

Employees' Retirement System of Georgia

Report of the Actuary
on the Valuation

Prepared as of June 30, 2004
Revised October, 2005





October 11, 2005

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

Attention: Mr. Michael Nehf, Executive Director

Members of the Board:

We have been engaged by the Board of Trustees to provide the June 30, 2004 actuarial valuation of the Employees' Retirement System of Georgia. Enclosed are 5 bound copies and one unbound copy of our revised report. The report was revised after the Board feedback to Mike Nehf on the appropriateness of the salary scale revealed that the salary scale would be more appropriate if it were not increased .25% over the scale used in the previous report.

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, 2004. The report indicates that annual employer contributions at the rate of 10.41% of active payroll for the fiscal year ending June 30, 2007 are sufficient to support the benefits of the System.

In preparing the valuation, we relied on census data provided by the System as summarized in Schedule G. While not verifying data at the source, we 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 actuarial assumptions we have recommended 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. We note that we have not been able to accurately determine the liability for terminated vested participants due to the lack of census information needed to perform such calculation. However, we have employed various estimation techniques to measure the liability. While our estimated liabilities for such employees could vary greatly from the true liability we feel that there is no significant degree of error from employing such estimation techniques.

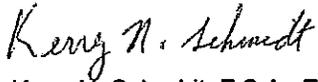
Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%. The valuation based on the terms of the plan as summarized in Schedule F takes into account the effect of all amendments to the System enacted through the 2004 session of the General Assembly as well as all 1.5% ad hoc COLAs effective through January 1, 2007.

The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability which is being amortized as a level percent of payroll within a 12-year period.

Members of the Board
October 11, 2005
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The Retirement System is being funded in conformity with the minimum funding standard set forth in Code Section 47-20-10 of the Official Code of Georgia annotated known as the Public Retirement Systems Standards Law. In our opinion the System is operating on an actuarially sound basis. The fund met the minimum funding standards for the fiscal year ended June 30, 2004. 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 this and successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

Sincerely,



Kerry N. Schmidt, F.S.A., E.A.
Principal, Consulting Actuary

KNS:cj

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**EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
REPORT OF ACTUARY
ON THE VALUATION
PREPARED AS OF JUNE 30, 2004**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized below (all dollar amounts are in thousands).

Valuation Date	June 30, 2004	June 30, 2003
Active members:		
Number	72,106 ✓	73,251 ✓
Annual compensation	\$ 2,445,619	\$ 2,489,490
Retired members and beneficiaries:		
Number	29,845	28,570
Annual allowances	\$ 718,478	\$ 655,872
Assets:		
Market Value	\$ 12,396,352	\$ 11,697,607
Actuarial Value	12,797,389	12,428,736
Unfunded actuarial accrued liability	\$ 309,259	\$ (58,173)
Amortization period	12 years	10 years
For Fiscal Year Ending	June 30, 2007	June 30, 2005*
Annual required employer contribution rates (ARC):		
Old Plan		
Normal Rate		
Employer	4.33%	5.94%
Employer Pick-Up of Employee Contribution	4.75	4.75
Total Normal Rate	9.08%	10.69%
Accrued Liability Rate	1.33%	(0.28)%
Total	10.41%	10.41%
New Plan		
Normal Rate	9.08%	10.69%
Accrued Liability Rate	1.33%	(0.28)
Total	10.41%	10.41%

*The ARC will also be payable for the fiscal year ending June 30, 2006, due to a Board decision that changes the contribution period to which the valuation applies to the fiscal year which begins 24 months after the valuation date.

2. The major benefit and contribution provisions of the System as reflected in the valuation are summarized in Schedule F. The valuation takes into account the effect of amendments to the System enacted through the 2004 session of the General Assembly. The valuation reflects 1.5% Ad Hoc COLAs effective through January 1, 2007.
3. Since the previous valuation, the assumed interest rate has been increased from 7.25% to 7.50%. Schedule D of this report outlines the full set of actuarial assumptions and methods used.
4. The entry age actuarial cost method was used to prepare the valuation. Schedule E contains a brief description of the actuarial cost method.
5. Comments on the valuation results as of June 30, 2004 are given in Section IV and further discussion of the contributions is set out in Section V.

SECTION II - MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis for the valuation were furnished by the Retirement System office. The following table shows the number of active members, their annual compensation and average annual compensation as of June 30, 2004 on the basis of which the valuation was prepared.

THE NUMBER, ANNUAL COMPENSATION AND AVERAGE ANNUAL COMPENSATION OF ACTIVE MEMBERS AS OF JUNE 30, 2004

NUMBER	ANNUAL COMPENSATION (in thousands)	AVERAGE ANNUAL COMPENSATION
72,106	\$ 2,445,619	\$ 33,917

2. The following table shows the number of retired members and beneficiaries on the roll as of June 30, 2004, together with the amount of their annual retirement allowances payable under the System as of that date.

**THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES OF
RETIRED MEMBERS AND BENEFICIARIES ON THE ROLL
AS OF JUNE 30, 2004**

GROUP	NUMBER	ANNUAL RETIREMENT ALLOWANCES (in thousands)
Service Retirements	21,295	\$ 562,321
Disability Retirements	4,161	102,314
Beneficiaries of Deceased Members	<u>4,389</u>	<u>53,843</u>
Total	29,845	\$ 718,478

As of October 2005 there are approximately 7,482 terminated deferred vested members and 59,706 terminated non-vested members who are due a member contribution refund.

