,391,000
Unfunded actuarial accrued liability	\$ (97,233,635)	\$ (95,044,124)
Amortization period	20 years	40 years
Fiscal Year Ending	June 30, 2004	June 30, 2003
Employer contribution rate per active member:		
Normal	\$ 292.67	\$ 288.48
Accrued Liability	(268.31)	(182.81)
Total	\$ 24.36	\$ 105.67
Annual required employer contributions (ARC):		
Normal	\$ 10,011,363	\$ 11,249,855
Accrued Liability	(9,178,167)	(7,129,178)
Total	\$ 833,196	\$ 4,120,677

The valuation takes into account the effect of amendments to the System enacted through the 2002 session of the General Assembly.

There have been no changes since the previous valuation.

*Does not include increases in benefit accrual rate effective July 1, 2002.
The results of the valuation have been adjusted to include this increase.

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER Legislative Retirement System



200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

June 4, 2003

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

Attention: Ms. Cecelia Corbin Hunter, Executive Director

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 valuation of the System prepared as of June 30, 2002. The report indicates that no annual employer contributions for the fiscal year ending June 30, 2004 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 used are reasonable as a basis for the valuation. The valuation takes into account all amendments to the System enacted through the 2002 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 unit credit cost method. The normal contribution rate to cover current cost has been determined as a dollar per active member. Gains and losses are reflected in the unfunded accrued liability which is negative and being amortized as a level dollar per active member.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The annual required contribution (ARC) of the employer under GASB for the fiscal year ending June 30, 2004 is \$0. The System continues to have a negative Net Pension Obligation (NPO) because more than the annual required contribution under GASB 25/27 was made for the fiscal years ending June 30, 1998, June 30, 1999, June 30, 2000, June 30, 2001 and June 30, 2002.

The Retirement 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.

Sincerely,

A handwritten signature in black ink, appearing to read "E. Macdonald".

Edward A. Macdonald
Principal, Consulting Actuary

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Legislative Retirement System

- as of June 30, 2002 -

<u>ACTUARIAL LIABILITIES</u>		
Present value of prospective benefits payable on account of:		
(1)	Present retired members and beneficiaries of deceased members and members entitled to deferred vested benefits	\$ 15,325,699
(2)	Present active members:	
	Service retirement allowances	\$ 8,101,594
	Disability retirement allowances	550,480
	Survivor allowances	309,777
	Refunds of members' contributions	343,495
	Total	\$ 9,305,346
(3)	TOTAL ACTUARIAL LIABILITIES	\$ 24,631,045
<u>PRESENT AND PROSPECTIVE ASSETS</u>		
(4)	Actuarial value of assets	\$ 26,637,000
(5)	Present value of total future contributions = (3) - (4)	\$ (2,005,955)
(6)	Present value of future member contributions	1,469,764
(7)	Present value of future employer contributions = (5) - (6)	\$ (3,475,719)
(8)	Prospective normal contributions	1,382,408
(9)	Prospective unfunded actuarial accrued liability contributions = (7) - (8)	(4,858,127)
(10)	TOTAL PRESENT AND PROSPECTIVE ASSETS	\$ 24,631,045

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Legislative Retirement System

- as of June 30, 2002 -

<u>Valuation Date</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Number of active members	209	212
Retired members and beneficiaries:		
Number	192	192
Annual allowances	\$ 1,240,266	\$ 1,108,552
Assets:		
Market Value	\$ 25,467,000	\$ 27,777,000
Actuarial Value	26,637,000	26,034,000
Unfunded actuarial accrued liability (surplus)	\$ (4,858,127)	\$ (4,423,819)
Amortization period	N/A*	N/A*
For Fiscal Year Ending	June 30, 2004	June 30, 2003
Employer contribution rate per active member		
Normal	\$ 502.06	\$ 429.86
Accrued Liability	\$ (502.06)	\$ (429.86)
Total	\$ 0.00	\$ 0.00
Annual required employer contributions (ARC):		
Normal	\$ 104,930	\$ 91,130
Accrued liability	(104,930)	(91,130)
Total	\$ 0.00	\$ 0.00
<p>*If the annual required employer contribution (ARC) is based on 40 year amortization of the unfunded accrued liability, the ARC is less than \$0, which is not allowed under GASB 25/27. Therefore, the accrued liability contribution has been set such that the total ARC equals \$0.</p> <p style="text-align: center;">The valuation takes into account the effect of amendments to the System enacted through the 2002 session of the General Assembly.</p>		

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Georgia Judicial Retirement System



A Mellon Financial Company™

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

May 30, 2003

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

Attention: Ms. Cecelia Corbin Hunter, Executive Director

Members of the Board:

Section 47-23-21 of the law governing the operation of the Georgia Judicial Retirement System provides that the actuary shall make periodic valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2002. The report indicates that annual employer contributions at the rate of 3.85% of payroll for the fiscal year ending June 30, 2004 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 used are reasonable as a basis for the valuation. The valuation takes into account the effect of amendments to the System enacted through the 2002 session of the General Assembly, as well as the 1.5% Ad Hoc COLA's effective July 1, 2002 and January 1, 2003.

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 10-year period.

The valuation has been prepared in accordance with the parameters set forth in Statement Nos. 25 and 27 of the Governmental Accounting Standards Board. The System will continue to have a Net Pension Obligation (NPO) because less than the ARC contributions were made for the fiscal year ending June 30, 2001.

The Retirement 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.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Macdonald".

Edward A. Macdonald
Principal, Consulting Actuary

ACTUARIAL SECTION
VALUATION BALANCE SHEET
Georgia Judicial Retirement System

- as of June 30, 2002-

<u>ACTUARIAL LIABILITIES</u>		
Present value of prospective benefits payable on account of:		
(1)	Present retired members and beneficiaries of deceased members and members entitled to deferred vested benefits	\$ 55,534,426
(2)	Present active members	<u>215,575,549</u>
(3)	TOTAL ACTUARIAL LIABILITIES	<u>\$ 271,109,885</u>
 <u>PRESENT AND PROSPECTIVE ASSETS</u>		
(4)	Actuarial value of assets	\$ 228,417,000
(5)	Present value of total future contributions = (3) - (4)	\$ 42,692,885
(6)	Present value of future member contributions	\$ 26,886,657
(7)	Present value of future employer contributions = (5) - (6)	\$ 15,806,228
(8)	Employer normal contribution rate	20.33%
(9)	Present value of future payroll (1%)	\$ 3,397,380
(10)	Prospective normal contributions = (8) x (9)	69,068,735
(11)	Prospective unfunded actuarial accrued liability contributions = (7) - (10)	<u>(53,262,507)</u>
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS	<u>\$ 271,109,885</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS
Georgia Judicial Retirement System

- as of June 30, 2002 -

<u>Valuation Date</u>	<u>July 1, 2002</u>	<u>July 1, 2001</u>
Active members:		
Number	428	435
Annual compensation	\$ 38,630,312	\$ 37,687,700
Retired members and beneficiaries:		
Number	134	130
Annual allowances	\$ 6,166,415	\$ 5,615,022
Assets:		
Market Value	\$ 213,611,000	\$ 225,173,000
Actuarial Value	228,417,000	219,288,000
Unfunded actuarial accrued liability	\$ (53,262,507)	\$ (63,204,705)
Amortization period	10 years	10 years
For Fiscal Year Ending	June 30, 2004	June 30, 2003
Annual required employer contribution rates (ARC):		
Normal	20.33%	20.33%
Accrued Liability	<u>(16.48)</u>	<u>(20.33)</u>
Total	3.85%	0.00%
<p>The valuation takes into account the effect of amendments to the System enacted through the 2002 session of the General Assembly.</p> <p>The valuation reflects the 1.5% Ad Hoc COLA's effective July 1, 2002 and January 1, 2003.</p>		

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Group Term Life Insurance Plan



200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

June 13, 2003

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

Attention: Ms. Cecelia Corbin Hunter, 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. We have submitted the report giving the results of the valuation of the Plan prepared as of June 30, 2002. The report indicates that employee contributions at the rate of 0.50% of active payroll for Old Plan members, and 0.25% of active payroll for New Plan members and members of the Legislative Retirement System are sufficient to support the benefits of the Plan. No employer contributions are required for the fiscal year ending June 30, 2004.

