TEACHERS RETIREMENT SYSTEM OF GEORGIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Georgia

Fiscal Year Ended June 30, 2002

Jeffrey L. Ezell
Executive Director

Teachers Retirement System of Georgia
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CERTIFICATE OF ACHIEVEMENT

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Teachers Retirement System of Georgia

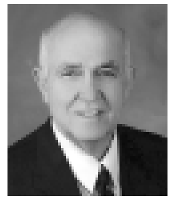
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2001

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

BOARD OF TRUSTEES



*Investment Committee Member

LETTER OF TRANSMITTAL

Teachers Retirement System of Georgia

Jeffrey L. Ezell
Executive Director

December 10, 2002

Board of Trustees
Teachers Retirement System of Georgia
Atlanta, Georgia

On behalf of the Board of Trustees, I am pleased to present the Comprehensive Annual Financial Report of the Teachers Retirement System of Georgia for the fiscal year ended June 30, 2002. 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.

The comprehensive annual financial report is presented in five sections: introductory, financial, investment, actuarial and statistical. The introductory section includes this transmittal letter, principal officials, consultants and advisors and a summary of plan provisions. The financial section includes the auditors' report, management's discussion and analysis, the System's financial statements and required supplementary information. The investment section includes a report on investment activity, investment policies, investment results, and various investment schedules. The actuarial section includes the actuary's certification letter and actuarial assumptions, methods and valuation data. The statistical section includes selected retirement data and includes significant data pertaining to the System presented on a multi-year basis.

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, 2001. This was the fourteenth consecutive year that the Teachers Retirement System of Georgia 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.

Legislation

The Georgia General Assembly during its 2002 session passed three pieces of legislation that substantially impacted the System.

First, a retired member of the system who retired prior to January 1, 2002 with at least 30 years of service or after obtaining age 60 may return as a classroom teacher or improvement specialist without losing retirement benefits. To return under this provision, a classroom teacher may return to only a qualified school, which is identified by the State Board of Education as a failing school.

Second, under limited circumstances a member of the System is allowed to establish creditable service for previous employment in an accredited private school within the state of Georgia. The cost to purchase this

LETTER OF TRANSMITTAL

service is the full actuarial cost of the additional service.

Third, a member of the System with at least 25 years of service credit may purchase up to 3 years of additional service credit. The cost to purchase this service is the full actuarial cost of the additional service.

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 insure that through systematic reporting and internal reviews, errors or fraud are quickly detected and corrected.

Please refer to the Management Discussion and Analysis starting on page 15 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" continues to be the principal guides in investment decisions. The System continued to use a diversified portfolio to accomplish these objectives. In summary, the investment status of the System is excellent.

FUNDING — The System's funding policy provides for periodic employer contributions at rates which, expressed as percents of annual covered payroll, are sufficient to provide resources to pay benefits when due without being increased for future generations of taxpayers.

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

The System continues to grow in strenght as evidenced by the ratio of assets accumulated to the actuarial accrued liabilities. In fact, this ratio increased from 102.3% in the fiscal year ending June 30, 2000 to 103.9% in the fiscal year ending June 30, 2001.

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 the General Assembly of the State of Georgia and the support of Governor Roy Barnes, 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

The System began the imaging of all active and retired plan member paper files in fiscal year 2002. This project was substantially complete by the end of the fiscal year at June 30, 2002. To date approximately 9.2 million documents have been imaged. The images are loaded in an electronic file cabinet and are being used in the daily work process of the System. This results in a more efficient flow of this information within the System and better safeguards and security of the information.

Also in fiscal year 2002, the development of a new pension administration system ("PASS Project") was begun. The PASS Project is a multi-year project that encompasses the development of new pension administration software to run on new infrastructure and the reengineering of the System's administrative processes. As a part of the PASS Project, by June 30, 2002, the System implemented a new accounting system. The PASS Project will be complete in fiscal year 2005.

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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 Deloitte & Touche 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.

The report is being mailed to all employers who have members covered by the System. They form the link between the System and its membership. Their cooperation contributes significantly to the success of the System.

On behalf of the Board of Trustees, I would like to take this opportunity to express my gratitude to Governor Roy Barnes, 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 Teachers Retirement System of Georgia.

Sincerely,

Jeffrey L. Ezell
Executive Director

YOUR RETIREMENT SYSTEM

Financial Highlights

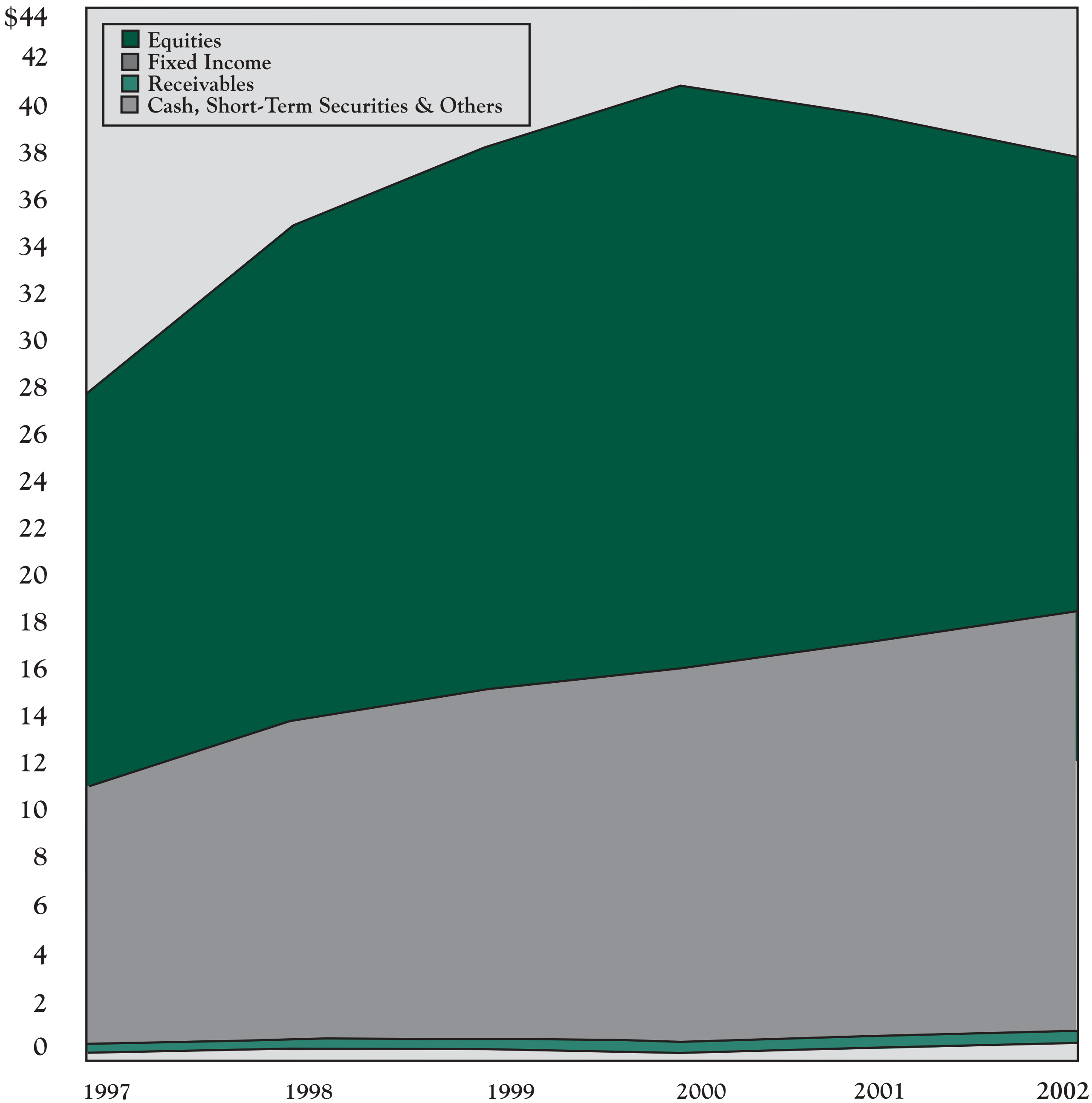
	June 30, 2001	June 30, 2002	% Change
Employee Contributions	$ 369,006,000	$ 403,952,000	+ 9.5
Employer Contributions	$ 808,480,000	$ 716,917,000	- 11.3
Net Appreciation (Depreciation) in Fair Value of Investments	$ (3,394,901,000)	$ (2,816,348,000)	- 17.0
Interest and Dividend Income	$ 1,325,955,000	$ 1,235,511,000	- 6.8
Benefits Paid to Retired Members	$ 1,153,376,000	$ 1,284,371,000	+ 11.4
Member Withdrawals	$ 58,831,000	$ 41,250,000	- 29.9
Interest Credited to Employee Contributions	$ 163,330,000	$ 170,693,000	+ 4.5

Statistical Highlights

	2001	2002	% Change
Active Membership	194,172	201,278	+ 3.7
Members Leaving the System	12,563	9,120	- 27.4
Retired Members	50,767	54,222	+ 6.8
Average Monthly Annuity	$ 1,893	$ 1,974	+ 4.3

THE SYSTEM ASSETS

Growth of Total System Assets ($'s in billions)



Total System Assets at June 30, ($'s in thousands)

	1997	1998	1999	2000	2001	2002
Equities	$16,850,878	$20,685,510	$23,093,979	$25,288,274	$22,309,783	$20,142,071
Fixed Income	10,504,465	13,268,987	14,807,428	15,642,757	16,379,674	16,446,346
Receivables	400,502	426,167	409,188	463,968	434,094	368,738
Cash, Short-Term Securities & Other	366,353	490,089	641,047	415,265	542,501	879,802
Total System Assets	$28,122,198	$34,870,753	$38,951,642	$41,810,264	$39,666,052	$37,836,957

ADMINISTRATIVE STAFF AND ORGANIZATION

Jeffrey L. Ezell
Executive Director

Michael A. Plant
Deputy Executive Director

Stephen J. Boyers
Controller
Financial Services Division

Charles W. Cary, Jr.
Director
Investment Services Division

Susan E. Garrett
Director
Member Services Division

Diann F. Green
Director
Retirement Services Division

M. Cathy Hart
Director
Employer Services Division

J. Gregory McQueen
Director
Information Technology Division

Tonia T. Morris
Director
Human Resources Division

Charles P. Warren
Director
Contact Management Division

Consulting Services

Actuary
Buck Consultants, Inc.

