



TEACHERS RETIREMENT SYSTEM OF GEORGIA

A COMPONENT UNIT OF
THE STATE OF GEORGIA



SUMMARY ANNUAL FINANCIAL REPORT

Fiscal Year
Ended June 30,

2008

Message from the **Executive Director**

I am pleased to present the Summary Annual Financial Report of the Teachers Retirement System of Georgia (the “System”) for the fiscal year ended June 30, 2008. This report summarizes the more detailed 2008 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.



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 build your retirement security and strive to exceed your expectations.

Accomplishments and 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.

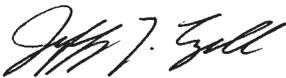
This year, our Call Center was recognized as the number one Call Center in the State by Governor Sonny Perdue. We proudly accepted the Call Center Excellence Award at the first annual Governor’s Customer Service Awards for Excellence ceremony for its outstanding performance in customer service. I was also honored to receive a Governor’s Commendation for Customer Service for leadership, along with commendations for the Member Services Division, for its accomplishments in improving processes that allow its team me-

Message from the **Executive Director**

members to consistently deliver a high level of customer service, and for the Customer Excellence Program's Outreach Team, for their demonstrated outstanding service to our customers.

The Customer Excellence Program (CEP) continues to make its mark throughout the State by taking our educational services on the road. Our retirement planners conducted 230 pre- and post-retirement, mid-career, and new member workshops reaching approximately 28,000 members in 51% of the counties in Georgia. In addition to the 2,181 members who visited our office to receive individual pre-retirement counseling, the CEP retirement planners counseled an additional 1,750 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.

We continued to market the advantages of doing business with us online. The number of active member and retiree account registrations totaled 78,244 and 13,903 respectively. The number of beneficiary changes made online more than doubled from the previous year to 37,028, and 17,741 benefit estimates have been generated by members within five years of retirement. Giving our members the ability to conduct business online has enabled the staff to concentrate on enhancing the other services we provide, such as working diligently with all employers to ensure all monthly contributions reports are submitted in our new file format. This enhanced collection of data has eliminated all paper membership applications and automates the member enrollment process.



Jeffrey L. Ezell

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.

2008 Board of Trustees

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, 2008.



**Dr. Virginia J.
Dixon**
CHAIR
Retired Teacher
Elected by the
Board of Trustees
Term Expires 6/30/09



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



**Mrs. Susan T.
Brantley**
Classroom Teacher
Appointed by the
Governor
Term Expires 6/30/11



**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 6/30/09



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



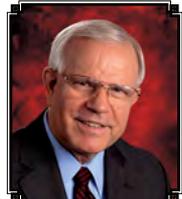
**Mrs. Lisa S.
Muldrew**
Classroom Teacher
Appointed by the
Governor
Term Expires 3/31/09



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



**Dr. Ralph E.
Steuer**
Professor
Appointed by the
Board of Regents
Term Expires 6/30/09



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

Eligibility and Benefits at a Glance

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:

$$\left(\begin{array}{c} \text{Number of years} \\ \text{of creditable service,} \\ \text{including partial years} \end{array} \right) \times \left(\begin{array}{c} 2\% \end{array} \right) \times \left(\begin{array}{c} \text{Avg. monthly} \\ \text{salary over the high-} \\ \text{est paid consecutive 24} \\ \text{months of service} \end{array} \right) = \left(\begin{array}{c} \text{Initial monthly} \\ \text{benefit under the} \\ \text{Maximum Plan} \end{array} \right)$$

You also have the option of selecting one of five 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,

Eligibility and **Benefits at a Glance**

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) are granted by TRS to increase your benefit. The current COLA is 1.5%, which is 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 website at 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.

Eligibility and **Benefits at a Glance**

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 deliver your guaranteed retirement benefits. To fulfill this obligation, TRS hires professional money managers 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. If investment results fall short of what is necessary to pay your retirement benefit, your assets and retirement are not at risk - because the benefit is guaranteed by the State.

In a Defined Contribution Plan, you are responsible for selecting the investment choices. 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. Forty percent of retired Americans recently surveyed were forced to retire early due to health or family issues. If you need to 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 for a few more years while you try to rebuild your retirement fund!

Eligibility and **Benefits at a Glance**

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 really 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, your employer has 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 about it much. 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 cost-of-living adjustments for retirees.



Membership and **Benefit Statistics**

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 either of these benefits 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 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 special 3% COLA on the first \$37,500 in benefits.



Membership and **Benefit Statistics**

Total Membership

As of June 30, 2008

Members

Active plan members.....	225,024
Terminated members entitled to benefits.....	<u>73,687</u>
Total.....	298,713
Retired Members.....	<u>78,633</u>
Grand Total.....	<u>377,344</u>

Average Monthly Benefits for Retirees

For Fiscal Years Ended June 30, 2008 and 2007

<u>Years of Service at Retirement</u>	<u>Average Monthly Benefit</u>		<u>Number of Retirees</u>	
	<u>FY 08</u>	<u>FY 07</u>	<u>FY 08</u>	<u>FY 07</u>
10 - 15	\$ 809	\$ 758	1,010	975
16 - 20	\$1,324	\$1,246	726	704
21 - 25	\$1,867	\$1,783	777	758
26 - 30	\$2,467	\$2,350	686	729
Above 30	\$3,489	\$3,331	<u>2,665</u>	<u>2,725</u>
Total			<u>5,864</u>	<u>5,891</u>

Legislation and Strategic Information

The 2008 Georgia General Assembly passed several pieces of legislation that impacted the System. Effective July 1, 2008, retirees who retired under a normal service retirement may return to work full-time as a superintendent, principal, pre-K through grade 12 classroom teacher (whose sole responsibility is academic instruction in the classroom), media specialist, counselor, or improvement specialist (allowed only with a regional educational service agency) and continue receiving full retirement benefits, provided they have been retired for a minimum of 12 months. The school system employing the retiree must pay all employee and employer contributions to the System and the retiree is not eligible to accrue any additional employment benefits or receive any further creditable service as a result of re-employment.

