



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

Fiscal Year Ended June 30, 2020







Teachers Retirement  
System of Georgia

A COMPONENT UNIT OF THE STATE OF GEORGIA

# COMPREHENSIVE ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED JUNE 30, 2020

PREPARED BY THE FINANCIAL SERVICES  
DIVISION OF THE TEACHERS RETIREMENT  
SYSTEM OF GEORGIA

L.C. (Buster) Evans, Ed.D  
Executive Director







## *OUR MISSION IS TO...*

support Georgia educators by providing pension education, safeguarding plan investments, and efficiently administering retirement benefits.



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Government Finance Officers Association

**Certificate of  
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Presented to

**Teachers Retirement System  
of Georgia**

For its Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended

June 30, 2019

*Christopher P. Morrell*

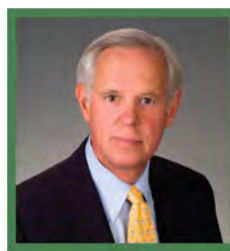
Executive Director/CEO

# BOARD OF TRUSTEES

as of June 30, 2020



Ms. Deborah K. Simonds\*  
CHAIR  
Retired Teacher  
Elected by the Board of  
Trustees  
Term Expires 6/30/21



Mr. Thomas W. Norwood\*  
VICE-CHAIR  
Investment Professional  
Elected by the Board of  
Trustees  
Term Expires 6/30/23



Ms. Anne S. Cardella  
Classroom Teacher  
Appointed by the Governor  
Term Expires 6/30/23



Ms. Marion R. Fedrick  
TRS Member  
Appointed by the Board of  
Regents  
Term Expires 6/30/21



Mr. Greg S. Griffin\*  
State Auditor  
Ex-Officio



Ms. Lynnette T. Riley  
State Treasurer  
Ex-Officio



Dr. William G. Sloan, Jr.\*  
Member-at-Large  
Appointed by the Governor  
Term Expires 6/30/23



Mr. Christopher M. Swanson  
Classroom Teacher  
Appointed by the Governor  
Term Expires 3/31/21



Dr. Jason L. Branch  
Not Employed by the Board  
of Regents  
Appointed by the Governor  
Term Expires 6/30/21



Vacant

\* Investment Committee Member





L.C. (Buster) Evans, Ed.D.  
Executive Director

September 30, 2020  
Board of Trustees  
Teachers Retirement System of Georgia  
Atlanta, Georgia

I am pleased to present the Comprehensive Annual Financial Report of the Teachers Retirement System of Georgia (the System) for the fiscal year ended June 30, 2020. 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.

This fiscal year has been met with a number of unforeseen circumstances that our agency, state, and nation have never experienced before. Despite volatile markets affected by the impact of COVID-19, our fund achieved a positive return from July 2019 to June 2020. The efforts and resilience of our personnel across all of our divisions allowed us to not only navigate in an uncertain financial environment, but to continue to provide exceptional customer service to our members.

## 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, 2019. This was the 32<sup>nd</sup> consecutive year that the System has achieved this prestigious award.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report

must satisfy both generally accepted accounting principles and applicable legal requirements.

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

## History and Overview

The System was created in 1943, by an act of the Georgia General Assembly to provide retirement security to those individuals who choose to dedicate their lives to educating the children of the State of Georgia, and began operations in 1945. A summary of the System's plan provisions is provided on pages 11-12 of this report.

The System is governed by a ten-member Board of Trustees (the Board) which appoints the Executive Director who is responsible for the administration and operations of the System, which serves 483,844 active and retired members, and 317 employers.

## 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. The concept of reasonable assurance

# LETTER OF TRANSMITTAL

*continued*

recognizes the cost of a control should not exceed the benefits likely to be derived. Therefore, the objective is to provide reasonable, rather than absolute assurance, that the financial statements are free of any material misstatements. Even though there are inherent limitations in any system of internal control, the management of the System makes every effort to ensure that through systematic reporting and internal reviews, errors or fraud would be quickly detected and corrected.

Please refer to Management's Discussion and Analysis beginning on page 15 of this report for an overview of the financial status of the System, including a summary of the System's Fiduciary Net Position, Changes in Fiduciary Net Position, and Investment Allocation.