Auditor
Deloitte & Touche LLP

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

Investment Advisors

Albritton Capital Management
Atlanta Capital Management
Banc of America Capital Management
Diaz-Verson Capital Investments
INVESCO Capital Management
Montag & Caldwell
Earnest Partners
NCM Capital Management Group
Synovus Trust

SUMMARY OF PLAN PROVISIONS

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 soundly invest retirement funds to insure adequate financing for future benefits due and for other obligations of the System, (2) to provide statewide counseling services for System members, (3) to accurately account for the status and contributions of all active and inactive members, and (4) to process refunds and monthly benefits due terminated and retired members, respectively.

Administration

The 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, and
- 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 4 of this report.

Management of the System is the responsibility of the Executive Director who is appointed by the Board and serves at their 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, setting the compensation of all individuals engaged by the System and paying expenses necessary for operations. A listing of the administrative staff is included on page 10 of this report.

Membership

All personnel in covered positions of the state's public school systems, vocational-technical schools, RESA units and all colleges and universities comprising the University System of Georgia who are employed one-half time or more, except those professors and principal administrators 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. Covered positions include teachers, administrators, supervisors, clerks, teacher aides, secretaries, paraprofessionals, public school nurses, employees of the Agricultural Extension Service, and county and regional librarians. Public school lunchroom, maintenance, warehouse and transportation managers and supervisors are eligible for membership. Any individual first employed at age 60 or after may elect not to join the System.

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 9-1/2 years of creditable service, and are permanently disabled.

SUMMARY OF PLAN PROVISIONS

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 years of service. This two year period must include at least two years of service. (Please note that any nine (9) or more months of service within a fiscal year constitutes a full year of service and a full year of salary). In the event the member does not have credit for two years of service within the two year salary period, additional salaried months are included to complete two years of service. The resulting product is the monthly retirement benefit under the maximum plan of retirement.

Early Retirement

Any member who 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 — two percent (2%) times the years of creditable service times the average monthly salary for the two highest consecutive years of service. As with service retirements, this two year period must include at least two years of creditable service, with any nine (9) or more months of service within a fiscal year constituting a full year of service and a full year of salary. 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. If the death of the retired member occurs prior to his or her having been paid total retirement benefits equal to the member's accumulated contributions including interest, the balance of the retired member's accumulated contributions (including interest) will be paid in a lump sum to the beneficiary or beneficiaries designated by the member on the application for retirement. If there are no surviving beneficiaries at the time of the member's death after retirement, any refund of contributions and interest would be made in a lump sum to the deceased member's estate. A member who has selected Plan A, the Maximum Plan of retirement, may change beneficiary designations after retirement.

Plan B – Optional Plans of Retirement

Upon retirement a member of the System may elect one of six optional plans under Retirement Plan B. 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 that are not used to pay the annuity portion of the monthly benefit during the member's lifetime.

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 beneficiary named on the retirement application that, at the death of the retired member, and if the beneficiary is still living, of 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.

SUMMARY OF PLAN PROVISIONS

Plan B – Optional Plans of Retirement

(continued):

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 involves a reduced monthly benefit which 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 beneficiary that at the time of the retired member’s death, the named 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 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 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.

Financing the System

The funds to finance the System come from the following sources:

1) Member contributions — the System member contributes 5% of annual salary,
2) Employer contributions — current employer contributions are 9.24% of annual salary, and
3) Investment income — funds may be invested in government bonds, corporate bonds, mortgages, and common and preferred stock.

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche LLP
191 Peachtree Street, NE
Suite 1500
Atlanta, Georgia 30303-1924

www.us.deloitte.com

Deloitte & Touche

Board of Trustees
Teachers Retirement System of Georgia

We have audited the accompanying statements of plan net assets of the Teachers Retirement System of Georgia (the "System"), a component unit of the State of Georgia, as of June 30, 2002 and 2001, 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. 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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, such financial statements present fairly, in all material respects, the financial status of the System as of June 30, 2002 and 2001, and the changes in financial status for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the System adopted the provisions of the Governmental Accounting Standards Board, Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and No. 38, *Certain Financial Statement Note Disclosures*, as of July 1, 2001.

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 the Governmental Accounting Standards Board. This information is the responsibility of the System's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of supplementary information. However, we did not audit such information, and we do not express an opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The additional information listed in the Financial Section of the Table of Contents is presented for purposes of additional analysis and is 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 audits of the basic financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole.

The Introductory, Investment, Actuarial and Statistical Sections listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Deloitte + Touche LLP

September 6, 2002

Deloitte
Touche
Tohmatsu

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a discussion and analysis of the financial performance of the Teachers Retirement System of Georgia (the "System") for the year ended June 30, 2002. 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.

• The System's net assets decreased by $1.8 billion, or 4.6 percent. The decrease was primarily due to the continued downturn in the equity markets.

• The net decrease in fair value of investments was $2.8 billion in fiscal 2002 compared to $3.4 billion for the prior fiscal year. The decrease was due to the continued downturn in the equity markets.

• Pension benefits paid to retirees and beneficiaries increased to $1.3 billion or 11.4 percent. This is due to an increase in the number of retirees and beneficiaries receiving benefit payments and postretirement benefit increases.

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 basic financial statements.

The System prepares its financial statements on an accrual basis in accordance with accounting principles generally accepted in the United States of America 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.

The Statements of Plan Net Assets

The *Statement of Plan Net Assets* is the statement of 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 19.

The 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 current fiscal year. The additions and the deductions to net assets are summarized in this statement. The additions include contributions and investment income, which includes the net depreciation in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses. These statements are presented on page 20.

Notes to the Basic Financial Statements

The accompanying notes to the basic financial statements provide information essential to a full understanding of the System's financial statements. The notes to the financial statements begin on page 21 of this report.

Required Supplementary Schedules

A brief explanation of the two required schedules found on page 26 of this report follow:

Schedule of Funding Progress

This schedule includes historical trend information 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 about the annual required contributions of employers and the contributions made by employers in relation to the requirement.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the System

A summary of the System's net assets is as follows:

NET ASSETS (IN THOUSANDS)

	June 30, 2002	June 30, 2001	Amount Change	Percentage Change
ASSETS:				
Cash and receivables	$ 465,844	$ 435,295	$ 30,549	7.0 %
Investments	37,369,054	39,230,757	(1,861,703)	(4.7)%
Capital assets, net	2,059	-	2,059	100.0 %
Total assets	37,836,957	39,666,052	(1,829,095)	(4.6)%
LIABILITIES:				
Accounts payable and other	5,529	3,429	2,100	61.2 %
NET ASSETS	$ 37,831,428	$ 39,662,623	$ (1,831,195)	(4.6)%

As indicated above, the $1.8 billion reduction in net assets is almost entirely related to the reduction in the fair value of investments. The reduction in investments is analyzed below.

The following table presents the investment allocation at June 30, 2002 and 2001:

	2002	2001
Asset Allocation at June 30 (in percentages)		
Equities	53.9 %	56.9 %
Fixed income	44.0 %	41.7 %
Short-term securities*	2.1 %	1.4 %
Asset Allocation at June 30 (in thousands)		
Equities	$ 20,142,071	$ 22,309,783
Fixed income	16,446,346	16,379,674
Short-term securities*	780,637	541,300
	$ 37,369,054	$ 39,230,757

*Includes mortgages and real estate

MANAGEMENT'S DISCUSSION AND ANALYSIS

The total investment portfolio decreased $1.9 billion from the prior year, which is due primarily to the reduction in the fair value of equities. This decrease reflects the continued unfavorable economic conditions in the equities market.

The investment rate of return in fiscal year 2002 was (4.0%), with a (14.6%) return for equities and 10.95% return for fixed income. The five-year annualized rate of return on investments at June 30, 2002 was 6.1%, with 3.6% return on equities and a 9.3% return on fixed income.

A summary of the changes in System's net assets for the years ended June 30 are as follows:

CHANGES IN NET ASSETS (THOUSANDS)

	2002	2001	Amount Change	Percentage Change
ADDITIONS:				
Member contributions	$ 403,952	$ 369,006	$ 34,946	9.5 %
Employer contributions	716,917	808,480	(91,563)	(11.3)%
Net investment loss	(1,610,477)	(2,099,972)	489,495	(23.3)%
Total additions	(489,608)	(922,486)	432,878	(46.9)%
DEDUCTIONS:				
Benefit payments	1,284,371	1,153,376	130,995	11.4 %
Refunds	41,250	58,831	(17,581)	(29.9)%
Administrative expenses	15,966	10,502	5,464	52.0 %
Total deductions	1,341,587	1,222,709	118,878	9.7 %
Net decrease in plan net assets	$ (1,831,195)	$ (2,145,195)	$ 314,000	(14.6)%

MANAGEMENT'S DISCUSSION AND ANALYSIS

Additions

The System accumulates resources needed to fund benefits through contributions and returns on invested funds. Member contributions increased 9.5%, primarily because of increased membership from 194,172 in 2001 to 201,278 in 2002 and a higher average payroll in 2002. Employer contributions decreased 11.3%, primarily because of a reduction in the employer contributions rate from 11.29% in 2001 to 9.24% in 2002. The employer contribution rate was recommended by the actuary and approved by the System's Board of Trustees. The net investment loss is the result of the continued depressed equities market, as previously discussed.