3. Tables 1 and 2 of Schedule G give the distributions by age and by years of creditable service of the number and annual compensation of active members included in the valuation, while Tables 3, 4 and 5 give the number and annual retirement allowances of retired members and beneficiaries included in the valuation, distributed by age.

SECTION III - ASSETS

1. Two funds are maintained for the purpose of recording the financial transactions of the System, namely, the Annuity Savings Fund and the Pension Accumulation Fund.

(a) Annuity Savings Fund

The Annuity Savings Fund is the fund to which are credited all contributions made by or on behalf of members together with regular interest thereon. When a member retires, or if a death benefit allowance becomes payable to his beneficiary, his accumulated contributions are transferred from the Annuity Savings Fund to the Pension Accumulation Fund. The portion of the allowance which these contributions provide is then paid from the Pension Accumulation Fund. On June 30, 2004 the market value of assets credited to the Annuity Savings Fund amounted to \$775,930,000.

(b) Pension Accumulation Fund

The Pension Accumulation Fund is the fund to which all income from investments and all contributions made by employers are credited. All retirement allowance and death benefit allowance payments are disbursed from this fund. Upon the retirement of a member, or upon his death if a death benefit allowance is payable, his accumulated contributions are transferred from the Annuity Savings Fund to this fund to provide the member-contributed portion of the allowance. On June 30, 2004 the market value of assets credited to the Pension Accumulation Fund amounted to \$11,620,422,000.

2. As of June 30, 2004 the total market value of assets amounted to \$12,396,352,000 as reported by the independent auditor of the System. The actuarial value of assets used for the current valuation was \$12,797,389,000. Schedule B shows the development of the actuarial value of assets as of June 30, 2004.
3. Schedule C shows the receipts and disbursements of the System for the two years preceding the valuation date and a reconciliation of the fund balances at market value.

SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheet which shows the present and prospective assets and liabilities of the System as of June 30, 2004 (all dollar amounts are in thousands). The valuation was prepared in accordance with the actuarial assumptions set forth in Schedule D and the actuarial cost method which is described in Schedule E.
2. The valuation balance sheet shows that the System has total prospective liabilities of \$15,316,126 of which \$7,106,476 is for the prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits and \$8,209,650 is for the prospective basic benefits payable on account of present active members. Against these liabilities, the System has total present assets of \$12,797,389 as of June 30, 2004. The difference of \$2,518,737 between the total liabilities and the total present assets represents the present value of contributions to be made in the future. Of this amount, \$1,265,444 is the present value of future contributions expected to be made by or on behalf of members, including employer paid member contributions of 4.75% of compensation for New Plan members. The balance of \$1,253,293 represents the present value of future contributions payable by the employers.
3. The employer contributions to the System consist of normal contributions and accrued liability contributions. The normal contribution rate is calculated as the level percentage rate which, if

applied to the compensation of the average member during the entire period of his anticipated covered service, would be required in addition to the contributions by or on behalf of the member to meet the cost of all basic benefits (i.e., benefits other than post-retirement supplements) payable on his behalf. The valuation indicates that the employer normal contribution rate is 4.33% of active members' compensation.

4. Prospective employer normal contributions at the rate of 4.33% have a present value of \$944,034. When this amount is subtracted from \$1,253,293, which is the present value of total future employer contributions, there remains \$309,259 as the unfunded actuarial accrued liability.
5. The accrued liability contribution rate is 1.33% of active members' compensation, which will liquidate the unfunded actuarial liability over a 12-year period, on the assumption that the total payroll of active members will increase by 3.75% each year.

SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYERS

The following table summarizes the employer contribution rates which were determined by the June 30, 2004 valuation and are recommended for use.

ANNUAL REQUIRED EMPLOYER CONTRIBUTION RATES (ARC) FOR FISCAL YEAR ENDING JUNE 30, 2007

	Old Plan	New Plan
Normal Rate		
Employer	4.33%	9.08%
Employer Pick-Up of Employee Contribution	<u>4.75</u>	<u>0.00</u>
Total Normal Rate	9.08%	9.08%
Accrued Liability Rate	<u>1.33%</u>	<u>1.33%</u>
Total	10.41%	10.41%

SECTION VI - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF JUNE 30, 2004**

GROUP	NUMBER
Retirees and beneficiaries currently receiving benefits	29,845
Terminated employees entitled to benefits but not yet receiving benefits	60,039
Active plan members	<u>72,106</u>
Total	<u>161,990</u>

2. Another such item is the schedule of funding progress as shown below.

**SCHEDULE OF FUNDING PROGRESS
(Dollar amounts in thousands)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
6/30/99	\$ 9,848,723	\$ 9,695,614	\$ (153,109)	101.6%	\$2,152,072	(7.1)%
6/30/00	10,999,901	10,573,408	(426,493)	104.0	2,304,289	(18.5)
6/30/01	11,750,624	11,557,255	(193,369)	101.7	2,397,169	(8.1)
6/30/02	12,124,414	11,994,850	(129,564)	101.1	2,408,306	(5.4)
6/30/03	12,428,736	12,370,563	(58,173)	100.5	2,489,490	(2.3)
6/30/04	12,797,389	13,106,648	309,259	97.6	2,445,619	12.6

3. The following shows the schedule of employer contributions (dollar amounts in thousands):

<u>Year Ending</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>
6/30/99	\$304,461	100%
6/30/00	302,332	100
6/30/01	315,505	100
6/30/02	233,229	100
6/30/03	246,172	100
6/30/04	245,388	100

4. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at June 30, 2004. Additional information as of the latest actuarial valuation follows.