The valuation takes into account the effect of all amendments to the System enacted through the 2002 session of the General Assembly.

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

Sincerely yours,

A handwritten signature in black ink, appearing to read "E. Macdonald".

Edward A. Macdonald
Principal, Consulting Actuary

EAM:sh

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Group Term Life Insurance Plan

- as of June 30, 2002 -

<u>ACTUARIAL LIABILITIES</u>		
(1)	Present value of prospective benefits payable on account of present retired members	\$ 266,936,331
(2)	Present value of prospective benefits payable on account of present active members	<u>\$ 422,881,391</u>
(3)	TOTAL ACTUARIAL LIABILITIES	<u>\$ 689,817,722</u>
 <u>PRESENT AND PROSPECTIVE ASSETS</u> 		
(4)	Actuarial value of assets	\$ 793,005,000
(5)	Present value of future member premiums	73,961,036
(6)	Present value of future employer contributions	<u>6,438,605</u>
(7)	Total present assets and present value of future employee premiums and employer contributions	\$ 873,404,641
(8)	Actuarial (surplus) deficit	<u>(183,586,919)</u>
(9)	TOTAL PRESENT AND PROSPECTIVE ASSETS	<u>\$ 689,817,722</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Group Term Life Insurance Plan

- as of June 30, 2002 -

<u>Valuation Date</u>	<u>June 30, 2002</u>	<u>June 30, 2001</u>
Active members:		
Number	71,999	75,132
Annual compensation	\$ 2,411,719,724	\$ 2,397,168,519
Retired members:		
Number	21,832	20,621
Insurance amount	\$ 734,037,944	\$ 652,905,949
Assets:		
Market Value	\$ 754,054,000	\$ 790,700,000
Actuarial Value	793,005,000	753,964,000
Actuarial (surplus) deficit	\$ (183,586,919)	\$ (242,500,215)
FISCAL YEAR ENDING		
Contribution rates:	June 30, 2004	June 30, 2003
Old Plan Members		
Employee	0.50%*	0.50%*
Employer	<u>0.00</u>	<u>0.25</u>
Total	0.50%	0.75%
New Plan Members		
Employee	0.25%	0.25%
Employer	<u>0.00</u>	<u>0.25</u>
Total	0.25%	0.50%
* 0.25% paid by employer		

ACTUARIAL SECTION

ACTUARY'S CERTIFICATION LETTER

Georgia Military Pension Fund



A Mellon Financial Company™

200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

June 10, 2003

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

Attention: Ms. Cecelia Corbin Hunter, Executive Director

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 Retirement Fund on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the Fund prepared as of June 30, 2002. The report indicates that an annual employer contribution of \$666,919 for the fiscal year ending June 30, 2004 is required to support the benefits of the Fund. In preparing the valuation, the actuary relied on data provided by the Defense Department. 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.

This is the first valuation of this Fund. In our opinion the valuation is complete and accurate, and the methodology and assumptions used are reasonable as a basis for the valuation.

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

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

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience 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 Fund and on actuarial assumptions that are internally consistent and reasonably based on the anticipated experience of the Fund.

Sincerely,

A handwritten signature in black ink, appearing to read "Edward A. Macdonald".

Edward A. Macdonald
Principal, Consulting Actuary

ACTUARIAL SECTION

VALUATION BALANCE SHEET
Georgia Military Pension Fund

- as of June 30, 2002 -

<u>ACTUARIAL LIABILITIES</u>			
Present value of prospective benefits payable on account of:			
(1)	Present retired members		\$ 0
(2)	Former members entitled to deferred vested benefits		154,130
(3)	Present active members		<u>8,377,763</u>
(4)	TOTAL ACTUARIAL LIABILITIES		\$ 8,531,893
<u>PRESENT AND PROSPECTIVE ASSETS</u>			
(5)	Actuarial value of assets		\$ 0
(6)	Present value of future employer contributions = (4) - (5)	\$ 8,531,893	
(7)	Employer normal contribution rate	\$ 4.40	
(8)	Present value of future membership service	47,711	
(9)	Present value of future normal contributions = (7) X (8)		209,928
(10)	Present value of unfunded accrued liability contributions = (6) - (9)		<u>8,321,965</u>
(11)	TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 8,531,893</u>

ACTUARIAL SECTION

SUMMARY OF PRINCIPAL RESULTS

Georgia Military Pension Fund

- as of June 30, 2002 -

<u>Valuation Date</u>	<u>June 30, 2002</u>
Number of active members included in valuation	9,695
Retired members:	
Number	0
Annual allowances	\$ 0
Former members entitled to deferred vested pensions:	33
Number	\$ 28,980
Annual deferred pensions	
Assets:	
Market Value	\$ 0
Actuarial Value	0
Unfunded actuarial accrued liability	\$ 8,321,965
Amortization period	40 years
For Fiscal Year Ending	June 30, 2004
Employer contribution rate per active member	
Normal	\$ 4.40
Accrued Liability	64.39
Total	\$ 68.79
Annual required employer contributions (ARC):	
Normal	\$ 42,658
Accrued liability	624,261
Total	\$ 666,919

INVESTMENT SECTION

POOLED INVESTMENT FUND

as of June 30, 2003

\$ 11,679,683,000	<i>Employees' Retirement System</i>
779,032,000	<i>State Employees' Assurance Department</i>
695,093,000	<i>Public School Employees Retirement System</i>
25,613,000	<i>Legislative Retirement System</i>
869,000	<i>Superior Court Judges Retirement Fund*</i>
36,514,000	<i>Georgia Defined Contribution Plan</i>
220,496,000	<i>Georgia Judicial Retirement System</i>
541,000	<i>Georgia Military Pension Fund</i>
\$ 13,437,841,000	<i>Total Pooled Investments at Fair Value</i>

*The Superior Court Judges Retirement Fund was closed on December 31, 1976. As of June 30, 2003 there were two active members remaining in the Fund with retirement payments funded through Department of Administrative Services appropriations.

STRUCTURAL ANALYSIS OF INVESTMENTS AT FAIR VALUE

TYPE OF INVESTMENT	June 30, 2003
SHORT TERM INVESTMENTS	1.5%
BONDS	47.0%
COMMON STOCKS	51.5%
MORTGAGES AND REAL ESTATE	Nil
	100.0%

INVESTMENT SECTION

SHORT-TERM INVESTMENTS

- as of June 30, 2003 -

<u>Face Amount</u>	<u>Issuer</u>	<u>Fair Value</u>
\$ 195,254,000*	United States Government and Corporate Obligations (subject to repurchase agreements due 7/01/03)	\$ 195,254,000*

* Consists of Employees' Retirement System \$188,292,000 and Georgia Defined Contribution Plan \$6,962,000.

