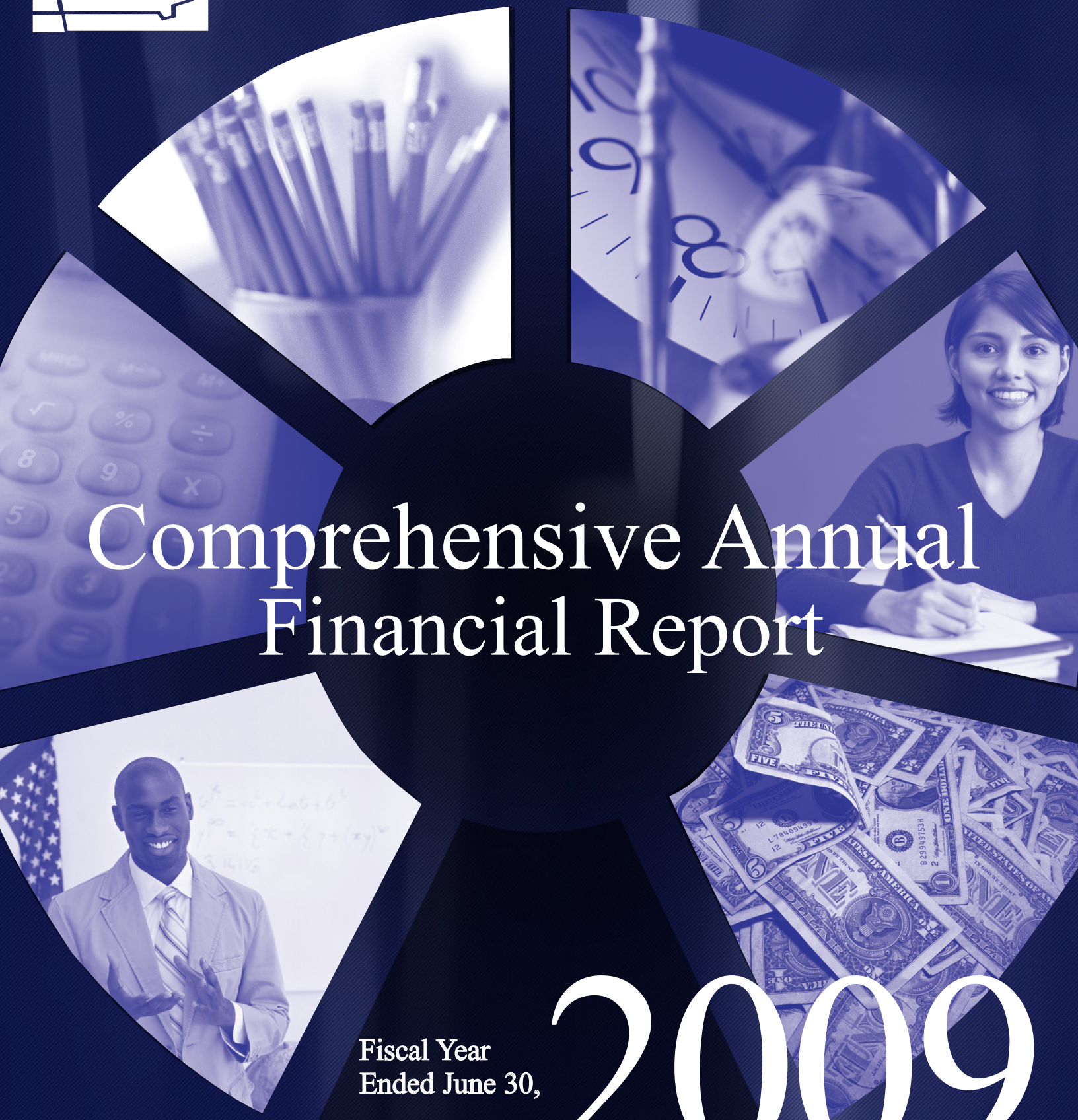
TEACHERS RETIREMENT SYSTEM OF GEORGIA

A COMPONENT UNIT OF THE STATE OF GEORGIA



# Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2009

Our mission is to provide
Exceptional Service
in the administration of pension benefits
and related services to
TRS members, retirees, and employers.

A COMPONENT UNIT OF
THE STATE OF GEORGIA

**TEACHERS RETIREMENT SYSTEM OF GEORGIA**

Jeffrey L. Ezell
Executive Director

# Comprehensive Annual Financial Report

Fiscal Year
Ended June 30, 2009

# Table of Contents

## Introductory Section


| | |
|---|---|
| Certificate of Achievement | 3 |
| Public Pension Standards Award | 4 |
| Board of Trustees | 5 |
| Letter of Transmittal | 6 |
| Your Retirement System | 9 |
| System Assets | 10 |
| Administrative Staff and Organization | 11 |
| Summary of Plan Provisions | 12 |


## Financial Section


| | |
|---|---|
| Independent Auditors' Report | 15 |
| Management's Discussion & Analysis | 16 |
| Basic Financial Statements: | |
| Statements of Plan Net Assets | 20 |
| Statements of Changes in Plan Net Assets | 21 |
| Notes to Financial Statements | 22 |
| Required Supplementary Schedules: | |
| Schedule of Funding Progress | 32 |
| Schedule of Employer Contributions | 32 |
| Notes to Required Supplementary Schedules | 33 |
| Additional Information: | |
| Schedule of Administrative Expenses | 34 |
| Schedule of Investment Expenses | 35 |


## Investment Section


| | |
|---|---|
| Investment Overview | 36 |
| Rates of Return | 37 |
| Asset Allocation | 38 |
| Schedule of Fees and Commissions | 38 |
| Investment Summary | 38 |
| Portfolio Detail Statistics | 39 |


## Actuarial Section


| | |
|---|---|
| Actuary's Certification Letter | 40 |
| Summary of Actuarial Assumptions and Methods | 41 |
| Actuarial Valuation Data | 43 |


## Statistical Section


| | |
|---|---|
| Statistical Section Overview | 46 |
| Financial Trends | 47 |
| Operating Information | 49 |

# Certificate of Achievement

## Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Teachers Retirement System of Georgia

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

# Public Pension Standards Award

Public Pension Coordinating Council

## *Public Pension Standards Award For Funding and Administration 2009*

Presented to

## *Teachers Retirement System of Georgia*

In recognition of meeting professional standards for
plan funding 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)

Alan H. Winkle
Program Administrator

# Board of Trustees

*Mr. J. Alvin Wilbanks
**CHAIR**
Administrator
Appointed by the Governor
Term Expires 6/30/10

*Mr. Russell W. Hinton
**VICE-CHAIR**
State Auditor
Ex-Officio

*Dr. Virginia J. Dixon
Retired Teacher
Elected by the Board of Trustees
Term Expires 6/30/12

*Mr. W. Daniel Ebersole
Director, Office of Treasury
and Fiscal Services
Ex-Officio

Dr. Lorelle C. "Buster" Evans
TRS Member
Appointed by the Governor
Term Expires 6/30/12

*Mr. Charles D. Moseley, Jr.
Citizen of the State
Appointed by the Governor
Term Expires 6/30/11

*Mr. Thomas W. Norwood
Investment Professional
Elected by the Board of Trustees
Term Expires 6/30/11

Dr. Ralph E. Steuer
TRS Member
Appointed by the Board of Regents
Term Expires 6/30/12

* Investment Committee Member

# Letter of Transmittal

**Teachers Retirement System of Georgia**

**Jeffrey L. Ezell**
Executive Director

December 15, 2009
Board of Trustees
Teachers Retirement System of Georgia
Atlanta, Georgia

I am pleased to present the Comprehensive Annual Financial Report of the Teachers Retirement System of Georgia (the "System") for the fiscal year ended June 30, 2009. Responsibility for both the accuracy of the data, and completeness and fairness of the presentation, including all disclosures, rests with the management of the System. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the System. I trust that you will find this report helpful in understanding your retirement system.

## Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Teachers Retirement System of Georgia for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. This was the 21st consecutive year that the System has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

## History and Overview

The System was created in 1943 by an act of the Georgia General Assembly to provide retirement security to those individuals who choose to dedicate their lives to educating the children of the State of Georgia. A summary of the System's benefits is provided on pages 12-14 of this report.

The System is the largest public pension fund in the State of Georgia, the 27th largest pension fund in the United States and the 55th largest pension fund in the world.

The System is administered by a ten-member Board of Trustees. The Executive Director and over 190 employees are responsible for the administration and operations of the System, which serves more than 386,910 active and retired members, and 392 employers.

## Legislation

The 2009 Georgia General Assembly passed one piece of legislation that impacts the System. This bill amends the retirement system's investment authority by allowing the System to increase its equity investments. This bill provides for incremental increases in the allowable percentage amounts to 65% effective April 21, 2009; 70% effective July 1, 2010; and 75% effective July 1, 2011. This bill further amends the system's investment authority by removing the 15% restriction on investments in corporations or in obligations of corporations in a country other than the United States or Canada.

## Financial Information

The management of the System is charged with the responsibility of maintaining a sound system of internal accounting controls. The objectives of such a system are to provide management with reasonable assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorizations, and that they are recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Even though there are inherent limitations in any system of internal control, the management of the System makes every effort to ensure that through systematic reporting and internal reviews, errors or fraud would be quickly detected and corrected.

Please refer to Management's Discussion and Analysis starting on page 16 of this report for an overview of the financial status of the System including a summary of the System Net Assets, Changes in Net Assets, and Asset Allocations.

INVESTMENTS — The System has continued to invest in a mix of high quality bonds and stocks as it historically has done. These types of investments have allowed the System to participate in rising markets, while moderating the risks on the downside. New funds continue to be invested in high quality securities. A high quality balanced fund has proven to be a successful strategy in a variety of markets over a long period of time.

As in previous years, maintaining quality was a primary goal and was successfully met. "Conservation of Capital" and "Conservatism" continue to be the principal guides in investment decisions. The System continued to use a diversified portfolio to accomplish these objectives.

FUNDING — The System's funding policy provides for employee and employer contributions at rates that, expressed as a percentage of annual covered payroll, are sufficient to provide resources to pay benefits when due.

A useful indicator of the funded status of a retirement system is the relationship between the actuarial value of assets and the actuarial accrued liabilities. The greater the level of funding, the larger the ratio of the actuarial value of assets to the actuarial accrued liabilities.

The System continues to remain strong as evidenced by the ratio of the actuarial value of assets to the actuarial accrued liabilities. This ratio was 91.9% in the fiscal year ended June 30, 2008. The ultimate test of the financial soundness of a retirement system is its ability to pay all promised benefits when due. I am proud to say that through the continued wisdom and the support of Governor Sonny Perdue and the Georgia General Assembly, the System has been and continues to be funded on an actuarially sound basis, thus providing the membership the comfort and security they expect from their retirement system.

## Initiatives

In our continuous effort to make the services we provide to our members faster, friendlier, and easier, we continued to focus our efforts on providing excellent customer service throughout the System. The Customer Excellence Program continues to be extremely successful. In the last two years, we have conducted outreach events in 100% of all Georgia counties. Of those members surveyed, 97% of the members were extremely satisfied with the services and information provided.

In 2008-2009, 1,850 members visited the System's office to receive counseling and our retirement planners provided pre-retirement counseling to an additional 2,511 members throughout the State. The outreach team was also responsible for 216 pre-retirement, mid-career and new member workshops that were conducted across the State reaching approximately 18,000 members. We continued to partner with the leadership and members of various educational associations throughout the State by providing educational presentations and counseling services at their annual conferences and regional meetings.

Our online presence continues to grow and expand. The number of active member and retiree ac-

# Letter of Transmittal

count registrations totaled 110,375 and 17,005 respectively. The number of beneficiary changes made online was still significant at 21,160. There were 6,095 benefit estimates generated by members within five years of retirement.

The System enhanced its web site for easier navigation and information presentation. We added new sections of interest for our members, such as the "Stats at a Glance" section which is an interactive State map showing statistical information for each county. Along with new sections of interest we have made it possible for our members to complete all forms online, whereas they previously had to print the form and manually complete.

Most importantly the System began the development of our new online retirement application process. There are three Phases:

- Phase I will allow members to submit their applications for retirement online, including all related forms. This will eliminate manual inputting of data and shorten the processing time needed to place a member on payroll.
- Phase II will allow employers to submit sick leave and retirement certification forms online.
- Phase III will allow members applying for disability retirement to submit their applications online and allow medical doctors to submit related documentation online as well.

## Other Information

INDEPENDENT AUDIT — The Board of Trustees requires an annual audit of the financial statements of the System by independent, certified public accountants. The accounting firm of KPMG LLP was selected by the Board. The independent auditors' report on the statements of plan net assets and the related statements of changes in plan net assets is included in the Financial Section of this report.

ACKNOWLEDGMENTS — The compilation of this report reflects the combined effort of the staff under the leadership of the Board of Trustees. It is intended

to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets contributed by the System's members, their employers, and the State of Georgia.

Copies of this report can be obtained by contacting the System, or may be downloaded from the System's web site.

I would like to take this opportunity to express my gratitude to Governor Sonny Perdue, members of the Georgia General Assembly, the staff, the advisors, and to the many people who have worked so diligently to ensure the successful operation of the System.

Sincerely,

Jeffrey L. Ezell
Executive Director

| Financial Highlights | June 30, 2009 | June 30, 2008 | % Change |
|---|---|---|---|
| Member Contributions | $ 567,635,000 | $ 554,027,000 | + 2.5 |
| Employer Contributions | $ 1,026,287,000 | $ 986,759,000 | + 4.0 |
| Interest and Dividend Income | $ 1,401,719,000 | $ 1,633,111,000 | − 14.2 |
| Benefits Paid to Retired Members | $ 2,534,487,000 | $ 2,756,483,000 | − 8.1 |
| Member Withdrawals | $ 49,414,000 | $ 54,482,000 | − 9.3 |
| Interest Credited to Member Contributions | $ 241,359,000 | $ 227,201,000 | + 6.2 |
| **Statistical Highlights** | | | |
| Active Membership | 226,560 | 225,024 | + 0.7 |
| Members Leaving the System | 6,939 | 8,148 | − 14.8 |
| Retired Members | 82,382 | 78,633 | + 4.8 |
| Average Monthly Benefit | $ 2,620 | $ 2,528 | + 3.6 |

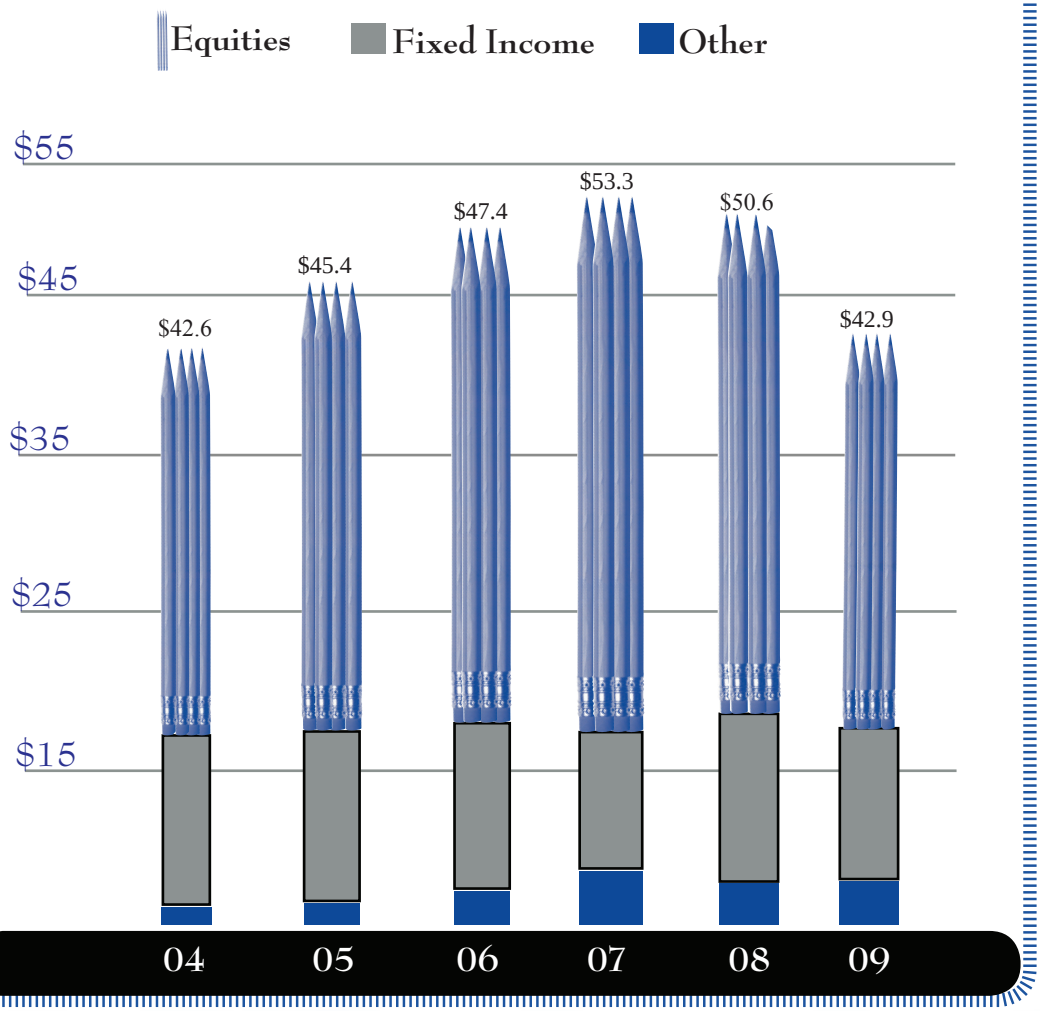
# System Assets

## Total System Assets at June 30 (in thousands)

| | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 |
|---|---|---|---|---|---|---|
| Equities | $25,120,626 | $27,121,761 | $28,654,452 | $32,928,370 | $29,530,826 | $23,733,154 |
| Fixed Income | 16,469,405 | 17,075,215 | 17,243,798 | 17,115,170 | 19,801,442 | 17,944,548 |
| Other[1] | 1,053,021 | 1,160,906 | 1,489,478 | 3,249,443 | 1,287,660 | 1,175,665 |
| Total System Assets | $42,643,052 | $45,357,882 | $47,387,728 | $53,292,983 | $50,619,928 | $42,853,367 |

[1] Includes receivables, cash, short-term securities, mortgage loans, and capital assets, net.