Valuation date	6/30/04
Actuarial cost method	Entry age
Amortization method	Level percent of pay, open
Remaining amortization period	12 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.50%
Projected salary increases*	5.45 – 9.25%
Cost-of-living adjustments	None
*Includes inflation at	3.75%

TREND INFORMATION
(\$ in 1,000's)

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
June 30, 2002	\$233,229	100%	\$0
June 30, 2003	246,172	100	0
June 30, 2004	245,388	100	0

SCHEDULE A

VALUATION BALANCE SHEET

**RESULTS OF THE VALUATION AS OF JUNE 30, 2004
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES
OF THE EMPLOYEES' RETIREMENT SYSTEM OF GEORGIA
(All dollar amounts are in thousands)**

ACTUARIAL LIABILITIES

(1)	Present value of prospective benefits payable on account of present retired members, beneficiaries of deceased members, and members entitled to deferred vested benefits		
	- Service and disability benefits	\$ 6,554,432	
	- Death and survivor benefits	500,192	
	- Deferred vested benefits	<u>51,852</u>	
	Total		\$ 7,106,476
(2)	Present value of prospective benefits payable on account of present active members		
	- Retirement and survivor allowances	\$ 8,150,053	
	- Refunds of members' contributions	<u>59,597</u>	
	Total		<u>8,209,650</u>
(3)	TOTAL ACTUARIAL LIABILITIES		<u>\$ 15,316,126</u>

PRESENT AND PROSPECTIVE ASSETS

(4)	Actuarial value of assets		\$ 12,797,389
(5)	Necessary present value of total future contributions from members and employers = (3)-(4)	\$ 2,518,737	
(6)	Present value of future member contributions and employer paid member contributions		1,265,444
(7)	Balance is present value of future employer contributions = (5)-(6)	\$ 1,253,293	
(8)	Employer normal contribution rate	4.33%	
(9)	Present value of future payroll (1%)	\$ 218,022	
(10)	Prospective normal contributions = (8) x (9)		944,034
(11)	Prospective unfunded accrued liability contributions = (7)-(10)		<u>309,259</u>
(12)	TOTAL PRESENT AND PROSPECTIVE ASSETS		<u>\$ 15,316,126</u>

SCHEDULE B

DEVELOPMENT OF JUNE 30, 2004 ACTUARIAL VALUE OF ASSETS
 (All dollar amounts are \$1,000's)

(1)	Actuarial Value of Assets on June 30, 2003	\$ 12,428,736
(2)	2003/2004 Net Cash Flow	
	a. Contributions	299,554
	b. Disbursements	<u>716,607</u>
	c. Net Cash Flow	
	(2)a - (2)b	(417,053)
(3)	Expected Investment Return [[1] x .0725] + [(2)c x .03625]	885,965
(4)	Expected Actuarial Value of Assets on June 30, 2004 (1) + (2)c + (3)	12,897,648
(5)	Market Value of Assets on June 30, 2004	12,396,352
(6)	Excess of Market Value over Expected Actuarial Value (5) - (4)	(501,296)
(7)	20% Adjustment towards Market .20 x (6)	(100,259)
(8)	Actuarial Value of Assets on June 30, 2004 (4) + (7)	\$ 12,797,389

SCHEDULE C**SUMMARY OF RECEIPTS AND DISBURSEMENTS
(MARKET VALUE)**

	Year Ending	
	June 30, 2004 (in \$ thousand)	June 30, 2003 (in \$ thousand)
<u>Receipts for the Year</u>		
Contributions:		
Members	\$ 54,166	\$ 55,456
Employers	<u>245,388</u>	<u>246,172</u>
Total	\$ 299,554	\$ 301,628
Investment earnings	<u>1,115,798</u>	<u>488,611</u>
TOTAL	\$ 1,415,352	\$ 790,239
<u>Disbursements for the Year</u>		
Retirement allowances	\$ 702,314	\$ 637,243
Refunds to members	5,819	5,253
Administrative expense	<u>8,474</u>	<u>8,509</u>
TOTAL	\$ 716,607	\$ 651,005
<u>Excess of Receipts over Disbursements</u>	\$ 698,745	\$ 139,234
<u>Reconciliation of Asset Balances - Market Value</u>		
Asset Balance as of the Beginning of Year	\$ 11,697,607	\$ 11,558,373
Excess of Receipts over Disbursements	<u>698,745</u>	<u>139,234</u>
Asset Balance as of the End of Year	<u>\$ 12,396,352</u>	<u>\$ 11,697,607</u>

SCHEDULE D

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

Adopted by the Board June 20, 2002, with the exception of the valuation interest rate which was adopted June 16, 2005.

VALUATION INTEREST RATE: 7.50% per annum, compounded annually.