**INVESTMENTS** - The System has continued to invest in a mix of liquid, 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. A high quality balanced fund has proven to be a successful strategy in a variety of markets over a long period of time. Overall, U.S. equities returned 6% this past year, while foreign markets were down less than 5%. Longer-term periods for total equities were generally quite positive. A comparative analysis of rates of return is presented on page 49. For additional information and analysis pertaining to investment policies and strategies, asset allocations, and yield, see Management's Discussion and Analysis beginning on page 15 and the Investment Section beginning on page 48. The System addresses the safeguarding of investments by requiring that they be held by agent custodial banks in the name of the System and that deposits are insured by the Federal Deposit Insurance Corporation.

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

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

A useful indicator of the funded status of a retirement system is the relationship between the actuarial value of assets and the actuarial accrued liabilities. The System continues to remain strong as evidenced by the ratio of the actuarial value of assets to the actuarial accrued liabilities. This ratio was 76.7% for the fiscal year ended June 30, 2019. The ultimate test of the financial soundness of a retirement system is its ability to pay all promised benefits when due. I am proud to say that through the continued wisdom and the support of Governor Brian Kemp and the Georgia General Assembly, the System has been and will continue to be funded on an actuarially sound basis, thus providing the membership the comfort and security they expect from their retirement system.

## Initiatives

We understand that an agency can only be as efficient as the capacity of its employees' skill sets. Therefore, we continued our support of both the Leadership Development Institute Program (LDIP) and the Executive Director Advisory Committee (EAC) to develop our agency's future leaders and recommend enhancements to our existing processes. These programs are proven successful as there have been several participants who have been promoted to leadership roles and are advancing our mission and vision. The LDIP and EAC groups meet separately and collectively to discover the most resourceful ways to carry out the overall strategic plan. As a result, the participants have discovered ways to continue to engage with each other and the entire agency in a totally remote format. Interdepartmental collaboration is one of the greatest accomplishments of these groups as it is how we were able to conduct business during the onset of the COVID-19 pandemic.

Our IT division continues to diligently enhance all of our systems in an effort to mitigate vulnerabilities and cyber-attacks. This year we blocked over 12,000 attacks, and investigated over 20 potential security incidents reported to TRS by its managed security services provider. TRS staff received cybersecurity awareness training through our own cybersecurity training program, as well as additional training offered by the Georgia Technology Authority. We are pleased to report that we had no security breaches and continue our efforts to thwart all cyber-attacks. This division has been instrumental in that we have had to convert our traditional methods of completing work assignments to those that can be completed away from our main office. For the first time since our inception, we now have the capability for our call center staff to work from home full-time and provide the same level of customer service to our membership. That ability to work from home has been extended throughout the agency and IT was able to equip each department with tools and resources necessary to continue to process payroll, finalize retirement applications, and provide counseling sessions. One major improvement to the members' user experience is the addition of the document upload tool that allows members to save time and money by uploading retirement documents online rather than by physical mail. These are a fraction of the improvements made that have increased the efficiency of our agency.

Despite the challenges faced with our office being closed to the public and outreach suspended for the safety of our staff and members, we were able to continue our pension education programs. We observed 405 outreach events, including benefit fairs and workshops, reaching 30,381 members and retirees in over 98 counties. Seven half-day seminars were executed to provide members with information about Social Security, estate planning, and financial literacy including a newly formed seminar dedicated to providing resources for our retirees. Additionally, a total of 7,623 members were counseled at the TRS office and around the state. Videoconference counseling sessions were piloted in the winter as a way to supplement our in-person sessions and it proved to be a timely application as it is now a staple in the way we interact with our pre-retirees. It has since



expanded to include workshops, employer training, conferences, board meetings, and TRS staff training. Closing our physical office increased the need for members to be able to access us through a number of different means of communication. Our social media reach continues to grow with our having a presence on Facebook, Twitter, and LinkedIn. Furthermore, to meet the desire for on-demand content, we have posted informational videos on YouTube and created a podcast named "Your Retirement in Focus" to give important updates and guidance to Georgia's educators.