## Growth of Total System Assets (in billions)



# Administrative Staff & Organization

Jeffrey L. Ezell
Executive Director

Stephen J. Boyers
Chief Financial Officer

Charles W. Cary, Jr.
Chief Investment Officer
Investment Services

Diann F. Green
Director
Retirement Services

Lisa M. Hajj
Director
Communications

Dina N. Jones
Director
Member Services

Gregory J. Rooks
Controller
Financial Services

J. Gregory McQueen
Director
Information Technology

Tonia T. Morris
Director
Human Resources

Charles P. Warren
Director
Employer Services and
Contact Management

## Consulting Services

**Actuary**
Cavanaugh Macdonald Consulting, LLC

**Auditor**
KPMG LLP

**Medical Advisors**
Gordon J. Azar, M.D.
Atlanta, Georgia
Arthur S. Booth, Jr., M.D.
Atlanta, Georgia
Joseph W. Stubbs, M.D.
Albany, Georgia

## Investment Advisors

Albritton Capital Management
Sands Capital Management
Montag & Caldwell
NCM Capital Management Group
Fisher Investments
Philadelphia International Advisors
Mesirow Financial Investment Management
Munder Capital Management
RidgeWorth Capital Management
Barrow, Hanley, Mewhinney & Strauss
Cooke & Bieler

# Summary of Plan Provisions

## *Introductory Section*

### Purpose

The Teachers Retirement System of Georgia (the "System") was established in 1943 by an act of the Georgia General Assembly for the purpose of providing retirement allowances and other benefits for teachers of this state. The System has the power and privileges of a corporation, and the right to bring and defend actions.

The major objectives of the System are (1) to pay monthly benefits due to retirees accurately and in a timely manner, (2) to soundly invest retirement funds to insure adequate financing for future benefits due and for other obligations of the System, (3) to accurately account for the status and contributions of all active and inactive members, (4) to provide statewide educational and counseling services for System members, and (5) to process refunds due terminated members.

### Administration

State statutes provide that the administration of the System be vested in a ten-member Board of Trustees comprised as follows:

Ex-officio members:

- the State Auditor,
- the Director of the Office of Treasury and Fiscal Services,

Governor's appointees:

- two active members of the System who are classroom teachers and not employees of the Board of Regents,
- one active member of the System who is a public school administrator,
- one active member of the System who is not an employee of the Board of Regents,
- one member to be selected by the Governor,

Board of Regents appointee:

- one active member of the System who is an employee of the Board of Regents,

Trustee appointees:

- one member who has retired under the System,
- one individual who is a citizen of the state, not a member of the System and experienced in the investment of money.

A complete listing of the current Board of Trustees is included on page 5 of this report.

Management of the System is the responsibility of the Executive Director who is appointed by the Board and serves at its pleasure. On behalf of the Board, the Executive Director is responsible for the proper operation of the System, engaging such actuarial and other services as shall be necessary to transact business, and paying expenses necessary for operations. A listing of the administrative staff is included on page 11 of this report.

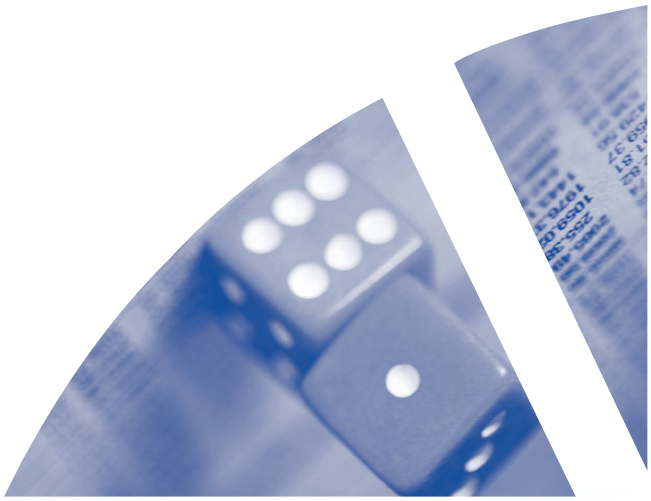
### Membership

All personnel in covered positions of the state's public school systems, technical colleges, RESA units and all colleges and universities comprising the University System of Georgia who are employed one-half time or more, except eligible faculty members electing to participate in the Board of Regents of the University System of Georgia Optional Retirement Plan, are required to be members of the System as a condition of employment.

### Eligibility

#### Service Retirement

Active members may retire and elect to receive monthly retirement benefits after one of the following conditions: 1) completion of 10 years of creditable service and attainment of age 60, or 2) completion of 25 years of creditable service.



### Disability Retirement

Members are eligible to apply for monthly retirement benefits under the disability provision of the law if they are an active member, have at least 10 years of creditable service, and are permanently disabled.

## The Formula

### Normal Retirement

Any member who has at least 30 years of creditable service or who has at least 10 years of creditable service and has attained age 60 will receive a benefit calculated by using the percentage of salary formula. Simply stated, two percent (2%) is multiplied by the member's years of creditable service established with the System, including partial years (not to exceed 40 years). The product is then multiplied by the average monthly salary for the two highest consecutive membership years of service. The resulting product is the monthly retirement benefit under the maximum plan of retirement.

### Early Retirement

Any member who has not reached the age of 60 and has between 25 and 30 years of creditable service will receive a reduced benefit. The benefit will be calculated using the percentage of salary formula explained above. It will then be reduced by the lessor of 1/12 of 7% for each month the member is below age 60, or 7% for each year or fraction thereof the member has less than 30 years of creditable service. The resulting product is the monthly retirement benefit under the maximum plan of retirement.

### Disability Retirement

Disability retirement benefits are also calculated using the percentage of salary formula explained above. The resulting product is the monthly disability retirement benefit under the maximum plan. There is no age requirement for disability retirement.

## Plan A - Maximum Plan of Retirement

This plan produces the largest possible monthly benefit payable to the member only during his or her lifetime. There are no survivorship benefits under this plan.

## Plan B - Optional Plans of Retirement

Upon retirement, a member of the System may elect one of six optional plans that provide survivorship benefits. The election of an optional form of payment is made upon application for retirement and it becomes irrevocable upon distribution of the first benefit check. The six options are as follows:

### Option 1

The retiring member accepts a relatively small reduction from the maximum monthly benefit in order to guarantee to the estate, beneficiary or beneficiaries named on the retirement application, a lump-sum refund of any remaining portion of member contributions and interest.

### Option 2

This plan offers the retiring member a reduced monthly benefit, based on the ages of the member and the beneficiary, payable for life. It further provides a guarantee to the surviving named beneficiary that, at the death of the retired member, the beneficiary will receive the same basic monthly retirement allowance the member received at the date of retirement plus any cost-of-living increases the member received up to the time of death.

### Option 2 Pop-Up

Any member may elect a reduced retirement allowance to be designated "Option 2 Pop-Up" with the provision that if the beneficiary dies prior to the retiree that the basic benefit payable to the retiree shall

increase to an amount as though the retiree had not selected an optional plan of retirement.

### Option 3

This plan of retirement offers a reduced monthly benefit that is based on the ages of the member and the beneficiary. The resulting benefit is paid to the retired member for life, with the guarantee to the surviving named beneficiary that at the time of the retired member's death, the beneficiary will receive a payment for life of one-half of the initial monthly benefit received by the member at the time of retirement plus one-half of any cost-of-living increases the member received up to the time of death.

### Option 3 Pop-Up

Any member may elect a reduced retirement allowance to be designated "Option 3 Pop-Up" with the provision that if the beneficiary dies prior to the retiree, the basic benefit payable to the retiree shall increase to an amount as though the retiree had not selected an optional plan of retirement.

### Option 4

This plan allows the retiring member to select a specific monthly amount other than provided for in the other options, which will be paid for life following a retiree's death to the living beneficiary. The beneficiary would also receive a pro-rata share of any cost-of-living increases the member received up until the time of death, or the benefit will be divided among the beneficiaries in accordance with the percentage or specific dollar designations made by the member at the time of retirement. One major difference in this plan is that the retiring member may actually elect that following his or her death, a certain amount of money can be paid monthly to a beneficiary rather than a percentage.

## Partial Lump-Sum Option Plan

TRS offers a Partial Lump-Sum Option Plan (PLOP) at retirement. In exchange for a permanently reduced lifetime benefit, a member may elect to receive a lump-sum distribution in addition to a monthly retirement benefit. The age of the member and plan of retirement are used to determine the reduction in the benefit.

A member is eligible to participate in the Partial Lump-Sum Option Plan if he or she meets the following criteria. A member must:

- have 30 years of creditable service or 10 years of creditable service and attain age 60 (not early retirement).
- not retire with disability benefits.

At retirement, a member may elect a lump-sum distribution in an amount between 1 and 36 months of his or her normal monthly retirement benefit. This amount will be calculated under Plan A - Maximum Plan of Retirement and will be rounded up and down to be a multiple of $1,000. If a PLOP distribution is elected, the monthly benefit is actuarially reduced to reflect the value of the PLOP distribution. The combination of both the PLOP distribution and the reduced benefit are the same actuarial value as the unreduced normal benefit alone.

## Financing the System

The funds to finance the System come from member contributions, 5% of annual salary; employer contributions, 9.28% of annual salary; and investment income.

# Independent Auditors' Report



KPMG LLP
Suite 2000
303 Peachtree Street, NE
Atlanta, GA 30308
www.kpmg.com

The Board of Trustees
Teachers Retirement System of Georgia:

We have audited the accompanying statements of plan net assets of Teachers Retirement System of Georgia (the System), a component unit of the State of Georgia, as of June 30, 2009 and 2008, and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial status of the System as of June 30, 2009 and 2008, and the changes in financial status for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2009 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

The 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 U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules of administrative expenses and investment expenses 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 been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

December 15, 2009

# Financial Section

This section provides a discussion and analysis of the financial performance of the Teachers Retirement System of Georgia (the System) for the years ended June 30, 2009 and 2008. The discussion and analysis of the System's financial performance is within the context of the accompanying financial statements and disclosures following this section.

## Financial Highlights

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

- At June 30, 2009, the System's assets exceeded its liabilities by $42.5 billion (reported as net assets) as compared to the net assets of $50.1 billion at June 30, 2008, representing a decrease of $7.6 billion. At June 30, 2008, the System's assets exceeded its liabilities by $50.1 billion (reported as net assets) as compared to the net assets of $53.1 billion at June 30, 2007, representing a decrease of $3.0 billion.
- Contributions from members increased by $13.6 million or 2.5% from $554.0 million in 2008 to $567.6 million in 2009. Contributions by employers increased by $39.5 million or 4.0% from $986.8 million in 2008 to $1.0 billion in 2009. Contributions from members increased by $29.1 million or 5.5% from $524.9 million in 2007 to $554.0 million in 2008. Contributions by employers increased by $59.4 million or 6.4% from $927.4 million in 2007 to $986.8 million in 2008. These increases are due to increases in membership and higher average payrolls during each of the fiscal years ended June 30, 2009 and 2008.
- Pension benefits paid to retirees and beneficiaries for the years ended June 30, 2009 and 2008 were $2.5 billion and $2.8 billion, representing a decrease of 8.1% and an increase of 20.7%, respectively. This is due to increases in the number of retirees and beneficiaries receiving benefit payments and postretirement benefit adjustments in both years, and a reduction of the liability involving retroactive benefit payments in 2009.

## Overview of the Financial Statements

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

The System prepares its financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board. 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 plan's funding. The two schedules include (1) a schedule of funding progress and (2) a schedule of employer contributions.

## Statements of Plan Net Assets

The *Statement of Plan Net Assets* is the statement of financial position, presenting information that includes all of the System's assets and liabilities, with the balance reported as and 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 20.

## Statements of Changes in Plan Net Assets

The *Statement of Changes in Plan Net Assets* reports how the System's net assets changed during the fiscal year. The additions and the deductions to net assets are summarized in this statement. The additions include contributions and investment income (loss), which includes the net decrease in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses. These statements are presented on page 21.

## Notes to the Financial Statements

The accompanying notes to the financial statements provide information essential to a full understanding of the System's financial statements. The notes to the financial statements begin on page 22 of this report.

## Required Supplementary Schedules

A brief explanation of the two required schedules found beginning on page 32 of this report follows:

### *Schedule of Funding Progress*

This schedule includes historical trend information for the last six consecutive fiscal years about the actuarially funded status of the plan from a long-term, ongoing plan perspective, and the progress made in accumulating sufficient assets to pay benefits when due.

### *Schedule of Employer Contributions*

This schedule presents historical trend information for the last six consecutive fiscal years about the annual required contributions of employers and the contributions made by employers in relation to the requirement.

## Financial Analysis of the System

A summary of the System's net assets at June 30, 2009, 2008, and 2007 is as follows (amounts in thousands):

| | Net Assets June 30 | | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | Amount Change | Percentage Change | Amount Change | Percentage Change |
| **Assets:** | | | | | | | |
| Cash and Receivables | $ 486,723 | $ 414,867 | $ 612,774 | $ 71,856 | 17.3 % | $ (197, 907) | (32.3)% |
| Investments | 42,362,621 | 50,197,679 | 52,669,796 | (7,835,058) | (15.6)% | (2,472,117) | (4.7)% |
| Capital Assets, net | 4,023 | 7,382 | 10,413 | (3,359) | (45.5)% | (3,031) | (29.1)% |
| Total Assets | 42,853,367 | 50,619,928 | 53,292,983 | (7,766,561) | (15.3)% | (2,673,055) | (5.0)% |
| **Liabilities:** | | | | | | | |
| Due to Brokers and Accounts Payable | 374,784 | 556,328 | 159,882 | (181,544) | (32.6)% | 396,446 | 248.0 % |
| Net Assets | $ 42,478,583 | $ 50,063,600 | $ 53,133,101 | $ (7,585,017) | (15.2)% | $ (3,069,501) | (5.8)% |

As indicated above, the $7.6 billion decrease and $3.1 billion decrease in net assets in 2009 and 2008, respectively, are principally related to the declining equities markets in 2009 and 2008. The decrease in investments is analyzed below.

The following table presents the investment allocation at June 30, 2009, 2008, and 2007:

| | 2009 | 2008 | 2007 |
|---|---|---|---|
| **Asset Allocation at June 30** (in percentages) | | | |
| Equities | 56.0 % | 58.8 % | 62.5 % |
| U.S. Treasuries | 24.8 % | 27.3 % | 18.9 % |
| U.S. Agencies | 2.0 % | 4.4 % | 10.1 % |
| Corporate and Other Bonds | 15.6 % | 7.8 % | 3.5 % |
| Short-Term | 1.6 % | 1.7 % | 5.0 % |
| **Asset Allocation at June 30** (in thousands) | | | |
| Equities | $ 23,733,154 | $ 29,530,826 | $ 32,928,370 |
| U.S. Treasuries | 10,498,068 | 13,678,959 | 9,928,110 |
| U.S. Agencies | 857,482 | 2,211,341 | 5,317,895 |
| Corporate and Other Bonds | 6,588,998 | 3,911,142 | 1,869,165 |
| Short-Term | 684,919 | 865,411 | 2,626,256 |
| | $ 42,362,621 | $ 50,197,679 | $ 52,669,796 |

## Financial Analysis of the System continued

The total investment portfolio at June 30, 2009 decreased $7.8 billion from June 30, 2008, which is primarily due to the declining equities markets in 2009.

The total investment portfolio at June 30, 2008 decreased $2.5 billion from June 30, 2007, which is primarily due to the declining equities markets in 2008.

The investment rate of return in fiscal year 2009 was (13.1)%, with a (27.4)% return for equities and a 7.5% return for fixed income compared to an investment rate of return in fiscal year 2008 of (3.4)%, with a (10.8)% return for equities and a 9.7% return for fixed income. The five-year annualized rate of return on investments at June 30, 2009 was 1.9% with a (1.3)% return on equities and a 5.6% return on fixed income.

The investment rate of return in fiscal year 2008 was (3.4)%, with a (10.8)% return for equities and a 9.7% return for fixed income compared to an investment rate of return in fiscal year 2007 of 14.6%, with a 20.5% return for equities and a 5.5% return for fixed income. The five-year annualized rate of return on investments at June 30, 2008 was 6.8% with a 9.2% return on equities and a 3.8% return on fixed income.