SALARY INCREASES:

<u>Age</u>	<u>Annual Rate</u>	<u>Age</u>	<u>Annual Rate</u>
20	9.25%	45	5.45%
25	8.25	50	5.45
30	6.25	55	5.45
35	5.75	60	5.45
40	5.45	65	5.45

SEPARATIONS BEFORE RETIREMENT: Representative values of the assumed annual rates of separation other than retirement are as follows:

	Annual Rates of			
	<u>Death</u>		<u>Disability</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
20	.04%	.02%	.05%	.05%
25	.04	.02	.05	.05
30	.06	.02	.10	.05
35	.06	.02	.15	.05
40	.06	.03	.30	.17
45	.10	.05	.70	.30
50	.15	.06	1.00	.60
55	.25	.10	1.50	1.50
60	.44	.17	--	--
65	.81	.34	--	--
69	1.26	.54	--	--

<u>Annual Rates of Withdrawal</u>			
<u>Age</u>	<u>Years of Service</u>		
	<u>0-4</u>	<u>5-9</u>	<u>10 & Over</u>
	<u>Males</u>		
20	26.50%	12.00%	6.00%
25	22.00	10.50	6.00
30	21.00	8.25	5.50
35	20.00	6.75	3.75
40	18.00	6.00	3.00
45	15.50	5.00	2.25
50	13.00	4.00	1.75
55	12.00	3.00	1.50
60	13.00	3.00	1.50
65	15.00	3.00	1.50
	<u>Females</u>		
20	23.00%	12.00%	7.00%
25	20.50	10.50	7.00
30	18.50	8.25	6.75
35	16.50	6.25	4.50
40	15.50	5.00	3.00
45	14.50	4.50	2.25
50	14.00	4.00	2.00
55	11.50	3.00	1.50
60	13.00	3.00	1.50
65	15.00	3.00	1.50

RETIREMENT: Representative values of the assumed annual rates of service retirement are as follows:

<u>Age</u>	<u>Old Plan¹</u>		<u>New Plan²</u>		
	<u>Age 65 or more than 34 years</u>		<u>Age 60 or 30 years</u>		
	<u>Male</u>	<u>Female</u>		<u>Male</u>	<u>Female</u>
50	75%	50%	5%	5%	5%
55	75	50	12	5	5
60	75	50	15	10	10
62	75	50	38	32	32
64	75	50	30	35	30
65	60	60		45	45
67	30	30		30	45
70	100	100		100	100

¹It is also assumed that 95% of active Old Plan members will retire during the year in which they attain 34 years of service and 2% of eligible male and 1% of eligible female Old Plan members will retire on involuntary separation each year.

²An additional 10% of active New Plan members less than age 65 are expected to retire in the year in which they attain 30 years of service.

It is also assumed that 0.5% of members under age 55 and 2% of members ages 55 and over will retire under early reduced retirement.

DEATHS AFTER RETIREMENT: The 1994 Group Annuity Table rated forward two years is used for the period after service retirement and for dependent beneficiaries. The 1994 Group Annuity Table rated forward 10 years for males and 8 years for females is used for the period after disability retirement.

Representative values of the assumed annual rates of mortality after service retirement are as follows:

<u>Age</u>	<u>Males</u>	<u>Females</u>	<u>Age</u>	<u>Males</u>	<u>Females</u>
40	.125%	.082%	65	1.803%	1.076%
45	.190	.111	70	2.848	1.651
50	.321	.173	75	4.517	2.837
55	.558	.292	80	7.553	4.915
60	1.015	.583	85	11.567	8.402

ASSETS: Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market 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 market value and expected actuarial value.

VALUATION METHOD: Entry age actuarial cost method. See Schedule E for a brief description of this method.

DEATH BENEFITS: It is assumed that 100% of the membership will select a beneficiary with the male three years older than the female.

SCHEDULE E**ACTUARIAL COST METHOD**

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future (currently 7.50%), of each member's expected basic benefit (i.e. benefits other than post-retirement adjustments after the valuation date) at retirement or death is determined, based on his age, service, sex, and compensation. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the possibility of his terminating with a service, disability or survivor's benefit. Future salary increases are also anticipated. The present value of the expected basic benefits payable on account of the active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected basic benefits payable from the System on account of the present group of members and beneficiaries.
2. The employer contributions required to support the basic benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the entry age actuarial cost method. Under this method, a calculation is made to determine the level percentage rate which, if applied to the compensation of the average member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all basic benefits payable on his behalf.
4. The unfunded accrued liability is determined by subtracting the present value of prospective employer normal contributions and member contributions, together with the current actuarial value of assets held, from the present value of expected basic benefits to be paid from the System.

SCHEDULE F**SUMMARY OF MAIN SYSTEM PROVISIONS
AS INTERPRETED FOR VALUATION PURPOSES**

The Employees' Retirement System of Georgia (ERS) was established February 3, 1949 to provide retirement allowances and other benefits to employees of the State of Georgia. The commencement date was January 1, 1950. "Old Plan" means the plan applicable to members beginning employment prior to July 1, 1982, while "New Plan" means the plan applicable to members employed on or after July 1, 1982. The following summary describes the main provisions of the System.

1 - DEFINITIONS

Member

An employee of a department participating in ERS. Membership is a condition of employment.

Prior Service

Service rendered as an employee prior to January 1, 1954.

For employees of departments which became participants in ERS after the date of establishment (1950), any service prior to January 1, 1954.

Some active duty military service before January 1, 1954 may be included as prior service for employees who were members of the System prior to April 1, 1972, provided that service was not used for military or other government retirement.

Membership Service

Service after January 1, 1954 as a contributing member of a participating department.

For employees of departments which became participants in ERS after the date of establishment (1950), any service which is purchased by the employee between January 1, 1954 and the date of participation by the department.

Some service as a teacher in the public schools of Georgia may be included provided that service is not being used for teacher retirement and contributions are left on deposit.

Forfeited Leave

Six months or more of forfeited annual or sick leave for which a member is not eligible for payment at retirement. Each 20 days of such forfeited leave is equivalent to one month of service.