U.S. GOVERNMENT, CORPORATE AND OTHER BONDS

- as of June 30, 2003 -

<u>Par Value</u>	<u>Issuer</u>	<u>Interest Rate %</u>	<u>Year of Maturity</u>	<u>Fair Value</u>
\$ 2,068,282	General Electric	8.350	2004	\$ 2,142,202
205,000,000	US Treasury Note	1.750	2004	206,793,750
725,000,000	US Treasury Note	1.625	2005	729,988,000
495,000,000	US Treas. Note	1.250	2005	494,693,100
230,000,000	US Treas. Note	1.125	2005	229,137,500
80,000,000	FNMA-CALLABLE	2.330	2005	80,224,800
215,000,000	FNMA-CALLABLE	2.590	2006	217,687,500
545,000,000	US Treas. Note	2.000	2006	550,793,350
437,000,000	US Treas. Note	3.500	2006	460,624,220
250,000,000	FNMA-CALLABLE	2.200	2006	251,172,500
125,000,000	GENERAL ELECTRIC CAP CORP	5.375	2007	137,563,750
550,000,000	US Treas. Note	3.250	2007	574,062,500
405,000,000	US Treas. Note	2.625	2008	408,669,300
120,000,000	FNMA	6.375	2009	142,125,600
765,000,000	US Treas. Note	3.625	2013	770,974,650
140,000,000	US Treas. Bond	6.250	2030	174,300,000
763,000,000	US Treas. Bond	5.375	2031	859,092,220
<hr/>				<hr/>
\$ 6,052,068,282	ERS Fixed Income Securities			\$ 6,290,044,942
5,000,000	Defined Contribution Fixed Income Securities			5,085,640
<hr/> <u>\$ 6,057,068,282</u>	Total ERS and Defined Contribution Fixed Income Securities			<hr/> <u>\$ 6,295,130,582</u>

INVESTMENT SECTION

EQUITY HOLDINGS

- as of June 30, 2003 -

<u>SHARES</u>	<u>COMPANY</u>	<u>FAIR VALUE</u>
5,340,045	PFIZER INC	\$ 182,362,537
2,614,120	JOHNSON & JOHNSON	135,150,004
5,200,000	MICROSOFT	133,328,000
3,019,806	CITIGROUP INC	129,247,697
3,462,028	EXXON MOBIL CORP	124,321,425
1,324,560	PROCTOR & GAMBLE CO	118,124,261
2,457,800	COCA COLA CO	114,066,498
2,122,000	WAL-MART STORES INC	113,887,740
2,022,133	AMERICAN INTERNATIONAL GROUP	111,581,299
2,195,800	MEDTRONIC	105,332,526
3,576,300	GENERAL ELECTRIC CO	102,568,284
2,257,460	PEPSICO INC	100,456,970
720,600	3M COMPANY	92,942,988
1,124,523	BANK OF AMERICA CORP	88,871,053
1,301,480	AMGEN INC	85,819,591
1,685,800	SCHLUMBERGER LTD	80,193,506
950,500	INTL BUS MACHINES	78,416,250
3,342,800	INTEL CORP	69,563,668
981,500	UNITED TECHNOLOGIES	69,519,645
1,346,170	WELLS FARGO CO	<u>67,846,968</u>
	TOTAL - 20 LARGEST HOLDINGS	<u>\$ 2,103,600,910</u>
	TOTAL - ALL HOLDINGS	<u>\$ 6,912,594,038</u>

A complete listing is available upon written request.

INVESTMENT SECTION

MORTGAGE

- as of June 30, 2003 -

<u>Borrower and Mortgaged Property</u>	<u>Interest Rate %</u>	<u>Year Last Pmt. Due</u>	<u>Balance Outstanding on Loan</u>
WEST & ABBITT BENT CREEK COL APTS	9.5	2004	\$ 555,062

REAL ESTATE INVESTMENT

- as of June 30, 2003 -

<u>Description of Property</u>	<u>Fair Value</u>	<u>Comments</u>
BETA BUILDING TWO NORTHSIDE 75 ATL (Constitutes one-half interest in property)	\$ 3,744,225	Presently houses the offices of Employees' and Teachers Retirement Systems. The Employees' Retirement System on 7/1/76 acquired a 50% interest in the building.

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche LLP
Suite 1500
191 Peachtree St., NE
Atlanta, Georgia 30303-1924

Tel: (404) 220-1500
www.deloitte.com

**Deloitte
& Touche**

Board of Trustees
Employees' Retirement System of Georgia:

We have audited the accompanying combined statements of net assets of the Employees' Retirement System of Georgia, including all plans and funds administered by the Employees' Retirement System of Georgia (collectively, the "System"), a component unit of the state of Georgia, as of June 30, 2003 and 2002, and the related combined statements of changes in net assets for the years then ended. These combined financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

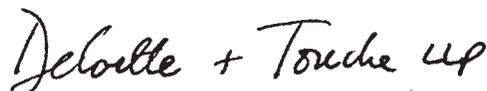
We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, such financial statements present fairly, in all material respects, the financial status of the System as of June 30, 2003 and 2002, and the changes in financial status for the years then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

The Introductory, Investment and Actuarial Sections listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This additional information is the responsibility of the System's management. Such information has not been subjected to the auditing procedures applied in our audits of the basic financial statements and, accordingly, we express no opinion on them.


December 22, 2003

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2003. The discussion and analysis of the System's financial performance is within the context of the accompanying financial statements, notes to the financial statements, required supplementary schedules, and additional information following this section.

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

The defined benefit pension plans include:

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

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

Financial Highlights

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

- The net assets of the System increased by \$179 million, or 1.3%, from \$13.3 billion at June 30, 2002 to \$13.5 billion at June 30, 2003. The improvement was primarily due to the increase in the fair value of investments.
- For the year ended June 30, 2003, the total additions to net assets were \$907 million and the total deductions were \$728 million. The deductions consisted of benefit payments of \$684 million, refunds of \$15 million, death benefits of \$19 million and administrative expenses of \$10 million. The additions consisted of employer and member contributions totaling \$327 million, insurance premiums of \$15 million, net investment income of \$564 million and other income of \$1 million. Net investment income of \$564 million (comprised of interest and dividend income and the change in fair value of investments, reduced by investment expenses) was an improvement over the net investment loss of \$562 million for the year ended June 30, 2002. The increase was primarily due to the improved market conditions in 2003 compared to 2002.
- Benefit payments paid to retirees and beneficiaries increased by \$65 million, or 10.6% from \$619 million in 2002 to \$684 million in 2003. 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.

Overview of the Financial Statements

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

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

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

Description of the Financial Statements

The *Combined Statement of Net Assets* is the statement of financial position presenting information that includes all of the System's assets and liabilities with the balance representing the *Net Assets Held in Trust for Pension Benefits*. The investments of the System in this statement are presented at fair value. These statements are presented on page 33.

The *Combined Statement of Changes in Net Assets* reports how the System's net assets changed during the fiscal year. The additions and deductions to net assets are summarized in this statement. The additions include contributions to the retirement plans from employers and members, group life insurance premiums, and investment income (loss), which includes interest and dividends and the net increase (decrease) in the fair value of investments. The deductions include benefit payments, life insurance death benefit payments, refunds of member contributions and interest, and administrative expenses. These statements are presented on page 34.

Notes to the financial statements are presented to provide the information necessary for a full understanding of the financial statements. The notes to the financial statements begin on page 35.

There are two *Required Supplementary Schedules* included in this report. These required schedules are applicable to the five defined benefit plans: ERS, PSERS, LRS, GJRS and GMPF. The *Schedule of Funding Progress* presents historical trend information about the actuarially-determined funded status of the plans from a long-term, on-going plan perspective, and the progress made in accumulating sufficient assets to fund benefit payments as they become due. The *Schedule of Employer Contributions* presents historical trend information about the annual required contributions of employers and percentage of such contributions in relation to actuarially determined requirements for the years presented. The required supplementary schedules begin on page 46.

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 48.

Additional information is presented, beginning on page 51. There are three statements included in this section of the report. They are: (1) *Combining Statements of Net Assets*, (2) *Combining Statements of Changes in Net Assets*, and (3) *Administrative Expense Fund Statement*. The combining statements present the financial position and change in financial position for each of the plans and funds administered by the System, including the Pooled Investment Fund that holds and invests funds from each of the participating plans and

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

funds. The *Administrative Expense Fund Statement* presents the expenses incurred in the administration of these plans and funds, and the contributions from each plan and fund to provide for these expenses.

