

TEACHERS  
RETIREMENT  
SYSTEM OF  
GEORGIA



A COMPONENT UNIT OF  
THE STATE OF GEORGIA



65  
years

# Summary Annual Financial Report

Fiscal Year  
Ended June 30,

2010

I am pleased to present the Summary Annual Financial Report of the Teachers Retirement System of Georgia (TRS) for the fiscal year ended June 30, 2010. This report summarizes the more detailed 2010 Comprehensive Annual Financial Report (CAFR). The CAFR was prepared by TRS in conformity with generally accepted accounting principles and is available at the TRS office and on our website, [www.TRSGA.com](http://www.TRSGA.com).



This report does not replace the CAFR, but includes important details to give you a basic understanding of our overall financial condition and investment performance. It also describes how our system works to serve our members and what benefits we offer.

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

### **A Model Retirement System**

Our vision at TRS is to be a model retirement system — one that provides unparalleled service to our members. The best way to accomplish this is through efficient and effective processes supported by a competent, empowered staff and innovative technology. Everything we do, such as allowing our members to manage their accounts online, revolves around this vision. Our commitment to excellence extends throughout TRS. It is essential that we protect your retirement security and strive to exceed your expectations.

### **Accomplishments and Initiatives**

The System continuously looks for innovative ways to make the services it provides to its members faster, friendlier, and easier by a continued focus on providing excellent customer service throughout the System.

During the year, the System implemented a web-based retirement application process providing a more efficient, paperless and user-friendly way to retire which decreases processing time and increases member satisfaction. The online retirement application process became operational in January 2010. Since that time, approximately 40% of the retirement applications have been submitted online resulting in a faster and easier retirement process for the member and also for the System's staff.

## A Message From the Executive Director

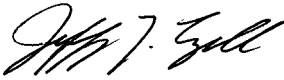
A new web-based payment process was implemented for use by the employers to pay monthly contributions to the System. All employers are using this easier payment process.

Pre-retirement workshops have been introduced to the System's Atlanta office. These workshops provide members in the metro-Atlanta area with a convenient location and the workshops are being held during school breaks and teacher workdays. Additionally, the Customer Excellence Program continues to grow by reaching its two-and-a-half-year goal of having at least one event in each of the 159 Georgia counties.

The disability retirement process was reengineered to provide a faster, easier, and more comprehensive disability retirement. This reengineering has resulted in a reduction in the time required to process and pay disability claims by more than 20% and a reduction in the number of temporary disability approvals by 65%.

The System continues to refresh and enhance the technology infrastructure supporting its line-of-business information systems. Doing so facilitated 99% uptime availability for these systems, permitted our employees to quickly respond to customer needs, and provided 24-hour availability to the customer via the Internet through the System's customer web portal. The System continues its efforts to keep up with developing technologies and provide the best that these new technologies have to offer.

Sincerely,



Jeffrey L. Ezell  
Executive Director



**Mission:** to provide exceptional service in the administration of pension benefits and related services to TRS members, retirees, and employers.

**Vision:** To be a model retirement system, providing comprehensive customer service to members, retirees, and employers. This vision will be accomplished by utilizing innovative, efficient, and effective processes supported by state of the art technology and a fully trained, empowered, and motivated staff.

TRS 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. TRS is administered by a ten-member Board of Trustees. Members of the Board of Trustees listed are as of November 1, 2010 (two positions are vacant).



**Mr. J. Alvin  
Wilbanks**

**CHAIR**

Administrator  
Appointed by the  
Governor  
Term Expires 6/30/13



**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



**Dr. Lorelle C.  
"Buster" Evans**

TRS Member  
Appointed by the  
Governor  
Term Expires 6/30/12



**Mr. Thomas  
Hills**

State Treasurer  
Ex-Officio



**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

## Retirement Eligibility

You become eligible to receive retirement benefits once you are vested with TRS and terminate your TRS covered employment. Upon application and approval, you are eligible for a monthly benefit for the rest of your life and, if you select a survivorship option, your beneficiary would also receive lifetime benefits upon your death. Vesting occurs when you reach 10 years of service. The age at which retirement benefits begin depends on your length of service.

## Length of Service for Normal Service Retirement Benefits

- 10 or more years of service at age 60
- 30 years of service at any age

If you have between 25 and 30 years of service and have not reached the age of 60, you can retire with a reduced monthly benefit.