Creditable ServiceOld Plan

Prior service plus membership service plus forfeited leave. Upon retirement, a member with 34 years of service will receive credit for the 34 years plus membership credit for the period between the 34th year and his or her 65th birthday.

New Plan

Service for which employee and employer contributions have been paid.

Average Final Compensation

The average annual compensation of a member during the 24 consecutive calendar months of his creditable service that will yield the highest average. An adjustment will be made to allow for any contribution previously made by the member which is now made by the State.

2 - BENEFITS

Normal Retirement Allowance

Condition for Retirement

A member is eligible for normal retirement upon the attainment of age 65 and 10 years of creditable service (age 65 and 5 years service if a member before July 1, 1968), or 30 years of creditable service regardless of age.

Amount of Allowance

Old Plan

(A) x (B) x (C), where

(A) = average final compensation

(B) = creditable service, and

(C) = $.0115 + .0003 \times (\text{creditable service up to 35 years})$.

The minimum benefit is 2.00% of average final compensation times years of creditable service.

New Plan

2.00% of average final compensation multiplied by years of creditable service.

Uniform division and judicial members may be eligible for additional minimum allowances.

Early Retirement Allowance

Condition for Early Retirement

A member is eligible for early retirement upon the attainment of age 60 and 10 years of creditable service or 25 years of creditable service regardless of age.

Amount of Allowance

The annual early retirement allowance is determined in the same manner as the normal retirement allowance based on creditable service and average final compensation as of the early retirement date. If the member is less than age 60, the retirement allowance is reduced by the lesser of:

- (i) 7% for each year by which his age is less than 60, and
- (ii) 7% for each year by which his creditable service at retirement is less than 30.

Uniform division and judicial members may be eligible for additional minimum allowances.

Disability Retirement Allowance

Condition for Disability Retirement

A member is eligible for disability retirement after having at least 13 years and 4 months of service and being certified by the medical board as permanently disabled for the further performance of the duties of the position held at the time of disability.

Amount of Allowance

The annual disability retirement allowance is an immediate benefit with the amount depending upon service at the time of disability.

Uniform division members may be eligible for an additional allowance if disabled in line of duty.

Service at DisabilityAllowance

- | | |
|--|--|
| (1) 13 years 4 months
to 18 years | 75% of what the normal retirement benefit would have been had the member continued to work until age 60 with no further change in compensation |
| (2) over 18 years
to 22 years 9 months | 100% of age 60 benefit |
| (3) over 22 years 9 months
to 27 years 6 months | 75% of age 65 benefit |
| (4) over 27 years 6 months | 100% of age 65 benefit |

Involuntary Retirement

Condition for Involuntary Retirement

Member prior to April 1, 1972, termination is involuntary and without prejudice, and member has more than 18 years of membership service.

For members prior to February 13, 1962, the service requirement is more than 18 years of creditable service.

Amount of Allowance

Computed as for disability retirement.

Death Benefit

ConditionsAllowance

- | | |
|--|---|
| (1) Before retirement, before age 60, before completing 13 years 4 months service | Refund of all employee contributions plus allowable interest. |
| (2) Before retirement, before age 60; after completing 13 years 4 months service | Benefit equal to disability retirement immediately prior to death under Option 2. |
| (3) Before retirement, after age 60, more than 10 years creditable service (5 years service if member prior to July 1, 1968) | Benefit equal to retirement immediately prior to death under Option 2. |
| (4) After retirement | Payments continued to spouse as determined by options (if any) elected before retirement. |

Termination Benefits

Conditions

Allowance

- (1) Termination with less than 10 years membership service
- (2) Termination with 10 years or more membership service

Return of all member contributions and employer contributions made on behalf of member with allowable interest. Life insurance premiums paid by the employee are not refundable.

Refund of contributions plus interest as above or, if contributions retained in fund, a deferred retirement benefit at age 60 or later for early or normal retirement. Life insurance premiums paid by the employee are not refundable.

Optional Benefits

At application for retirement, a member must choose one of the following methods of payment. All forms are of equivalent actuarial value.

Maximum Benefit

Life annuity, payable to member for the member's life with the final payment (for month of member's death) going to member's designated beneficiary.

Option 1

Modified cash refund, paying a reduced retirement benefit to member so that, upon member's death, the beneficiary receives a lump sum cash settlement equal to the difference between the member's accumulated contributions at retirement and the benefit payments due to member contributions received prior to member's death.

Option 2 Joint and 100% to survivor.

Member receives a reduced allowance for life with the same allowance continuing for life of beneficiary upon member's death.

Option 3 Joint and 50% to survivor.

Member receives a reduced allowance for life with one-half member's allowance continuing to beneficiary for life upon member's death.

Other Options

Other optional forms are available with certain restrictions.

Post-Retirement Adjustments

Conditions for Adjustments

Retiree must have been receiving benefits for the previous seven months and (1) be age 45, (2) have 30 or more years of service, or (3) have a disability entitlement from the Social Security Administration. Members retiring on service retirement with less than 30 years of service or before age 60 are not eligible for adjustments until the earlier of such time as the member reaches age 60 or would have obtained 30 years of service.

Amount of Adjustment

- (1) Semi-annual cost-of-living adjustments may be made in January and July of each year upon the recommendation of the Board of Trustees.

Each adjustment in the year preceding the valuation was 1-1/2% of the base retirement allowance (original allowance before deductions plus previous cost-of-living adjustments).

- (2) Supplemental adjustments, when authorized, are made in January of each year.