Financial Analysis of the System

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

	Net Assets (in thousands)		Amount Change	Percentage Change
	June 30,			
	2003	2002		
Assets:				
Cash and receivables	\$ 104,721	\$ 108,753	\$ (4,032)	(3.7)%
Investments	13,407,279	13,195,741	211,538	1.6 %
Capital assets, net	<u>42</u>	<u>33</u>	<u>9</u>	<u>27.3 %</u>
Total assets	<u>\$ 13,512,042</u>	<u>\$ 13,304,527</u>	<u>\$ 207,515</u>	<u>1.6 %</u>
Liabilities:				
Due to brokers and accounts payable	<u>\$ 39,339</u>	<u>\$ 10,684</u>	<u>\$ 28,655</u>	<u>268.2 %</u>
Net assets	<u>\$ 13,472,703</u>	<u>\$ 13,293,843</u>	<u>\$ 178,860</u>	<u>1.3 %</u>

The following table presents the investment allocation at June 30, 2003 and 2002:

	2003	2002
<u>Asset Allocation at June 30 (in percentages)</u>		
Equities	51.5 %	54.1 %
Fixed income	47.0 %	44.1 %
Short-term securities*	1.5 %	1.8 %
<u>Asset Allocation at June 30 (in thousands)</u>		
Equities	\$ 6,912,595	\$ 7,140,706
Fixed income	6,295,131	5,815,140
Short-term securities*	<u>199,553</u>	<u>239,895</u>
	<u>\$ 13,407,279</u>	<u>\$ 13,195,741</u>

*Includes mortgages and real estate

The total investment portfolio increased \$212 million from the prior year, which is due primarily to an increase in the fair value of fixed income investments.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The investment rate of return in fiscal year ended June 30, 2003 was 4.5%, with a (2.3%) return on equities and a 12.8% return on fixed income investments. The five-year annualized rate of return on investments at June 30, 2003 was 2.3%, with a (2.1%) return on equities, and an 8.1% return on fixed income investments.

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

	<u>Changes in Net Assets (in thousands)</u>		<u>Amount Change</u>	<u>Percentage Change</u>
	<u>2003</u>	<u>2002</u>		
Additions:				
Employer contributions	\$ 252,852	\$ 247,101	\$ 5,751	2.3 %
Member's contributions	74,550	75,704	(1,154)	(1.5)%
Insurance premiums	14,847	14,364	483	3.4 %
Net investment income (loss)	563,690	(562,199)	1,125,889	200.3 %
Other	909	940	(31)	(0.3)%
Total additions	<u>906,848</u>	<u>(224,090)</u>	<u>1,130,938</u>	<u>504.7 %</u>
Deductions:				
Benefit payments	684,118	618,682	65,436	10.6 %
Refunds	14,993	13,704	1,289	9.4 %
Death benefits	18,924	18,227	697	3.8 %
Administrative expenses	9,953	9,446	507	5.4 %
Total deductions	<u>727,988</u>	<u>660,059</u>	<u>67,929</u>	<u>10.3 %</u>
Net increase (decrease) in net assets	<u>\$ 178,860</u>	<u>\$ (884,149)</u>	<u>\$ 1,063,009</u>	<u>120.2 %</u>

Additions—The System accumulates resources needed to fund benefit payments through contributions and returns on invested funds. Total contributions increased 1.4%, reflecting a contribution percentage that remained unchanged with a modest increase in overall salary growth. The net investment income increased by over \$1 billion. This increase is principally due to the improved market conditions in 2003 as compared to 2002.

Deductions—Deductions increased 10.3%, primarily because of a 10.6% increase in benefit payments. This is due to an increase of approximately 3.7% in the number of retirees receiving benefit payments across all defined benefit plans and to postretirement cost-of-living increases in benefits. Refunds of member contributions increased by 9.4%, which was primarily due to a 19% increase in refunds paid from the Georgia Defined Contribution Plan. Administrative expenses increased by approximately \$.5 million, an increase of 5.4% over the prior year due primarily to an increase in management staffing.

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2002 and June 30, 2001 actuarial valuations, the latest valuations available, indicate the actuarial value of assets and funding ratios for the five defined benefit retirement plans were as follows:

	Actuarial Value of Plan Assets (in thousands)		Funding Ratio	
	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
ERS	\$12,124,414	\$11,750,624	101.1%	101.7%
PSERS	727,529	708,391	115.4%	115.5%
LRS	26,637	26,034	122.3%	120.5%
GJRS	228,417	219,288	130.4%	140.5%
GMPF	-	N/A	0.0%	N/A

The System continues to be in a strong financial position as evidenced by the funding ratios, and it remains financially sound. 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.

FINANCIAL SECTION

COMBINED STATEMENTS OF NET ASSETS

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

COMBINED STATEMENTS OF NET ASSETS
JUNE 30, 2003 AND 2002
(In Thousands)

	2003	2002
ASSETS		
CASH	\$ 4,707	\$ 5,044
RECEIVABLES:		
Employer and member contributions	26,467	28,600
Interest and dividends	45,397	75,109
Due from brokers for securities sold	28,150	-
Total receivables	100,014	103,709
INVESTMENTS—At fair value:		
Short-term	195,254	235,569
Obligations of the U.S. Government and its agencies, corporate, and other bonds	6,295,131	5,815,140
Common stocks	6,912,595	7,140,706
Mortgage loans and real estate	4,299	4,326
Total investments	13,407,279	13,195,741
CAPITAL ASSETS—Net	42	33
Total assets	13,512,042	13,304,527
LIABILITIES		
Accounts payable and other	12,187	10,684
Due to brokers for securities purchased	27,152	-
Total liabilities	39,339	10,684
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 46.)	\$ 13,472,703	\$ 13,293,843

See notes to combined financial statements.

FINANCIAL SECTION

COMBINED STATEMENTS OF CHANGES IN NET ASSETS

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

COMBINED STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(In Thousands)

	2003	2002
NET ASSETS HELD IN TRUST FOR PENSION		
BENEFITS—Beginning of year	\$ 13,293,843	\$ 14,177,992
ADDITIONS:		
Contributions:		
Employer	252,852	247,101
Member	74,550	75,704
Insurance premiums	14,847	14,364
Administrative expense allotment	909	940
Investment income (loss):		
Net increase (decrease) in fair value of investments	236,390	(991,765)
Interest and dividends	339,805	441,176
Total investment income (loss)	<u>576,195</u>	<u>(550,589)</u>
Less investment expenses	<u>12,505</u>	<u>11,610</u>
Net investment income (loss)	<u>563,690</u>	<u>(562,199)</u>
Total additions	<u>906,848</u>	<u>(224,090)</u>
DEDUCTIONS:		
Benefit payments	684,118	618,682
Refunds of member contributions and interest	14,993	13,704
Death benefits	18,924	18,227
Administrative expenses	<u>9,953</u>	<u>9,446</u>
Total deductions	<u>727,988</u>	<u>660,059</u>
NET INCREASE (DECREASE)	<u>178,860</u>	<u>(884,149)</u>
NET ASSETS HELD IN TRUST FOR PENSION		
BENEFITS—End of year	<u>\$ 13,472,703</u>	<u>\$ 13,293,843</u>

See notes to combined financial statements.