Deductions

Deductions increased 9.7%, primarily because of the 11.4% increase in benefit payments resulting from an increase in the number of retirees and beneficiaries receiving benefit payments from 50,767 in 2001 to 54,222 in 2002 and postretirement benefit increases in 2002. Administrative expenses increased by approximately $5.4 million primarily due to a nearly $1 million increase in personal services and approximately $3.5 million in computer services in 2002. The increase in computer services is due to the development of a new pension administration system which will provide better services to our retirees, members, and employers.

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, 2001 actuarial valuation, which is the latest valuation available, indicates that the actuarial value of assets was $38.6 billion and that the actuarial accrued liability was $37.1 billion. This results in a funding ratio of 103.9%, which is higher than the previous year's of 102.3%. In other words, this means that on an actuarial basis there are more assets available than are necessary to meet the obligations of the System as of the valuation date.

The System continues to be in a strong financial position as evidenced by the funding ratio. In the current year, even though the net assets declined, the financial position of the System remains sound.

STATEMENTS OF PLAN NET ASSETS
(Thousands of dollars)

	June 30	
ASSETS	2002	2001
CASH	$ 97,106	$ 1,201
RECEIVABLES:		
Interest and dividends	214,843	266,333
Due from Fulton County School Employees Pension Fund	63,254	71,577
Member and employer contributions	90,641	96,184
Total receivables	368,738	434,094
INVESTMENTS - at fair value:		
Short-term	776,893	537,554
Obligations of the U.S. Government and its agencies, corporate, and other bonds	16,446,346	16,379,674
Common stocks	20,142,071	22,309,783
Mortgage loans and real estate	3,744	3,746
Total investments	37,369,054	39,230,757
CAPITAL ASSETS, net	2,059	–
Total assets	37,836,957	39,666,052
LIABILITIES		
ACCOUNTS PAYABLE AND OTHER	5,529	3,429
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$37,831,428	$39,662,623

(A Schedule of Funding Progress is presented on page 26.)

See notes to financial statements.

STATEMENTS OF CHANGES IN PLAN NET ASSETS

(Thousands of dollars)

	Year Ended June 30, 2002	Year Ended June 30, 2001
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - Beginning of year	$39,662,623	$41,807,818
ADDITIONS:		
Contributions:		
Employer	716,917	808,480
Member	403,952	369,006
Investment Income (loss):		
Net decrease in fair value of investments	(2,816,348)	(3,394,901)
Interest, dividends, and other	1,235,511	1,325,955
Total	(1,580,837)	(2,068,946)
Less investment expense	29,640	31,026
Net investment loss	(1,610,477)	(2,099,972)
Total additions	(489,608)	(922,486)
DEDUCTIONS:		
Retirement payments	1,284,371	1,153,376
Refunds of member contributions	41,250	58,831
Administrative expenses, net	15,966	10,502
Total deductions	1,341,587	1,222,709
NET DECREASE	(1,831,195)	(2,145,195)
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS - End of year	$37,831,428	$39,662,623

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2002 and 2001

A. Plan Description:

The 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 Statement ("GASB") Statement No. 25. 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 the 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 active and retired members and ex-officio State employees 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 concept underlying the definition of the reporting entity is that elected officials are accountable. 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, 2002, participation in the System is as follows:

Retirees and beneficiaries currently receiving benefits	54,222
Terminated employees entitled to benefits but not yet receiving benefits	40,542
Active plan members	201,278
Total	296,042
Employers	358

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 benefit 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.

Normal retirement (pension) benefits paid to members are 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. Early retirement benefits are reduced by the lessor of 1/12 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 CPI, will be made in future years. Retirement benefits are payable monthly for life. Options are available for distribution of the member's monthly pension at a reduced rate to a designated beneficiary on the member's death.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2002 and 2001

A. Plan Description:

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 10 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 10 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 2002 were based on the June 30, 2000 actuarial valuation as follows:

Member	5.00%
Employer:	
Normal	9.62%
Unfunded accrued liability	(.53)
Expenses	.15
Total	9.24%

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 are refunded with interest. Member contributions with accumulated interest are reported as net assets held in trust designated for that purpose.

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. At June 30, 2002 and 2001, there were 10 and 24 members, respectively, eligible to participate in this portion of the System. Employer contributions of $195,000 and $119,000 and retirement payments of $193,000 and $177,000 under the SRBP are included in the Statement of Changes in Plan Net Assets for the years ended June 30, 2002 and 2001, respectively.

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 in the period in which the members provide services. Retirement and refund payments are recognized as deductions when due and payable.

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.

No investment in any one organization, except the U.S. Government, represents 5% or more of the net assets available for pension benefits.

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

Real Estate Investments:

An office building which is included in mortgage loans and real estate is owned equally by the System and the Employees' Retirement System of Georgia. The System incurred approximately $669,000 and $624,000 in rental expense for the years ended June 30, 2002 and 2001, respectively, which is included in administrative expenses. The remainder of the building is leased to outside parties, and this rental revenue is included in interest and dividends.

Capital Assets:

Capital assets, including software development costs, are stated at cost less accumulated depreciation. Depreciation on capital assets is computed using the straight-line method over estimated useful lives of three to seven years. Depreciation expense is included in administrative expenses.

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2002 and 2001

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

Capital Assets (continued):

Mainenance 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 statements of changes in plan net assets in the period of disposal.

Use of Estimates:

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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. 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 statements of plan net assets.

New Accounting Pronouncement:

The GASB issued GASB Statements No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governmens*, as amended by GASB No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - State and Local Governments*: Omnibus - an amendment of GASB Statements No. 21 and No. 34, and GASB No. 38, *Certain Financial Statement Note Disclosures*. The System adopted these statements on July 1, 2001. In general, these statements required the System to present a Management's Discussion and Analysis ("MD&A") and to depreciate capital assets. The MD&A is considered to be required supplementary information and precedes the financial statements. The adoption of these statements did not have a material effect on the financial status of the System. See Note G for information regarding capital assets.

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 management. 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 $100,000 of insurance coverage per participant in the System. Temporary cash on hand not committed for a specific purpose is invested overnight.

Investments:

GASB No.3 requires governmental entities to categorize investments as an indication of the level of custodial credit risk assumed by the System at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the System or its agent in the System's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the System's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the System's name. All of the investment securities held by the System at June 30, 2002 and 2001 are of Category 1 risk level. The System's investments in mortgage loans and real estate are not securities as defined by GASB No.3 and are therefore not categorized. The System is authorized by its Board of Trustees (through statutes) 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 obliga-

NOTES TO FINANCIAL STATEMENTS

Years Ended June 30, 2002 and 2001

C. Investment Program:

Short-Term (continued):

tions 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 $776, 893,000 and $537,554,000 at June 30, 2002 and 2001, respectively.

- U.S. Treasury obligations with varying terms up to 360 days.

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 or A-1 by national credit rating agencies.

  Investments in commercial paper or master notes are limited to no more than $25 million in any one name.

b) Long-Term:

Fixed income investments are authorized in the following instruments:

Corporate bonds with at least an "A" rating by a national rating agency, and limited to no more than 5% of total System assets in any one name. Maturities of these securities vary up to a period of 40 years to provide the System with flexibility necessary to meet changing market conditions. The System held corporate bonds of $749,235,000 and $12,753,000 at June 30, 2002 and 2001, respectively.

U.S. and foreign government obligations with varying terms up to 30 years. Quality and call requirements of corporate bonds are applicable. The System held U.S. government obligations of $15,697,111,000 and $16,366,921,000 at June 30, 2002 and 2001, 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 having a loan-to-value ratio no higher than 75%. Mortgages as a group cannot exceed 10% of total assets or 1% for any one loan.

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 60% of the total invested assets may be placed in equities and no more than 5% in any one corporation. 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 Investment Services Division (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.

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

NOTES TO FINANCIAL STATEMENTS
Years Ended June 30, 2002 and 2001

D. Investment Program:

(continued):

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 U.S. 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 $16,023,740,683 and 16,877,869,597 at market value at June 30, 2002 and 2001, respectively. The collateral value was equal to 104.6% and 104.3% of the loaned securities value at June 30, 2002 and 2001, respectively. The loaned securities are classified as Category 1 investments (See Note C) based on the custodial arrangements for the collateral securities.

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 No. 28, 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. 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:

	Year Ended June 30, 2002	2001
Salaries and Employee Benefits	$ 8,893,994	$ 7,907,879
Other Operating Expenses	8,875,285	4,109,537
Total Administrative Expenses	17,769,279	12,017,416
Less Reimbursement by other State Retirement Systems for services rendered on their behalf	1,802,752	1,515,325
Net Administrative Expenses	$15,966,527	$10,502,091

F. Due From Fulton County School Employees Pension Fund:

As of July 1, 1988, substantially all members of the Fulton County School Employees Pension Fund became members in the System. The transfer involved 3,990 members at a total cost to the Fulton County School Employees Pension Fund of $168,976,347. The employer's portion of contributions plus accrued interest (maximum 9%) is payable over 26 remaining annual installments.

G. Capital Assets:

As the result of the adoption of GASB No. 34 discussed in Note 2, the System has included capital assets and depreciation expense in the accompanying financial statements. The following is a summary of capital assets and depreciation information as of June 30, 2002 and for the year then ended:

	Additions	Balance at 6/30/02
Capital assets:		
Furniture and fixtures	$ 230,208	$ 230,208
Computer equipment	453,325	453,325
Software	1,524,841	1,524,841
	2,208,374	2,208,374
Accumulated depreciation for:		
Furniture and fixtures	(100,019)	(100,019)
Computer equipment	(49,730)	(49,730)
Software	—	—
	(149,749)	(149,749)
Capital assets, net	$ 2,058,625	$ 2,058,625

REQUIRED SUPPLEMENTARY INFORMATION

(Thousands of dollars)
(See Independent Auditors' Report)

Schedule of Funding Progress

The actuarial value of assets recognized a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected actuarial value. The actuarial value of the assets is limited to a range of between 80% and 120% of market value.