3 - CONTRIBUTIONS

By Members

Old Plan

4% of annual compensation up to \$4,200 plus 6% of annual compensation over \$4,200. A member with 34 or more years of service may cease contributing until age 65, when he must resume contributing if he continues employment and wishes to receive additional service credit. The State pays member contributions except for 1-1/4% of annual compensation. These State contributions paid in behalf of members are included in the member's account for refund purposes. Covered tax officials and their employees and covered employees of State Courts continue to pay their full member contributions.

New Plan

Member contributions are 1-1/4% of annual compensation.

By Employers

The employers contribute at a specified percentage of active member payroll determined annually by actuarial valuation. The State contribution is not subject to refund upon member termination.

SCHEDULE G

TABLE 1

**THE NUMBER AND ANNUAL COMPENSATION
OF MEMBERS DISTRIBUTED BY
AGE AS OF JUNE 30, 2004**

AGE	NUMBER	MEN		WOMEN	
		AMOUNT	NUMBER	AMOUNT	NUMBER
17	1	\$ 8,174			
18	2	36,979	1	\$ 18,009	
19	39	793,280	20	414,536	
20	90	1,888,778	56	1,183,533	
21	162	3,363,486	83	1,712,067	
22	195	4,226,032	191	4,078,842	
23	304	6,999,760	352	8,070,707	
24	382	9,317,809	556	13,482,774	
25	401	9,943,716	624	15,722,670	
26	448	12,114,555	818	21,150,826	
27	527	14,680,612	904	24,013,065	
28	498	14,230,841	862	23,503,119	
29	522	14,736,652	925	25,638,170	
30	602	17,998,197	1,007	28,054,537	
31	653	19,456,737	959	27,220,805	
32	678	21,281,109	1,055	30,307,899	
33	721	23,490,623	1,032	29,599,314	
34	712	22,854,615	1,035	30,305,486	
35	706	23,550,675	1,052	30,807,627	
36	705	24,150,328	1,032	30,943,390	
37	701	24,350,504	1,036	31,776,531	
38	724	25,281,254	1,081	32,570,544	
39	775	26,293,081	1,169	35,308,168	
40	793	27,683,907	1,226	37,769,730	
41	815	28,238,576	1,252	39,195,865	
42	820	30,671,514	1,315	40,636,907	
43	813	29,533,552	1,302	41,807,392	
44	880	31,934,022	1,337	42,253,442	
45	907	33,909,204	1,390	45,782,392	
46	821	30,568,761	1,426	47,164,008	
47	900	34,750,034	1,394	47,190,728	
48	907	35,504,239	1,454	49,861,522	
49	888	34,987,010	1,497	52,594,454	
50	888	35,991,258	1,411	49,660,366	
51	944	37,813,841	1,397	50,162,898	
52	938	40,382,807	1,378	50,948,954	
53	830	35,576,291	1,283	46,300,112	
54	803	35,109,365	1,287	47,131,401	
55	844	36,984,732	1,165	43,473,607	
56	782	33,302,406	1,177	41,645,056	
57	761	32,501,304	955	35,623,271	

TABLE 1
 THE NUMBER AND ANNUAL COMPENSATION
 OF MEMBERS DISTRIBUTED BY
 AGE AS OF JUNE 30, 2004

CONTINUED

AGE	NUMBER	MEN		WOMEN	
		AMOUNT	NUMBER	AMOUNT	NUMBER
58	606	\$ 26,367,461	835	\$ 29,897,685	
59	431	17,903,431	672	24,733,131	
60	392	16,698,003	567	20,349,399	
61	381	16,822,890	486	16,771,064	
62	296	12,216,528	376	13,461,204	
63	185	8,676,463	247	8,619,988	
64	145	7,118,386	211	7,826,639	
65	95	5,056,696	126	4,277,999	
66	74	3,413,014	84	2,846,725	
67	54	2,155,131	76	2,581,817	
68	42	1,973,138	46	1,400,377	
69	44	2,088,454	32	1,127,886	
70	30	1,518,415	29	1,071,120	
71	19	1,041,359	17	542,396	
72	13	586,754	9	255,549	
73	14	570,495	10	324,202	
74	14	650,071	10	318,241	
75	10	660,000	9	272,927	
76	5	247,872	4	207,214	
77	2	102,329	4	133,621	
78	4	352,422	4	117,995	
79	4	232,821	1	29,755	
80	1	17,731	1	21,477	
81	2	81,007			
82	1	53,035			
83			1	18,009	
84			1	18,326	
85			2	54,156	
86	1	58,299			
87	2	87,729			
88			1	14,915	
TOTAL	28,749	\$ 1,053,240,554	43,357	\$ 1,392,378,539	