A summary of the changes in the System's net assets for the years ended June 30, 2009, 2008, and 2007 is as follows (amounts in thousands):

| | Changes in Net Assets | | | 2009 | | 2008 | |
|---|---|---|---|---|---|---|---|
| | 2009 | 2008 | 2007 | Amount Change | Percentage Change | Amount Change | Percentage Change |
| **Additions:** | | | | | | | |
| Member Contributions | $ 567,635 | $ 554,027 | $ 524,940 | $ 13,608 | 2.5% | $ 29,087 | 5.5 % |
| Employer Contributions | 1,026,287 | 986,759 | 927,371 | 39,528 | 4.0% | 59,388 | 6.4 % |
| Net Investment Income (Loss) | (6,572,435) | (1,775,578) | 6,792,341 | (4,796,857) | 270.2% | (8,567,919) | (126.1)% |
| Total Additions | (4,978,513) | (234,792) | 8,244,652 | (4,743,721) | 2,020.4% | (8,479,444) | (102.8)% |
| **Deductions:** | | | | | | | |
| Benefit Payments | 2,534,487 | 2,756,483 | 2,282,950 | (221,996) | (8.1)% | 473,533 | 20.7 % |
| Refunds | 49,414 | 54,482 | 52,875 | (5,068) | (9.3)% | 1,607 | 3.0 % |
| Administrative Expenses | 22,603 | 23,744 | 22,073 | (1,141) | (4.8)% | 1,671 | 7.6 % |
| Total Deductions | 2,606,504 | 2,834,709 | 2,357,898 | (228,205) | (8.1)% | 476,811 | 20.2 % |
| **Net Increase (Decrease) in Plan Net Assets** | $ (7,585,017) | $ (3,069,501) | $ 5,886,754 | $ (4,515,516) | 147.1% | $ (8,956,255) | (152.1)% |

## Additions

The System accumulates resources needed to fund benefits through contributions and returns on invested funds. Member contributions increased 2.5% and 5.5% in 2009 and 2008, respectively, primarily because of increased membership and a higher average payroll in both years. Employer contributions likewise increased 4.0% and 6.4% in 2009 and 2008, respectively, also as a result of increased membership and a higher average payroll. The employer contribution rate remained constant at 9.28% in 2009 and 2008. The employer contribution rate was recommended by the actuary and approved by the System's Board of Trustees. The net investment loss is a result of declining equities markets during 2009 and 2008.

## Deductions

Deductions decreased 8.1% in 2009 and increased 20.2% in 2008, primarily because of the 8.1% decrease and 20.7% increase, respectively, in benefit payments. Regular pension benefit payments increased both years due to an increase in the number of retirees and beneficiaries receiving benefit payments to 82,382 in 2009 from 78,633 in 2008 and 76,133 in 2007 and postretirement benefit increases in both years. The overall increase in 2008 was attributable to the recording of a $370.9 million liability for certain retroactive benefit payments. The overall decrease in 2009 was attributable to recording a reduction of $56.0 million in the liability for retroactive benefit payments.

## Funding Status

The schedule of funding progress and schedule of employer contributions provide information regarding how the plan is 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 between the actuarial value of assets and the actuarial accrued liabilities. The higher this ratio, the better funded the System is from an actuarial perspective.

The June 30, 2008 actuarial valuation, which is the latest valuation available, indicates that the actuarial value of assets was $54.4 billion and that the actuarial accrued liability was $59.1 billion. This results in a funding ratio of 91.9%. The June 30, 2007 actuarial valuation indicates that the actuarial value of assets was $52.1 billion and that the actuarial accrued liability was $55.0 billion. This results in a funding ratio of 94.7%.

Management believes the System continues to be in a solid financial position, as evidenced by the funding ratio.

## Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with interest in the System's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Teachers Retirement System of Georgia, Two Northside 75, Suite 100, Atlanta, GA 30318.

# Statements of Plan Net Assets

June 30, 2009 and 2008 (in thousands)

| | 2009 | 2008 |
|---|---|---|
| **Assets** | | |
| Cash | $ 4,437 | $ 3,038 |
| Receivables: | | |
| Interest and Dividends | 194,590 | 222,537 |
| Due from Brokers for Securities Sold | 159,159 | 63,179 |
| Member and Employer Contributions | 127,664 | 125,104 |
| Other | 873 | 1,009 |
| Total Receivables | 482,286 | 411,829 |
| Investments - at fair value: | | |
| Short-Term | 684,919 | 865,411 |
| U.S. Treasuries | 10,498,068 | 13,678,959 |
| U.S. Agencies | 857,482 | 2,211,341 |
| Corporate and Other Bonds | 6,588,998 | 3,911,142 |
| Common Stocks | 23,733,154 | 29,530,826 |
| Total Investments | 42,362,621 | 50,197,679 |
| Capital Assets, net | 4,023 | 7,382 |
| Total Assets | 42,853,367 | 50,619,928 |
| **Liabilities** | | |
| Due to Brokers for Securities Purchased | 97,566 | 171,178 |
| Accounts Payable and Other | 277,218 | 385,150 |
| Total Liabilities | 374,784 | 556,328 |
| **Net Assets Held in Trust for Pension Benefits** | $ 42,478,583 | $ 50,063,600 |

See accompanying notes to financial statements.

# Statements of Changes in Plan Net Assets

Years ended June 30, 2009 and 2008 (in thousands)

| | 2009 | 2008 |
|---|---|---|
| **Net Assets Held in Trust for Pension Benefits** - Beginning of year | $ 50,063,600 | $ 53,133,101 |
| **Additions:** | | |
| Contributions: | | |
| Employer | 1,026,287 | 986,759 |
| Member | 567,635 | 554,027 |
| Investment Income (Loss): | | |
| Net decrease in Fair Value of Investments | (7,955,283) | (3,379,150) |
| Interest, Dividends, and Other | 1,401,719 | 1,633,111 |
| Total | (6,553,564) | (1,746,039) |
| Less Investment Expense | 18,871 | 29,539 |
| Net Investment Loss | (6,572,435) | (1,775,578) |
| Total Additions | (4,978,513) | (234,792) |
| **Deductions:** | | |
| Benefit Payments | 2,534,487 | 2,756,483 |
| Refunds of Member Contributions | 49,414 | 54,482 |
| Administrative Expenses, net | 22,603 | 23,744 |
| Total Deductions | 2,606,504 | 2,834,709 |
| Net Decrease | (7,585,017) | (3,069,501) |
| **Net Assets Held in Trust for Pension Benefits** - End of year | $ 42,478,583 | $ 50,063,600 |

See accompanying notes to financial statements.

## A. Plan Description

Teachers Retirement System of Georgia (the System) was created in 1943 by an act of the Georgia Legislature (the Act) to provide retirement benefits for teachers who qualify under the Act. The System is administered as a cost-sharing, multiple-employer plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. On October 25, 1996, the Board of Trustees created the Supplemental Retirement Benefit Plan of the Georgia Teachers (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 the System. The purpose of SRBP is to provide retirement benefits to employees covered by the System whose benefits are otherwise limited by IRC §415. Although the System is a component unit of the state of Georgia's financial reporting entity, it is accountable for its own fiscal matters and presentation of its separate financial statements. A Board of Trustees comprised of two appointees by the Board, two ex officio state employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of the System.

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 GASB Statement No. 14, *The Financial Reporting Entity.* The concept underlying the definition of the reporting entity is that elected officials are accountable. The decision to include a potential component unit in the reporting entity is also made by applying specific criteria as outlined in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, including consideration of the nature and significance of the relationship of potential component units. Based on those criteria, the System has not included any other entities in its reporting entity.

### Eligibility and Membership

All teachers in the state public schools, the University System of Georgia (except those professors and principal administrators electing to participate in an optional retirement plan), and certain other designated employees in educational-related work are eligible for membership.

**As of June 30, 2009, participation in the System is as follows:**

| | |
|---|---|
| **Retirees and beneficiaries currently receiving benefits** | **82,382** |
| **Terminated employees entitled to benefits but not yet receiving benefits** | **77,968** |
| **Active plan members** | **226,560** |
| **Total** | **386,910** |
| **Employers** | **392** |

**As of June 30, 2008, participation in the System was as follows:**

| | |
|---|---|
| **Retirees and beneficiaries currently receiving benefits** | **78,633** |
| **Terminated employees entitled to benefits but not yet receiving benefits** | **73,687** |
| **Active plan members** | **225,024** |
| **Total** | **377,344** |
| **Employers** | **389** |

### Retirement Benefits

The System provides service retirement, disability retirement, and survivor's benefits. Title 47 of the *Official Code of Georgia* assigns the authority to establish and amend the provisions of the System to the State Legislature. A member is eligible for normal service retirement after 30 years of creditable service, regardless of age, or after 10 years of service and attainment of age 60. A member is eligible for early retirement after 25 years of creditable service.

## A. Plan Description continued

### Retirement Benefits

Normal retirement (pension) benefits paid to members are equal to 2% of the average of the member's two highest paid consecutive years of service, multiplied by the number of years of creditable service up to 40 years. Early retirement benefits are reduced by the lesser of one-twelfth of 7% for each month the member is below age 60, or by 7% for each year or fraction thereof by which the member has less than 30 years of service. It is also assumed that certain cost of living adjustments, based on the Consumer Price Index, may be made in future years. Retirement benefits are payable monthly for life. A member may elect to receive a partial lump-sum distribution in addition to a reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death.

### Death and Disability Benefits

Retirement benefits also include death and disability benefits, whereby the disabled member or surviving spouse is entitled to receive annually an amount equal to the member's service retirement benefit or disability retirement, whichever is greater. The benefit is based on the member's creditable service (minimum of ten years of service) and compensation up to the time of disability.

The death benefit is the amount that would be payable to the member's beneficiary had the member retired on the date of death on either a service retirement allowance or a disability retirement allowance, whichever is larger. The benefit is based on the member's creditable service (minimum of ten years of service) and compensation up to the date of death.

### Contributions

The System is funded by member and employer contributions as adopted and amended by the Board of Trustees.

Contributions required for fiscal year 2009 were based on the June 30, 2006 actuarial valuation as follows:

| | |
|---|---|
| **Member:** | **5.00 %** |
| **Employer:** | |
| **Normal** | **8.15 %** |
| **Unfunded accrued liability** | **1.13 %** |
| **Total** | **9.28 %** |

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

| | |
|---|---|
| **Member:** | **5.00 %** |
| **Employer:** | |
| **Normal** | **8.17 %** |
| **Unfunded accrued liability** | **1.11 %** |
| **Total** | **9.28 %** |

Members become fully vested after ten years of service. If a member terminates with less than ten years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions with accumulated interest are reported as net assets held in trust for pension benefits.

### SRBP

Beginning July 1, 1997, all members and retired former members in the System are eligible to participate in this plan whenever their benefits under the System exceed the limitation on benefits imposed by IRC §415. As of June 30, 2009 and 2008, there were 27 and 25 members, respectively, eligible to participate in this portion of the System. Employer contributions of $414,000 and $332,000 and retirement payments of $417,000 and $334,000 under the SRBP

## B. Summary of Significant Accounting Policies and Plan Asset Matters

### Basis of Accounting

The System's financial statements are prepared on the accrual basis of accounting. Contributions from the employers and the members are recognized as additions when due, pursuant to formal commitments, as well as statutory or contractual requirements. Retirement and refund payments are recognized as deductions when due and payable.

### Reclassification

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

### 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. There are no investments in, loans to, or leases with parties related to the System.

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

### Capital Assets

Capital assets are stated at cost less accumulated depreciation. Capital assets costing $5,000 or more are capitalized. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of three to forty years. Depreciation expense is included in administrative expenses, net. Maintenance and repairs are charged to administrative expenses when incurred. When assets are retired or otherwise disposed of, the costs and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of changes in plan net assets in the period of disposal.

### Use of Estimates

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

## C. Investment Program

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

### Cash

Cash balances are fully insured through the Federal Deposit Insurance Corporation, an agency of the U.S. Government. Fiduciary accounts, such as those of the System, are granted $250,000 of insurance coverage per participant in the System. Temporary cash on hand not committed for a specific purpose is invested overnight.

### Investments

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

**a) Short-Term**

Short-term investments are authorized in the following instruments:

- Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. Government or obligations unconditionally guaranteed by agencies of the U.S. Government or U.S. corporations. The System or broker promises to repay the cash received plus interest at a specific date in the future in exchange for the same securities. The System held repurchase agreements of $684,919,000 and $865,411,000 at June 30, 2009 and 2008, respectively.
- U.S. Treasury obligations.

## C. Investment Program continued

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 $500 million in any one name.

**b) Long-Term**

Fixed income investments are authorized in the following instruments:

- U.S. and foreign government obligations. The System held U.S. Treasuries of $10,498,068,170 and $13,678,958,750 at June 30, 2009 and 2008, respectively.
- Obligations unconditionally guaranteed by agencies of the U.S. Government. The System held agency bonds of $857,482,100 and $2,211,341,328 at June 30, 2009 and 2008, respectively.
- Corporate bonds with at least an "A" rating by a national rating agency. The System held corporate bonds of $6,588,997,880 and $3,911,141,820 at June 30, 2009 and 2008, 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.

Equity securities are also authorized (in statutes) for investment as a complement to the System's fixed income portfolio and as a long term inflation hedge. By statute, no more than 65% of the total invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division of Investment Services (the Division) in conjunction with independent advisors. Buy/sell decisions are based on securities meeting rating criteria established by the Board of Trustees; in house research considering such matters as yield, growth, and sales statistics; and analysis of independent market research. Equity trades are approved and executed by the Division's staff. Common stocks eligible for investment are approved by the Investment Committee of the Board of Trustees before being placed on an approved list.

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

It is the System's investment policy to require that the bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics, and marketability. The System's policy is to require that new purchases of bonds be restricted to high grade bonds rated no lower than "A" by any nationally recognized statistical rating organization. The quality ratings of investments in fixed income securities as described by Standard & Poor's and by Moody's Investor Services, which are nationally recognized statistical rating organizations, at June 30, 2009, and 2008, are shown in the chart on page 26.

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

| Investment type | Standard and Poor's/Moody's quality rating | June 30, 2009 fair value | June 30, 2008 fair value |
|---|---|---|---|
| U.S. Treasuries | | $ 10,498,068,170 | $ 13,678,958,750 |
| U.S. Agencies | AAA/Aaa | 857,482,100 | 2,211,341,328 |
| Corporate Bonds | AAA/Aaa | 740,841,400 | 2,685,652,520 |
| | AAA/Aa | 828,492,500 | — |
| | AA/Aa | 4,187,875,690 | 1,225,489,300 |
| | AA/A | 461,279,420 | — |
| | A/A | 370,508,870 | — |
| Total corporate bonds | | 6,588,997,880 | 3,911,141,820 |
| Total fixed income investments | | $ 17,944,548,150 | $ 19,801,441,898 |

## C. Investment Program continued

The investment policy requires that repurchase agreements be limited to the purchase of U.S. Treasury or Agency obligations or corporate bonds rated no lower than "A" by any nationally recognized statistical rating organization, with a market value in excess of funds advanced. The System held repurchase agreements of $684,919,000, as of June 30, 2009 and $865,411,000, as of June 30, 2008.

***Concentration of Credit Risk:*** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. On June 30, 2009 and 2008, the System did not have debt or equity investments in any one organization, other than those issued or guaranteed by the U.S. Government or its agencies, which represented greater than 5% of plan net assets.

***Interest Rate Risk:*** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the System has no formal interest rate risk policy, active management of the bond portfolio incorporates interest rate risk to generate improved returns. This risk is managed within the portfolio using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table on page 27 quantifies to the fullest extent possible the interest rate risk of the System's fixed income assets.

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

| Fixed income and repurchase agreements security type | Market value, June 30, 2009 | Percent of all fixed income assets and repurchase agreements | Effective duration (years) |
|---|---|---|---|
| U.S. Treasuries | $ 10,498,068,170 | 56.3 % | 5.2 |
| U.S. Agencies | 857,482,100 | 4.6 | 3.2 |
| Corporate Bonds | 6,588,997,880 | 35.4 | 4.4 |
| Repurchase Agreements | 684,919,000 | 3.7 | — |
| Total | $ 18,629,467,150 | 100.0 % | 4.8* |

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

| Fixed income and repurchase agreements security type | Market value, June 30, 2008 | Percent of all fixed income assets and repurchase agreements | Effective duration (years) |
|---|---|---|---|
| U.S. Treasuries | $ 13,678,958,750 | 66.2 % | 5.2 |
| U.S. Agencies | 2,211,341,328 | 10.7 | 3.6 |
| Corporate Bonds | 3,911,141,820 | 18.9 | 5.1 |
| Repurchase Agreements | 865,411,000 | 4.2 | |
| Total | $ 20,666,852,898 | 100.0 % | 5.0* |

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

## D. Investments Lending Program

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

Securities loaned totaled $12,006,046,251 and $17,316,635,279 at market value at June 30, 2009 and 2008, respectively. The collateral value was equal to 105.7% and 104.9% of the loaned securities' value at June 30, 2009 and 2008, respectively. The System's lending collateral was held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying statements of plan net assets since the System maintains ownership. The related collateral securities are not recorded as assets on the System's statements of plan 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 GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* the System is deemed not to have the ability to pledge or sell 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.