## Other Information

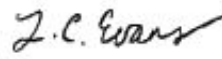
**INDEPENDENT AUDIT** - The Board requires an annual audit of the financial statements of the System by independent, certified public accountants. The accounting firm of KPMG LLP was selected by the Board. The independent auditors' report on the statement of fiduciary net position and the related statement of changes in fiduciary net position 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. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship of the assets contributed by the System's members, their employers, and the State of Georgia.

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

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

Sincerely,



L.C. (Buster) Evans, Ed.D.  
Executive Director



# YOUR RETIREMENT SYSTEM



## Financial & Statistical Highlights

### Financial Highlights (dollars in thousands)

	June 30,		
	2020	2019	% Change
Member Contributions	\$ 800,864	\$ 759,474	+5.4
Employer and Nonemployer Contributions	\$ 2,738,818	\$ 2,566,403	+6.7
Interest and Dividend Income	\$ 1,731,858	\$ 1,705,874	+1.5
Benefits Paid to Retired Members	\$ 5,192,283	\$ 4,950,465	+4.9
Member Withdrawals	\$ 76,976	\$ 76,543	+0.6
Interest Credited to Member Contributions	\$ 384,824	\$ 365,968	+5.2

### Statistical Highlights

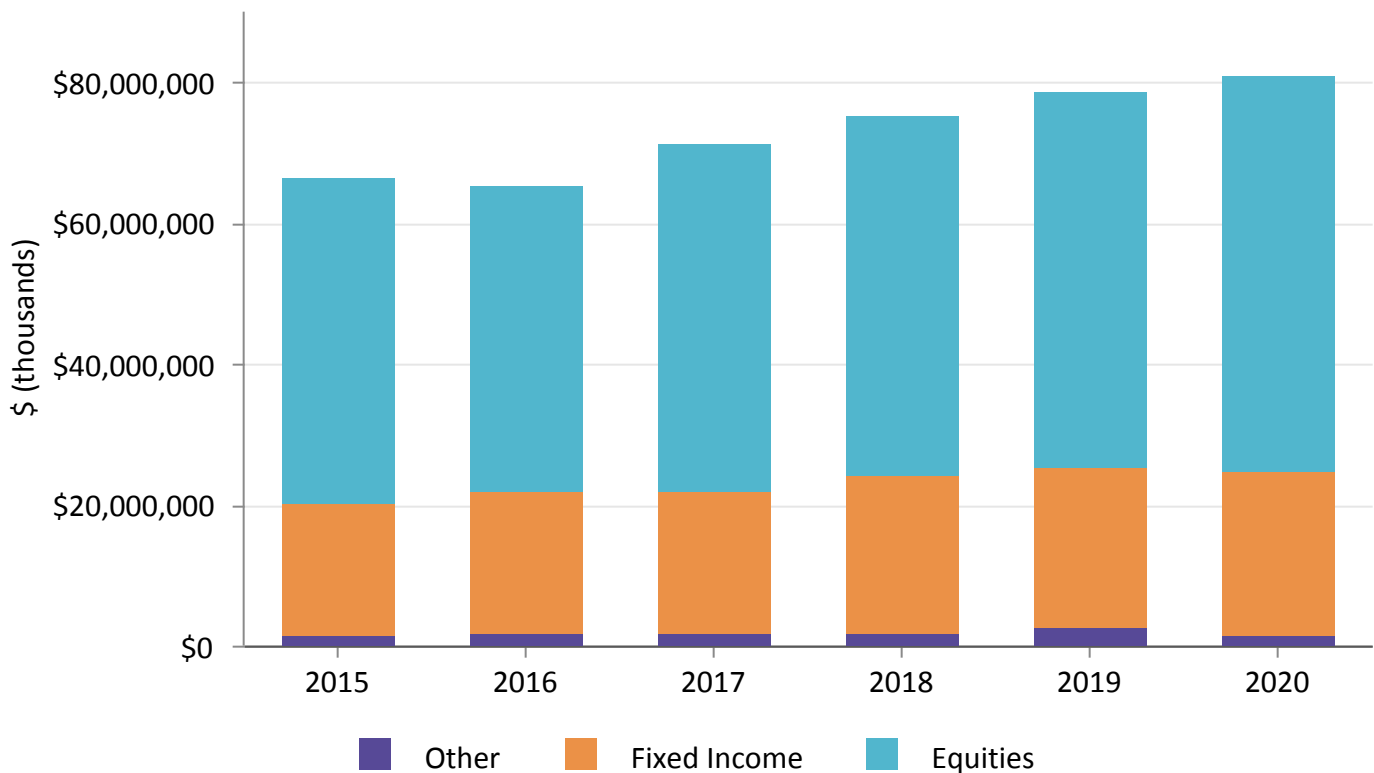
Active Membership	231,047	226,387	+2.1
Members Leaving the System	7,235	7,584	-4.6
Retired Members	135,649	131,802	+2.9
Average Monthly Benefit	\$ 3,190	\$ 3,130	+1.9