## The Amount of Your Retirement Benefit

Under the Maximum Plan of Retirement, you receive a monthly benefit for life based on the following formula:

$$\begin{array}{|c|} \hline \text{Number of} \\ \text{years of creditable} \\ \text{service, including} \\ \text{partial years} \\ \hline \end{array} \times \begin{array}{|c|} \hline 2\% \\ \hline \end{array} \times \begin{array}{|c|} \hline \text{Average monthly} \\ \text{salary for the} \\ \text{highest consecutive} \\ \text{24-months of} \\ \text{membership service} \\ \hline \end{array} = \begin{array}{|c|} \hline \text{Initial} \\ \text{monthly benefit} \\ \text{under the} \\ \text{Maximum Plan} \\ \hline \end{array}$$

You also have the option of selecting one of six different survivorship plans that allows you to leave a monthly lifetime benefit to one or more beneficiaries should they outlive you. You could, for example, leave a beneficiary 50% or 100% of your monthly benefit amount. If you select a survivorship plan, your monthly benefit is reduced based on actuarial factors, which take into consideration your age and the age of your beneficiaries at the time of your retirement.

Regardless of the plan you select, you may elect the Partial Lump-Sum Option Plan which provides you with a lump-sum distribution in exchange for a permanently reduced monthly retirement benefit. The amount of your lump-sum distribution cannot exceed the sum of 36 monthly benefit payments under the Maximum Plan of Retirement. Your

age, plan of retirement, and the amount of your lump-sum distribution are used to determine the reduction in your monthly benefit. A lump-sum distribution will be made as a single payment at the time the first monthly benefit is paid.

To help counter the effects of inflation, cost-of-living adjustments (COLA) may be granted by TRS to increase your benefit. The current COLA is 1.5%, which may be granted semi-annually in January and July.

For more details on eligibility and benefits, please refer to the TRS Member's Guide, which is available through your employer or by visiting the TRS web site at [www.TRSGA.com](http://www.TRSGA.com).

## **A Benefit Comparison**

### **Defined Benefit Plan vs. Defined Contribution Plan**

TRS is a defined benefit plan. This means your retirement benefit is determined by a preset formula. Critical to determining that benefit are your years of service and your final average salary. During your active employment, both you and your employer make monthly contributions to TRS. These contributions become part of a trust fund and are invested by professionals. Funds in the TRS investment portfolio are used to pay retirement, disability, and survivor benefits. You personally are not impacted by investment decisions because your benefit level is established in advance by a formula set by state law.

In a defined contribution plan, your retirement benefit is determined by the amount of assets in your personal account at the time of your retirement and you determine how these assets are to be distributed in your retirement years. Typically, during your active employment, both you and your employer make monthly contributions to your personal account. You have the primary responsibility to determine how these funds are then invested. Your investment decisions, and factors such as the general state of the economy, will influence the amount of funds available at the time of your retirement. Poor investment choices have a profound impact on your retirement benefit.

Thus, defined contribution plans include considerably more uncertainty and investment risk when compared to defined benefit plans. Defined contribution plans do have some advantages, such as shorter vesting periods and increased versatility because participants have more control over investment decisions. But this also means that you have to stay abreast of current market conditions and trends because you control the selection of funds in which your money is invested.

### **The Most Important Part of Your Retirement Security**

It is probably something you rarely think about, but that does not mean it is not valuable to you. Do not underestimate the value of this important asset of yours. Throughout the years you are working, as your salary and contributions grow, your TRS benefit can grow significantly in value. After you retire, your TRS benefit will provide you with a guaranteed lifetime income, regardless of how long you live. For this reason, your TRS benefit should be the foundation of your retirement plan. You may also have Social Security and your own personal savings to enhance your retirement income, but nothing can truly replace what TRS will provide you. Because it cannot be diminished, it is the most critical asset you own.

### **Four Important Benefits of Your Defined Benefit Plan**

#### **1. Guaranteed Lifetime Income that You Cannot Outlive**

Regardless of how long you live and what happens in the stock market before, during, or after your retirement, you can count on a predictable retirement benefit each month for the rest of your life from TRS. No other type of retirement plan can offer you that security.