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]
6/30/96	$ 18,750,568	$ 22,163,755	$ 3,413,187	84.6%	$ 5,086,924	67.1%
6/30/97	22,496,125	24,895,047	2,398,922	90.4	5,467,905	43.9
6/30/98	27,894,985	28,798,984	903,999	96.9	5,951,898	15.2
6/30/99	31,832,431	32,763,470	931,039	97.2	6,832,674	13.6
6/30/00	35,675,729	34,876,171	(799,558)	102.3	7,218,644	(11.1)
6/30/01	38,584,834	37,153,421	(1,431,413)	103.9	7,306,855	(19.6)

Schedule of Employer Contributions

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

Year Ended June 30,	State Annual Required Contribution	Percentage Contributed
1996	$600,766	100%
1997	652,928	100
1998	710,409	100
1999	776,178	100
2000	779,571	100
2001	808,480	100

Notes to Required Supplementary Information

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Since the previous valuation on June 30, 2000, investment rate of return and rates of salary increases have been revised to more closely reflect the actual and anticipated experience of the System. Additional information from the actuarial valuations for the most recent two year period are as follows:

Valuation Date	June 30, 2001	June 30, 2000
Actuarial Cost Method	Entry Age	Entry Age
Amortization Method	Level Percent of Pay, open	Level Percent of Pay, open
Remaining Amortization Period	40 Years	40 Years
Asset Valuation Method	5-Year Smoothed Market	5-Year Smoothed Market
Actuarial Assumptions:		
Investment Rate of Return	7.25%	7.50%
Projected Salary Increases	3.50% to 7.75%	3.75% to 8.00%
Inflation Rate	3.75%	3.75%
Post-Retirement Cost of Living Adjustment	3% Annually	3% Annually

ADDITIONAL INFORMATION - ADMINISTRATIVE EXPENSES

(See Independent Auditors' Report)

	Year Ended June 30, 2002	2001
Personal Services:		
Salaries and wages	$6,749,909	$5,839,577
Retirement contributions	725,308	874,489
Health insurance	882,539	765,338
FICA	447,018	55,648
Miscellaneous	89,220	44,984
Total personal services	8,893,994	7,907,879
Communications:		
Postage	230,397	195,028
Publications and printing	128,048	111,291
Telecommunications	322, 987	321,146
Travel	22,211	23,646
Total communications	703,643	651,111
Professional Services:		
Computer services	4,925,276	1,698,562
Contracts	1,165,935	233,986
Actuarial services	84,653	87,194
Audit fees	65,832	47,392
Legal services	36,000	36,000
Medical services	108,555	97,255
Total professional services	6,386,251	2,200,389
Rentals:		
Office space	667,645	622,335
Office equipment	1,264	1,814
Total rentals	668,909	624,149
Other Services and Charges:		
Temporary services	645,460	366,539
Board member expenses	44,469	26,186
Repairs and maintenance	118,938	49,905
Supplies and materials	82,441	71,515
Information storage	10,401	22,081
Courier services	10,426	7,456
Depreciation expense	149,749	–
Miscellaneous	54,598	90,206
Total other services and charges	1,116,482	633,888
Total Administrative Expenses	17,769,279	12,017,416
Less reimbursement by other State Retirement Systems for services rendered on their behalf	1,802,752	1,515,325
Net Administrative Expenses	$15,966,527	$10,502,091

INVESTMENT OVERVIEW

The financial markets continued to be volatile, as has been the case over the last nine years. 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 Board of Trustees continued to use a diversified portfolio to accomplish these objectives.

Both U.S. and worldwide economic growth rates slowed further and then rebounded during the year. U.S. unemployment rates rose but are still at historically low levels. Inflation levels decreased somewhat and remain around 1%. The dichotomy of strong consumer spending and weak capital or business spending, particularly on technology, continued throughout the year in the U.S. Corporate profits have begun a slow rebound from low levels.

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 have outperformed fixed income and cash by a very wide margin. For that reason, the System has maintained a maximum equity exposure with the remainder of the fund in fixed income securities designed to generate income and preserve capital.

Returns for rolling three and five year periods are presented in this section. These longer time periods, in our opinion, 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. Rates of return are calculated by using a modified "Dietz time-weighted method" which is in accordance with the Association for Investment Management and Research (AIMR) objectives.

Equity markets continued in negative territory for the year ended June 30, 2002. Among individual companies, returns varied depending upon the company's size, industry and exposure to global markets. Index returns at the extremes varied from -31% for the NASDAQ Composite, which is heavily weighted in technology stocks, to -5% for the Standard & Poor's Mid Cap 400. The S&P 500 returned -18% while the Dow Jones Industrials lost 10% and the foreign companies in the MSCI EAFE suffered losses of 9%.

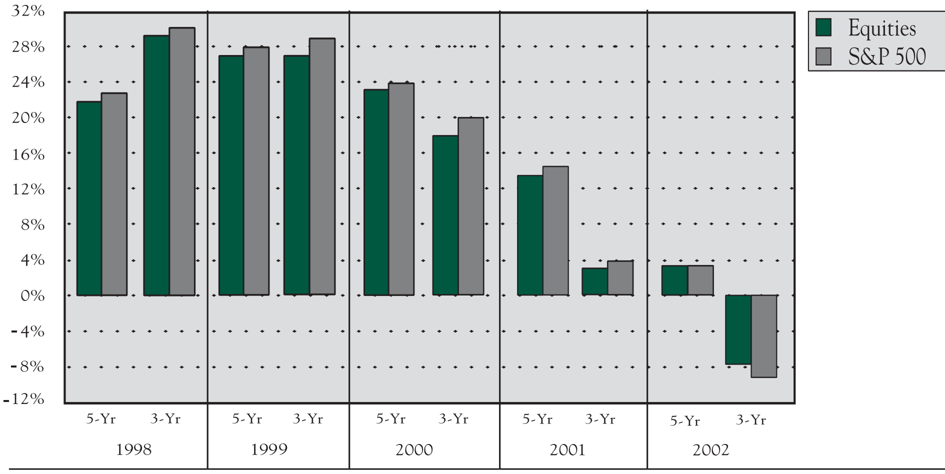
Returns for the fixed income markets were above average again this year as yields on long term Treasury bonds dropped from 5.8% in June 2001 to 5.5% at the end of June 2002. The 10-year U.S. Treasury Note returned 8% and the 30-year U.S. Treasury Bond returned 9%. Our primary benchmark, the Lehman Government/Corporate Index also returned 8%. It is a shorter maturity index containing higher yielding corporate bonds as well as Treasuries.

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 Investment Services Division

TIME WEIGHTED RATES OF RETURN

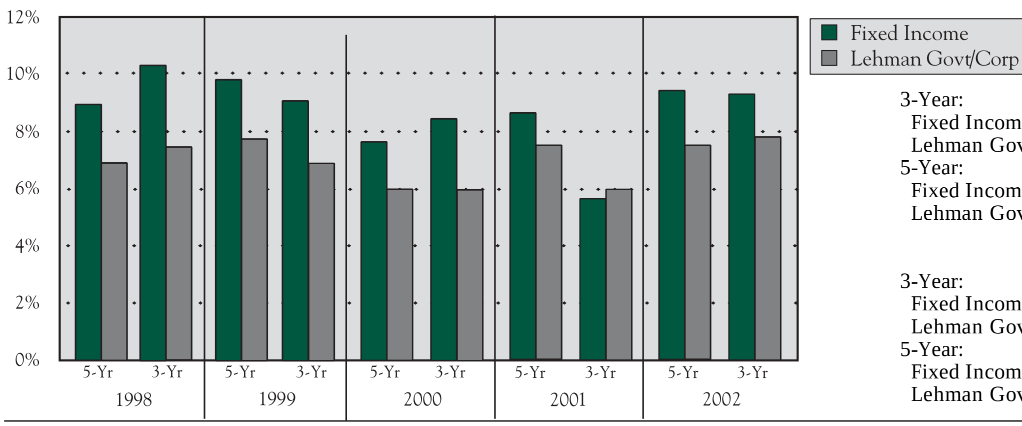
Equities



	2000	2001	2002
3-Year:			
Equities	17.8%	3.2%	-7.7%
S&P 500	19.9%	3.9%	-9.2%
5-Year:			
Equities	22.7%	13.6%	3.6%
S&P 500	23.9%	14.5%	3.7%

	1998	1999
3-Year:		
Equities	29.3%	27.0%
S&P 500	30.3%	29.1%
5-Year:		
Equities	22.7%	26.7%
S&P 500	23.1%	27.9%

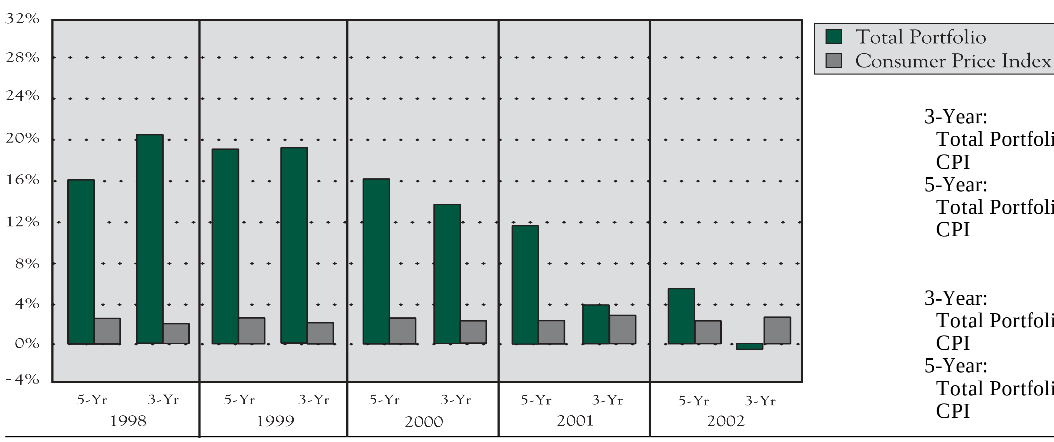
Fixed Income



	2000	2001	2002
3-Year:			
Fixed Income	8.6%	5.7%	9.2%
Lehman Govt/Corp	6.0%	6.0%	7.9%
5-Year:			
Fixed Income	7.5%	8.8%	9.3%
Lehman Govt/Corp	6.1%	7.4%	7.5%