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

NOTES TO COMBINED FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED JUNE 30, 2003 AND 2002

1. GENERAL

The accompanying combined financial statements of Employees' Retirement System of Georgia, including all plans and funds administered by the Employees' Retirement System of Georgia (collectively, the "System"), is comprised of the Employees' Retirement System of Georgia ("ERS"), Public School Employees' Retirement Systems ("PSERS"), Legislative Retirement System ("LRS"), Georgia Judicial Retirement System ("GJRS"), Georgia Military Pension Fund ("GMPF"), Superior Court Judges Retirement Fund ("SCJRF"), District Attorneys Retirement Fund ("DARF"), Georgia Defined Contribution Plan ("GDGP"), and State Employees' Assurance Department ("SEAD"). All significant accounts and transactions among the various systems, departments, and funds have been eliminated.

In evaluating how to define the System for financial reporting purposes, the management of the System has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by Governmental Accounting Standards Board ("GASB") Statement of Governmental Accounting Standards ("SGAS") No. 14. The concept underlying the definition of the reporting entity is that elected officials are accountable. Based on these criteria, the System has not included any other entities in its reporting entity. The System is a component unit of the state of Georgia.

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

2. AUTHORIZING LEGISLATION AND PLAN DESCRIPTIONS

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

- a. ERS is a single-employer, public employee, defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the state of Georgia and its political subdivisions. ERS is directed by a Board of Trustees and has the powers and privileges of a corporation.

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

Membership—As of June 30, 2003, participation in ERS is as follows:

Retirees and beneficiaries currently receiving benefits	28,562
Terminated employees entitled to benefits but not yet receiving benefits	56,525
Active plan members	<u>74,947</u>
 Total	 <u>160,034</u>
 Employers	 <u>516</u>

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

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

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

Contributions and Vesting—Member contributions under the old plan are 4% of annual compensation up to \$4,200 plus 6% of annual compensation in excess of \$4,200. Under the old plan, the state pays member contributions in excess of 1.25% of annual compensation. Under the old plan, these state contributions are included in the members’ accounts for refund purposes and are used in the computation of the members’ earnable compensation for the purpose of computing retirement benefits. Member contributions under the new plan are 1.25% of annual compensation. The state is required to contribute at a specified percentage of active member payroll determined annually by actuarial valuation.

Employer contributions required for fiscal year 2003 and 2002 were based on the June 30, 2001 and 2000 actuarial valuations, respectively, as follows:

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

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

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

The employer contributions are projected to liquidate the actuarial accrued funding excess within 13 years based upon the actuarial valuation at June 30, 2002, on the assumption that the total payroll of active members will increase by 3.5% each year.

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

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

There were 162 and 132 members eligible to participate in this portion of ERS as of June 30, 2003 and 2002, respectively. Employer contributions of \$1,308,000 and \$2,802,000 and benefit payments of \$1,907,000 and \$2,509,000 under the SRBP are included in the combined statements of changes in net assets for the years ended June 30, 2003 and 2002, respectively. Cash of \$42,000 and \$542,000 under the SRBP is included in the combined statements of net assets for the years ended June 30, 2003 and 2002, respectively. Employer receivables of \$96,000 under the SRBP are included in the combined statement of net assets for the year ended June 30, 2002.

- b. PSERS is a defined benefit pension plan established by the Georgia General Assembly in 1969 for the purpose of providing retirement allowances for public school employees who are not eligible for membership in the Teachers Retirement System of Georgia. PSERS is administered by the ERS Board of Trustees plus two additional trustees.

Membership—As of June 30, 2003, participation in PSERS is as follows:

Retirees and beneficiaries currently receiving benefits	12,078
Terminated employees entitled to benefits but not yet receiving benefits	40,988
Active plan members	<u>51,175</u>
Total	<u>104,241</u>
 Employers	 <u>182</u>

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

Upon retirement, the member will receive a monthly benefit of \$12.50 multiplied by the number of years of creditable service. Death, disability, and spousal benefits are also available through PSERS. Additionally, PSERS makes periodic cost-of-living adjustments to the monthly benefits.

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Employer contributions required for the years ended June 30, 2003 and 2002 were \$105.67 and \$320.97 per active member, respectively, and were based on the June 30, 2002 and 2001 actuarial valuations, respectively.

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

The employer contributions are projected to liquidate the actuarial accrued funding excess within 20 years based upon the actuarial valuation at June 30, 2002.

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

Membership—As of June 30, 2003, participation in LRS is as follows:

Retirees and beneficiaries currently receiving benefits	206
Terminated employees entitled to benefits but not yet receiving benefits	155
Active plan members	<u>216</u>
 Total	 <u>577</u>
 Employers	 <u>1</u>

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

Upon retirement, the member will receive a monthly service retirement allowance of \$32 multiplied by the number of years of creditable service reduced by age reduction factors, if applicable. Death, disability, and spousal benefits are also available through the plan.

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

There were no employer contributions required for the years ended June 30, 2003 and 2002 based on the June 30, 2001 and 2000 actuarial valuations, respectively.

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

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

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

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

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

Membership—As of June 30, 2003, participation in GJRS is as follows:

Retirees and beneficiaries currently receiving benefits	148
Terminated employees entitled to benefits but not yet receiving benefits	38
Active plan members	<u>473</u>
 Total	 <u>659</u>
 Employers	 <u>5</u>

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

Retirement benefits paid to members are computed as 66-2/3% of annual salary plus 1% for each year of credited service over 16 years, not to exceed 24 years. Early retirement benefits paid to members are computed as the pro rata portion of the normal retirement benefit, based on service not to exceed 16 years. Death, disability, and spousal benefits are also available.

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

There were no employer contributions required for the year ended June 30, 2003 based on the June 30, 2001 actuarial valuation.

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

The employer contributions are projected to liquidate the actuarial accrued funding excess within ten years based upon the actuarial valuation at July 1, 2002 assuming that the amount of accrued liability payment increases 3.5% each year.

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

- e. The GMPF is a defined benefit pension fund 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 GMPF is administered by the ERS Board of Trustees.

Membership—As of June 30, 2003, GMPF had 17 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.

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

Membership—As of June 30, 2003, participation in SCJRF is as follows:

Retirees and beneficiaries currently receiving benefits	31
Terminated employees entitled to benefits but not yet receiving benefits	4
Active plan members	<u>2</u>
 Total	 <u>37</u>
 Employers	 <u>1</u>

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

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

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

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

Membership—As of June 30, 2003, DARF had eight retirees and beneficiaries currently receiving benefits.

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

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

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

Membership—As of June 30, 2003, participation in GDCP is as follows:

Terminated employees entitled to benefits but not yet receiving benefits	76,236
Active plan members	<u>32,840</u>
Total	<u><u>109,076</u></u>
Employers	<u><u>305</u></u>

Benefits—A member may retire and elect to receive periodic payments after attainment of age 65. The payments will be based upon mortality tables and interest assumptions to be adopted by the ERS Board of Trustees. If a member has less than \$3,500 credited to his/her account, the ERS Board of Trustees has the option of requiring a lump-sum distribution to the member. Upon the death of a member, a lump-sum distribution equaling the amount credited to his/her account will be paid to the member's designated beneficiary.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES AND SYSTEM ASSET MATTERS

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

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

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

Real Estate Investments—An office building that is included in mortgage loans and real estate is owned equally by the System and the Teachers Retirement System of Georgia. The System incurred approximately \$437,000 and \$341,000 in rental expense for the years ended June 30, 2003 and 2002, respectively, which is included in administrative expenses. The remainder of the building is leased to outside parties, and the rental revenue is included in interest and dividends.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of net assets and changes therein. Actual results could differ from those estimates. The System utilizes various investment instruments. Investment securities, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the combined financial statements.