#### **2. Professional Investment Management**

Just as not everyone can teach or perform your public sector job, not everyone can successfully invest in the stock and bond markets. The State has an obligation to pay your guaranteed retirement benefits. To fulfill this obligation, TRS maintains a professional investment staff to determine the best mix of stocks, bonds, and other investments at a given time, and research and select the most appropriate securities for TRS.

In a defined contribution plan, you are responsible for selecting your investment funds from the choices provided. You bear the risk that a poor choice of investments at a given time or a poor investment return will cause your assets to decline. In addition, your assets may decline at an inopportune time for you. If you need or wish to retire at a time when the stock or bond market is declining, you could be surprised at what a hit your nest egg has taken. You may have to postpone your retirement while you try to rebuild your retirement fund!

### 3. Relatively Low Cost

TRS retains and creates assets for retirement via a very large portfolio. The investment earnings alone from this portfolio fund a significant portion of the ultimate benefits that will be paid out to you and your colleagues. Because of the size of the TRS portfolio and the associated economies of scale, administrative and investment management fees are typically fairly low. In fact, per dollar of benefits paid, TRS is less costly than a defined contribution plan. Over time, these fees can eat into the value of your retirement fund.

### 4. A Disciplined, Ongoing Investment Program Requiring No Effort on Your Part

You probably do not give your TRS account much thought, and that's exactly how it should be. During the years you have been teaching, you and your employer have been contributing towards your retirement security through TRS. You are not required to determine appropriate asset allocation, research and select investment options, monitor performance, and make changes when necessary. TRS does all of that.

In fact, one of the biggest benefits of TRS is that participants do not have to think much about it. Time works as your ally. A good retirement benefit depends on leaving your assets invested over the long-term. In fact, many people who take a lump-sum from their defined contribution plan when they move to another job end up using the money for immediate cash needs instead of reinvesting it for retirement.

## Understand What You Have and Its Value

TRS offers many benefits. As described above, it provides strength and stability for your retirement by providing you with a predictable, guaranteed retirement income for life. In addition, TRS offers many other important benefits that a defined contribution plan does not, such as disability retirement, death benefits, and potential cost-of-living adjustments for retirees.





### The Value of Your Benefit

To give you a perspective on the value of the TRS defined benefit plan, consider the following examples based on actual benefit calculations:

1) Ms. Smith is 60 years old with 30.444 years of creditable service and earns \$4,312 per month. Assuming she retires now, her projected retirement benefit will be \$2,705 per month.\* If Ms. Smith had to provide this benefit on her own, she would need to have saved approximately \$484,620 at retirement and would need to earn a 7.5% return on these savings each year for the rest of her life.

2) Mr. Jones is currently 33 years old with 9 years of creditable service and earns \$3,916 per month. Assuming he retires at age 54 with 30 years of creditable service, and he receives, on average, a 3.20% annual salary increase, his projected monthly benefit will be \$4,646\* per month. If Mr. Jones had to provide this benefit on his own, he would need to have saved approximately \$902,790 at retirement and would need to earn a 7.5% return on these savings each year for the rest of his life.

In both examples, the projected monthly retirement benefit is under the Maximum Plan of Retirement and is calculated using the benefit formula on page 4.

\*The projected monthly benefit includes a one-time 3% increase on the first \$37,500 in benefits.



## Total Membership

As of June 30, 2010



### Members

Active plan members .....	222,046
Terminated members entitled to benefits .....	82,163
Total .....	304,209
Retired Members .....	87,017
<b>Grand Total .....</b>	<b><u>391,226</u></b>

## Average Monthly Benefits for Retirees

For Fiscal Years Ended June 30, 2010 and 2009

Years of Service at Retirement	Average Monthly Benefit		Number of Retirees	
	FY 10	FY 09	FY 10	FY 09
10 - 15	\$ 860	\$ 812	1,195	1,008
16 - 20	\$1,433	\$1,294	786	701
21 - 25	\$1,931	\$1,892	1,018	774
26 - 30	\$2,625	\$2,564	690	601
Above 30	\$3,656	\$3,603	<u>2,736</u>	<u>2,480</u>
Total			<u>6,425</u>	<u>5,564</u>

## Legislation and Strategic Information

The 2010 Georgia General Assembly amended Georgia law to mirror federal Internal Revenue Code regarding 401(a) pension plans. The legislation also amended the provisions for purchasing air time service only in conjunction with the member's application for retirement. If the retirement application is withdrawn or denied, the air time service purchase shall be void. Finally, technical corrections were made to ensure that age 60 is the age reported as the normal retirement age in all sections of TRS Code.