	1998	1999
3-Year:		
Fixed Income	10.2%	9.2%
Lehman Govt/Corp	7.9%	7.2%
5-Year:		
Fixed Income	8.8%	9.8%
Lehman Govt/Corp	6.9%	7.8%

Total Portfolio



	2000	2001	2002
3-Year:			
Total Portfolio	13.8%	4.3%	-.7%
CPI	2.4%	3.0%	2.7%
5-Year:			
Total Portfolio	15.9%	11.5%	6.1%
CPI	2.5%	2.6%	2.3%

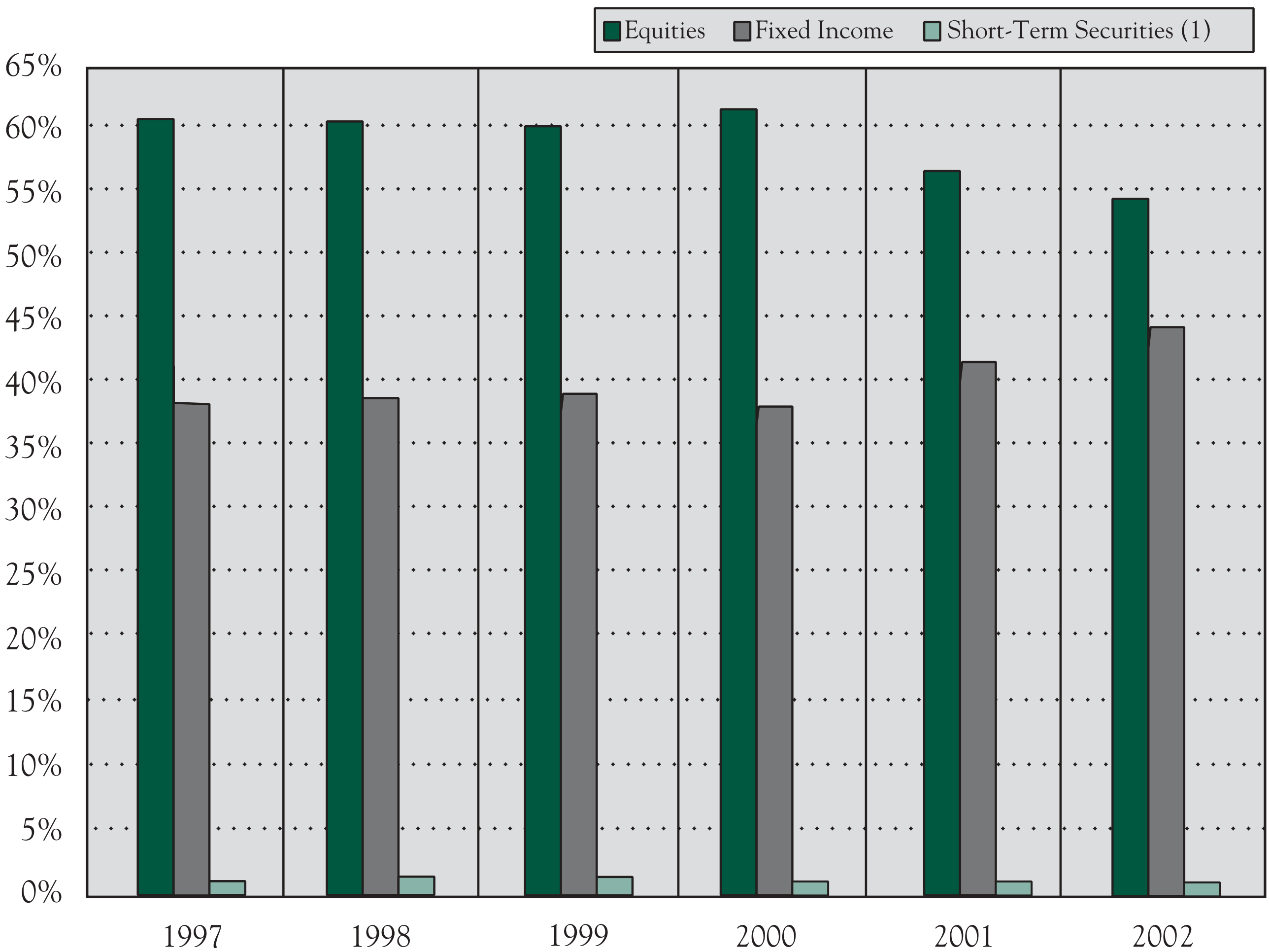
	1998	1999
3-Year:		
Total Portfolio	20.6%	19.2%
CPI	2.0%	2.0%
5-Year:		
Total Portfolio	16.2%	19.0%
CPI	2.5%	2.3%

Note

Rates of return are calculated by using a modified “Dietz time-weighted method” which is in accordance with AIMR objectives.

ASSET ALLOCATION

Asset Allocation at Fair Value



	1997	1998	1999	2000	2001	2002
Asset Allocation at June 30,						
Equities	60.8%	60.1%	59.9%	61.2%	56.9%	53.9%
Fixed Income	37.9%	38.5%	38.4%	37.8%	41.7%	44.0%
Short-Term Securities (1)	1.3%	1.4%	1.7%	1.0%	1.4%	2.1%
Asset Allocation at June 30, (In millions)						
Equities	$16,851	$20,686	$23,094	$25,288	$22,310	$20,142
Fixed Income	10,504	13,269	14,807	15,643	16,380	16,446
Short-Term Securities (1)	366	490	640	412	541	781
Total Investments	$27,721	$34,445	$38,541	$41,343	$39,231	$37,369

(1) Short-term securities includes mortgages and real estate.

PORTFOLIO DETAIL STATISTICS

Twenty Largest Equity Holdings*

Shares	Company	Fair Value
13,595,900	Pfizer Inc.	$ 475,856,500
7,622,400	Microsoft Corp.	416,945,280
7,907,180	Johnson & Johnson	413,229,227
10,006,968	Citigroup Inc.	387,770,010
5,570,548	American International Group, Inc.	380,078,490
12,080,800	General Electric Co.	350,947,240
3,901,288	Procter & Gamble	348,385,018
6,109,500	Coca Cola Co.	342,132,000
8,334,920	Exxon Mobil	341,064,927
5,589,800	Wal-Mart Stores	307,494,898
6,992,000	Medtronic, Inc.	299,607,200
7,551,000	Home Depot	277,348,230
5,417,420	Pepsico Inc.	261,119,644
2,942,700	Federal National Mortgage Assoc.	217,024,125
11,819,200	Intel Corp.	215,936,784
4,083,200	Merck & Co., Inc.	206,773,248
4,119,200	Schlumberger LTD	191,542,800
2,477,000	Intl Bus. Machines	178,344,000
4,508,100	Electronic Data Systems	167,475,915
2,951,696	Eli Lilly and Co.	166,475,654
Total of 20 Largest Equity Holdings		$ 5,945,551,190
Total Equity Holdings		$ 20,142,070,640

Ten Largest Fixed Income Holdings*

Description	Maturity Date	Interest Rate (%)	Par Value	Fair Value
U.S. Treasury Note	05/15/07	4.375	$ 3,120,000,000	$ 3,162,900,000
U.S. Treasury Note	02/15/12	4.875	2,815,000,000	2,825,556,250
U.S. Treasury Note	05/15/06	4.625	2,110,000,000	2,173,300,000
U.S. Treasury Note	11/15/06	3.500	1,250,000,000	1,227,737,500
U.S. Treasury Note	08/15/11	5.000	1,115,000,000	1,130,331,250
U.S. Treasury Bond	11/15/27	6.125	995,000,000	1,052,212,500
U.S. Treasury Bond	08/15/22	7.250	665,000,000	792,181,250
U.S. Treasury Bond	08/15/23	6.250	678,000,000	726,517,680
U.S. Treasury Note	11/15/04	5.875	627,000,000	666,381,870
U.S. Treasury Note	02/15/11	5.000	580,000,000	589,790,400
Total of 10 Largest Fixed Income Holdings				$ 14,346,908,700
Total Fixed Income Holdings				$ 16,446,345,710

* A complete listing is available upon request.

ACTUARY'S CERTIFICATION LETTER

BUCK CONSULTANTS
200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945

May 28, 2002

Board of Trustees
Teachers Retirement System of Georgia
Suite 500, Two Northside 75
Atlanta, Georgia 30318

Attention: Mr. Jeffrey L. Ezell, Executive Director

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, 2001. The report indicates that employer contributions at the rate of 9.24% of compensation are sufficient to support the benefits of the System. 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. 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.

Since the previous valuation, the interest rate assumption has been changed from 7.50% to 7.25%. 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 2002 session of the General Assembly.

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 Government 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 negative and being amortized as a level percent of payroll within a 40-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.

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
Principal and Consulting Actuary

SUMMARY OF ACTUARIAL ASSUMPTIONS AND 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, 2001 was made on the basis of disability retirement mortality tables approved by the Board of Trustees on June 20, 1962, interest rate approved by the Board on May 29, 2002, and active service tables and service retirement mortality tables approved by the Board on May 22, 1996.