## E. Capital Assets

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

| | Balance at June 30, 2008 | Additions | Disposals | Balance at June 30, 2009 |
|---|---|---|---|---|
| **Capital Assets:** | | | | |
| Land | $ 944,225 | $ — | $ — | $ 944,225 |
| Building | 2,800,000 | — | — | 2,800,000 |
| Furniture and Fixtures | 437,522 | — | — | 437,522 |
| Computer Equipment | 1,371,959 | 6,973 | — | 1,378,932 |
| Computer Software | 14,979,713 | — | — | 14,979,713 |
| | 20,533,419 | 6,973 | — | 20,540,392 |
| **Accumulated Depreciation For:** | | | | |
| Building | (280,000) | (70,000) | — | (350,000) |
| Furniture and Fixtures | (289,980) | (36,937) | — | (326,917) |
| Computer Equipment | (597,609) | (263,545) | — | (861,154) |
| Computer Software | (11,983,772) | (2,995,941) | — | (14,979,713) |
| | (13,151,361) | (3,366,423) | — | (16,517,784) |
| **Capital Assets, Net** | $ 7,382,058 | $ (3,359,450) | $ — | $ 4,022,608 |

## E. Capital Assets continued

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

| | Balance at June 30, 2007 | Additions | Disposals | Balance at June 30, 2008 |
|---|---|---|---|---|
| **Capital Assets:** | | | | |
| Land | $ 944,225 | $ — | $ — | $ 944,225 |
| Building | 2,800,000 | — | — | 2,800,000 |
| Furniture and Fixtures | 413,647 | 29,875 | (6,000) | 437,522 |
| Computer Equipment | 1,128,381 | 290,748 | (47,170) | 1,371,959 |
| Computer Software | 14,979,713 | — | — | 14,979,713 |
| | 20,265,966 | 320,623 | (53,170) | 20,533,419 |
| **Accumulated Depreciation For:** | | | | |
| Building | (210,000) | (70,000) | — | (280,000) |
| Furniture and Fixtures | (260,069) | (35,483) | 5,572 | (289,980) |
| Computer Equipment | (394,745) | (249,071) | 46,207 | (597,609) |
| Computer Software | (8,987,829) | (2,995,943) | — | (11,983,772) |
| | (9,852,643) | (3,350,497) | 51,779 | (13,151,361) |
| **Capital Assets, Net** | $ 10,413,323 | $ (3,029,874) | $ (1,391) | $ 7,382,058 |

During fiscal years 2009 and 2008, the System did not experience any capital asset impairment loss with respect to the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.*

## F. Administrative Expenses

Administrative expenses are reported in the financial statements; however, the actual accounting for the expenses is performed in a separate expense fund. Administrative expenses paid out of System earnings are as follows:

| | 2009 | 2008 |
|---|---|---|
| Salaries and Employee Benefits | $ 20,438,788 | $ 20,958,016 |
| Other Operating Expenses | 7,134,849 | 7,449,664 |
| Total Administrative Expenses | 27,573,637 | 28,407,680 |
| Less Reimbursement by Other State Retirement Systems for Services Rendered on Their Behalf | 4,970,478 | 4,663,803 |
| Net Administrative Expenses | $ 22,603,159 | $ 23,743,877 |

## G. Commitments and Contingencies

In April, 2004, two retirees filed a civil action in Fulton County Superior Court (the Court) seeking additional benefits retroactive to the time of their retirement dates for a class of those retirees who elected survivorship options and who retired during the preceding 20-year period. Plaintiffs alleged that the System did not use updated mortality tables in the calculation of their benefits. The Court ruled on February 29, 2008 for the plaintiffs using a 20-year statute of limitations. On February 19, 2009, the Court of Appeals of the State of Georgia awarded the 20-year member class retroactive payments back to April 4, 1998, applying a 6-year statute of limitations. On May 18, 2009, the Court entered an Order of Final Approval of the award. There are no further appeals, and this ruling is the final judgment.

At June 30, 2009, management estimates a liability of approximately $272.3 million based on the final ruling and estimated final payments. At June 30, 2008, management estimated a liability of approximately $377.3 million based on the ruling in place at that time. These amounts are recorded in accounts payable and other liabilities in the accompanying statements of plan net assets as of June 30, 2009 and 2008.

## H. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, the most recent actuarial valuation date, is as follows (dollars in thousands):

| Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) - Entry Age (b) | Unfunded AAL (UAAL) (Funding Excess) (b-a) | Funding Ratio (a/b) | Annual Covered Payroll (c) | UAAL (Funding Excess) as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|
| $ 54,354,284 | $ 59,133,777 | $ 4,779,493 | 91.9% | $ 10,197,584 | 46.9% |

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AAL for benefits.

Additional information as of the latest actuarial valuation follows:

| | |
|---|---|
| Valuation Date | June 30, 2008 |
| Actuarial Cost Method | Entry Age |
| Amortization Method | Level Percent of Pay, Open |
| Remaining Amortization Period | 30 Years |
| Asset Valuation Method | Seven-Year Smoothed Market |
| Actuarial Assumption: | |
| Investment Rate of Return | 7.50% |
| Projected Salary Increases | 3.20 to 8.60% |
| Inflation Rate | 3.75% |
| Postretirement Cost-of-Living Adjustments | 3% annually |

# Required Supplementary Schedules

See Independent Auditors' Report

## Schedule of Funding Progress (Dollars in thousands)

| Actuarial Valuation Date | Actuarial Value of Plan Assets (a) | Actuarial Accrued Liability (AAL) -Entry Age (b) | Unfunded AAL (UAAL) (Funding Excess) (b-a) | Funding Ratio (a/b) | Annual Covered Payroll (c) | UAAL (Funding Excess) as a Percentage of Covered Payroll [(b-a)/c] |
|---|---|---|---|---|---|---|
| 6/30/03 | $ 42,372,661 | $ 41,905,676 | $ (466,985) | 101.1 % | $ 8,261,961 | (5.7) % |
| 6/30/04 | 44,617,956 | 44,230,031 | (387,925) | 100.9 | 8,083,118 | (4.8) |
| 6/30/05 | 46,836,895 | 47,811,214 | 974,319 | 98.0 | 8,252,598 | 11.8 |
| 6/30/06 | 49,263,027 | 51,059,681 | 1,796,654 | 96.5 | 8,785,985 | 20.4 |
| 6/30/07 | 52,099,171 | 54,996,570 | 2,897,399 | 94.7 | 9,482,003 | 30.5 |
| 6/30/08 | 54,354,284 | 59,133,777 | 4,779,493 | 91.9 | 10,197,584 | 46.9 |

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

## Schedule of Employer Contributions (Dollars in thousands)

| Year Ended June 30, | State Annual Required Contribution | Percentage Contributed |
|---|---|---|
| 2003 | $ 768,673 | 100 % |
| 2004 | 782,301 | 100 |
| 2005 | 815,693 | 100 |
| 2006 | 855,626 | 100 |
| 2007 | 927,371 | 100 |
| 2008 | 986,759 | 100 |

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

## Notes to Required Supplementary Schedules

### Schedule of Funding Progress

The actuarial value of plan 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 one seventh of the difference between market value and expected actuarial value. The actuarial value of plan assets is limited to a range between 80% and 120% of market value.

### Schedule of Employer Contributions

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

### 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:

| | | |
|---|---|---|
| Valuation Date | June 30, 2008 | June 30, 2007 |
| Actuarial Cost Method | Entry Age | Entry Age |
| Amortization Method | Level Percent of Pay, Open | Level Percent of Pay, Open |
| Remaining Amortization Period | 30 Years | 30 Years |
| Asset Valuation Method | Seven-Year Smoothed Market | Seven-Year Smoothed Market |
| Actuarial Assumption: | | |
| Investment Rate of Return | 7.50% | 7.50% |
| Projected Salary Increases | 3.20 to 8.60% | 3.20 to 8.60% |
| Inflation Rate | 3.75% | 3.75% |
| Postretirement Cost-of-Living Adjustments | 3% annually | 3% annually |

# Additional Information
# Administrative Expenses

## For the Years ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| **Personal Services:** | | |
| Salaries and Wages | $ 15,954,214 | $ 15,109,722 |
| Retirement Contributions | 1,540,040 | 1,488,850 |
| Health Insurance | 1,951,674 | 3,343,884 |
| FICA | 928,231 | 927,557 |
| Miscellaneous | 64,629 | 88,003 |
| Total Personal Services | 20,438,788 | 20,958,016 |
| **Communications:** | | |
| Postage | 240,652 | 197,938 |
| Publications and Printing | 307,782 | 339,723 |
| Telecommunications | 187,628 | 189,132 |
| Travel | 104,463 | 120,963 |
| Total Communications | 840,525 | 847,756 |
| **Professional Services:** | | |
| Computer Services | 1,540,053 | 1,757,589 |
| Contracts | 2,430 | 1,275 |
| Actuarial Services | 132,436 | 122,084 |
| Audit Fees | 84,930 | 107,770 |
| Legal Services | 48,732 | 59,341 |
| Medical Services | 145,790 | 140,900 |
| Total Professional Services | 1,954,371 | 2,188,959 |
| **Management Fees:** | | |
| Building Maintenance | 724,875 | 724,875 |
| Total Management Fees | 724,875 | 724,875 |
| **Other Services and Charges:** | | |
| Temporary Services | 6,233 | 29,257 |
| Repairs and Maintenance | 9,442 | 10,511 |
| Supplies and Materials | 113,772 | 207,578 |
| Courier Services | 12,055 | 12,153 |
| Depreciation Expense | 3,366,423 | 3,350,497 |
| Loss on Disposal of Equipment | — | 1,391 |
| Miscellaneous | 107,153 | 76,687 |
| Total Other Services and Charges | 3,615,078 | 3,688,074 |
| Total Administrative Expenses | 27,573,637 | 28,407,680 |
| Less Reimbursement by Other State Retirement Systems for Services Rendered on Their Behalf | 4,970,478 | 4,663,803 |
| Net Administrative Expenses | $ 22,603,159 | $ 23,743,877 |

See accompanying independent auditors' report.

# Additional Information
# Investment Expenses
## For the Years ended June 30, 2009 and 2008

| | 2009 | 2008 |
|---|---|---|
| Investment Advisory and Custodial Fees | $ 16,604,755 | $ 26,988,684 |
| Miscellaneous | 2,266,729 | 2,550,048 |
| Total Investment Expenses | $ 18,871,484 | $ 29,538,731 |

See accompanying independent auditors' report.

# Investment Section

The market turbulence over the past year is troubling, but we have endured volatile periods in the past. It is important to recognize and remember that the time horizon of the fund's investment portfolio is measured in decades, not days, weeks, nor months. Much attention is paid to what is happening at the current time, but the goal is to use periods of market fear and exuberance to the fund's long-term advantage. The System continues to invest in a mix of high quality bonds and stocks as it has historically done.

These types of investments have allowed the System to participate in rising markets while moderating the risks on the downside. New funds continue to be invested in high quality securities. A high quality balanced fund has proven to be a successful strategy in a variety of markets over a long period of time.

As in previous years, maintaining quality was a primary goal and was successfully met. "Conservation of Capital" and "Conservatism" continue to be the principal guides in investment decisions. The Board of Trustees continues to use a diversified portfolio to accomplish these objectives.

U.S. economic growth declined throughout the fiscal year. The rate of decline appears to have moderated in the last quarter of the fiscal year to (0.7)%. Consumer and business spending also declined throughout the fiscal year. Housing starts and new home sales fell dramatically during the fiscal year. Home prices declined back to levels last seen during the autumn of 2003. Unemployment levels increased from 5.4% to 9.7%. With all these economic headwinds, corporate profits were down 12.6% from the year earlier period.

Studies undertaken to evaluate the investment returns of pension funds over very long time horizons indicate that the asset allocation decision has the most impact on the fund's returns. Although the returns for the various asset categories vary from year to year, over the long term equities usually outperformed fixed income and cash by a very wide margin. For that reason, the System has generally maintained a maximum equity exposure with the remainder of the fund in fixed income securities designed to generate income and preserve capital. This year, in light of the economic pressures, equity exposure was moderated in the second quarter with a program to gradually implement a return to long-term equity exposure objectives in the last quarter of the fiscal year.

Returns for one, three, five, ten, and twenty year periods are presented in this section. The longer time periods, such as the twenty-year period, allow for more valid evaluation of returns, both in absolute terms and relative to an asset class index, by reducing emphasis on the short-term volatility of markets. The Daily Valuation Method was used to calculate rates of return which is in accordance with the CFA Institute's objectives as stated in its publication "Global Investment Performance Standards Handbook," second edition.

Equity markets declined significantly during the fiscal year. The return for the S&P 500 Index was negative 26%. The Dow Jones Industrial Average Index also declined 23%. Among individual companies, returns varied depending upon the company's size, industry, and exposure to global markets. The MSCI EAFE Index returned negative 31% and MSCI Emerging Market Index returned negative 28%.

In a change from last year, large and small capitalization domestic stocks outperformed. The S&P 400 Mid Capitalization Index underperformed both S&P 500 and S&P 600 with a return of negative 28%. The S&P 600 Small Capitalization Index declined 25%, well below its ten-year average return of 5%, but above the S&P 500's negative 26% return.

These overall returns can be explained primarly by the relative lack of credit availability and the banking crisis, contracting corporate cash flows, reduced consumer spending, and a decline in corporate profits. The decline in foreign returns can be attributed to much the same reasons and the translation effect of the declining dollar.

Returns for the fixed income markets were above average this year. Yields on long-term Treasury bonds began the period at 4.5% and ended the year at 4.3%, but they spent most of the time well below 4%, falling to a low of 2.5% in December. Overall the ten-year U.S. Treasury Bond returned 7.3% and the thirty-year U.S. Treasury Bond returned 7.2%. Short-term treasury bills only returned 0.5%.

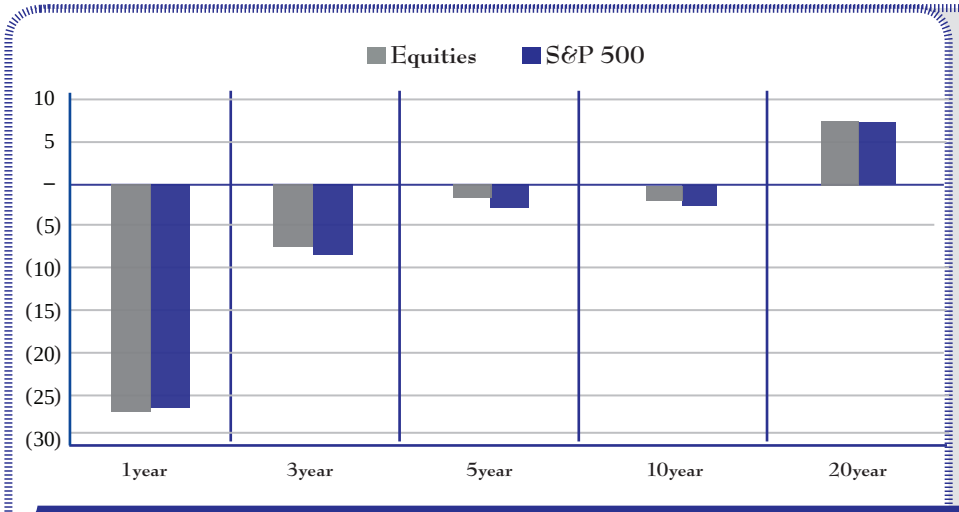
Our primary benchmark, the Barclays Government / Credit Index rose 5.3%. It is a shorter maturity index containing higher yielding corporate bonds as well as Treasuries. Higher quality bonds outperformed lower quality bonds as evidenced by the 6.2% return for AAA & AA rated bonds versus 4.7% for BBB rated bonds.

In summary, the investment status of the System is excellent. The high quality of the System's investments is in keeping with the continued policy of "Conservatism" and "Conservation of Capital."

