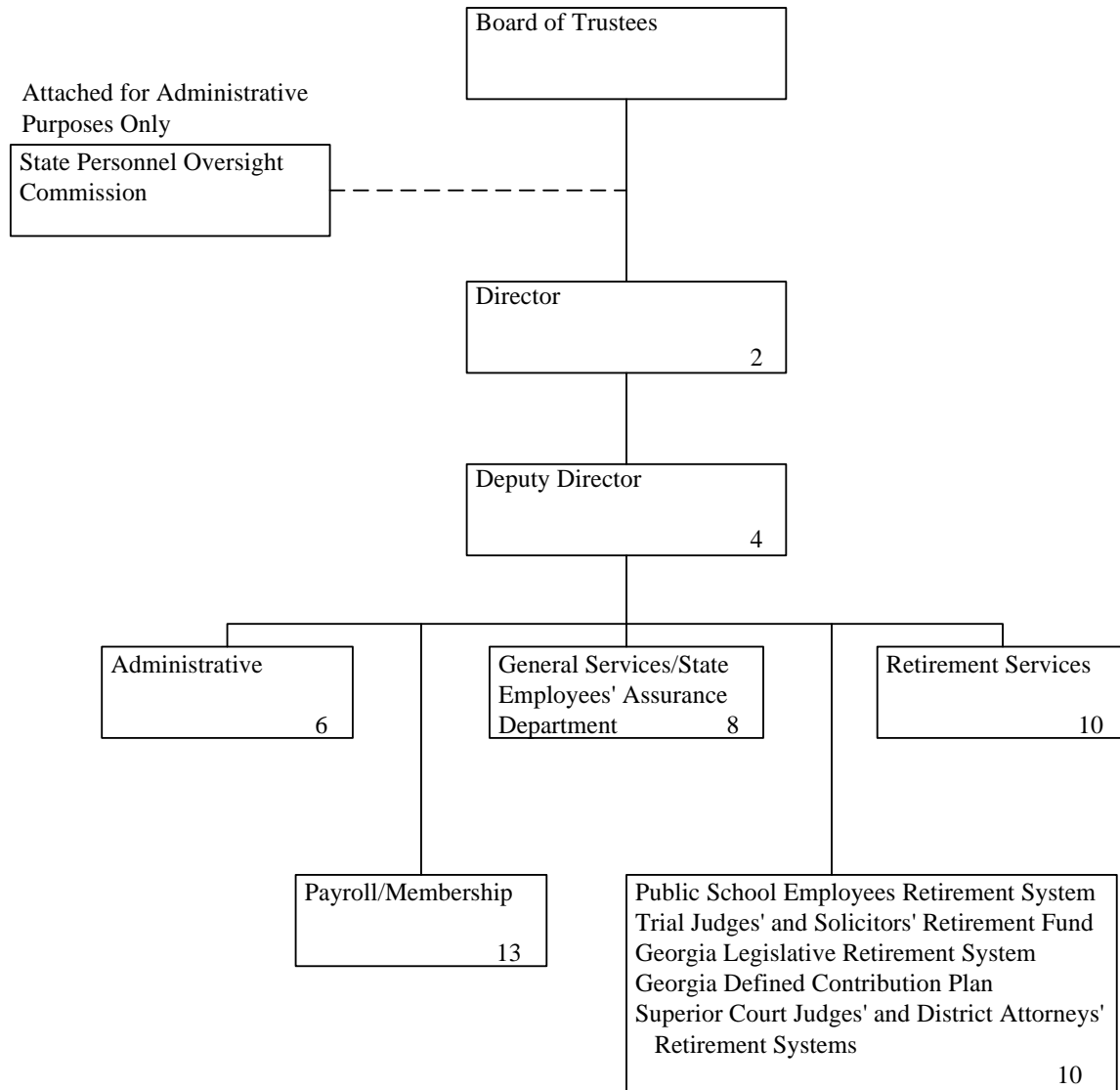


EMPLOYEES' RETIREMENT SYSTEM

Total Budgeted Positions -- 53



EMPLOYEES' RETIREMENT SYSTEM -- Financial Summary

Expenditures, Current Budget and Agency Requests

Budget Classes/Fund Sources	FY 1999 Expenditures	FY 2000 Expenditures	FY 2001 Current Budget	FY 2002 Agency Requests		
				Adjusted Base	Enhancements	Totals
Personal Services	2,410,709	2,675,430	2,872,542	2,899,010		2,899,010
Regular Operating Expenses	434,115	457,996	488,800	488,800		488,800
Travel	28,573	28,731	29,000	29,000		29,000
Motor Vehicle Purchases	20,551					
Equipment	11,810	11,597	12,450	12,450		12,450
Real Estate Rentals	327,900	339,320	345,740	345,740		345,740
Per Diem, Fees & Contracts	1,690,517	1,750,586	2,807,000	2,807,000		2,807,000
Computer Charges	4,219,309	2,878,125	1,269,708	1,269,708		1,269,708
Telecommunications	67,282	79,511	82,002	82,002		82,002
New Retiree Benefits	673,425		2,992,000			
Total Funds	\$9,884,191	\$8,221,296	\$10,899,242	\$7,933,710		\$7,933,710
Less Other Funds:						
Other Funds	9,210,766	8,221,296	7,907,242	7,933,710		7,933,710
Total Other Funds	\$9,210,766	\$8,221,296	\$7,907,242	\$7,933,710		\$7,933,710
TOTAL STATE FUNDS	\$673,425		\$2,992,000			
Positions	45	50	53	53		53
Motor Vehicles	2	2	2	2		2

EMPLOYEES' RETIREMENT SYSTEM -- Financial Summary

Current Budget and Governor's Recommendations

Budget Classes/Fund Sources	FY 2001 Current Budget	FY 2002 Governor's Recommendations				Totals
		Annualizers and Adjustments	Workload	Adjusted Base	Enhancements	
Personal Services	2,872,542	22,463		2,895,005		2,895,005