The more pertinent facts and significant assumptions underlying the computations included in the June 30, 2001 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–7¼% per annum, compounded annually. Adopted May 29, 2002.

c) Earnings Progression–Salaries are expected to increase 3½% to 7¾% annually depending upon the employee's age. Includes inflation at 3¾%. Adopted May 29, 2002.

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 1983 Group Annuity Mortality Table (set back one year for males). Adopted May 22, 1996.

e) Asset Valuation Method–5-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 20% 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 May 26, 1996.

f) Service Retirement Benefit–The service benefit (pension) paid to members is an annuity which is owed to them at retirement which 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 (Funding Excess)–The present value of the funding excess, based on unaudited data provided the actuary by the System, was approximately $1.4 billion at June 30, 2001.

h) Required Contributions (% of compensation)–Adopted May 29, 2002. Contributions required by the annual actuarial valuation as of June 30, 2001, to be made for the year ended June 30, 2003:

(1) Member	5.00%
(2) Employer:	
Normal	10.02%
Unfunded accrued liability	(0.93)
Expenses	.15%
	9.24%

SUMMARY OF ACTUARIAL ASSUMPTIONS AND METHODS

Service Retirement:

Adopted May 12, 1996

	Annual Rate*			Annual Rate*	
Age	Men	Women	Age	Men	Women
50	23%	22%	65	40%	40%
55	21	22	66	30	30
60	20	20	67	30	30
61	20	20	68	30	30
62	30	30	69	30	30
63	20	25	70	100	100
64	24	25			

*It is also assumed that 5% of eligible active members will retire each year with a reduced early retirement benefit and that an additional 15% of active members will retire in their first year of eligibility for unreduced retirement.

Separation Before Service Retirement:

Adopted May 17, 2000

	Annual Rate of				
Age	Death	Disability	Withdrawal Years of Service		
			0-4	5-9	10+
		MEN			
20	0.04%	0.09%	39.42%	—	—
25	0.04	0.09	17.62	16.52%	—
30	0.06	0.14	14.13	7.07	4.71%
35	0.08	0.14	13.54	6.35	2.96
40	0.11	0.18	12.61	5.12	1.84
45	0.19	0.23	10.70	4.63	1.44
50	0.35	0.50	9.00	3.89	1.21
55	0.57	1.05	10.28	4.50	1.80
60	0.84	—	—	—	—
64	1.24	—	—	—	—
		WOMEN			
20	0.02%	0.05%	27.32%	—	—
25	0.03	0.06	14.97	11.22%	—
30	0.03	0.07	14.29	7.79	4.55%
35	0.05	0.09	11.84	6.62	3.09
40	0.07	0.13	10.00	4.94	2.31
45	0.10	0.22	8.61	4.00	1.56
50	0.17	0.39	8.49	3.47	1.35
55	0.25	0.63	10.32	3.50	1.57
60	0.42	—	—	—	—
64	0.64	—	—	—	—

ACTUARIAL VALUATION DATA

Active Members

Fiscal Year*	Active Members: Members	Active Members: Annual Payroll (000's)	Active Members: Average Pay	Active Members: % Increase
1996	168,961	$ 5,086,924	$ 30,107	4.7%
1997	173,599	5,467,905	31,497	4.6
1998	180,417	5,951,898	32,990	4.7
1999	186,822	6,832,674***	36,573	10.9
2000	190,911	7,218,644	37,812	3.4
2001	192,654	7,306,855	37,927	0.3

Retiree and Beneficiary Data**

Fiscal Year*	Number on Roll	Additions	Deletions	Annual Allowances (000's)	% Increase In Annual Allowances	Average Annual Allowance
1996	37,326	2,805	1,193	$ 642,781	9.8%	$ 17,221
1997	39,278	3,152	1,200	710,667	10.6	18,093
1998	41,420	3,388	1,246	785,705	10.6	18,969
1999	43,732	3,614	1,302	871,129	10.9	19,920
2000	47,105	4,814	1,441	1,033,324	18.6	21,937
2001	50,767	5,246	1,584	1,178,295	14.0	23,210

* Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the subsequent fiscal year. An actuarial valuation for the fiscal year ended June 30, 2002 is currently in process and was not available for this analysis.

** Valuation data presented exclusive of local system retirees.

*** Includes pay raises averaging 6% granted to teachers July 1, 1999.

ACTUARIAL VALUATION DATA

Solvency Test (Thousands of dollars)

	Aggregate Actuarial Accrued Liabilities For				Portion of Accrued Liabilities Covered by Assets		
Fiscal Year*	(1) Active Member Contributions	(2) Retirees and Beneficiaries	(3) Active Members (Employer Financed Portion)	Actuarial Value of Assets	(1)	(2)	(3)
1996	$ 3,183,299	$ 7,410,171	$ 11,570,285	$ 18,750,568	100.0%	100.0%	70.5%
1997	3,409,260	8,400,514	13,085,273	22,496,125	100.0	100.0	81.7
1998	3,647,880	9,943,066	15,208,038	27,894,985	100.0	100.0	94.1
1999	3,897,847	11,124,459	17,741,164	31,832,431	100.0	100.0	94.8
2000	4,092,231	12,657,649	18,126,291	35,675,729	100.0	100.0	100.0
2001	4,251,816	14,075,798	18,825,807	38,584,834	100.0	100.0	100.0

* Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the subsequent fiscal year. An actuarial valuation for the fiscal year ended June 30, 2002 is currently in process and was not available for this analysis.

Member and Employer Contribution Rates

Fiscal Year	Member	Employer
1997	5.00%	11.81%
1998	5.00	11.81
1999	5.00	11.95
2000	5.00	11.29
2001	5.00	11.29
2002	5.00	9.24

ACTUARIAL VALUATION DATA

Analysis of Financial Experience (Millions of dollars)

Item	Analysis of the Change in Unfunded Accrued Liability Increase (Decrease) During the Years Ended June 30,					
	2001	2000	1999	1998	1997	1996
Interest added to previous unfunded accrued liability	$ (60.0)	$ 65.2	$ 63.3	$ 173.9	$ 256.0	$ 257.7
Accrued liability contribution	(169.1)	(164.5)	(224.3)	(235.2)	(234.4)	(218.0)
Experience:						
Valuation Asset Growth	(269.4)	(1,533.0)	(1,779.3)	(3,567.4)	(2,140.1)	(987.6)
Pensioners' Mortality	(10.9)	3.4	9.0	6.1	0.8	(3.5)
Turnover and Retirements	(553.8)	643.8	639.9	494.5	345.7	266.8
New Entrants	92.7	106.4	111.1	102.3	80.9	69.4
Salary Increases	319.3	106.7	1207.3	277.7	180.0	166.3
Method Changes (1)	—	—	—	—	—	426.3
Amendments (2)	—	—	—	550.4	—	—
Assumption Changes (3)	657.9	(958.6)	—	702.8	496.8	—
Total Increase (Decrease)	$(631.9)	$(1,730.6)	$ 27.0	$ (1,494.9)	$(1,014.3)	$ (22.6)

(1) Method changes

1996 - Reflects taking into account a one-time 3% benefit increase at retirement.

(2) Amendments

1998 - Reflects an Ad Hoc cost of living adjustment of 3% to 10% depending upon date of retirement and to provide credit for unused sick leave.

(3) Assumption Changes

2001 - Reflects a reduction in interest rate assumption from 7-1/2%, to 7-1/4% and a decrease in the salary increase assumption by 1/4% at each age.

2000 - Rates of separation from active service and rates of salary increase have been revised to more closely reflect the actual and anticipated experience of the System. In addition, the interest rate assumption has been changed from 7% to 7 1/2%.

1998 - Reflects a reduction in interest rate assumption from 7-1/4% to 7% and a decrease in the salary increase assumption by 1/4% at each age.

1997 - Reflects a reduction in interest rate assumption from 7-1/2% to 7-1/4% and a decrease in the salary increase assumption by 1/4% at each age.

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 Georgia Community College
Columbus State University
Dalton State College
Darton College
East Georgia College
Floyd College
Fort Valley State University
Gainesville College
Georgia College and State University
Georgia Institute of Technology
Georgia Perimeter College
Georgia Southern University
Georgia Southwestern State University
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
University System of Skidaway Institute
South Georgia College
Southern Polytechnic State University
University of Georgia
Valdosta State University
Waycross College
State University of West Georgia