***Prepared by the Division of Investment Services***

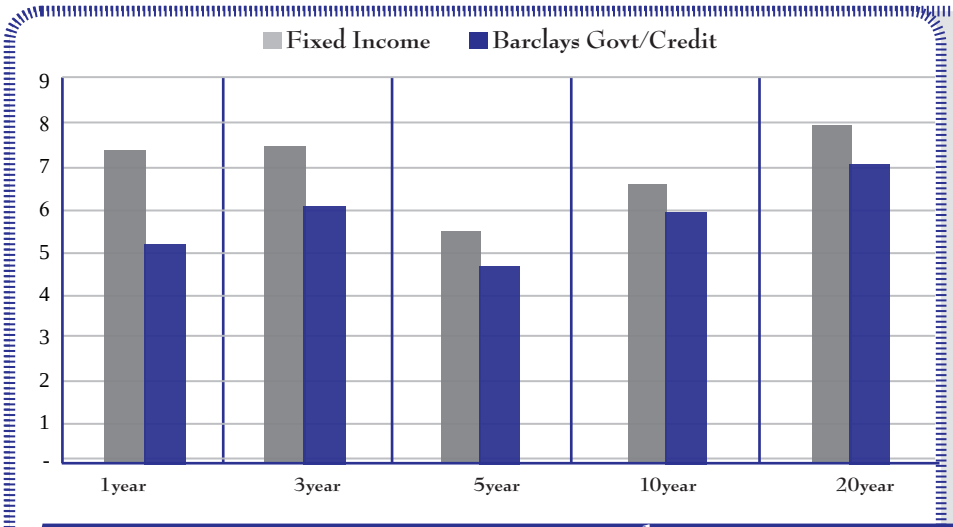
# Rates of Return





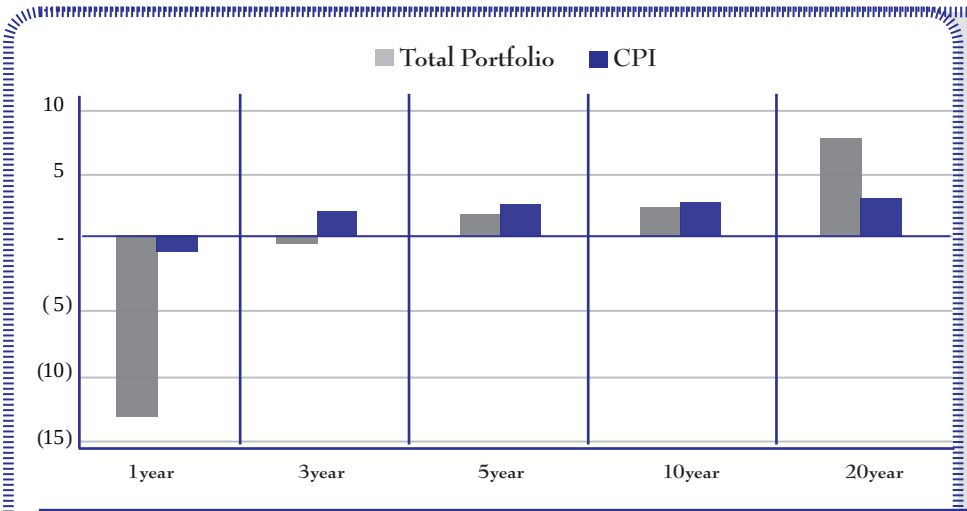

| | Equities | S&P 500 |
|---|---|---|
| 1 Year | (27.06) | (26.21) |
| 3 Year | (7.81) | (8.22) |
| 5 Year | (1.23) | (2.24) |
| 10 Year | (1.33) | (2.22) |
| 20 Year | 7.81 | 7.77 |

## Equities (%)




| | Fixed Income | Barclays Govt/ Credit |
|---|---|---|
| 1 Year | 7.42 | 5.26 |
| 3 Year | 7.50 | 6.16 |
| 5 Year | 5.60 | 4.79 |
| 10 Year | 6.62 | 5.94 |
| 20 Year | 7.95 | 7.03 |

## Fixed Income (%)



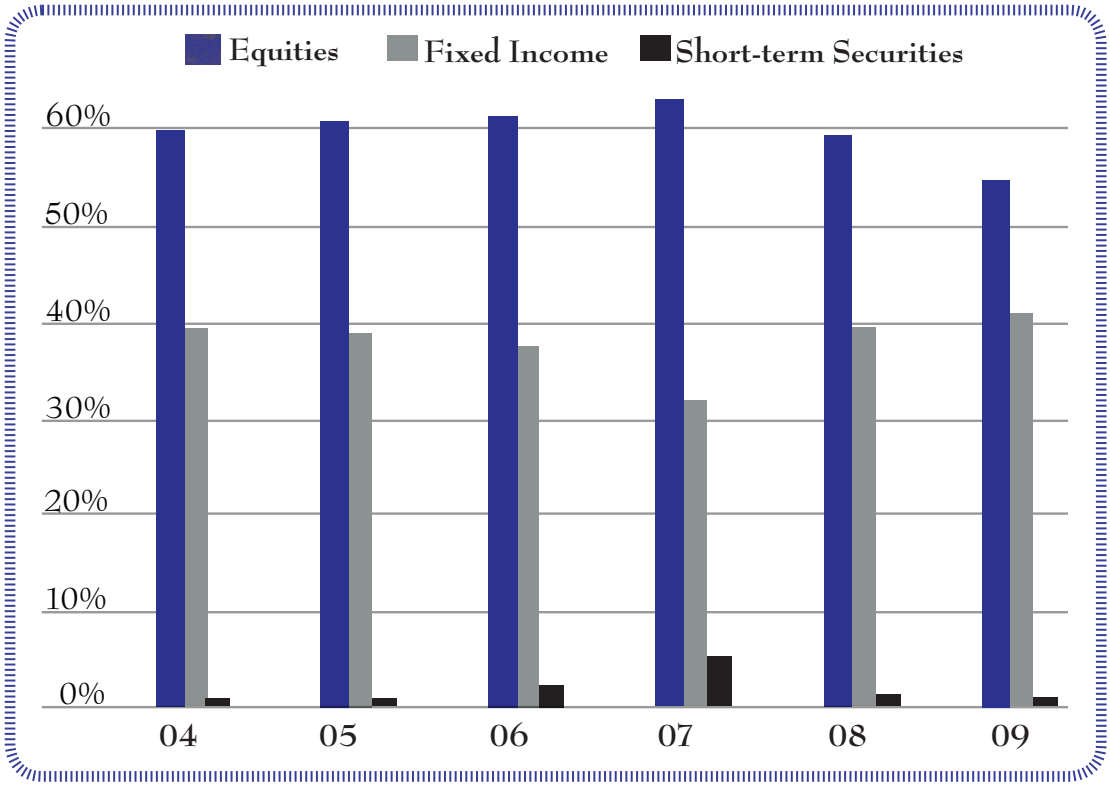

| | Total Portfolio | CPI |
|---|---|---|
| 1 Year | (13.06) | (1.43) |
| 3 Year | (1.26) | 2.06 |
| 5 Year | 1.95 | 2.60 |
| 10 Year | 2.15 | 2.64 |
| 20 Year | 7.96 | 2.80 |

## Total Portfolio (%)

Note: Rates of return are calculated using the Daily Valuation Method based on market rates of return.

# *Investment Section*

## Asset Allocation




## Schedule of Fees and Commissions

For the Year ended June 30, 2009

| | 2009 |
|---|---|
| **Investment Advisors' Fees**: | |
| U.S. Equity | $ 11,429,099 |
| International Equity | 4,108,512 |
| Fixed Income | 0 |
| **Investment Commissions:** | |
| U.S. Equity | 12,557,082 |
| International Equity | 8,632,456 |
| **SEC Fees:** | 58,307 |
| **Miscellaneous:** | 3,333,874 |
| Total Fees and Commissions | $ 40,119,330 |

## Investment Summary

| **Asset Allocation at June 30** | **2004** | **2005** | **2006** | **2007** | **2008** | **2009** |
|---|---|---|---|---|---|---|
| Equities | 59.4% | 60.4% | 61.2% | 62.5% | 58.8% | 56.0% |
| Fixed Income | 39.0 % | 38.0% | 36.8% | 32.5% | 39.5% | 42.4% |
| Short-Term Securities | 1.6% | 1.6% | 2.0% | 5.0% | 1.7% | 1.6% |
| **Asset Allocation at June 30 (in millions)** | | | | | | |
| Equities | $25,121 | $27,122 | $28,654 | $32,929 | $29,531 | $23,733 |
| Fixed Income | 16,469 | 17,075 | 17,244 | 17,115 | 19,802 | 17,945 |
| Short-Term Securities | 677 | 739 | 906 | 2,626 | 865 | 685 |
| Total Investments | $42,267 | $44,936 | $46,804 | $52,670 | $50,198 | $42,363 |

# Portfolio Detail Statistics

## Twenty Largest Equity Holdings*

| Shares | Company | Fair Value |
|---|---|---|
| 10,803,600 | iShares S&P 500 Index | $ 997,712,460 |
| 7,357,530 | Exxon Mobil Corp. | 514,364,922 |
| 12,058,868 | Microsoft Corp. | 286,639,292 |
| 1,974,544 | Apple Inc. | 281,234,302 |
| 4,417,556 | Johnson & Johnson | 250,917,181 |
| 589,208 | Google Inc. | 248,404,201 |
| 4,412,984 | Procter & Gamble Co. | 225,503,482 |
| 8,810,716 | AT&T Inc. | 218,858,185 |
| 2,042,048 | International Business Machines Corp. | 213,230,652 |
| 4,371,648 | Wal-Mart Stores Inc. | 211,762,629 |
| 5,354,284 | Hewlett-Packard Co. | 206,943,077 |
| 3,074,081 | Chevron Corp. | 203,657,866 |
| 5,938,695 | JPMorgan Chase & Co. | 202,568,886 |
| 4,418,452 | QUALCOMM Inc. | 199,714,030 |
| 11,233,814 | Intel Corp. | 185,919,622 |
| 3,374,800 | Pepsico Inc. | 185,479,008 |
| 7,331,960 | Wells Fargo & Co. | 177,873,350 |
| 15,033,634 | General Electric Co. | 176,194,191 |
| 13,018,568 | Bank of America Corp. | 171,845,098 |
| 2,609,738 | Occidental Petroleum Corp. | 171,746,858 |
| | Total of 20 Largest Equity Holdings | $ 5,330,569,292 |
| | **Total Equity Holdings** | $23,733,154,321 |

## Ten Largest Fixed-Income Holdings*

| Description | Maturity Date | Interest Rate % | Par Value | Fair Value |
|---|---|---|---|---|
| U.S. Treasury Note | 02/29/16 | 2.625 | $ 1,319,000,000 | $ 1,279,944,410 |
| U.S. Treasury Note | 05/15/17 | 4.500 | 1,029,000,000 | 1,110,435,060 |
| U.S. Treasury Note | 05/15/18 | 3.875 | 1,023,000,000 | 1,054,088,970 |
| U.S. Treasury Note | 10/31/13 | 2.750 | 1,013,000,000 | 1,031,760,760 |
| U.S. Treasury Note | 11/30/12 | 3.375 | 789,000,000 | 830,667,090 |
| U.S. Treasury Note | 09/30/13 | 3.125 | 798,000,000 | 825,554,940 |
| U.S. Treasury Note | 02/15/12 | 1.375 | 814,000,000 | 813,299,960 |
| U.S. Treasury Bond | 11/15/28 | 5.250 | 691,000,000 | 776,946,580 |
| U.S. Treasury Note | 01/15/10 | 3.625 | 663,000,000 | 674,549,460 |
| General Electric Cap Corp. | 06/01/11 | 4.110 | 621,000,000 | 625,347,000 |
| | Total of 10 Largest Fixed-Income Holdings | | | $ 9,022,594,230 |
| | **Total Fixed-Income Holdings** | | | $ 17,944,548,150 |

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

# Actuary's Certification Letter

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

July 22, 2009

Board of Trustees,
Teachers Retirement System of Georgia
Suite 100, Two Northside 75
Atlanta, GA 30318

Members of the Board:

Section 47-3-23 of the law governing the operation of the Teachers Retirement System of Georgia provides that the actuary shall make annual valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2008. The report indicates that annual employer contributions at the rate of 10.28% of compensation for the fiscal year ending June 30, 2011 are sufficient to support the benefits of the System. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2008 session of the General Assembly. The valuation reflects the member contribution rate increase from 5.25% to 5.53% effective July 1, 2010. 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.

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 amortized as a level percent of payroll within a 30-year period.

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

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

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 yours,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

# Summary of Actuarial Assumptions & Methods

The laws governing the Teachers Retirement System of Georgia (the "System") provide that an actuary perform an annual valuation of the contingent assets and liabilities of the System and perform at least once every five years an actuarial investigation of the mortality, service, and compensation experience of the members and beneficiaries of the System. The latest actuarial valuation of the System prepared as of June 30, 2008, was made on the basis of the interest rate assumption approved by the Board on November 19, 2003, and the mortality, rates of separation and salary increase tables approved by the Board on March 22, 2006.

The more pertinent facts and significant assumptions underlying the computations included in the June 30, 2008, report are as follows:

a) **Actuarial Method Used**–The actuarial cost method used to determine funding is the entry age actuarial cost method. Gains and losses are reflected in the unfunded accrued liability. Adopted December 30, 1976.

b) **Investment Return**–7.50% per annum, compounded annually. Adopted November 19, 2003.

c) **Earnings Progression**–Salaries are expected to increase 3.20% to 8.60% annually depending upon the employee's age. Includes inflation at 3.75%. Adopted March 22, 2006.

d) **Death, Disability and Withdrawal Rates**–Death, disability and withdrawal rates for active employees and service retirement tables are based upon the System's historical experience. The death-after-retirement rates are based on the 1994 Group Annuity Mortality Table (set forward one year for males). Adopted March 22, 2006.

e) **Asset Valuation Method**–7-year smoothed market actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of the assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is one-seventh of the difference between market value and actuarial expected value. The actuarial value of assets is limited to a range between 80% and 120% of market value. Adopted March 22, 2006.

f) **Service Retirement Benefit**–The service benefit (pension) paid to members is an annuity that is owed to them at retirement that will provide a total annual pension equal to 2% of the average of the member's two consecutive highest paid years of service multiplied by the number of years of creditable service up to 40 years. It is also assumed that certain cost-of-living adjustments will be made in future years.

g) **Actuarially Determined Unfunded Accrued Liability** –The present value of the unfunded accrued liability, based on unaudited data provided the actuary by the System, was approximately $4.8 billion at June 30, 2008.

h) **Required Contributions** (% of compensation)–Adopted July 22, 2009. Contributions required by the annual actuarial valuation as of June 30, 2008, to be made for the year ended June 30, 2011:

| | |
|---|---|
| **(1) Member** | **5.53%** |
| **(2) Employer:** | |
| **Normal** | **7.70%** |
| **Unfunded Accrued Liability** | **2.58%** |
| **Total** | **10.28%** |

## Service Retirement

**Adopted March 22, 2006**

| | Annual Rate* | | | Annual Rate* | |
|---|---|---|---|---|---|
| Age | Men | Women | Age | Men | Women |
| 50 | 28% | 23% | 65 | 32% | 30% |
| 55 | 29 | 28 | 66 | 25 | 30 |
| 60 | 23 | 30 | 67 | 30 | 26 |
| 61 | 23 | 25 | 68 | 28 | 26 |
| 62 | 29 | 31 | 69 | 28 | 26 |
| 63 | 23 | 27 | 70 | 100 | 100 |
| 64 | 25 | 26 | | | |

*It is also assumed that 10% of eligible active members will retire each year with a reduced early retirement benefit and that an additional 5% of active members will retire in their first year of eligibility for unreduced retirement with 30 years of service.

## Separation Before Service Retirement

**Adopted March 22, 2006**

| | Annual Rate of Withdrawal | | | | |
|---|---|---|---|---|---|
| Age | Death | Disability | 0-4 Yrs | 5-9 Yrs | 10+ Yrs |
| | | | **MEN** | | |
| 20 | 0.05% | 0.05% | 39.00% | — % | — % |
| 25 | 0.06 | 0.05 | 18.00 | 11.00 | — |
| 30 | 0.08 | 0.07 | 16.00 | 6.00 | 7.00 |
| 35 | 0.09 | 0.07 | 15.00 | 6.00 | 3.00 |
| 40 | 0.10 | 0.09 | 15.00 | 6.00 | 2.00 |
| 45 | 0.15 | 0.11 | 13.00 | 6.00 | 2.00 |
| 50 | 0.23 | 0.25 | 11.00 | 4.50 | 2.00 |
| 55 | 0.40 | 0.53 | 12.00 | 4.50 | 2.00 |
| 60 | 0.71 | — | — | — | — |
| 64 | 1.15 | — | — | — | — |
| | | | **WOMEN** | | |
| 20 | 0.03% | 0.03% | 30.00% | — % | — % |
| 25 | 0.03 | 0.03 | 15.00 | 13.00 | — |
| 30 | 0.03 | 0.04 | 16.00 | 8.00 | 5.00 |
| 35 | 0.05 | 0.05 | 15.00 | 8.00 | 4.00 |
| 40 | 0.07 | 0.07 | 12.00 | 6.00 | 3.00 |
| 45 | 0.09 | 0.11 | 11.00 | 5.00 | 2.00 |
| 50 | 0.13 | 0.20 | 11.00 | 4.50 | 2.00 |
| 55 | 0.21 | 0.63 | 12.00 | 4.50 | 3.00 |
| 60 | 0.39 | — | — | — | — |
| 64 | 0.67 | — | — | — | — |

## Active Members

| Fiscal Year[1] | Active Members: Members | Active Members: Annual Payroll (000's) | Active Members: Average Pay | Active Members: % Increase |
|---|---|---|---|---|
| 2003 | 205,453 | $ 8,261,961 | $ 40,213 | 5.1 % |
| 2004 | 198,572 | 8,083,118 | 40,706 | 1.2 |
| 2005 | 199,088 | 8,252,598 | 41,452 | 1.8 |
| 2006 | 206,592 | 8,785,985 | 42,528 | 2.6 |
| 2007 | 215,566 | 9,492,003 | 44,033 | 3.5 |
| 2008 | 224,993 | 10,197,584 | 45,324 | 2.9 |

## Retirees and Beneficiaries

| Fiscal Year[1] | Added to Roll: Number | Added to Roll: Annual Allowances (000's) | Removed from Roll: Number | Removed from Roll: Annual Allowances (000's) | Roll-End of Year: Number | Roll-End of Year: Annual Allowances (000's) | % Increase in Annual Allowances | Average Annual Allowances |
|---|---|---|---|---|---|---|---|---|
| 2003 | 5,097 | $ 188,458 | 1,627 | $ 30,581 | 57,692 | $ 1,479,719 | 11.9 % | $ 25,649 |
| 2004 | 5,381 | 206,251 | 1,483 | 29,525 | 61,590 | 1,656,445 | 11.9 | 26,895 |
| 2005 | 6,176 | 230,973 | 1,594 | 33,139 | 66,172 | 1,854,279 | 11.9 | 28,022 |
| 2006 | 5,691 | 223,279 | 1,644 | 37,087 | 70,219 | 2,040,471 | 10.0 | 29,059 |
| 2007 | 5,858 | 230,924 | 1,656 | 39,293 | 74,421 | 2,232,102 | 9.4 | 29,993 |
| 2008 | 5,817 | 238,137 | 1,655 | 39,808 | 78,583 | 2,430,431 | 8.9 | 30,928 |

[1] Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the fiscal year beginning two years after the valuation date. An actuarial valuation for the fiscal year ended June 30, 2009 is currently in process and was not available for this analysis.