Regular Operating Expenses	488,800			488,800		488,800
Travel	29,000			29,000		29,000
Motor Vehicle Purchases						
Equipment	12,450			12,450		12,450
Real Estate Rentals	345,740			345,740		345,740
Per Diem, Fees & Contracts	2,807,000	(1,000,000)		1,807,000		1,807,000
Computer Charges	1,269,708			1,269,708		1,269,708
Telecommunications	82,002			82,002		82,002
New Retiree Benefits	2,992,000	(2,992,000)				
Total Funds	\$10,899,242	(\$3,969,537)		\$6,929,705		\$6,929,705
Less Other Funds:						
Other Funds	7,907,242	(977,537)		6,929,705		6,929,705
Total Other Funds	\$7,907,242	(\$977,537)		\$6,929,705		\$6,929,705
TOTAL STATE FUNDS	\$2,992,000	(\$2,992,000)				
Positions	53			53		53
Motor Vehicles	2			2		2

EMPLOYEES' RETIREMENT SYSTEM

FY 2002 Budget Summary

	<u>Governor's Recommendations</u>
ADJUSTMENTS TO CURRENT BUDGET	
FY 2001 STATE APPROPRIATIONS	2,992,000
Other Adjustments:	
1. Reduce the new retiree benefits object class.	(2,992,000)
ADJUSTED BASE	\$0
TOTAL STATE FUNDS	\$0
FY 2001 AGENCY FUNDS	7,907,242
Annualizers:	
1. Annualize the cost of the FY 2001 salary adjustment.	29,444
2. Adjust for DOAS rates.	(6,981)
Other Adjustments:	
3. Reduce contract funding that was needed for computer consultants used during a pension administration and imaging project in FY 2001.	(1,000,000)
ADJUSTED BASE	\$6,929,705
TOTAL AGENCY FUNDS	\$6,929,705

RECOMMENDED APPROPRIATION: No direct appropriation of state funds is required for the Employees' Retirement System since investment earnings are used to administer the system.