School Districts

Appling County Schools
Atkinson County Schools
Atlanta City Schools
Bacon County Schools
Baker County Schools
Baldwin County Schools
Banks County Schools
Barrow County Schools
Bartow County Schools
Ben Hill County Schools
Berrien County Schools
Bibb County Schools
Bleckley County Schools
Brantley County Schools
Bremen City Schools
Brooks County Schools
Bryan County Schools
Buford City Schools
Bulloch County Schools
Burke County Schools
Butts County Schools
Calhoun City Schools
Calhoun County Schools
Camden County Schools
Candler County Schools
Carroll County Schools
Carrollton City Schools
Cartersville City Schools
Catoosa County Schools
Charlton County Schools
Chatham County Schools
Chattahoochee County Schools
Chattooga County Schools
Cherokee County Schools
Chickamauga City Schools
Clarke County Schools
Clay County Schools
Clayton County Schools
Clinch County Schools
Cobb County Schools
Coffee County Schools
Colquitt County Schools
Columbia County Schools
Commerce City Schools
Cook County Schools
Coweta County Schools
Crawford County Schools
Crisp County Schools
Dade County Schools
Dalton City Schools
Dawson County Schools
Decatur City Schools
Decatur County Schools
DeKalb County Schools
Dodge County Schools
Dooly County Schools
Dougherty County Schools
Douglas County Schools
Dublin City Schools
Early County Schools
Echols County Schools
Effingham County Schools
Elbert County Schools
Emanuel County Schools
Evans County Schools
Fannin County Schools
Fayette County Schools
Floyd County Schools
Forsyth County Schools
Franklin County Schools
Fulton County Schools
Gainesville City Schools
Georgia Military College
Gilmer County Schools
Glascock County Schools
Glynn County Schools
Gordon County Schools
Grady County Schools
Greene County Schools
Griffin-Spalding County Schools
Gwinnett County Schools
Habersham County Schools
Hall County Schools
Hancock County Schools
Haralson County Schools
Harris County Schools
Hart County Schools
Heard County Schools
Henry County Schools
Houston County Schools
Irwin County Schools
Jackson County Schools
Jasper County Schools
Jeff Davis County Schools
Jefferson City Schools
Jefferson County Schools
Jenkins County Schools
Johnson County Schools
Jones County Schools
Lamar County Schools
Lanier County Schools
Laurens County Schools
Lee County Schools
Liberty County Schools
Lincoln County Schools
Long County Schools
Lowndes County Schools
Lumpkin County Schools
Macon County Schools
Madison County Schools
Marietta City Schools
Marion County Schools
McDuffie County Schools
McIntosh County Schools
Meriwether County Schools
Miller County Schools
Mitchell County Schools
Monroe County Schools
Montgomery County Schools
Morgan County Schools
Murray County Schools
Muscogee County Schools
Newton County Schools
Oconee County Schools
Oglethorpe County Schools
Paulding County Schools
Peach County Schools
Pelham City Schools
Pickens County Schools
Pierce County Schools
Pike County Schools
Polk County Schools
Pulaski County Schools
Putnam County Schools
Quitman County Schools
Rabun County Schools
Randolph County Schools
Richmond County Schools
Rockdale County Schools
Rome City Schools
Schley County Schools
Screven County Schools
Seminole County Schools
Social Circle City Schools
Stephens County Schools
Stewart County Schools
Sumter County Schools
Talbot County Schools
Taliaferro County Schools
Tattnall County Schools
Taylor County Schools
Telfair County Schools
Terrell County Schools
Thomas County Schools
Thomasville City Schools
Thomaston-Upson County Schools
Tift County Schools
Toombs County Schools
Towns County Schools
Treutlen County Schools
Trion City Schools
Troup County Schools
Turner County Schools
Twiggs County Schools
Union County Schools
Valdosta City Schools
Vidalia City Schools
Walker County Schools
Walton County Schools
Ware County Schools

PARTICIPATING EMPLOYERS

Warren County Schools
Washington County Schools
Wayne County Schools
Webster County Schools
Wheeler County Schools
White County Schools
Whitfield County Schools
Wilcox County Schools
Wilkes County Schools
Wilkinson County Schools
Worth County Schools

Public Libraries

Athens Regional Library
Barnesville-Lamar County Library
Bartow County Library
Bartram Trail Regional Library
Brooks County Library
Brunswick Regional Library
Camden County Library
Chatham-Effingham-Liberty Regional 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
Dalton Regional Library
DeKalb County Public Library
Desoto Trail Regional Library
Dougherty County Public Library
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
M.E. Roden Memorial Library
Mary Vinson Memorial Library
Middle Georgia Regional Library
Moultrie-Colquitt County Library
Mountain Regional Library
Newnan-Coweta Public Library
Newton County Library
Northeast 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
Toccoa-Stephens County Public Library
Troup-Harris-Coweta Regional Library
Uncle Remus Regional Library
Victoria Evans Memorial Library
Warren County Public Library
West Georgia Regional Library

Technical Schools

Albany Technical College
Altamaha Technical College
Athens Technical College
Atlanta Technical College
Augusta Technical College
Central GA Technical College
Chattahoochee Technical College
Columbus Technical College
Coosa Valley Technical College
DeKalb Technical College
East Central Technical College
Flint River Technical College
Georgia Aviation & Technical College
Griffin Technical College
Heart of Georgia Technical College
Lanier Technical College
Middle Georgia Technical College
Moultrie Area Technical College
North Georgia Technical College
North Metro Technical College
Northwestern Technical College
Ogeechee Technical College
Okefenokee Technical College
Pickens Technical College
Sandersville Technical College
Savannah Technical College
South Georgia Technical College
Southeastern Technical College
Southwest GA Technical College
Swainsboro Technical College
Thomas 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
Oconee RESA
Okefenokee RESA
Pioneer RESA
Southwest Georgia RESA
West Georgia RESA

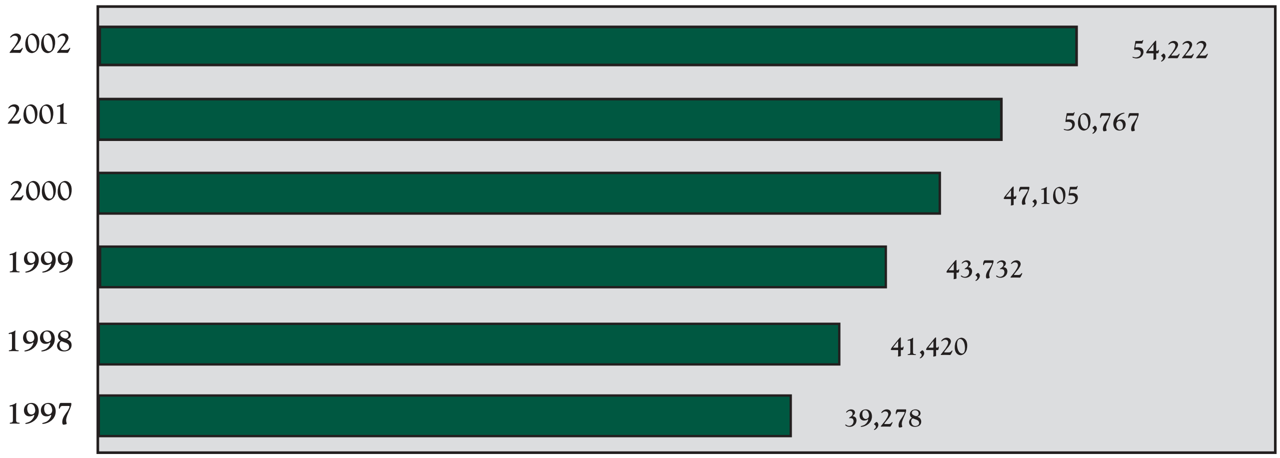
Other Agencies

Baconton Community Charter School
Board of Regents
Charles Drew Charter School
Cooperative Extension Service
Department of Community Health
Department of Corrections
Department of Industry, Trade and Tourism
Department of Juvenile Justice
Department of Natural Resources
Department of Public Safety
Fulton County, CHS for Math & Science
Georgia Association of Educators
Georgia Department of Education
Georgia Department of Human Resources
Georgia Department of Technical and Adult Education
Georgia High School Association
Georgia Public Telecommunications
Georgia Regional Transportation Authority
Georgia Student Finance Commission
Georgia Technical Authority MARDS Charter School
Office of Planning and Budget
Office of School Readiness
Professional Standards Commission
Secretary of State
South East Health Unit
Victory Charter School

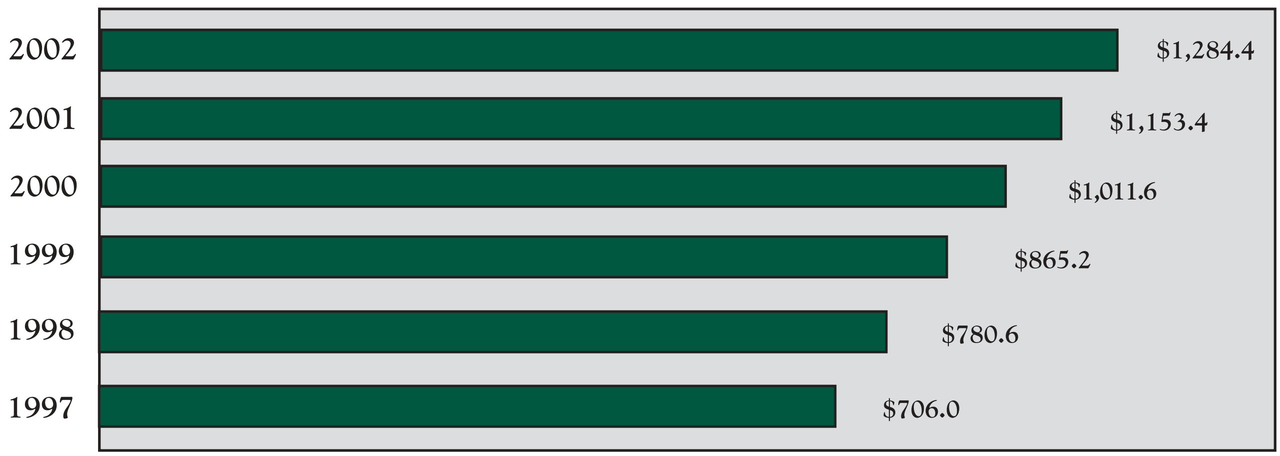
MEMBER DATA

Retirement Payment Statistics

Number of Retirees



Amount (In millions)