The “Protecting Georgia’s Investments Act” passed requiring the System to identify all holdings, direct or indirect, in companies that have an investment of \$20 million or more in Iran’s petroleum sector, and the System should notify the companies of such status, encourage them to cease such activities, and then divest securities from said companies if their investment continues.

A complete legislative synopsis is available in the Legislation section of www.trsga.com

TRS Strategic Goals for FY 2008

- 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, 2007



[Signature]
Secretary

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, 2007. 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.

Financial Information

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,	
	2008	2007
Assets		
Cash and receivables	\$ 414,867	\$ 612,774
Investments, at fair value	50,197,679	52,669,796
Capital assets, net	7,382	10,413
Total assets	<u>50,619,928</u>	<u>53,292,983</u>
Liabilities		
Accounts payable and other	556,328	159,882
Net Assets Held in Trust for Pension Benefits	<u>\$ 50,063,600</u>	<u>\$ 53,133,101</u>

Schedule of Changes in Plan Net Assets (in thousands)

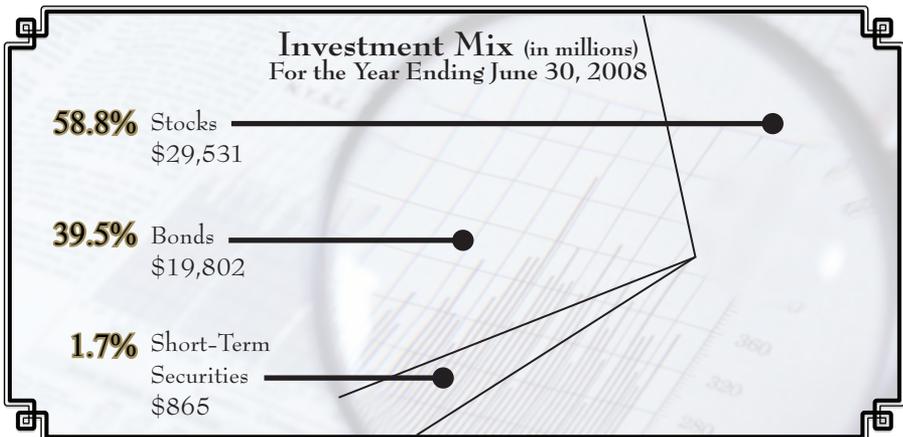
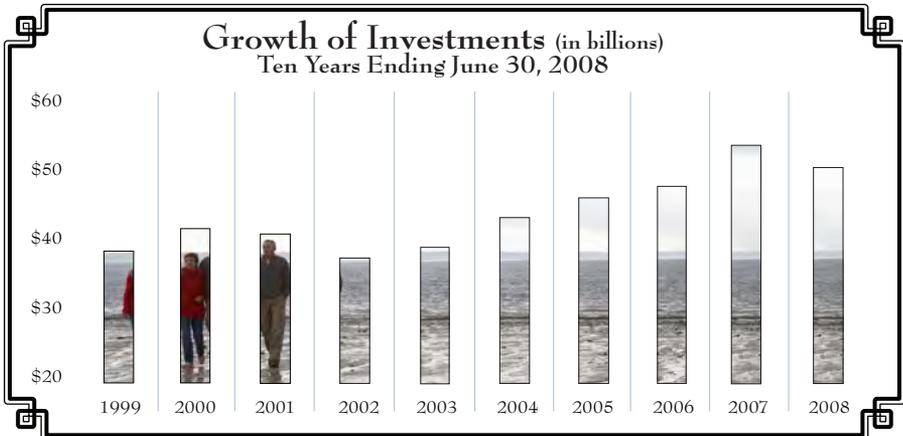
This schedule shows additions to and deductions from TRS plan net assets.

	Year Ended June 30,	
	2008	2007
Additions		
Employer contributions	\$ 986,759	\$ 927,371
Member contributions	554,027	524,940
Net investment income	(1,775,578)	6,792,341
Total additions	<u>(234,792)</u>	<u>8,244,652</u>
Deductions		
Benefit payments	2,756,483	2,282,950
Refunds of member contributions	54,482	52,875
Administrative expenses, net	23,744	22,073
Total deductions	<u>2,834,709</u>	<u>2,357,898</u>
Net Increase (Decrease)	(3,069,501)	5,886,754
Net Assets Held in Trust for Pension Benefits		
beginning of year	53,133,101	47,246,347
end of year	<u>\$ 50,063,600</u>	<u>\$ 53,133,101</u>

TRS Investments

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 climbing and falling 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, which is 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.



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www.trsga.com

TEACHERS RETIREMENT SYSTEM OF GEORGIA



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