4. INVESTMENT PROGRAM

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

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

Investments—SGAS No. 3 requires governmental entities to categorize investments as an indication of the level of custodial credit risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the System's name. All of the securities held by the System at June 30, 2003 and 2002 are of Category 1 risk level. The System is authorized by its Board of Trustees (through statutes) to invest in a variety of short-term and long-term securities, as follows:

(a) *Short-Term:*

- Short-term investments are authorized in the following instruments:
 - Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. Government or in obligations unconditionally guaranteed by the agencies of the U.S. Government or U.S. corporations. The System or broker promises to repay the cash received plus interest at a specific date in the future in exchange for the same securities. The System held repurchase agreements of \$195,254,000 and \$235,569,000 at June 30, 2003 and 2002, respectively.

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

- U.S. Treasury obligations with varying terms up to 360 days.
- Other short-term securities authorized, but not currently used, are:
 - Commercial paper, with a maturity of 180 days or less. Commercial paper is an unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The System considers for investment only commercial paper of the highest quality, rated P-1 and/or A-1 by national credit rating agencies.
 - Master notes, an overnight security administered by a custodian bank and an obligation of a corporation whose commercial paper is rated P-1 and/or A-1 by national credit rating agencies.

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

(b) *Long-Term:*

Fixed income investments are authorized in the following instruments:

- Obligations unconditionally guaranteed by agencies of the U.S. Government and corporate bonds with at least an “A” rating by a national rating agency and limited to no more than 5% of total System assets in any one name. Maturities of these securities vary up to a period of 40 years to provide the System with flexibility necessary to meet changing market conditions. The System held corporate bonds of \$139,706,000 and \$132,075,000 at June 30, 2003 and 2002, respectively.
- U.S. and foreign government obligations with terms up to 30 years. Quality and call requirements of corporate bonds are applicable. The System held U.S. Government obligations of \$6,155,425,000 and \$5,683,065,000 at June 30, 2003 and 2002, respectively.
- Private placements are authorized under the same general restrictions applicable to corporate bonds.

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

Equity securities are also authorized (in statutes) for investment as a complement to the System’s fixed-income portfolio and as a long-term inflation hedge. By statute, no more than 60% of the total invested assets may be placed in equities and no more than 5% in any one corporation. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the 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 of \$6,912,595,000 and \$7,140,706,000 at June 30, 2003 and 2002, respectively.

Substantially all of the investments of ERS, PSERS, LRS, SCJRF, GJRS, GMPF, SEAD, and certain investments of GDCP are pooled into one common investment fund. Investments of approximately

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

\$12,048,000 and \$15,231,000 at June 30, 2003 and 2002, respectively, held by GDCP, are not included in the common investment fund. Units in the pooled common investment fund are allocated to the respective plans based upon the cost of assets contributed, and additional units are allocated to the participating plans based on the market value of the pooled common investment fund at the date of contribution. Net income of the pooled common investment fund is allocated monthly to the participating plans based upon the number of units outstanding during the month.

The units and market value of each plan's equity in the pooled common investment fund at June 30, 2003 and 2002 were as follows (dollars in thousands):

	2003		2002	
	Market Value	Units	Market Value	Units
Employees' Retirement System	\$ 11,679,683	6,737,963	\$ 11,534,275	6,949,866
Public School Employees' Retirement System	695,093	400,996	697,942	420,538
Legislative Retirement System	25,613	14,776	25,507	15,369
Georgia Judicial Retirement System	220,496	127,203	213,359	128,557
State Employees' Assurance Department	779,032	449,421	752,895	453,650
Georgia Military Pension Fund	541	312		
Superior Court Judges Retirement Fund	869	501	930	560
Georgia Defined Contribution Plan	36,514	21,065	26,874	16,193
	<u>\$ 13,437,841</u>	<u>7,752,237</u>	<u>\$ 13,251,782</u>	<u>7,984,733</u>

5. INVESTMENTS LENDING PROGRAM

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

Securities loaned totaled \$6,220,148,000 and \$5,675,299,000 at fair value at June 30, 2003 and 2002, respectively. The collateral value was equal to 104.2% and 104.9% of the loaned securities' value at June 30, 2003 and 2002, respectively. The loaned securities are classified as Category 1 investments (see Note 4) based on the custodial arrangements for the collateral securities.

Loaned securities are included in the accompanying combined statements of net assets since the System maintains ownership. The related collateral securities are not recorded as assets on the System's combined statements of net assets, and a corresponding liability is not recorded, since the System is deemed not to have the ability to pledge or trade the collateral securities. In accordance with the criteria set forth in SGAS No. 28, the System is deemed not to have the ability to pledge or sell the collateral securities since the System's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default, the System has not previously demonstrated that ability, and there are no indications of the System's ability to pledge or sell the collateral securities.

FINANCIAL SECTION

NOTES TO COMBINED FINANCIAL STATEMENTS

6. SEAD ACTUARIAL VALUATION

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

The most current actuarial valuation of SEAD is as of June 30, 2002. The valuation indicated that the employee contribution rate of .50% and .25% and the employer contribution rate of .25% of members' salaries for old plan members and new plan members, respectively, as of June 30, 2002 were appropriate. Old plan members were hired prior to July 1, 1982, and new plan members were hired on or after July 1, 1982.

7. CAPITAL ASSETS

The following is a summary of capital assets and depreciation information as of June 30, 2003 and 2002 and for the years then ended:

	Balance at June 30, 2002	Additions	Disposals	Balance at June 30, 2003
Capital assets:				
Equipment	\$ 41,597	\$ 21,089	\$ -	\$ 62,686
Vehicles	<u>20,551</u>	<u>-</u>	<u>-</u>	<u>20,551</u>
	<u>62,148</u>	<u>21,089</u>	<u>-</u>	<u>83,237</u>
Accumulated depreciation for:				
Equipment	(18,639)	(9,367)	-	(28,006)
Vehicles	<u>(10,276)</u>	<u>(2,935)</u>	<u>-</u>	<u>(13,211)</u>
	<u>(28,915)</u>	<u>(12,302)</u>	<u>-</u>	<u>(41,217)</u>
Capital assets, net	<u>\$ 33,233</u>	<u>\$ 8,787</u>	<u>\$ -</u>	<u>\$ 42,020</u>
	Balance at June 30, 2001	Additions	Disposals	Balance at June 30, 2002
Capital assets:				
Equipment	\$ -	\$ 41,597	\$ -	\$ 41,597
Vehicles	<u>-</u>	<u>20,551</u>	<u>-</u>	<u>20,551</u>
	<u>-</u>	<u>62,148</u>	<u>-</u>	<u>62,148</u>
Accumulated depreciation for:				
Equipment	-	(18,639)	-	(18,639)
Vehicles	<u>-</u>	<u>(10,276)</u>	<u>-</u>	<u>(10,276)</u>
	<u>-</u>	<u>(28,915)</u>	<u>-</u>	<u>(28,915)</u>
Capital assets, net	<u>\$ -</u>	<u>\$ 33,233</u>	<u>\$ -</u>	<u>\$ 33,233</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