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

	2015	2016	2017	2018	2019	2020
Equities	\$46,422,828	\$43,651,536	\$49,236,293	\$51,181,613	\$53,433,296	\$56,198,730
Fixed Income	18,807,238	19,979,237	20,139,422	22,564,510	22,684,318	23,218,154
Other <sup>(1)</sup>	1,620,195	2,087,314	2,048,417	1,856,129	2,772,805	1,831,024
<b>Total System Assets</b>	<b>\$66,850,261</b>	<b>\$65,718,087</b>	<b>\$71,424,132</b>	<b>\$75,602,252</b>	<b>\$78,890,419</b>	<b>\$81,247,908</b>



<sup>(1)</sup> Includes cash and equivalents, receivables, net OPEB asset, and capital assets, net.

# ADMINISTRATIVE STAFF & ORGANIZATION

as of September 30, 2020



Dr. L.C. (Buster) Evans  
Executive Director



Laura L. Lanier  
Interim CFO/Controller



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



R. Cory Buice  
Director  
Retirement Services



K. Paige Donaldson  
Director  
Employer Services &  
Contact Management



Winston Buckley  
Director  
Communications &  
Outreach



Dina N. Jones  
Director  
Member Services



Sonya Kinley  
Director  
Human Resources



J. Gregory McQueen  
Director  
Information Technology

## Consulting Services

### **Actuary**

Cavanaugh Macdonald  
Consulting, LLC

### **Auditor**

KPMG LLP

## Medical Advisors

William Biggers, M.D. Atlanta, Georgia  
Marvin Bittinger, M.D. Gainesville, Georgia  
Pedro Garcia, M.D. Atlanta, Georgia  
Howard McMahan, M.D. Marietta, Georgia  
Quentin Pirkle, M.D. Ellijay, Georgia  
Harold Sours, M.D. Atlanta, Georgia  
Joseph W. Stubbs, M.D. Albany, Georgia

## Investment Advisors\*

Albritton Capital Management  
Baillie Gifford Overseas Limited  
Barrow, Hanley, Mewhinney & Strauss  
Cooke & Bieler  
Fisher Investments  
Mondrian Investment Partners Limited  
Sands Capital Management  
WCM Investment Management

\* See page 50 in the Investment Section for a summary of fees paid to Investment Advisors.

## 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 the State, and began operations in 1945. The System has the power and privileges of a corporation and the right to bring and defend actions.

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

## Administration

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

Ex-officio members:

- the State Auditor
- the State Treasurer

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-at-large

Board of Regents appointee:

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

Trustee appointees:

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

A complete listing of the current members of the Board 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 its pleasure. On behalf of the Board, the Executive Director is responsible for the proper operation of the System, engaging such actuarial and other services as shall be necessary to transact business, and paying expenses necessary for operations. A listing of the administrative staff is included on page 10 of this report.

## Membership

All personnel employed in a permanent status position, and not less than one-half time, with local boards of education, charter schools, universities and colleges, technical colleges, Board of Regents, county and regional libraries, Regional Educational Service Agencies, and certain State of Georgia agencies are required to be members as a condition of employment. Exceptions to TRS membership include employees required to participate in another Georgia retirement plan or employees who may elect the Board of Regents Optional Retirement Plan in lieu of TRS membership.

## Eligibility

### Service Retirement

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

### Disability Retirement

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

## The Formula

### Normal Retirement

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

### Early Retirement

Any member who has not reached the age of 60 and has between 25 and 30 years of creditable service will receive a reduced benefit. The benefit will be calculated using the percentage of salary formula explained above. It will then be reduced by the lesser 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.