## Solvency Test (in thousands)

| Fiscal Year* | Aggregate Actuarial Accrued Liabilities For (1) Active Member Contributions | (2) Retirees and Beneficiaries | (3) Active Members (Employer-Financed Portion) | Actuarial Value of Assets | Portion of Accrued Liabilities Covered by Assets (1) | (2) | (3) |
|---|---|---|---|---|---|---|---|
| 2003 | $ 4,739,109 | $ 17,581,264 | $ 19,585,303 | $ 42,372,661 | 100.0% | 100.0% | 100.0% |
| 2004 | 4,923,415 | 19,870,020 | 19,436,596 | 44,617,956 | 100.0 | 100.0 | 100.0 |
| 2005 | 5,171,813 | 23,229,592 | 19,409,809 | 46,836,895 | 100.0 | 100.0 | 95.0 |
| 2006 | 5,417,408 | 25,653,251 | 19,989,022 | 49,263,027 | 100.0 | 100.0 | 91.0 |
| 2007 | 5,703,184 | 28,212,100 | 21,081,286 | 52,099,171 | 100.0 | 100.0 | 86.3 |
| 2008 | 6,009,710 | 30,915,200 | 22,208,867 | 54,354,284 | 100.0 | 100.0 | 78.5 |

* Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the fiscal year beginning two years after the valuation date. An actuarial valuation for the fiscal year ended June 30, 2009 is currently in process and was not available for this analysis.

## Member and Employer Contribution Rates

| Fiscal Year | Member | Employer |
|---|---|---|
| 2005 | 5.00 % | 9.24 % |
| 2006 | 5.00 | 9.24 |
| 2007 | 5.00 | 9.28 |
| 2008 | 5.00 | 9.28 |
| 2009 | 5.00 | 9.28 |
| 2010 | 5.25 | 9.74 |

## Analysis of Financial Experience (in millions)

| Item | Analysis of the Change in Unfunded Accrued Liability Increase (Decrease) During the Years Ended June 30, 2008 | 2007 | 2006 | 2005 | 2004 | 2003 |
|---|---|---|---|---|---|---|
| Interest Added to Previous Unfunded Accrued Liability | $ 217.3 | $ 134.7 | $ 73.1 | $ (29.1) | $ (35.0) | $ (57.7) |
| Accrued Liability Contribution | (118.5) | 57.2 | 51.9 | 49.4 | 79.6 | 77.4 |
| Experience: | | | | | | |
| Valuation Asset Growth | 548.9 | (132.3) | 675.3 | 516.4 | 507.5 | 788.5 |
| Pensioners' Mortality | 58.4 | 25.6 | (40.7) | (14.0) | 48.8 | (30.0) |
| Turnover and Retirements [1] | 291.4 | 213.3 | 65.8 | 59.9 | 26.8 | 277.0 |
| New Entrants | 258.8 | 212.6 | 143.5 | 104.0 | 118.5 | 149.1 |
| Salary Increases | 162.8 | 294.5 | 144.1 | (227.5) | (667.1) | 372.4 |
| Method Changes | — | — | (339.2) | 313.7 | — | — |
| Amendments [2] | 386.3 | 252.3 | 48.5 | — | — | 78.7 |
| Change in Member Contribution Rate [4] | (15.7) | (8.4) | — | — | — | — |
| Assumption Changes [3] | — | — | — | 589.4 | — | (1,326.6) |
| Miscellaneous | 92.4 | 51.2 | — | — | — | — |
| Total Increase | $ 1,882.1 | $ 1,100.7 | $ 822.3 | $ 1,362.2 | $ 79.1 | $ 328.8 |

[1] Turnover and Retirements

2004 - Reflects impact of change in reported data due to a change in computer system. Previous years' data reported active members as any participant who contributed during the fiscal year. The 2004 data reported active members as only those who were contributing any of the last three months of the fiscal year.

[2] Amendments

2003 - Reflects an ad hoc cost-of-living adjustment of 0.5% to all retirees as of July 1, 2002.

2006 - Reflects the impact of House Bill 400 which increased allowances effective July 1, 2006 to retirees and beneficiaries retired before July 1, 1987.

2007- Reflects the impact of the first phase of the Plymel lawsuit.

2008- Reflects the impact of the final Plymel lawsuit.

[3] Assumption Changes

2003 - Reflects an increase in interest rate assumption from 7.25% to 7.50% and an increase in the salary increase assumption by 0.25% at each age.

2005 - The assumed rates of withdrawal, disability, retirement, and mortality and the assumed rates of salary increase have been revised to more closely reflect the actual and anticipated experience of the System. In addition, the administration expense load was increased to 0.25% from 0.15% of active payroll.

[4] Member Contribution Rate

2007 - Reflects an increase in the member contribution rate from 5.00% to 5.25% effective July 1, 2009.

2008 - Reflects an increase in the employer contribution rate from 5.25% to 5.53% effective July 1, 2010.

# Statistical Section



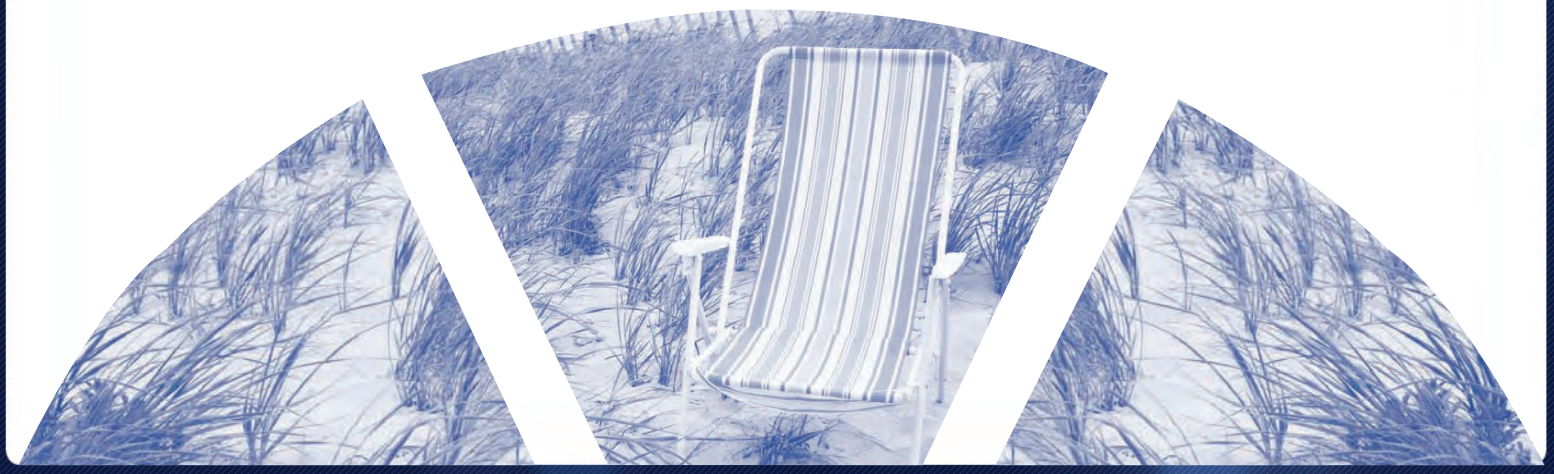
The statistical section presents additional information to provide financial statement users with added historical perspective, context, and detail to assist in using the information in the financial statements, notes to financial statements, and required supplementary information to understand and assess the System's financial condition.

## Financial Trends

The schedules presented on page 47 and page 48 contain trend information to help the reader understand how the System's financial position has changed over time.

## Operating Information

The schedules presented on pages 49 through 60 contain benefits, service and employer data to help the reader understand how the System's financial report relates to the services of the System and the activities it performs.



## Additions by Source (in thousands)

| Fiscal Year | Member Contributions | Employer Contributions | Net Investment Income (Loss) | Total Additions to (Deductions from) Plan Net Assets |
|---|---|---|---|---|
| 2000 | $ 355,948 | $ 779,571 | $ 2,788,202 | $ 3,923,721 |
| 2001 | 369,006 | 808,480 | (2,099,972) | (922,486) |
| 2002 | 403,952 | 716,917 | (1,610,477) | (489,608) |
| 2003 | 438,998 | 768,673 | 1,669,768 | 2,877,439 |
| 2004 | 448,929 | 782,301 | 3,794,733 | 5,025,963 |
| 2005 | 464,931 | 815,693 | 3,279,505 | 4,560,129 |
| 2006 | 485,721 | 855,626 | 2,691,062 | 4,032,409 |
| 2007 | 524,940 | 927,371 | 6,792,341 | 8,244,652 |
| 2008 | 554,027 | 986,759 | (1,775,578) | (234,792) |
| 2009 | 567,635 | 1,026,287 | (6,572,435) | (4,978,513) |

Contributions were made in accordance with actuarially determined contribution requirements.

## Deductions by Type (in thousands)

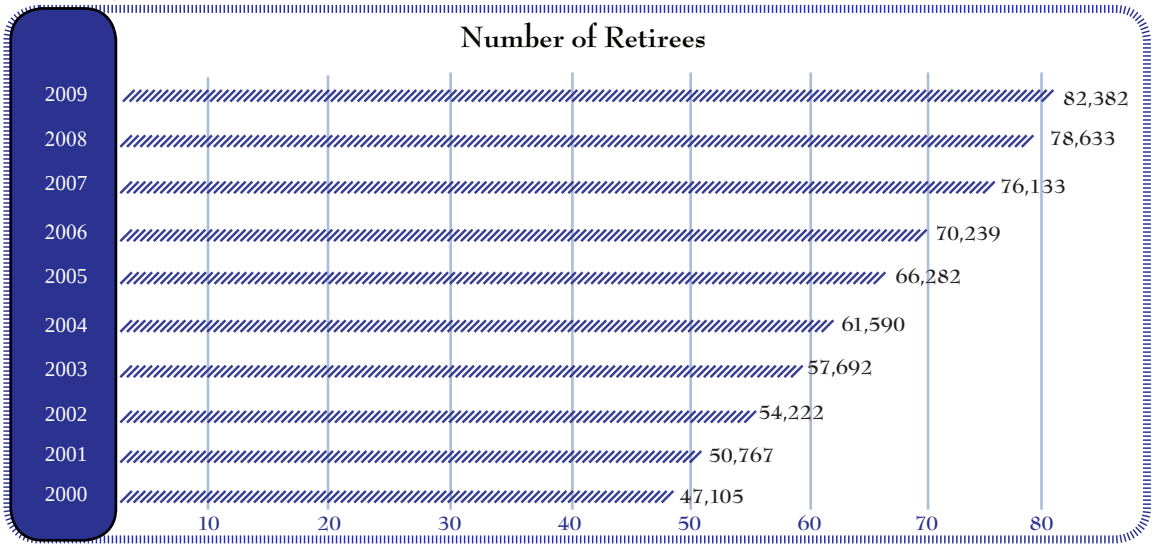
| | Benefit Payments | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Fiscal Year | Service | Partial Lump-Sum Option [1] | Disability | Survivor Benefits | Supplemental Payments [2] | Lump-Sum Death Settlement | Total Benefit Payments | Net Administrative Expenses | Refunds | Total Deductions From Plan Net Assets |
| 2000 | $ 923,049 | $ — | $ 34,160 | $ 48,063 | $ 4,334 | $ 1,962 | $ 1,011,568 | $ 9,058 | $ 44,718 | $ 1,065,344 |
| 2001 | 1,058,683 | — | 37,118 | 52,528 | 3,881 | 1,166 | 1,153,376 | 10,502 | 58,831 | 1,222,709 |
| 2002 | 1,181,838 | — | 40,418 | 57,178 | 3,582 | 1,355 | 1,284,371 | 15,966 | 41,250 | 1,341,587 |
| 2003 | 1,323,871 | — | 43,545 | 62,223 | 3,120 | 1,881 | 1,434,640 | 14,804 | 40,883 | 1,490,327 |
| 2004 | 1,481,710 | — | 47,002 | 65,821 | 2,757 | 1,177 | 1,598,467 | 15,378 | 42,580 | 1,656,425 |
| 2005 | 1,656,652 | 15,653 | 50,959 | 72,025 | 2,398 | 1,791 | 1,799,478 | 19,558 | 50,491 | 1,869,527 |
| 2006 | 1,863,194 | 26,601 | 62,773 | 35,394 | 2,093 | 1,376 | 1,991,431 | 20,173 | 53,138 | 2,064,742 |
| 2007 | 2,128,927 | 33,378 | 70,431 | 46,670 | 1,842 | 1,702 | 2,282,950 | 22,073 | 52,875 | 2,357,898 |
| 2008 | 2,527,156 | 40,820 | 89,348 | 95,452 | 1,648 | 2,059 | 2,756,483 | 23,744 | 54,482 | 2,834,709 |
| 2009 | 2,385,561 | 37,191 | 72,028 | 36,922 | 1,414 | 1,371 | 2,534,487 | 22,603 | 49,414 | 2,606,504 |

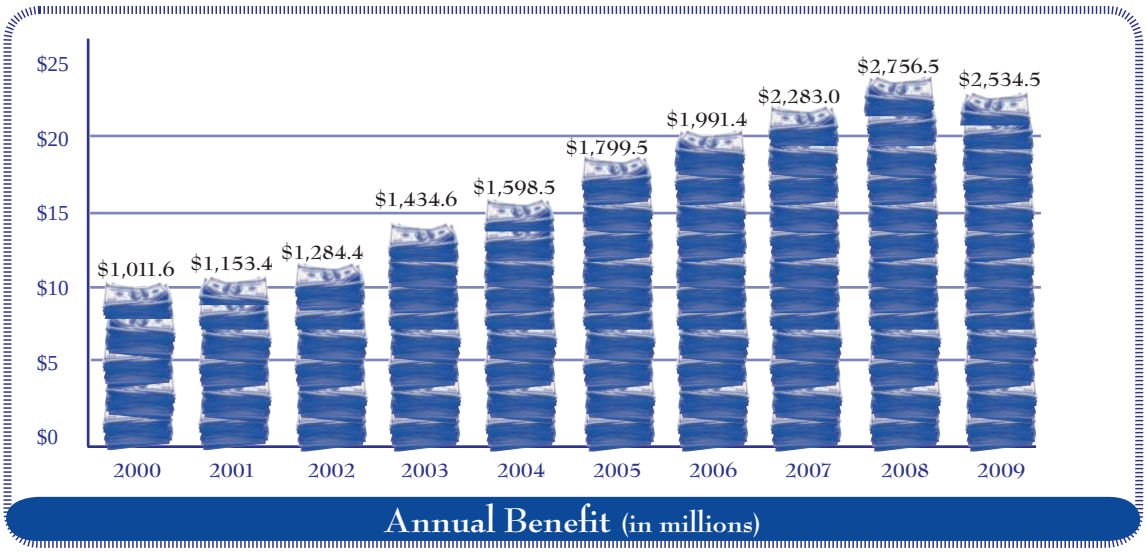
(1) Partial Lump-Sum Option Plan became effective July 1, 2004.
(2) Supplemental payments to retirees who belong to a local retirement system.