**REQUIRED SUPPLEMENTARY SCHEDULES
(In Thousands)**

Schedule of Funding Progress		Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability ("AAL") - Entry Age (b)	Unfunded AAL/(Funding Excess) (b - a)	Funding Ratio (a/b)	Annual Covered Payroll (c)	Excess as a Percentage of Covered Payroll [(b-a)/c]
Employees' Retirement System		6/30/1998	8,613,575	9,093,758	480,183	94.7%	2,055,966	23.4 %
		6/30/1999	9,848,723	9,695,614	(153,109)	101.6%	2,152,072	(7.1)%
		6/30/2000	10,999,901	10,573,408	(426,493)	104.0%	2,304,289	(18.5)%
		6/30/2001	11,750,624	11,557,255	(193,369)	101.7%	2,397,169	(8.1)%
		6/30/2002	12,124,414	11,994,850	(129,564)	101.1%	2,408,306	(5.4)%
Public School Employees' Retirement System I		6/30/1998	528,770	504,779	(23,991)	104.8%	N/A	N/A
		6/30/1999	599,464	586,352	(13,112)	102.2%	N/A	N/A
		6/30/2000	667,642	615,357	(52,285)	108.5%	N/A	N/A
		6/30/2001	708,391	613,347	(95,044)	115.5%	N/A	N/A
		6/30/2002	727,529	630,295	(97,234)	115.4%	N/A	N/A
Legislative Retirement System		6/30/1998	20,375	19,272	(1,103)	105.7%	2,363	(46.7)%
		6/30/1999	22,679	20,129	(2,550)	112.7%	2,411	(105.8)%
		6/30/2000	24,666	21,628	(3,038)	114.0%	2,411	(126.0)%
		6/30/2001	26,034	21,610	(4,424)	120.5%	3,567	(124.0)%
		6/30/2002	26,637	21,779	(4,858)	122.3%	3,413	(142.3)%
Georgia Judicial Retirement System		6/30/1998	160,171	117,771	(42,400)	136.0%	26,226	(161.7)%
		6/30/1999	183,249	129,233	(54,016)	141.8%	29,594	(182.5)%
		6/30/2000	204,136	138,427	(65,709)	147.5%	34,856	(188.5)%
		6/30/2001	219,288	156,083	(63,205)	140.5%	37,688	(167.7)%
		6/30/2002	228,417	175,154	(53,263)	130.4%	38,630	(137.9)%
Georgia Military Pension Fund		6/30/2002	-	8,322	8,322	0.0%	N/A	N/A

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

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

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

See notes to required supplementary schedules.

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

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

REQUIRED SUPPLEMENTARY SCHEDULES
 (In Thousands)

Schedule of Employer Contributions

	<u>Year Ended June 30,</u>	<u>State Annual Required Contribution</u>	<u>Percentage Contributed</u>
Employees' Retirement System	1998	286,794	100%
	1999	304,461	100%
	2000	302,332	100%
	2001	315,505	100%
	2002	233,229	100%
Public School Employees' Retirement System	1998	13,638	107%
	1999	10,839	158%
	2000	9,789	184%
	2001	12,874	132%
	2002	11,623	100%
Legislative Retirement System	1998	164	126%
	1999	84	108%
	2000	22	436%
	2001	-	N/A
	2002	-	N/A
Georgia Judicial Retirement System	1999	694	100%
	2000	834	100%
	2001	1,741	11%
	2002	-	N/A

This data was provided by the System's actuary.

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

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

1. *Schedule of Funding Progress*—The actuarial value of assets recognizes a portion of the difference between the fair value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between fair value and expected actuarial value.
2. *Schedule of Employer Contributions*—The required employer contributions and percent of those contributions actually made are presented in the schedule.
3. *Actuarial Assumptions*—The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information from the actuarial valuations for the most recent two-year period is as follows:

Employees' Retirement System:

Valuation date	June 30, 2002	June 30, 2001
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	13 years	20 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases ¹	5.20-9.00%	5.20-9.00%
Postretirement cost-of-living adjustment	None	None

Public School Employees' Retirement System:

Valuation date	June 30, 2002	June 30, 2001
Actuarial cost method	Entry age	Entry age
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	20 years	40 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

Legislative Retirement System:

Valuation date	June 30, 2002	June 30, 2001
Actuarial cost method	Unit credit	Unit credit
Amortization method	Level dollar, open	Level dollar, open
Remaining amortization period of the Funding Excess	N/A	N/A
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases	N/A	N/A
Postretirement cost-of-living adjustment	3% annually	3% annually

Georgia Judicial Retirement
System:

Valuation date	July 1, 2002	July 1, 2001
Actuarial cost method	Entry age	Entry age
Amortization method	Level percent of pay, open	Level percent of pay, open
Remaining amortization period of the Funding Excess	10 years	10 years
Asset valuation method	5-year smoothed market	5-year smoothed market
Actuarial assumptions:		
Investment rate of return ¹	7%	7%
Projected salary increases ¹	5.50%	5.50%
Postretirement cost-of-living adjustment	None	None

FINANCIAL SECTION

REQUIRED SUPPLEMENTARY INFORMATION

EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA

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

NOTES TO REQUIRED SUPPLEMENTARY SCHEDULES

Georgia Military Pension Fund:

Valuation date	June 30, 2002
Actuarial cost method	Entry age
Amortization method	Level dollar, open
Remaining amortization period of the unfunded actuarial accrued liability	40 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return ¹	7%
Projected salary increases ¹	N/A
Postretirement cost-of-living adjustment	None

¹Includes inflation rate of 3.50%

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR 2002
(in Thousands)

ASSETS	Plans and Funds										Eliminations	2003	2002
	Public School					Superior Court							
	Employees' Retirement System	Legislative Retirement System	Judicial Retirement System	State Employees' Department	Georgia Military Pension Fund	Judges and District Attorneys Retirement Funds	Georgia Defined Contribution Plan	Pool Investment Fund	Georgia Defined Contribution Plan	Total			
CASH	\$ 4,101	\$ 87	\$ 61	\$ 54	\$ 4	\$ 85	\$ 195	\$ 120	\$ 4,707	\$ 5,044			
RECEIVABLES:													
Employer and member contributions	25,137	8	293			1		1,028	26,467	28,600			
Interest and dividends							\$ 45,356	41	45,397	75,109			
Due from brokers for securities sold							28,150		28,150	-			
Unremitted insurance premiums					3,795				\$ (3,795)	-			
Total receivables	25,137	8	293	293	3,795	1	73,506	1,069	100,014	103,709			
INVESTMENTS - at fair value:													
Short-term							188,292	6,962	195,254	235,569			
Obligations of the U.S. Government and its agencies, corporate, and other bonds							6,290,045	5,086	6,295,131	5,815,140			
Common stocks							6,912,595		6,912,595	7,140,706			
Mortgage loans and real estate	3,744						555		4,299	4,326			
Equity in pooled investment fund	11,683,427	695,093	25,613	220,497	779,032	869	13,391,487	36,513	(13,437,841)	-			
Total investments	11,712,707	695,188	25,674	220,844	782,831	1,065	13,464,993	49,750	13,512,042	13,304,527			
CAPITAL ASSETS, net	42								42	33			
Total assets	11,712,707	695,188	25,674	220,844	782,831	626	13,464,993	49,750	13,512,042	13,304,527			
LIABILITIES													
Accounts payable and other	11,480	479	18	125	40	42		3	12,187	10,684			
Due to brokers for securities purchases							27,152		27,152	-			
Insurance premiums payable	3,620		41	134					(3,795)	-			
Total liabilities	15,100	479	59	259	40	42	27,152	3	39,339	10,684			
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 11,697,607	\$ 694,709	\$ 2,25,615	\$ 220,585	\$ 782,791	\$ 626	\$ 13,437,841	\$ 49,747	\$ 13,472,703	\$ 13,293,843			

(A schedule of funding progress is presented on page 46.)

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

Superior Court Judges and District Attorneys Retirement Funds

COMBINING STATEMENTS OF NET ASSETS
JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR 2002
(In Thousands)

ASSETS	Pension Trust Funds		Total
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	
CASH	\$ 194	\$ 1	\$ 195
RECEIVABLES:			
Employer and member contributions	1	—	1
Total receivables	1	1	3
INVESTMENTS - at fair value:			
Equity in pooled investment fund	869	—	869
Total assets	1,064	1	1,065
LIABILITIES			
ACCOUNTS PAYABLE AND OTHER	41	1	42
Total liabilities	41	1	42
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	\$ 1,023	\$ -	\$ 1,023

(A schedule of funding progress is presented on page 46.)