# SUMMARY OF PLAN PROVISIONS

*continued*

## Disability Retirement

Disability retirement benefits are also calculated using the percentage of salary formula explained above. The resulting product is the monthly disability retirement benefit under the maximum plan. You must have at least 10 years of creditable service to qualify; however, there is no age requirement for disability retirement.

## Plan A - Maximum Plan of Retirement

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

## Plan B - Optional Plans of Retirement

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

### Option 1

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

### Option 2

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

### Option 2 Pop-Up

Any member may elect a reduced retirement allowance to be designated Option 2 Pop-Up with the provision that if the beneficiary dies prior to the retiree that the basic benefit payable to the retiree shall increase to an amount the retiree would have received under Plan A - Maximum Plan.

### Option 3

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

### Option 3 Pop-Up

Any member may elect a reduced retirement allowance to be designated Option 3 Pop-Up with the provision that if the beneficiary dies prior to the retiree, the basic benefit payable to the retiree shall increase to the amount the retiree would have received under Plan A - Maximum Plan.

### Option 4

This option offers a reduced monthly lifetime benefit in exchange for the flexibility to designate a specific dollar amount or percentage of your monthly benefit to be paid to your beneficiary after your death. The beneficiary benefits you specify under this plan cannot cause your monthly benefit to be reduced below 50% of the maximum benefit available to you. If multiple beneficiaries predecease you, the dollar amounts for the percentages are not adjusted. Beneficiaries also receive a prorated share of any cost-of-living increases you received up to the date of death.

## Partial Lump-Sum Option Plan

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

A member is eligible to participate in the PLOP if he or she meets the following criteria. A member must:

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

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

## Financing the System

The funds to finance the System come from member contributions, 6.00% of annual salary; employer contributions, 21.14% of annual salary; and investment income.



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

## Report on the Financial Statements

We have audited the accompanying financial statements of the Teachers Retirement System of Georgia (the System), a component unit of the State of Georgia, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the System's basic financial statements for the year then ended as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2020, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

### Other Matters

#### *Required Supplementary Information*

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15-18 and the schedule of changes in employers' and nonemployer net pension liability, schedule of employers' and nonemployer net pension liability and related ratios, schedule of employer and nonemployer contributions, schedule of investment returns, schedule of the System's proportionate share of the net pension liability to ERS, schedule of the System's contributions to ERS, schedule of the System's proportionate share of the net OPEB liability (asset), the schedule of the System's contributions to OPEB plans and the notes to the required supplementary information on pages 41-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The schedules of administrative expenses and investment expenses, and introductory, investment, actuarial, and statistical sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

# INDEPENDENT AUDITORS' REPORT

continued

The schedules of administrative expenses and investment expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules of administrative expenses and investment expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2020 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

KPMG LLP

Atlanta, Georgia  
September 30, 2020





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, 2020. The discussion and analysis of the System's financial performance is within the context of the accompanying financial statements and disclosures following this section.

## Financial Highlights

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

- At June 30, 2020, the System's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$81.2 billion (reported as net position) as compared to the net position of \$78.8 billion at June 30, 2019, representing an increase of \$2.4 billion, or 3.0%.
- Contributions from members increased by \$41.4 million or 5.4% from \$759.5 million in 2019 to \$800.9 million in 2020. Employer and nonemployer contributing entity (Nonemployer) contributions increased by \$172.4 million or 6.7% from \$2.6 billion in 2019 to \$2.7 billion in 2020. The increase in member contributions is primarily due to an increase in the number of active members and higher average payroll during the year. The increase in employer contributions is primarily due to an increase in the employer contribution rate coupled with an increase in the number of active members and higher average payroll during the year.
- Pension benefits paid to retirees and beneficiaries for the years ended June 30, 2020, and 2019 were \$5.2 billion and \$5.0 billion, respectively, representing an increase of 4.9%. This is due to an increase in the number of retirees and beneficiaries receiving benefit payments and postretirement benefit adjustments.

## Overview of the Financial Statements

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

The System prepares its financial statements on an accrual basis in accordance with U.S. generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB). These statements provide information about the System's overall financial status.