*A complete legislative synopsis is available in the Legislation section of our website, [www.TRSGA.com](http://www.TRSGA.com).*



### TRS Strategic Goals FY 2010

- Payment of benefits and collection of employer contributions will be made efficiently, timely, and accurately.
- Maximize the rate of return on our investments through the management of a prudent pension investment policy.
- Information provided to customers will be timely, relevant, and accurate.
- Enhance relationships with members, retirees, and employers.
- Develop a fully trained, empowered, and motivated staff that will provide exceptional customer service.

**Award for  
Outstanding  
Achievement in  
Popular Annual  
Financial Reporting**

PRESENTED TO

Teachers Retirement System  
of Georgia

for the Fiscal Year Ended  
June 30, 2009



A handwritten signature in black ink, identified as Jeffrey A. Lane, President of GFOA.

The Government Finance Officers Association of the United States and Canada (GFOA) has given an Award for Outstanding Achievement in Popular Annual Financial Reporting to the Teachers Retirement System of Georgia for its Popular Annual Financial Report for the fiscal year ended June 30, 2009. The Award for Outstanding Achievement in Popular Annual Financial Reporting is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government popular reports.

An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to GFOA.

**Schedule of Plan Net Assets (in thousands)**

This schedule shows TRS assets, which are primarily investments, and then deducts the System’s liabilities, or debts. The final totals represent the financial resources available to pay pension benefits.

	June 30,	
	2010	2009
<b>Assets</b>		
Cash and receivables	\$ 351,416	\$ 486,723
Investments, at fair value	45,633,578	42,362,621
Capital assets, net	3,803	4,023
Total assets	45,988,797	42,853,367
<b>Liabilities</b>		
Accounts payable and other	63,248	374,784
<b>Net Assets Held in Trust for Pension Benefits</b>	<u>\$ 45,925,549</u>	<u>\$ 42,478,583</u>

**Schedule of Changes in Plan Net Assets (in thousands)**

This schedule shows additions to and deductions from TRS plan net assets.

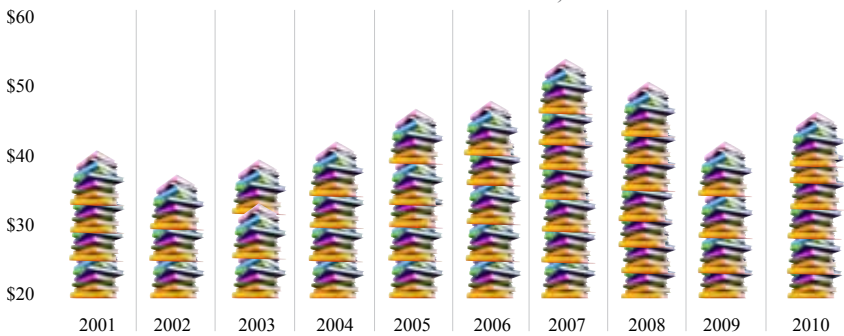
	Year Ended June 30,	
	2010	2009
<b>Additions</b>		
Employer contributions	\$ 1,057,416	\$ 1,026,287
Member contributions	592,264	567,635
Net investment income (loss)	4,671,571	(6,572,435)
Total additions	6,321,251	(4,978,513)
<b>Deductions</b>		
Benefit payments	2,800,424	2,534,487
Refunds of member contributions	53,638	49,414
Administrative expenses, net	20,223	22,603
Total deductions	2,874,285	2,606,504
<b>Net Increase (Decrease)</b>	3,446,966	(7,585,017)
<b>Net Assets Held in Trust for Pension Benefits:</b>		
Beginning of year	42,478,583	50,063,600
End of year	<u>\$ 45,925,549</u>	<u>\$ 42,478,583</u>