EMPLOYEES' RETIREMENT SYSTEM

Roles and Responsibilities

By statute, the staff of the Employees' Retirement System (ERS) administers seven separate retirement systems and programs: ERS, the Legislative Retirement System (LRS), the Georgia Defined Contribution Plan (GDCP), the Georgia Judicial Retirement System (GJRS), the Public School Employees' Retirement System (PSERS), the State Employees' Assurance Department (SEAD), and the Social Security contracts between the state and its political subdivisions.

In general, ERS is a vehicle for collecting employee and employer contributions, investing accumulated funds, and disbursing retirement benefits to members and beneficiaries. As required by Georgia law, the system is examined on an annual basis by an independent actuarial firm that specializes in pension and retirement plans. The firm prepares a yearly valuation on the contingent assets and liabilities of the system, thus revealing its ability to meet the future obligations of each retirement plan. An independent accounting firm also audits the system each year.

EMPLOYEES' RETIREMENT SYSTEM

Since 1950, the staff of ERS has administered retirement benefits for state employees in accordance with the Official Code of Georgia. Full-time employees of participating departments are required to become members of ERS as a condition of employment, with the exception of employees who first become eligible after age 60.

The ERS Board of Trustees is ultimately responsible for administration of the system, while the executive director – who is appointed by the board and serves at the pleasure of its members – is responsible for daily management of ERS operations. The board consists of 7 members as follows:

- State Auditor, ex officio;
- Commissioner, State Merit System, ex officio;
- Director, Office of Treasury and Fiscal Services, ex officio;
- 1 member appointed by the Governor;
- 2 members – appointed by the first 4 members – with 5 or more years of creditable service with ERS; and
- 1 member – appointed by the first 6 members – who must not hold public office, not be an ERS member, and have at least 10 years of experience in the investment of moneys.

The members who are not ex officio members serve 4-year terms. Board members convene monthly to review investment performance, retirement statistics, the system budget, and various other issues.

LEGISLATIVE RETIREMENT SYSTEM AND GEORGIA DEFINED CONTRIBUTION PLAN

LRS is a retirement plan for members of the General Assembly, while GDCP is a plan for temporary, seasonal, and part-time employees of the state not covered by ERS or TRS. Both plans are placed under the administration of the ERS Board of Trustees.

GEORGIA JUDICIAL RETIREMENT SYSTEM

This system is for members and retirees of the Superior Court Judges Retirement System, the District Attorney's Retirement System, and the Trial Judges and Solicitor's Retirement Fund as well as certain employees of the Attorney General and Legislative Counsel. The GJRS Board of Trustees consists of the 7 ERS trustees plus 3 additional members appointed by the Governor who serve in one of the following positions: state court judge, superior court judge, state court solicitor general, juvenile court judge, or district attorney. These appointments are for 4-year terms.

PUBLIC SCHOOL EMPLOYEES' RETIREMENT SYSTEM

PSERS offers a supplemental retirement plan to certain public school employees not covered by the Teachers' Retirement System (TRS). These employees include bus drivers, cafeteria workers, and custodians. The PSERS Board of Trustees consists of the 7 ERS trustees plus 2 additional members appointed by the Governor for 4-year terms.

STATE EMPLOYEES' ASSURANCE DEPARTMENT

SEAD offers Group Term Life Insurance to active and retired ERS members. The SEAD Board of Trustees consists of the State Auditor, the Commissioner of the Department of Labor, the Commissioner of the State Merit System, the Director of the Office of Treasury and Fiscal Services, and 2 members appointed by the Governor.

SOCIAL SECURITY COVERAGE

In 1956, state legislation was enacted that designated ERS as the state agency authorized to enter, on behalf of the state, into an agreement on the subject of Social Security benefits with the Secretary of Health and Human Services. The agreement extends the benefits of the federal old-age, survivors, and disability insurance system to employees of the state and its political subdivisions.

AUTHORITY

Title 47 of the Official Code of Georgia Annotated.