TABLE 2

THE NUMBER AND ANNUAL COMPENSATION
OF MEMBERS DISTRIBUTED BY YEARS OF
CREDITED SERVICE AS OF JUNE 30, 2004

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	1,170	\$ 28,876,969	1,717	\$ 44,299,206
1	2,297	66,093,396	3,882	103,833,777
2	2,314	71,794,846	3,981	110,827,891
3	2,088	67,318,057	3,269	92,144,541
4	1,807	60,759,344	3,270	93,337,684
5	1,437	48,215,118	2,484	71,551,761
6	1,304	43,011,953	2,064	60,876,039
7	1,095	37,321,895	1,492	44,196,688
8	890	30,062,687	1,161	36,264,120
9	942	33,518,583	1,260	39,042,306
10	1,186	41,646,679	1,444	45,201,053
11	1,022	36,111,363	1,271	39,992,851
12	929	34,753,574	1,030	33,701,937
13	519	19,352,958	759	25,030,855
14	840	32,239,471	1,237	42,317,283
15	1,069	39,002,988	1,385	46,074,799
16	851	33,325,568	1,173	40,404,665
17	735	29,166,751	996	34,900,781
18	667	27,486,000	960	34,860,852
19	709	30,020,659	978	35,742,524
20	600	25,367,946	804	30,681,887
21	473	21,713,861	616	24,227,540
22	433	18,937,100	538	21,287,807
23	363	17,043,827	599	24,969,968
24	399	19,546,316	651	26,572,493
25	411	19,888,964	639	26,962,921
26	393	19,657,571	559	24,164,444
27	333	17,390,727	562	24,200,561
28	265	14,128,362	512	22,184,226
29	230	12,843,505	423	19,302,051
30	309	17,670,850	577	25,013,844
31	288	16,424,495	420	17,999,947
32	225	13,191,941	327	15,539,326
33	101	5,732,483	212	9,967,184
34	27	1,467,991	79	3,450,476
35	7	506,806	9	369,503
36	6	442,133	4	119,885
37	3	187,790	3	184,835
38	2	172,118	2	131,193
39			2	112,580
40	3	139,588	3	203,228
41	3	277,648	1	60,052
42	1	104,910	1	27,803
43	2	214,518		
44	1	110,247	1	43,172
TOTAL	28,749	\$ 1,053,240,554	43,357	\$ 1,392,378,539

TABLE 3

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

SERVICE RETIREMENTS

AGE	NUMBER	MEN		WOMEN	
		NUMBER	AMOUNT	NUMBER	AMOUNT
43	1		\$ 31,788		
44				1	\$ 25,167
45	2		28,229	2	21,419
46	6		95,495		
47	3		37,618	10	151,660
48	6		109,424	5	78,259
49	17		406,596	7	134,379
50	25		712,458	24	483,551
51	53		1,810,756	38	962,649
52	63		2,310,979	80	2,218,135
53	100		4,399,193	118	3,966,516
54	115		5,441,341	161	5,865,695
55	192		9,511,302	203	7,605,226
56	274		13,999,167	257	9,582,764
57	338		16,963,917	298	11,686,375
58	299		14,848,752	246	9,223,335
59	279		13,784,759	239	8,215,190
60	325		14,707,926	302	10,157,050
61	374		16,016,873	367	10,554,070
62	398		15,606,718	452	10,960,800
63	464		17,139,219	449	9,948,719
64	445		15,178,230	478	10,341,724
65	470		15,381,368	494	9,983,314
66	439		14,461,279	483	9,324,824
67	448		14,592,016	456	8,670,799
68	406		12,370,021	428	7,785,135
69	420		11,898,995	382	6,488,453
70	407		11,812,285	400	6,736,803
71	380		11,043,535	399	6,735,513
72	348		9,420,705	366	5,621,865
73	333		8,869,629	362	5,654,529
74	291		7,044,292	325	4,872,999
75	291		6,959,151	297	4,111,438
76	263		6,392,041	274	4,087,349
77	246		5,941,033	295	4,445,481
78	214		5,306,924	265	3,981,150
79	216		4,972,465	290	4,133,246
80	191		4,567,760	251	3,533,685

TABLE 3

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

SERVICE RETIREMENTS

CONTINUED

AGE	NUMBER	MEN		WOMEN	
			AMOUNT	NUMBER	AMOUNT
81	167	\$	3,147,043	223	\$ 3,010,324
82	154		3,107,344	229	3,011,690
83	148		2,813,116	199	2,443,788
84	119		2,662,276	191	2,337,953
85	102		1,804,879	143	1,647,908
86	84		1,695,651	120	1,412,796
87	60		1,111,776	105	1,070,768
88	44		762,564	96	1,195,811
89	37		633,790	63	705,315
90	42		822,319	56	609,035
91	23		548,114	35	453,165
92	22		465,632	45	569,635
93	11		207,790	20	145,476
94	12		192,682	25	378,072
95	6		68,518	14	109,948
96	4		65,032	14	210,398
97	4		61,165	13	131,909
98	4		24,352	1	2,960
99	1		38,615	3	26,910
100	1		27,755	3	11,553
101				3	34,474
103	1		5,756	1	5,685
105				1	5,937
TOTAL	10,188	\$	334,440,408	11,107	\$ 227,880,774

TABLE 4

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

DISABILITY RETIREMENTS

AGE	NUMBER	MEN		WOMEN	
		NUMBER	AMOUNT	NUMBER	AMOUNT
34	1		\$ 17,395		
35	1		12,021		
36	1		16,969		
37				1	\$ 22,741
38	5		128,586		
39	4		101,582	4	88,246
40	18		382,733	6	141,970
41	7		163,812	8	171,763
42	21		536,152	12	221,379
43	20		440,613	16	308,769
44	30		812,016	18	357,837
45	23		769,401	19	451,930
46	29		701,157	24	505,864
47	41		1,069,328	32	769,427
48	35		1,128,117	43	1,046,485
49	48		1,386,764	44	1,069,491
50	77		2,358,514	58	1,428,909
51	67		2,151,290	66	1,457,625
52	71		2,241,693	86	2,312,261
53	94		3,105,552	93	2,263,126
54	126		4,224,066	83	2,125,213
55	124		4,239,423	96	2,233,477
56	138		4,495,581	85	2,017,100
57	157		4,750,372	108	2,613,525
58	114		3,403,366	118	2,695,467
59	98		2,646,135	83	1,590,262
60	98		2,590,841	110	2,176,356
61	92		2,607,278	101	1,738,532
62	82		2,316,065	94	1,723,963
63	68		1,663,444	71	1,362,818
64	60		1,701,480	70	1,378,901
65	43		1,028,711	53	880,407
66	57		1,351,458	50	722,570
67	38		888,781	41	570,741
68	35		710,687	33	459,787
69	25		567,357	29	452,805
70	23		543,917	29	380,659
71	30		649,450	17	251,740
72	28		602,040	21	236,082
73	12		297,117	18	293,182
74	21		429,654	8	189,439