## Financial Information

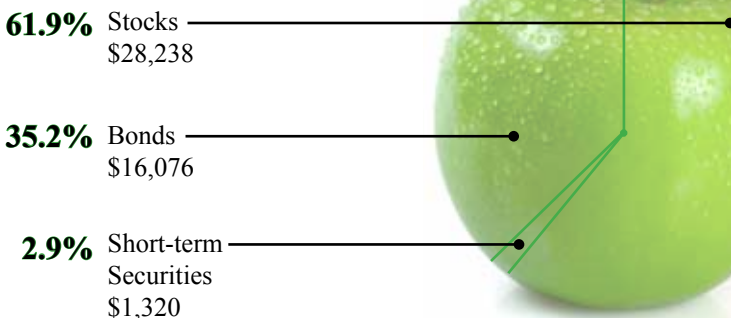
TRS invests in a mix of investments, which is comprised of high quality stocks, bonds, short-term securities, and cash. This investment mix allows TRS to participate in rising markets, while keeping risk levels relatively low when markets are on the decline. A high quality, balanced fund has proven to be a successful strategy in both rising and declining markets over a long period of time.

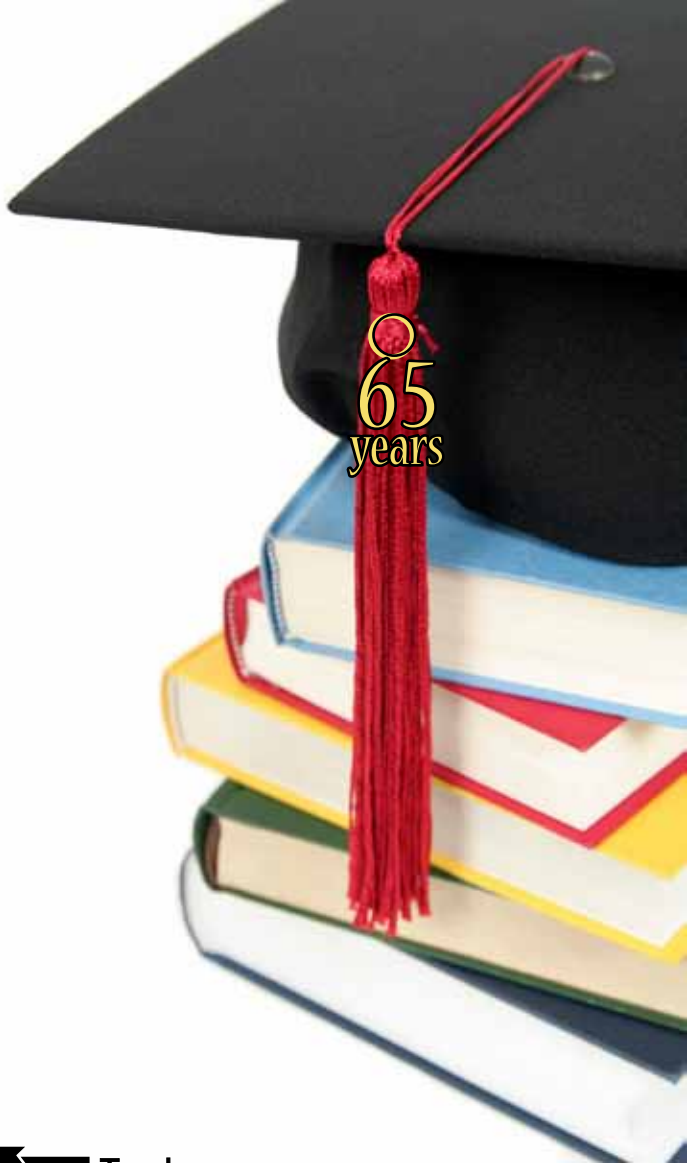
Conservation of capital and conservatism continue to be the principal guides in making investment decisions. By investing in a number of different asset categories and in a wide range of companies, a process called diversification, TRS is able to accomplish these investment objectives. Investment allocation recommendations are made by the Division of Investment Services staff to the Investment Committee, which is comprised of TRS Board Members. The TRS Board gives final approval on investment actions.

### Growth of Investments (in billions) Ten Years Ended June 30, 2010



### Investment Mix (in millions) As of June 30, 2010





Teachers  
Retirement  
System of  
Georgia

Two Northside 75, Suite 100  
Atlanta, GA 30318  
(404) 352-6500 or (800) 352-0650  
[www.trsga.com](http://www.trsga.com)