EMPLOYEES' RETIREMENT SYSTEM

Strategies and Services

RETIREMENT SYSTEM POLICYMAKING

As mentioned in the Roles and Responsibilities section, the ERS Board of Trustees meets monthly to discuss issues of importance to the retirement system. The board is responsible for making important policy decisions that have long-lasting effects on both active and retired members. Such decisions include approving an annual or semi-annual cost of living adjustment for retirees, setting the employer contribution rate, and approving investment activities. After the board approves policies and procedures, it is then the responsibility of the executive director to ensure that they are implemented with efficiency and effectiveness.

In setting and implementing policy for ERS, the board and the executive director seek to accomplish the following five objectives:

- Provide accessible and effective counseling services for system members;
- Invest retirement funds to ensure adequate financing for future benefits due;
- Account for the contributions of all active and inactive members;
- Process refunds and monthly benefits due in a timely manner; and
- Provide sufficient life insurance for members.

While striving to meet these objectives, the board and the executive director must also stay abreast of relevant legislation being considered by state lawmakers. Each year, the General Assembly passes laws that will impact one or several of the programs managed within ERS. In the 2000 session alone, 13 bills were passed that now affect active

members and retirees of ERS systems. For example, Senate Bill 45 gave ERS members the option to purchase up to 2 years of credit for certain military service, and the state appropriations bill funded an increase in the benefit formula for PSERS retirees. At the start of each fiscal year, board members must be ready to incorporate new laws into long term planning for the system and the executive director must adjust system operations to satisfy legal mandates.

EDUCATIONAL PROGRAMS

Since 1970, ERS has offered a pre-retirement preparation program in Atlanta for system members who are within 5 years of retirement eligibility. In addition to the longstanding retirement planning seminar that is most helpful for members nearing their anticipated retirement date, ERS now offers a financial planning seminar for all members of the system. This new element of the program seeks to inform every member on topics such as Social Security, deferred compensation, insurance coverage, savings and investments, wills and estate planning, and ERS benefits. In a further effort to reach as many members as possible, both seminars are now offered throughout the state. ERS employees conduct and coordinate these two-day programs with the help of outside consultant expertise when necessary. Retirement specialists at ERS headquarters offer less formal assistance for members with questions about their retirement options. Stressing the importance of retirement planning to both new members and members with a long history of service to the state is certainly a top priority at ERS.

Table 1: ERS FY 2000 Statistics	
Total Retirees	24,500
Retirement Payroll	\$459,336,072
Average Annual Retiree Benefit	\$18,748
Total Refunds	5,920
Refund Payments	\$7,408,755
Average Refund Amount	\$1,251
Investment Income for ERS	\$1,469,765,822
Investment Income for Other Systems Managed by ERS	\$214,004,962
Pooled Investment Income	\$1,683,770,784
Employee and Employer Contributions	\$375,955,736
Total Income	\$2,059,726,520

EMPLOYEES' RETIREMENT SYSTEM

Results-Based Budgeting

Purpose: To provide all state personnel in qualified positions and their families retirement benefits relative to their service and compensation in the event of their retirement, death, or disability.

Goal: Ensure adequate financing for future benefits due and other obligations of the retirement system by investing prudently the retirement system assets, using a conservative long-term philosophy. - The retirement system's Unfunded Actuarial Accrued Liability (UAAL) will liquidate between 15 and 25 years. [1]	FY 2000 Desired	FY 2000 Actual	FY 2001 Desired	FY 2002 Desired
	15 - 25 years	7 years	15 - 25 years	15 - 25 years
Program Fund Allocation -- Total Funds State Funds		\$8,221,296	\$10,899,242 \$2,992,000	\$6,929,705
Note 1 - This is a measure of the retirement system's financial soundness and means that, using current actuarial assumptions and funding strategies, within 15 to 25 years the retirement plan will be fully funded.				

TOTAL - All Programs		\$8,221,296	\$10,899,242 \$2,992,000	\$6,929,705
Total Funds State Funds				

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