In addition, the System presents eight required supplementary schedules, which provide historical trend information about the plan. Four of these schedules are presented from the perspective of the System reporting as the plan and include (1) a schedule of changes in employers' and nonemployer net pension liability; (2) a schedule of employers' and nonemployer net pension liability and related ratios; (3) a schedule of employer and nonemployer

contributions; and (4) a schedule of investment returns. Four schedules are presented from the perspective of the System reporting as the employer for its employees who participate in either the Employees' Retirement System of Georgia (ERS), the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB), or the Georgia State Employees Postemployment Benefit Fund (State OPEB) and include (1) a schedule of the System's proportionate share of the net pension liability to ERS; (2) a schedule of the System's contributions to ERS; (3) a schedule of the System's proportionate share of the net OPEB liability (asset); and (4) a schedule of the System's contributions to OPEB plans.

## The Statement of Fiduciary Net Position

The *Statement of Fiduciary Net Position* presents information that includes all of the System's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the balance reported as and representing the Net Position Restricted for Pensions. The investments of the System in this statement are presented at fair value. This statement is presented on page 19.

## The Statement of Changes in Fiduciary Net Position

The *Statement of Changes in Fiduciary Net Position* reports how the System's net position changed during the fiscal year. The additions and the deductions to net position are summarized in this statement. The additions include contributions and investment income, which includes the net increase (decrease) in the fair value of investments. The deductions include benefit payments, refunds of member contributions, and administrative expenses. This statement is presented on page 20.

## Notes to the Financial Statements

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

## Required Supplementary Information

A brief explanation of the eight required schedules found beginning on page 41 of this report follows:

*Schedule of Changes in Employers' and Nonemployer Net Pension Liability:* This schedule presents historical trend information about the changes in the net pension liability and includes the beginning and ending balances of the total pension liability and the plan's fiduciary net position, the net pension liability, and the effects of certain changes on those items. This trend information will be accumulated to display a 10-year presentation.

*Schedule of Employers' and Nonemployer Net Pension Liability and Related Ratios:* This schedule presents historical trend information

# MANAGEMENT'S DISCUSSION & ANALYSIS

(Unaudited) *continued*

about the net pension liability and includes total pension liability, the plan's fiduciary net position, net pension liability, covered payroll, and the ratios of fiduciary net position to total pension liability and net pension liability to covered payroll. This trend information will be accumulated to display a 10-year presentation.

*Schedule of Employer and Nonemployer Contributions:* This schedule presents historical trend information for the last ten consecutive fiscal years about the actuarially determined contributions of employers and nonemployer and the contributions made in relation to the requirement.

*Schedule of Investment Returns:* This schedule presents historical trend information about the annual money-weighted rate of return on plan investments, net of plan investment expense. This trend information will be accumulated to display a 10-year presentation.

*Schedule of the System's Proportionate Share of the Net Pension Liability to ERS:* This schedule presents historical trend information about the System's proportionate share of the net pension liability for its employees who participate in the ERS plan.

This trend information will be accumulated to display a 10-year presentation.

*Schedule of the System's Contributions to ERS:* This schedule presents historical trend information about the System's contributions for its employees who participate in the ERS plan. This trend information will be accumulated to display a 10-year presentation.

*Schedule of the System's Proportionate Share of the Net OPEB Liability (Asset):* This schedule presents historical trend information about the System's proportionate share of the net OPEB liability (asset) for its employees who participate in the State OPEB plan or the SEAD-OPEB plan. This trend information will be accumulated to display a 10-year presentation.

*Schedule of the System's Contributions to OPEB Plans:* This schedule presents historical trend information about the System's contributions for its employees who participate in the State OPEB and/or SEAD-OPEB plans. This trend information will be accumulated to display a 10-year presentation.

## Financial Analysis of the System

A summary of the System's net position at June 30, 2020 and 2019 is as follows:

### Summary of TRS Net Position (dollars in thousands)

	Net position June 30,		Amount change	Percentage change
	2020	2019		
Assets:				
Cash and cash equivalents and receivables	\$ 1,821,396	2,763,142	(941,746)	(34.1)%
Investments	79,416,884	76,117,614	3,299,270	4.3
Net OPEB asset	2,658	2,342	316	13.5
Capital assets, net	6,970	7,321	(351)	(4.8)
Total assets	81,247,908	78,890,419	2,357,489	3.0
Deferred outflows of resources	8,954	11,011	(2,057)	(18.7)
Liabilities:				
Due to brokers and accounts payable	44,648	56,837	(12,189)	(21.4)
Net pension liability	28,862	27,823	1,039	3.7
Net OPEB liability	8,867	18,091	(9,224)	(51.0)
Total liabilities	82,377	102,751	(20,374)	(19.8)
Deferred inflows of resources	12,927	9,742	3,185	32.7
Net position	\$ 81,161,558	78,788,937	2,372,621	3.0

The \$2.4 billion, or 3.0%, increase in net position from 2019 to 2020 is primarily due to positive fixed income and equity market returns.