TABLE 4

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

DISABILITY RETIREMENTS

CONTINUED

AGE	NUMBER	MEN		WOMEN	
		AMOUNT	NUMBER	AMOUNT	NUMBER
75	16	\$ 346,705	17	\$ 208,509	
76	18	345,559	15	249,236	
77	8	206,909	11	141,143	
78	12	256,333	12	180,458	
79	10	281,775	5	62,275	
80	9	231,415	11	135,907	
81	9	175,328	9	109,437	
82	9	149,705	11	171,291	
83	11	283,939	3	43,455	
84	9	130,275	7	50,283	
85	5	119,137	7	100,273	
86	3	40,459	1	32,469	
87	4	79,408	5	71,002	
88			2	54,906	
89			1	13,702	
90	2	49,847	4	20,076	
91			1	3,506	
92			1	2,312	
93			2	19,870	
94			1	5,739	
TOTAL	2,187	\$ 61,927,709	1,974	\$ 40,386,698	

TABLE 5

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

BENEFICIARIES OF DECEASED
ACTIVE AND RETIRED MEMBERS

AGE	NUMBER	MEN		WOMEN	
			AMOUNT	NUMBER	AMOUNT
19	2	\$	20,952	3	\$ 16,715
20	4		39,460	3	20,220
21				4	42,620
22	2		27,779	2	20,128
23	1		6,750	6	45,488
24	7		40,631	3	26,881
25	6		25,023	3	21,789
26	4		40,529	4	52,332
27	3		29,082	5	88,371
28	7		73,835	2	5,348
29	5		43,385	6	29,256
30	4		34,660	6	48,504
31	6		54,774	7	52,962
32	10		61,920	6	34,603
33	3		15,046	12	68,567
34	9		71,781	9	48,317
35	6		41,248	14	109,846
36	7		112,215	14	50,941
37	7		35,732	8	55,193
38	11		41,867	18	93,050
39	8		28,045	16	93,613
40	12		93,726	19	138,373
41	13		68,851	21	169,007
42	6		70,297	15	112,739
43	13		73,252	22	145,464
44	10		36,901	13	183,605
45	14		60,848	20	174,958
46	7		29,851	27	254,546
47	12		76,534	22	187,355
48	4		55,604	22	214,681
49	21		149,342	34	368,603
50	13		78,462	24	277,000
51	11		91,305	39	545,927
52	14		142,796	40	617,892
53	13		96,468	39	566,675
54	15		167,371	38	702,454
55	22		231,921	48	824,714
56	18		136,036	48	769,157
57	16		248,599	52	1,039,748
58	21		247,331	52	920,967

TABLE 5

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

BENEFICIARIES OF DECEASED
ACTIVE AND RETIRED MEMBERS

CONTINUED

AGE	NUMBER	MEN		WOMEN	
			AMOUNT	NUMBER	AMOUNT
59	17	\$	168,816	51	\$ 929,734
60	15		232,647	70	1,180,946
61	13		172,191	68	1,066,348
62	16		232,582	52	1,026,278
63	12		153,787	68	1,257,185
64	13		200,695	61	746,374
65	13		134,111	68	952,229
66	21		247,928	76	1,156,860
67	12		209,373	84	1,277,710
68	14		239,660	93	1,438,415
69	14		96,452	93	1,319,666
70	9		98,916	91	1,218,909
71	15		159,217	91	1,231,568
72	11		143,267	90	1,374,972
73	12		145,888	98	1,384,764
74	12		118,561	118	1,501,124
75	12		168,963	92	1,351,755
76	13		151,575	111	1,404,178
77	6		50,223	121	1,610,506
78	6		103,332	115	1,697,013
79	18		201,282	118	1,536,008
80	8		115,251	101	1,234,872
81	5		24,079	129	1,493,893
82	4		40,122	111	1,132,348
83	7		82,823	127	1,269,085
84	2		10,892	99	964,330
85	10		115,435	102	1,032,703
86	6		43,219	74	816,371
87	7		66,745	60	577,282
88	2		8,577	69	604,534
89	2		19,497	42	388,319
90	3		36,549	48	355,896
91				26	150,491
92	2		22,527	39	361,249
93				25	143,718
94				14	59,460
95				18	100,576
96	1		7,717	6	31,745

TABLE 5

THE DISTRIBUTION OF THE NUMBER AND ANNUAL
RETIREMENT ALLOWANCES OF RETIREES
DISTRIBUTED BY AGE AS OF JUNE 30, 2004

BENEFICIARIES OF DECEASED
ACTIVE AND RETIRED MEMBERS

CONTINUED

AGE	NUMBER	MEN	AMOUNT	NUMBER	WOMEN	AMOUNT
97				10	\$	86,314
98				4		35,964
99				3		25,803
100				4		41,245
101				2		6,617
103				1		5,580
TOTAL	700	\$	7,023,111	3,689	\$	46,819,545