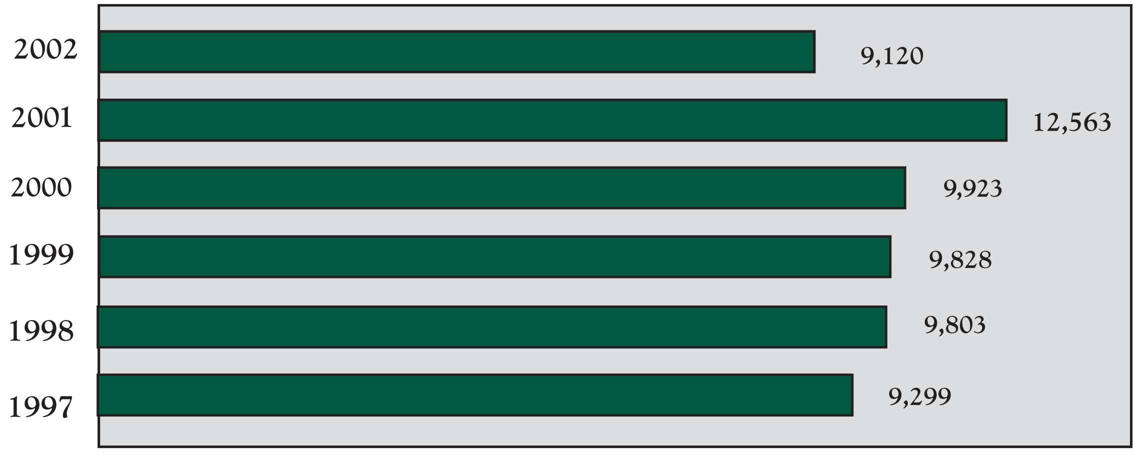


Average Monthly Benefit

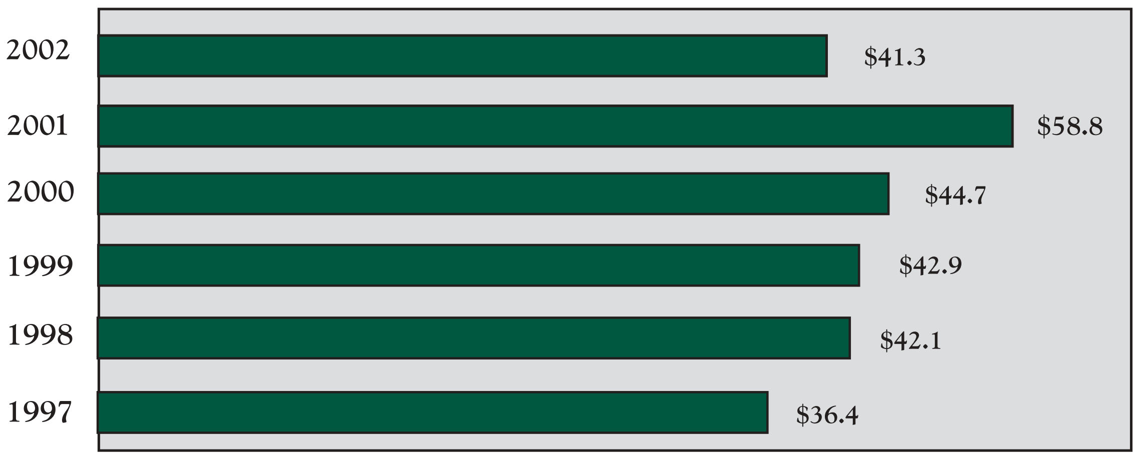
MEMBER DATA

Member Withdrawal Statistics

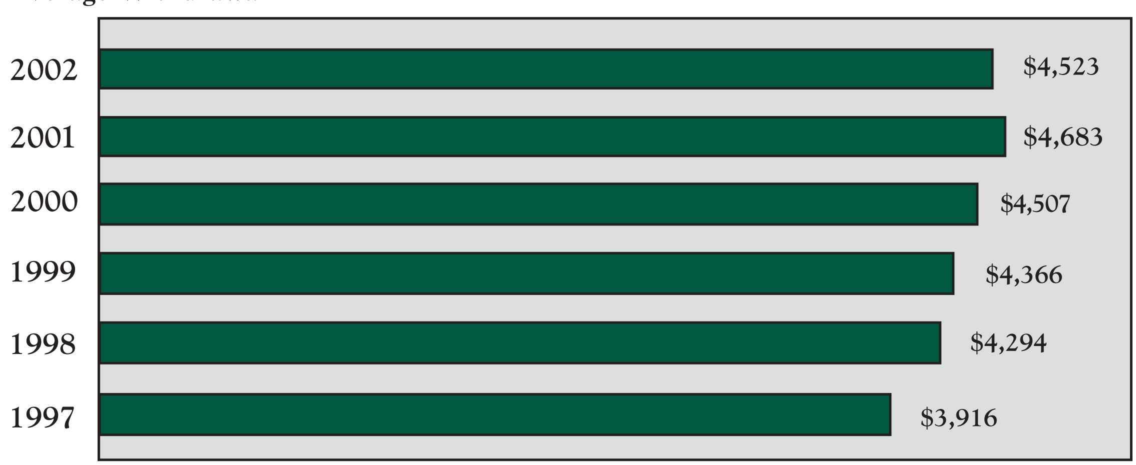
Number of Persons



Amount (In millions)



Average Withdrawal



BENEFIT DATA

Benefit Expense by Type (Thousands of dollars)

	Type of Retirement					
Fiscal Year	Service	Disability	Survivor Benefit	Supplemental Payments (1)	Lump Sum Death Settlement	Total
1997	$639,404	$24,861	$35,160	$5,199	$ 1,408	$ 706,032
1998	707,595	27,700	38,760	4,949	1,578	780,582
1999	786,963	30,302	41,852	4,628	1,446	865,191
2000	923,049	34,160	48,063	4,334	1,962	1,011,568
2001	1,058,683	37,118	52,528	3,881	1,166	1,153,376
2002	1,181,838	40,418	57,178	3,582	1,355	1,284,371

(1) Supplemental payments to retirees who belong to a local retirement system.

Average Monthly Benefit Payments

Effective Retirement Dates For Fiscal Years Ended June 30,	Years Credited Service					
	10-15	16-20	21-25	26-30	Over 30	Total
1997						
Average monthly benefit	$571.07	$923.75	$1,346.02	$2,075.97	$2,730.33	$1,765.78
Number of active retirees	487	390	480	947	848	3,152
1998						
Average monthly benefit	$565.70	$943.93	$1,370.06	$2,197.00	$2,718.23	$1,784.64
Number of active retirees	575	419	485	1,013	896	3,388
1999						
Average monthly benefit	$633.16	$995.24	$1,417.05	$2,265.15	$2,901.89	$1,889.58
Number of active retirees	591	426	522	1,147	928	3,614
2000						
Average monthly benefit	$631.36	$1,074.51	$1,432.55	$2,373.56	$3,121.26	$2,076.92
Number of active 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
Number of new retirants	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
Number of new retirants	721	445	614	1795	1283	4,858

REVENUES AND EXPENSES DATA

(Thousands of dollars)

Revenues by Source

Fiscal Year	Member Contributions	Employer Contributions: Dollar Amount	Employer Contributions: Percentage Of Annual Covered Payroll	Net Investment Income (loss)*	Total
1997	$281,472	$652,928	11.81%	$5,233,522	$6,167,922
1998	305,752	710,409	11.81	6,561,731	7,577,892
1999	330,517	776,178	11.95	3,889,927	4,996,622
2000	355,948	779,571	11.29	2,788,202	3,923,721
2001	369,006	808,480	11.29	(2,099,972)	(922,486)
2002	403,952	716,917	9.24	(1,610,477)	(489,608)

Expenses by Type

Fiscal Year	Retirement Payments	Net Administrative Expenses	Refund Payments	Total
1997	$ 706,032	$ 6,157	$ 36,415	$ 748,604
1998	780,582	6,637	42,098	829,317
1999	865,191	7,810	42,911	915,912
2000	1,011,568	9,058	44,718	1,065,344
2001	1,153,376	10,502	58,831	1,222,709
2002	1,284,371	15,966	41,250	1,341,587

Contributions were made in accordance with actuarially determined contribution requirements.

*Effective 1996, in accordance with parameters of GASB 25, Net Investment Income includes net appreciation (depreciation) in fair value of investments.

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	1,213	343	52	306	512	834	13	252	44	53	12	5
251 - 500	4,157	3,076	355	665	61	3,111	59	667	185	50	55	30
501 - 750	4,389	3,166	389	673	161	3,170	106	731	243	45	55	39
751 - 1,000	3,804	2,791	387	538	88	2,735	101	575	246	36	53	58
1,001 - 1,250	3,408	2,623	322	426	37	2,373	122	547	216	45	51	54
1,251 - 1,500	3,668	3,023	299	338	8	2,663	133	465	260	39	53	55
1,501 - 1,750	3,733	3,223	256	253	1	2,676	163	463	259	53	53	66
1,751 - 2,000	3,974	3,520	247	207	–	2,981	136	416	228	60	70	83
2,001 - 2,250	4,267	3,928	169	170	–	3,232	161	401	256	71	57	89
2,251 - 2,500	4,213	4,004	104	105	–	3,231	221	286	236	96	61	82
2,501 - 2,750	4,017	3,883	50	84	–	3,156	193	262	220	75	45	66
2,751 - 3,000	2,967	2,861	37	69	–	2,283	154	216	195	57	20	42
3,001 - 3,250	2,343	2,283	14	46	–	1,789	123	152	148	60	20	51
3,251 - 3,500	1,771	1,724	9	38	–	1,308	86	133	156	44	20	24
3,501 - 3,750	1,346	1,308	13	25	–	977	72	113	118	32	10	24
3,751 - 4,000	1,054	1,027	3	24	–	722	63	92	111	37	9	20
4,001 - 4,250	837	814	2	21	–	546	54	89	91	25	12	20
4,251 - 4,500	686	676	–	10	–	438	56	65	75	28	8	16
4,501 - 4,750	513	499	2	12	–	335	25	56	62	26	2	7
4,751 - 5,000	425	417	3	5	–	270	24	41	49	21	7	13
Over 5,000	1,437	1,403	3	31	–	850	79	163	201	91	17	36
Totals	54,222	46,592	2,716	4,046	868	39,680	2,144	6,185	3,599	1,044	690	880

(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 12 and 13 for descriptions of Options.