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

COMBINING STATEMENTS OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR 2002
(In Thousands)

	Plans and Funds										Total	
	Public School Employees' Retirement System					Superior Court Judges and District Attorneys Retirement Funds						Georgia Defined Contribution Plan
	Employees' Retirement System	Legislative Retirement System	Georgia Judicial Retirement System	State Employees' Assurance Department Fund	Georgia Military Pension Fund	District Attorneys Retirement Fund	Pooled Investment Fund	Eliminations	2003	2002		
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Beginning of year	\$ 11,558,373	\$ 697,461	\$ 25,467	\$ 213,611	\$ 754,054	\$ 978	\$ 13,251,782	\$ 43,899	\$ (13,251,782)	\$ 13,293,843	\$ 14,177,992	
ADDITIONS:												
Contributions:												
Employer	246,172	3,555	43	373	\$ 591	2,118		13,677		252,852	247,101	
Member	55,456	1,298	297	3,814	14,847	8				74,550	75,704	
Insurance premiums										14,847	14,364	
Administrative expense allotment		594	110	175		30				909	940	
Investment income (loss):												
Net increase (decrease)												
in fair value of investments												
Interest and dividends	1									236,390	(991,765)	
Less investment expenses	(2,497)	(24)	(3)	(7)	2	(1)		342		339,805	441,176	
Allocation of investment earnings	491,107	29,673	1,077	9,347	33,037	41	39	1,640	(565,961)	(12,505)	(11,610)	
Net investment income (loss)	488,611	29,649	1,074	9,340	33,039	41	38	1,898	(565,961)	563,690	(562,199)	
Total additions	790,239	35,096	1,524	13,702	47,886	62	2,194	15,575	(565,961)	906,848	(224,090)	
DEDUCTIONS:												
Benefit payments	637,243	37,021	1,246	6,483		6	2,119			684,118	618,682	
Refunds of member contributions and interest	5,253	233	20	70				9,417		14,993	13,704	
Death benefits				18,924						18,924	18,227	
Administrative expenses	8,509	594	110	175	225		30	310		9,953	9,446	
Total deductions	651,005	37,848	1,376	6,728	19,149	6	2,149	9,727		727,988	660,059	
TRANSFERS TO SYSTEMS FROM POOLED INVESTMENT FUND									(379,902)			
NET INCREASE (DECREASE)	139,234	(2,752)	148	6,974	28,737	626	45	5,848	(186,059)	178,860	(884,149)	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - End of year	\$ 11,697,607	\$ 694,709	\$ 25,615	\$ 220,585	\$ 782,791	\$ 626	\$ 1,023	\$ 49,747	\$ (13,437,841)	\$ 13,472,703	\$ 13,293,843	

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

Superior Court Judges and District Attorneys Retirement Funds

COMBINING STATEMENTS OF CHANGES IN NET ASSETS
JUNE 30, 2003 WITH COMPARATIVE TOTALS FOR 2002
(In Thousands)

	Pension Trust Funds			Total
	Superior Court Judges Retirement Fund	District Attorneys Retirement Fund	2003	
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Beginning of year	\$ 978		\$ 978	\$ 1,739
ADDITIONS:				
Contributions:				
Employer	2,005	\$ 113	2,118	2,159
Member	8		8	13
Administrative expense allotment	30		30	30
Investment income (loss):				
Interest and dividends			-	-
Less investment expenses	(1)		(1)	(3)
Allocation of investment earnings	39		39	(745)
Net investment income (loss)	38		38	(748)
Total additions	2,081	113	2,194	1,454
DEDUCTIONS:				
Benefit payments	2,006	113	2,119	2,185
Administrative expenses	30		30	30
Total deductions	2,036	113	2,149	2,215
NET INCREASE (DECREASE)	45		45	(761)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - End of year	\$ 1,023	\$ -	\$ 1,023	\$ 978

FINANCIAL SECTION

ADDITIONAL INFORMATION

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

Administrative Expense Fund

**CONTRIBUTIONS AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(In Thousands)**

	2003	2002
Contributions:		
Employees' Retirement System	\$ 8,509	\$ 7,971
Public School Employees' Retirement System	594	625
Legislative Retirement System	110	110
Georgia Judicial Retirement System	175	175
State Employees' Assurance Department	225	225
Georgia Defined Contribution Plan	310	310
Superior Court Judges Retirement Fund	30	30
Total contributions	9,953	9,446
Expenses:		
Personal services:		
Salaries and wages	2,247	1,947
Retirement contributions	235	204
FICA	160	138
Health insurance	294	254
Miscellaneous	40	29
	2,976	2,572
Communications:		
Postage	165	155
Publications and printing	105	82
Telecommunications	96	83
Travel	22	23
	388	343
Professional services:		
Accounting and investment services	2,147	1,758
Computer services	883	1,026
Contracts	1,202	1,603
Actuarial services	521	305
Medical services	163	168
Professional fees	69	87
Legal services	27	68
	5,012	5,015

(Continued)

FINANCIAL SECTION
ADDITIONAL INFORMATION

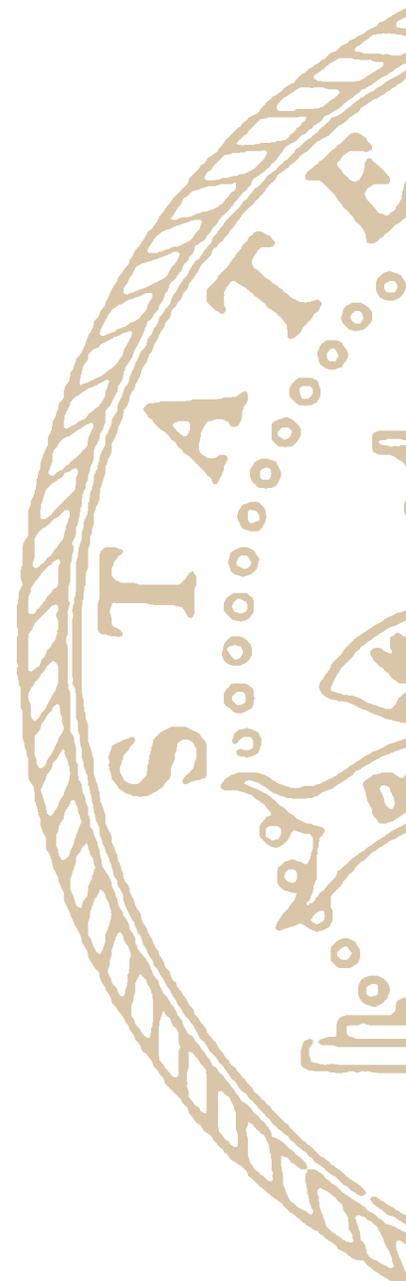
EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(Including All Plans and Funds Administered
by the Employees' Retirement System of Georgia)

Administrative Expense Fund

CONTRIBUTIONS AND EXPENSES
FOR THE YEARS ENDED JUNE 30, 2003 AND 2002
(In Thousands)

	<u>2003</u>	<u>2002</u>
Rentals:		
Office space	\$ 437	\$ 341
Office equipment	<u>1</u>	<u>3</u>
	<u>438</u>	<u>344</u>
Other services and charges:		
Equipment	18	99
Temporary services	611	580
Supplies and materials	127	85
Repairs and maintenance	33	335
Courier services	13	11
Board member expenses	-	14
Depreciation	12	29
Miscellaneous	<u>325</u>	<u>19</u>
	<u>1,139</u>	<u>1,172</u>
Total expenses	<u>9,953</u>	<u>9,446</u>
Net Income	-	-
Balance:		
Beginning of year	<u>-</u>	<u>-</u>
End of year	<u>\$ -</u>	<u>\$ -</u>

(Concluded)



EMPLOYEES'
RETIREMENT SYSTEM
OF GEORGIA

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