## Changes in Net Assets (in thousands)

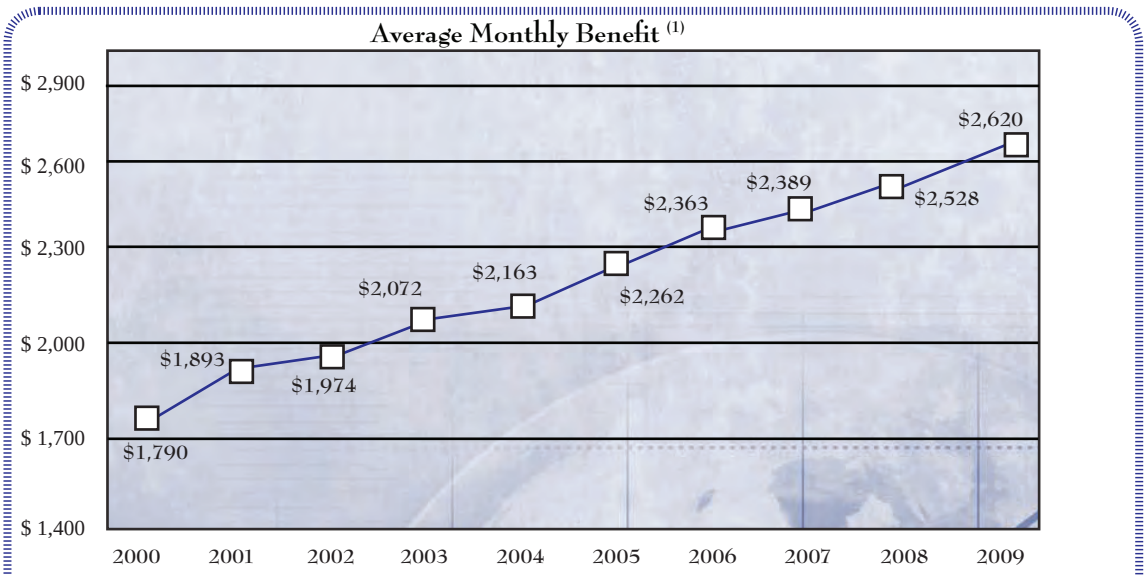
| Fiscal Year | Total Additions to Plan Net Assets | Total Deductions from Plan Net Assets | Changes in Plan Net Assets |
|---|---|---|---|
| 2000 | $ 3,923,721 | $ 1,065,344 | $ 2,858,377 |
| 2001 | (922,486) | 1,222,709 | (2,145,195) |
| 2002 | (489,608) | 1,341,587 | (1,831,195) |
| 2003 | 2,877,439 | 1,490,327 | 1,387,112 |
| 2004 | 5,025,963 | 1,656,425 | 3,369,538 |
| 2005 | 4,560,129 | 1,869,527 | 2,690,602 |
| 2006 | 4,032,409 | 2,064,742 | 1,967,667 |
| 2007 | 8,244,652 | 2,357,898 | 5,886,754 |
| 2008 | (234,792) | 2,834,709 | (3,069,501) |
| 2009 | (4,978,513) | 2,606,504 | (7,585,017) |

## Benefit Payment Statistics



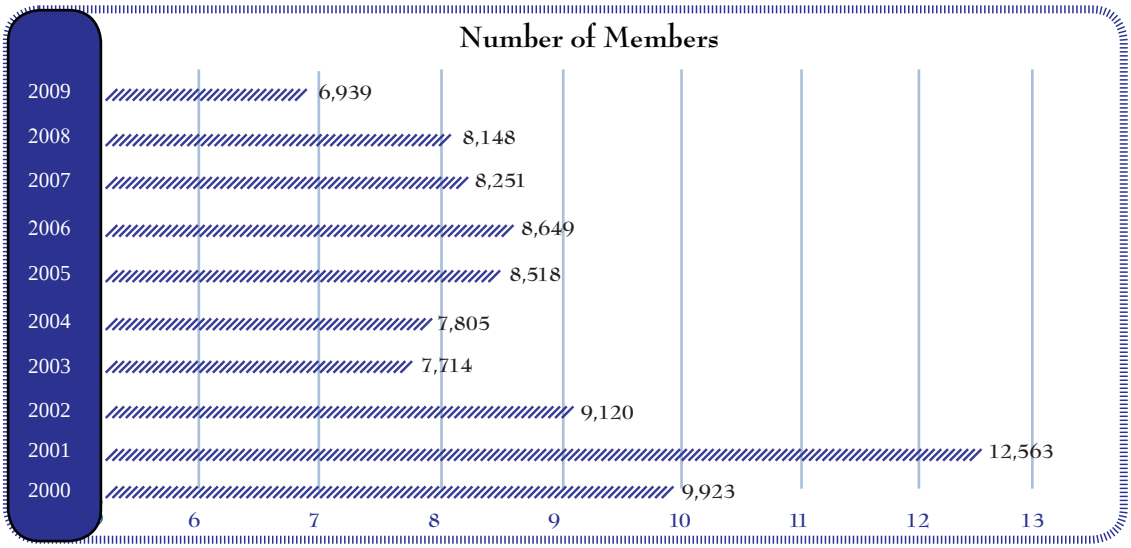

Annual Benefit (in millions)

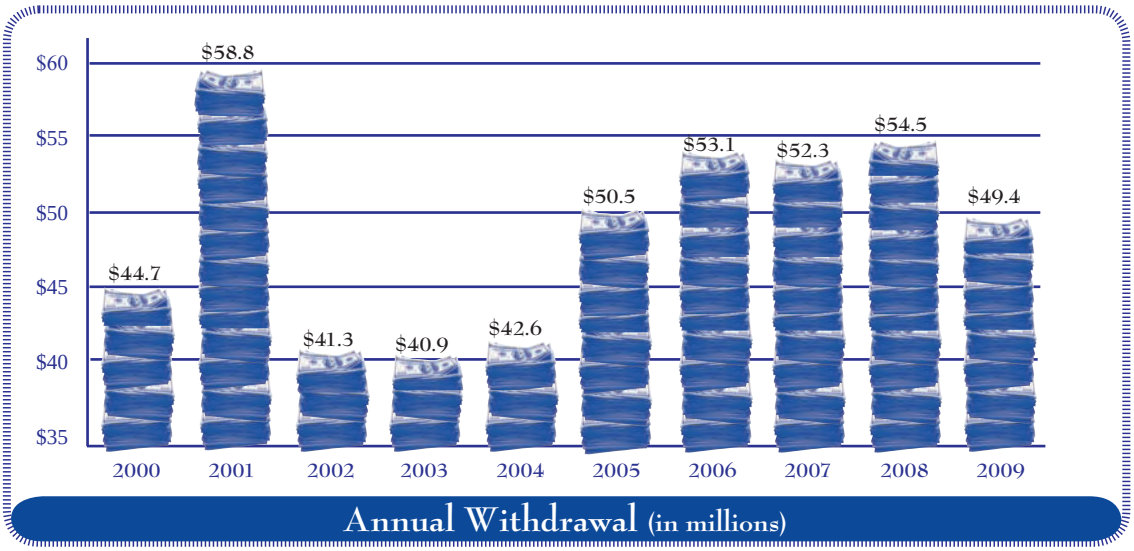



(1) Retirees who belonged to a local retirement system and who received supplemental payments are not included.

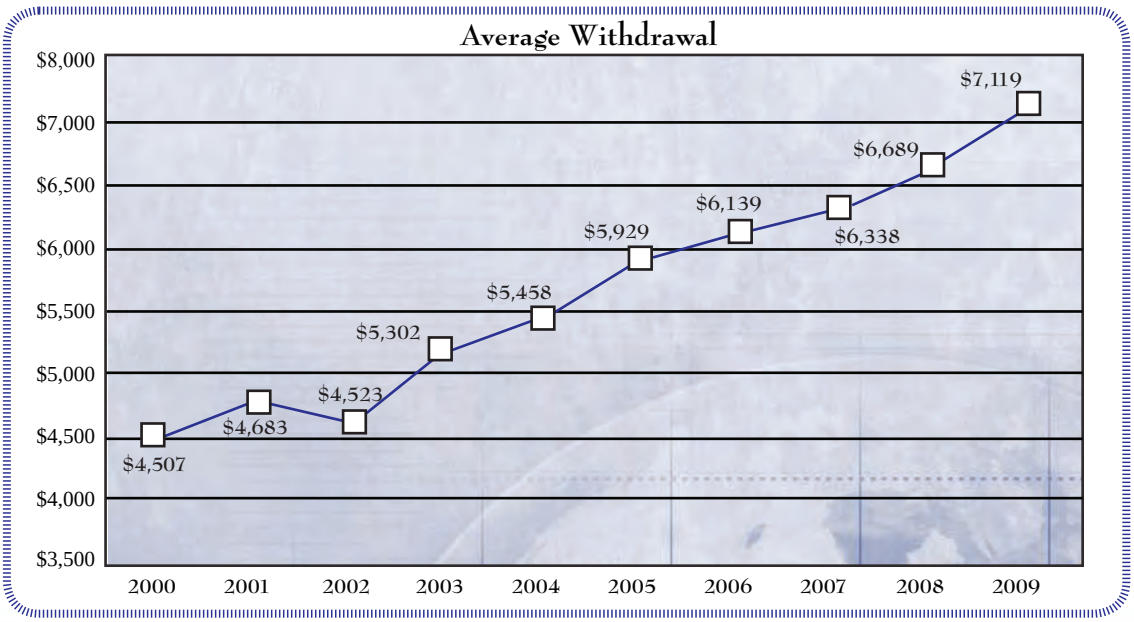
# Statistical Section

## Member Withdrawal Statistics




Annual Withdrawal (in millions)



## Average Monthly Benefit Payments for New Retirees

| Effective Retirement Dates for Fiscal Years Ended June 30, | Years Credited Service 10 - 15 | 16 - 20 | 21 - 25 | 26 - 30 | Over 30 | Total |
|---|---|---|---|---|---|---|
| **2000** | | | | | | |
| Average monthly benefit | $ 631.36 | $1,074.51 | $1,432.55 | $2,373.56 | $3,121.26 | $2,076.92 |
| Average final average salary | $2,253.00 | $3,096.25 | $3,178.02 | $3,947.94 | $4,786.21 | $4,017.50 |
| Number of retirees | 687 | 414 | 657 | 1,819 | 1,237 | 4,814 |
| **2001** | | | | | | |
| Average monthly benefit | $ 639.66 | $1,184.73 | $1,549.76 | $2,474.70 | $3,198.55 | $2,183.38 |
| Average final average salary | $2,295.08 | $3,103.29 | $3,403.14 | $4,251.56 | $5,069.71 | $4,183.26 |
| Number of retirees | 751 | 447 | 633 | 2,017 | 1,398 | 5,246 |
| **2002** | | | | | | |
| Average monthly benefit | $ 669.01 | $1,129.23 | $1,646.88 | $2,624.62 | $3,322.04 | $2,258.01 |
| Average final average salary | $2,499.32 | $3,627.31 | $3,545.14 | $4,433.46 | $5,070.61 | $4,298.67 |
| Number of retirees | 721 | 445 | 614 | 1,795 | 1,283 | 4,858 |
| **2003** | | | | | | |
| Average monthly benefit | $ 783.71 | $1,526.45 | $1,859.12 | $2,604.05 | $3,462.68 | $2,418.00 |
| Average final average salary | $2,673.99 | $3,339.27 | $3,745.58 | $4,401.55 | $5,216.65 | $4,405.15 |
| Number of retirees | 807 | 483 | 545 | 1,714 | 1,661 | 5,210 |
| **2004** | | | | | | |
| Average monthly benefit | $1,405.03 | $1,351.04 | $1,895.12 | $2,763.31 | $3,557.04 | $2,527.79 |
| Average final average salary | $5,017.00 | $3,283.34 | $3,823.40 | $4,471.74 | $5,389.07 | $4,628.32 |
| Number of retirees | 906 | 579 | 630 | 1,864 | 1,611 | 5,590 |
| **2005** | | | | | | |
| Average monthly benefit | $ 729.34 | $1,216.78 | $1,751.04 | $2,575.64 | $3,474.65 | $2,431.70 |
| Average final average salary | $2,960.22 | $3,315.00 | $4,014.56 | $4,511.41 | $5,345.03 | $4,455.10 |
| Number of retirees | 907 | 689 | 693 | 1,379 | 2,545 | 6,213 |
| **2006** | | | | | | |
| Average monthly benefit | $ 759.49 | $1,236.93 | $1,874.90 | $2,356.35 | $3,361.85 | $2,436.59 |
| Average final average salary | $3,002.19 | $3,273.99 | $4,036.61 | $4,571.12 | $5,338.88 | $4,495.40 |
| Number of retirees | 815 | 651 | 653 | 718 | 2,780 | 5,617 |
| **2007** | | | | | | |
| Average monthly benefit | $ 757.50 | $1,246.18 | $1,782.60 | $2,350.01 | $3,330.98 | $2,335.28 |
| Average final average salary | $3,193.24 | $3,580.49 | $4,061.53 | $4,669.55 | $5,406.13 | $4,182.19 |
| Number of retirees | 975 | 704 | 758 | 729 | 2,725 | 5,891 |
| **2008** | | | | | | |
| Average monthly benefit | $ 809.08 | $1,324.02 | $1,866.99 | $2,466.86 | $3,488.62 | $2,424.71 |
| Average final average salary | $3,404.28 | $3,734.90 | $4,283.55 | $4,797.61 | $5,676.32 | $4,755.66 |
| Number of retirees | 1,010 | 726 | 777 | 686 | 2,665 | 5,864 |
| **2009** | | | | | | |
| Average monthly benefit | $ 812.18 | $1,293.52 | $1,892.41 | $2,564.06 | $3,603.15 | $2,456.32 |
| Average final average salary | $3,430.35 | $3,676.14 | $4,302.88 | $4,938.17 | $5,785.56 | $4,794.47 |
| Number of retirees | 1,008 | 701 | 774 | 601 | 2,480 | 5,564 |

## Retired Members by Type of Benefit

| Amount of Monthly Benefit | Number of Retirees | Type of Retirement [1] A | B | C | D | Option Selected [2] Maximum | Opt-1 | Opt-2 | Opt-3 | Opt-4 | Opt-2 Pop-Up | Opt-3 Pop-Up |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| $ 1 - 250 | 790 | 384 | 76 | 154 | 176 | 228 | 12 | 250 | 43 | 45 | 22 | 13 |
| 251-500 | 4,136 | 3,293 | 468 | 368 | 7 | 2,797 | 88 | 744 | 163 | 89 | 172 | 76 |
| 501-750 | 5,107 | 4,171 | 540 | 383 | 13 | 3,546 | 144 | 844 | 222 | 42 | 199 | 97 |
| 751-1000 | 5,063 | 4,162 | 512 | 348 | 41 | 3,371 | 159 | 812 | 262 | 37 | 246 | 135 |
| 1001-1250 | 4,437 | 3,709 | 428 | 272 | 28 | 2,914 | 131 | 682 | 247 | 37 | 241 | 157 |
| 1,251 - 1,500 | 3,866 | 3,261 | 373 | 224 | 8 | 2,497 | 128 | 632 | 218 | 41 | 212 | 130 |
| 1,501 - 1,750 | 3,751 | 3,230 | 320 | 196 | 5 | 2,433 | 122 | 581 | 240 | 37 | 201 | 132 |
| 1,751 - 2,000 | 3,603 | 3,166 | 299 | 138 | 0 | 2,355 | 130 | 493 | 228 | 49 | 205 | 143 |
| 2,001 - 2,250 | 3,737 | 3,339 | 285 | 112 | 1 | 2,435 | 147 | 505 | 240 | 46 | 224 | 139 |
| 2,251 - 2,500 | 4,268 | 3,900 | 274 | 94 | 0 | 2,901 | 151 | 468 | 245 | 66 | 266 | 171 |
| 2,501 - 2,750 | 4,980 | 4,655 | 229 | 96 | 0 | 3,382 | 200 | 567 | 265 | 71 | 293 | 202 |
| 2,751 - 3,000 | 5,326 | 5,096 | 169 | 61 | 0 | 3,634 | 226 | 493 | 273 | 85 | 369 | 246 |
| 3,001 - 3,250 | 6,089 | 5,962 | 92 | 35 | 0 | 4,385 | 300 | 451 | 273 | 94 | 356 | 230 |
| 3,251 - 3,500 | 5,220 | 5,129 | 52 | 39 | 0 | 3,677 | 264 | 404 | 245 | 89 | 295 | 246 |
| 3,501 - 3,750 | 4,488 | 4,428 | 30 | 30 | 0 | 3,234 | 221 | 334 | 221 | 67 | 231 | 180 |
| 3,751 - 4,000 | 3,521 | 3,474 | 21 | 26 | 0 | 2,519 | 198 | 263 | 179 | 60 | 160 | 142 |
| 4,001 - 4,250 | 2,720 | 2,694 | 9 | 17 | 0 | 1,941 | 134 | 192 | 169 | 55 | 118 | 111 |
| 4,251 - 4,500 | 2,075 | 2,054 | 13 | 8 | 0 | 1,442 | 102 | 193 | 132 | 45 | 94 | 67 |
| 4,501 - 4,750 | 1,686 | 1,664 | 9 | 13 | 0 | 1,139 | 102 | 154 | 113 | 28 | 73 | 77 |
| 4,751 - 5,000 | 1,328 | 1,313 | 5 | 10 | 0 | 844 | 69 | 141 | 106 | 41 | 66 | 61 |
| Over 5,000 | 6,191 | 6,127 | 13 | 51 | 0 | 3,661 | 344 | 765 | 637 | 245 | 245 | 295 |
| **TOTALS** | **82,382** | **75,211** | **4,217** | **2,675** | **279** | **55,335** | **3,372** | **9,968** | **4,721** | **1,369** | **4,288** | **3,050** |

[1] Type of Retirement
A - Service
B - Disability
C - Survivor benefit
D - Supplemental payments to retirees who belonged to a local retirement system.

[2] Refer to Introductory Section, pages 13 and 14 for descriptions of Options.

## Retirement Payments By County Residence

| County | Number of Retirees | FY09 Total Gross Pay | County | Number of Retirees | FY09 Total Gross Pay |
|---|---|---|---|---|---|
| Appling | 208 | $ 6,633,743.12 | Coffee | 389 | $ 12,161,780.76 |
| Atkinson | 68 | 2,058,976.92 | Colquitt | 347 | 11,714,822.60 |
| Bacon | 106 | 3,488,532.27 | Columbia | 1,426 | 44,007,925.95 |
| Baker | 13 | 309,074.25 | Cook | 172 | 4,957,572.67 |
| Baldwin | 508 | 15,847,473.91 | Coweta | 822 | 25,798,350.39 |
| Banks | 134 | 3,448,716.41 | Crawford | 46 | 1,533,090.88 |
| Barrow | 396 | 10,289,753.50 | Crisp | 241 | 7,193,335.85 |
| Bartow | 599 | 17,845,306.14 | Dade | 100 | 2,795,150.12 |
| Ben Hill | 196 | 6,644,809.22 | Dawson | 168 | 5,545,815.66 |
| Berrien | 196 | 5,695,325.69 | Decatur | 97 | 4,670,002.29 |
| Bibb | 1,632 | 51,126,542.37 | DeKalb | 4,133 | 175,827,369.74 |
| Bleckley | 211 | 5,784,481.25 | Dodge | 211 | 6,098,873.90 |
| Brantley | 101 | 2,825,602.54 | Dooly | 97 | 3,048,596.64 |
| Brooks | 143 | 4,300,433.65 | Dougherty | 1,043 | 37,583,829.39 |
| Bryan | 178 | 5,030,982.39 | Douglas | 579 | 19,581,315.33 |
| Bulloch | 1,011 | 34,166,327.51 | Early | 30 | 2,686,809.44 |
| Burke | 175 | 5,045,218.45 | Echols | 5 | 184,468.89 |
| Butts | 167 | 4,981,198.67 | Effingham | 262 | 6,680,886.44 |
| Calhoun | 30 | 1,405,361.77 | Elbert | 196 | 4,893,787.06 |
| Camden | 203 | 7,193,936.43 | Emanuel | 296 | 9,492,865.64 |
| Candler | 118 | 3,041,892.95 | Evans | 104 | 3,218,450.65 |
| Carroll | 1,209 | 39,279,753.75 | Fannin | 256 | 7,179,820.08 |
| Catoosa | 302 | 9,354,468.72 | Fayette | 966 | 38,355,171.42 |
| Charlton | 61 | 1,974,879.20 | Floyd | 1,000 | 32,007,311.85 |
| Chatham | 2,155 | 69,091,142.41 | Forsyth | 492 | 14,568,823.30 |
| Chattahoochee | 23 | 647,330.94 | Franklin | 267 | 7,990,208.76 |
| Chattooga | 223 | 6,379,321.40 | Fulton | 5,169 | 213,870,754.72 |
| Cherokee | 1,026 | 30,995,848.10 | Gilmer | 208 | 6,862,313.55 |
| Clarke | 2,526 | 100,886,952.23 | Glascock | 26 | 999,702.55 |
| Clay | 14 | 898,798.61 | Glynn | 888 | 27,090,408.42 |
| Clayton | 763 | 34,399,457.17 | Gordon | 377 | 11,533,726.31 |
| Clinch | 71 | 2,601,290.16 | Grady | 75 | 2,989,954.38 |
| Cobb | 3,533 | 132,141,268.83 | Greene | 213 | 6,092,912.30 |

## Retirement Payments By County Residence continued

| County | Number of Retirees | FY09 Total Gross Pay |
|---|---|---|
| Gwinnett | 2,528 | $ 101,545,940.24 |
| Habersham | 446 | 12,469,296.58 |
| Hall | 1,254 | 40,474,268.13 |
| Hancock | 112 | 3,122,302.60 |
| Haralson | 210 | 6,520,654.02 |
| Harris | 246 | 7,472,963.45 |
| Hart | 223 | 6,735,432.57 |
| Heard | 61 | 1,613,599.99 |
| Henry | 1,046 | 34,025,974.65 |
| Houston | 868 | 28,596,386.57 |
| Irwin | 84 | 2,608,048.12 |
| Jackson | 586 | 14,473,754.74 |
| Jasper | 152 | 4,750,502.14 |
| Jeff Davis | 103 | 3,221,895.88 |
| Jefferson | 165 | 4,644,796.11 |
| Jenkins | 87 | 2,635,972.66 |
| Johnson | 88 | 2,344,139.32 |
| Jones | 169 | 5,275,925.12 |
| Lamar | 197 | 5,600,801.63 |
| Lanier | 53 | 1,586,139.58 |
| Laurens | 539 | 16,338,643.97 |
| Lee | 177 | 5,665,329.93 |
| Liberty | 171 | 5,626,027.69 |
| Lincoln | 108 | 2,940,499.29 |
| Long | 45 | 1,227,272.15 |
| Lowndes | 1,184 | 36,448,626.36 |
| Lumpkin | 329 | 10,111,223.09 |
| Macon | 116 | 3,743,828.94 |
| Madison | 532 | 13,180,711.38 |
| Marion | 63 | 1,906,614.60 |
| McDuffie | 224 | 7,482,335.45 |
| McIntosh | 129 | 3,212,566.51 |
| Meriwether | 187 | 6,152,587.87 |
| Miller | 26 | $ 924,253.29 |
| Mitchell | 213 | 6,197,246.82 |
| Monroe | 187 | 5,973,142.38 |
| Montgomery | 96 | 2,737,480.30 |
| Morgan | 241 | 7,071,933.24 |
| Murray | 234 | 7,738,164.93 |
| Muscogee | 1,904 | 64,245,145.03 |
| Newton | 462 | 13,238,392.60 |
| Oconee | 789 | 27,623,531.68 |
| Oglethorpe | 204 | 5,662,547.44 |
| Paulding | 314 | 8,896,829.54 |
| Peach | 488 | 15,933,024.90 |
| Pickens | 452 | 12,865,830.27 |
| Pierce | 174 | 4,951,631.97 |
| Pike | 169 | 4,465,526.74 |
| Polk | 364 | 11,965,852.26 |
| Pulaski | 93 | 3,083,216.87 |
| Putnam | 265 | 7,706,662.26 |
| Quitman | 4 | 582,865.14 |
| Rabun | 219 | 5,977,838.48 |
| Randolph | 27 | 1,200,299.90 |
| Richmond | 2,322 | 72,144,825.71 |
| Rockdale | 526 | 20,174,042.99 |
| Schley | 34 | 874,645.56 |
| Screven | 162 | 4,288,523.95 |
| Seminole | 31 | 1,440,957.51 |
| Spalding | 627 | 19,976,233.55 |
| Stephens | 313 | 9,192,558.59 |
| Stewart | 63 | 1,956,835.34 |
| Sumter | 384 | 13,073,603.94 |
| Talbot | 60 | 1,532,011.76 |
| Taliaferro | 16 | 421,047.45 |
| Tattnall | 148 | 4,469,980.80 |

## Retirement Payments By County Residence continued

| County | Number of Retirees | FY09 Total Gross Pay |
|---|---|---|
| Taylor | 91 | $ 2,844,963.36 |
| Telfair | 154 | 5,133,620.01 |
| Terrell | 39 | 1,961,742.54 |
| Thomas | 512 | 15,592,778.36 |
| Tift | 691 | 21,956,811.97 |
| Toombs | 270 | 8,427,158.56 |
| Towns | 173 | 4,392,868.12 |
| Treutlen | 79 | 2,417,427.87 |
| Troup | 561 | 18,135,273.31 |
| Turner | 141 | 4,942,525.79 |
| Twiggs | 54 | 1,512,849.84 |
| Union | 234 | 5,948,379.87 |
| Upson | 288 | 9,248,175.98 |
| Walker | 446 | 13,199,814.08 |
| Walton | 698 | 19,683,355.85 |
| Ware | 444 | 14,358,351.91 |
| Warren | 54 | 1,618,915.61 |
| Washington | 219 | 7,048,586.00 |
| Wayne | 292 | 8,397,610.37 |
| Webster | 20 | 486,249.79 |
| Wheeler | 72 | 2,273,556.21 |
| White | 322 | 8,309,274.03 |
| Whitfield | 688 | 24,579,078.87 |
| Wilcox | 106 | 2,933,644.31 |
| Wilkes | 126 | 3,522,635.28 |
| Wilkinson | 103 | 3,252,913.47 |
| Worth | 162 | 4,590,410.44 |
| Outside GA | 10,383 | 219,441,276.47 |
| **TOTALS** | **82,382** | ***$ 2,593,380,634.65** |

* This number does not include the effect of the Plymel lawsuit as described on page 30.

## Principal Participating Employers

| Employers | 2009 Covered Employees | 2009 Rank | 2009 Percentage of Total System | 2000 Covered Employees | 2000 Rank | 2000 Percentage of Total System |
|---|---|---|---|---|---|---|
| Gwinnett County Schools | 16,532 | 1 | 7.30 % | 10,438 | 1 | 5.44% |
| Cobb County Schools | 12,506 | 2 | 5.52 | 9,766 | 3 | 5.09 |
| Dekalb County Schools | 11,341 | 3 | 5.01 | 10,349 | 2 | 5.39 |
| Fulton County Schools | 10,363 | 4 | 4.57 | 7,354 | 5 | 3.83 |
| University of Georgia | 7,993 | 5 | 3.53 | 8,575 | 4 | 4.47 |
| Clayton County Schools | 5,886 | 6 | 2.60 | 5,075 | 8 | 2.64 |
| Atlanta City Schools | 5,595 | 7 | 2.47 | 6,131 | 7 | 3.19 |
| Chatham County Schools | 4,380 | 8 | 1.93 | 4,070 | 9 | 2.12 |
| Henry County Schools | 4,004 | 9 | 1.77 | — | — | — |
| Muscogee County School District | 3,978 | 10 | 1.76 | 4,025 | 10 | 2.10 |
| Medical College of Georgia | — | — | — | 6,338 | 6 | 3.30 |
| All Others | 143,982 | | 63.54 | 119,787 | | 62.43 |
| Total | 226,560 | | 100.00% | 191,908 | | 100.00% |

## Participating Employers

### Universities and Colleges

Abraham Baldwin Agricultural College
Albany State University
Armstrong Atlantic State University
Atlanta Metropolitan College
Augusta State University
Bainbridge College
Clayton College and State University
Coastal College
Columbus State University
Dalton State College
Darton College
East Georgia College
Fort Valley State University
Gainesville College
Georgia College and State University
Georgia Gwinnett College
Georgia Highlands College
Georgia Institute of Technology
Georgia Perimeter College
Georgia Southern University
Georgia Southwestern College
Georgia State University
Gordon College
Kennesaw State University
Macon State College
Medical College of Georgia
Middle Georgia College
North Georgia College and State University
Savannah State University
Skidaway Institute of Oceanography
South Georgia College
Southern Polytechnic State University
University of Georgia
Valdosta State University
Waycross College
State University of West Georgia

### Boards of Education

Appling County
Atkinson County
Atlanta City
Bacon County
Baker County
Baldwin County
Banks County
Barrow County
Bartow County
Ben Hill County

### Boards of Education continued

Berrien County
Bibb County
Bleckley County
Brantley County
Bremen City
Brooks County
Bryan County
Buford City
Bulloch County
Burke County
Butts County
Calhoun City
Calhoun County
Camden County
Candler County
Carroll County
Carrollton City
Cartersville City
Catoosa County
Charlton County
Chatham County
Chattahoochee County
Chattooga County
Cherokee County
Chickamauga City
Clarke County
Clay County
Clayton County
Clinch County
Cobb County
Coffee County
Colquitt County
Columbia County
Commerce City
Cook County
Coweta County
Crawford County
Crisp County
Dade County
Dalton City
Dawson County
Decatur City
Decatur County
DeKalb County
Dodge County
Dooly County
Dougherty County
Douglas County

### Boards of Education continued

Dublin City
Early County
Echols County
Effingham County
Elbert County
Emanuel County
Evans County
Fannin County
Fayette County
Floyd County
Forsyth County
Franklin County
Fulton County
Gainesville City
Gilmer County
Glascock County
Glynn County
Gordon County
Grady County
Greene County
Griffin-Spalding County
Gwinnett County
Habersham County
Hall County
Hancock County
Haralson County
Harris County
Hart County
Heard County
Henry County
Houston County
Irwin County
Jackson County
Jasper County
Jeff Davis County
Jefferson City
Jefferson County
Jenkins County
Johnson County
Jones County
Lamar County
Lanier County
Laurens County
Lee County
Liberty County
Lincoln County
Long County
Lowndes County

## Participating Employers

### Boards of Education continued

Lumpkin County
Macon County
Madison County
Marietta City
Marion County
McDuffie County
McIntosh County
Meriwether County
Miller County
Mitchell County
Monroe County
Montgomery County
Morgan County
Murray County
Muscogee County
Newton County
Oconee County
Oglethorpe County
Paulding County
Peach County
Pelham City
Pickens County
Pierce County
Pike County
Polk School District
Pulaski County
Putnam County
Quitman County
Rabun County
Randolph County
Richmond County
Rockdale County
Rome City
Schley County
Screven County
Seminole County
Social Circle City
Stephens County
Stewart County
Sumter County
Talbot County
Taliaferro County
Tattnall County
Taylor County
Telfair County
Terrell County
Thomas County
Thomasville City

### Boards of Education continued

Dublin City
Early County
Echols County
Effingham County
Elbert County
Emanuel County
Evans County
Fannin County
Fayette County
Floyd County
Forsyth County
Franklin County
Fulton County
Gainesville City
Gilmer County
Glascock County
Glynn County
Gordon County
Grady County
Greene County
Griffin-Spalding County
Gwinnett County
Habersham County
Hall County
Hancock County
Haralson County
Harris County

### Public Libraries

Athens Regional Library
Barnesville-Lamar County Library
Bartow County Library
Bartram Trail Regional Library
Brooks County Library
Camden County Library
Chatsworth-Murray County Library
Chattooga County Library
Cherokee Regional Library
Chestatee Regional Library
Clayton County Regional Library
Coastal Plains Regional Library
Cobb County Public Library
Conyers-Rockdale Library
Coweta County Public Library
DeKalb County Public Library
Desota Trail Regional Library
Dougherty County Public Library

## Participating Employers

### Public Libraries continued

East Central Georgia Regional Library
Elbert County Public Library
Fitzgerald-Ben Hill County Library
Flint River Regional Library
Forsyth County Public Library
Gwinnett County Public Library
Hall County Library
Hart County Library
Hawkes Library
Henry County Library
Houston County Public Library
Jefferson County Library
Kinchafoonee Regional Library
Lake Blackshear Regional Library
Lee County Public Library
Lincoln County Library
Live Oak Public Library
M.E. Roden Memorial Library
Mary Vinson Memorial Library
Middle Georgia Regional Library
Moultrie-Colquitt County Library
Mountain Regional Library
Newton County Library
Northeast Georgia Regional Library
Northwest Georgia Regional Library
Ocmulgee Regional Library
Oconee Regional Library
Ohoopee Regional Library
Okefenokee Regional Library
Peach Public Library
Piedmont Regional Library
Pine Mountain Regional Library
Roddenberry Memorial Library
Sara Hightower Regional Library
Satilla Regional Library
Screven-Jenkins Regional Library
Sequoyah Regional Library
South Georgia Regional Library
Southwest Georgia Regional Library
Statesboro Regional Library
Thomas County Public Library
Three Rivers Regional Library
Troup-Harris-Coweta Regional Library
Uncle Remus Regional Library
Warren County Public Library
West Georgia Regional Library
Worth County Library System

### Technical Colleges

Albany Technical College
Altamaha Technical College
Applachian Technical College
Athens Technical College
Atlanta Technical College
Augusta Technical College
Central Georgia Technical College
Chattahoochee Technical College
Columbus Technical College
DeKalb Technical College
East Central Technical College
Flint River Technical College
Griffin Technical College
Georgia Northwestern Technical College
Heart of Georgia Technical College
Lanier Technical College
Middle Georgia Technical College
Moultrie Technical College
North Georgia Technical College
North Metro Technical College
Northwestern Technical College
Ogeechee Technical College
Okefenokee Technical College
Sandersville Technical College
Savannah Technical College
South Georgia Technical College
Southeastern Technical College
Southern Crescent Technical College
Southwest Georgia Technical College
Swainsboro Technical College
Valdosta Technical College
West Central Technical College
West Georgia Technical College

### Regional Educational Service Agencies

Central Savannah River Area RESA
Chattahoochee Flint RESA
Coastal Plains RESA
First District RESA
Griffin RESA
Heart of Georgia RESA
Metro RESA
Middle Georgia RESA
North Georgia RESA
Northeast Georgia RESA
Northwest Georgia RESA

## Participating Employers

### Regional Educational Service Agencies continued

Oconee RESA
Okefenokee RESA
Pioneer RESA
Southwest Georgia RESA
West Georgia RESA

### Charter Schools

Academy of Lithonia Charter
Academy of Mabelton
Academy of Smyrna Charter
Amana Academy
Baconton Community Charter School
Brighten Academy
Challenge Charter Academy
Chancellor Beacon Academy
Charles Drew Charter School
Charter Conservatory for Liberal Arts and Technology, Inc.
DeKalb Academy of Technology
DeKalb Path Academy
Destiny Academy of Excellence
Fulton Science Academy Charter School
Georgia Magnet Charter School
Imagine Wesley International Academy
International Community Charter School
Ivy Preparatory Academy
Kidspeace National Centers
Kipp Metro Atlanta Collaborate
Kipp South Fulton Academy
Lewis Academy of Excellence
Marietta Charter School
Mountain Education Center
Neighborhood Charter School
New Life Academy of Excellence
Odyssey Charter School
Scholars Academy Inc.
Southeast Atlanta Charter Schools
T.E.A.C.H. Charter School
University Community Academy

### State Agencies

Department of Community Health
Department of Corrections
Department of Human Resources

### State Agencies continued

Department of Juvenile Justice
Department of Natural Resources
Department of Public Safety
Georgia Department of Driver Services
Georgia Department of Economic Development
Georgia Department of Agriculture
Georgia Department of Audits
Georgia Department of Early Care and Learning
Georgia Department of Education
Georgia Department of Labor
Georgia Public Defender Council
Georgia Public Telecommunications
Georgia Student Finance Committee
Office of Planning and Budget
Secretary of State
State Accounting Office
Teachers Retirement System of Georgia
Technical College System of Georgia

### Other

Baldwin County Board of Health
Fulton County DFACS
Georgia Association of Educators
Georgia High Schools Association
Georgia Military College
Ware County Health Department

# Teachers Retirement System of Georgia

Teachers
Retirement
System of
Georgia

**Two Northside 75**
**Atlanta, GA 30318**
**(800) 352-0650 or (404) 352-6500**
**www.trsga.com**