The following table presents the investment allocation at June 30, 2020 and 2019:

## Investment Allocation

	2020	2019
Asset allocation at June 30 (in percentages):		
Equities:		
Domestic	54.6 %	52.9 %
International	16.1	17.3
Domestic obligations:		
U.S. treasuries	21.6	23.2
Corporate and other bonds	6.6	6.1
International obligations:		
Corporates	1.1	0.5
Asset allocation at June 30 (dollars in thousands):		
Equities:		
Domestic	\$43,419,674	40,261,927
International	12,779,056	13,171,369
Domestic obligations:		
U.S. treasuries	17,124,568	17,632,382
Corporate and other bonds	5,245,110	4,646,365
International obligations:		
Corporates	848,476	405,571
	<u>\$79,416,884</u>	<u>76,117,614</u>

The total investment portfolio at June 30, 2020 increased \$3.3 billion, or 4.3%, from June 30, 2019, which is primarily due to positive fixed income and equity market returns.

Investment performance is calculated using a time-weighted rate of return using the Daily Valuation Method. The time-weighted rate of return in fiscal year 2020 was 5.4%, with a 3.2% return for equities and a 9.8% return for fixed income. The five-year annualized rate of return at June 30, 2020 was 6.9% with an 8.1% return on equities and a 4.1% return on fixed income.

A money-weighted rate of return is weighted by the amount of dollars in the fund at the beginning and end of the performance period. A money-weighted rate of return is highly influenced by the timing of cash flows into and out of the fund and is a better measure of an entity or person who controls the cash flows into or out of the fund. The nondiscretionary cash flows for the plan, primarily contributions and benefit payments, have a considerable impact on the money-weighted returns of the portfolio. The money-weighted rate of return for the fiscal year ended June 30, 2020 was 2.9%, compared to 4.1% for the fiscal year ended June 30, 2019.



# MANAGEMENT'S DISCUSSION & ANALYSIS

(Unaudited) *continued*

A summary of the changes in the System's net position for the years ended June 30, 2020 and 2019 is as follows:

## Changes in TRS Net Position (dollars in thousands)

	Changes in net position		Amount change	Percentage change
	2020	2019		
<b>Additions:</b>				
Employer contributions	\$ 2,733,089	2,560,989	172,100	6.7 %
Nonemployer contributions	5,729	5,414	315	5.8
Member contributions	800,864	759,474	41,390	5.4
Net investment income	4,119,609	4,972,419	(852,810)	(17.2)
<b>Total additions</b>	<b>7,659,291</b>	<b>8,298,296</b>	<b>(639,005)</b>	<b>(7.7)</b>
<b>Deductions:</b>				
Benefits payments	5,192,283	4,950,465	241,818	4.9
Refunds	76,976	76,543	433	0.6
Administrative expenses, net	17,411	15,276	2,135	14.0
<b>Total deductions</b>	<b>5,286,670</b>	<b>5,042,284</b>	<b>244,386</b>	<b>4.8</b>
<b>Net increase in net position</b>	<b>\$ 2,372,621</b>	<b>3,256,012</b>	<b>(883,391)</b>	<b>(27.1)</b>

## Additions

The System accumulates resources needed to fund benefits through contributions and returns on invested funds. Member contributions were higher with an increase of \$41.4 million, or 5.4%, primarily due to an increase in membership salary coupled with an increase in the number of active members in 2020. Employer contributions were higher with an increase of \$172.1 million, or 6.7%, compared to 2019 primarily due to an increase in the employer contribution rate to 21.14% from 20.90% coupled with an increase in membership salary and an increase in the number of active members in 2020. The change in net investment income was primarily due to more moderate equity gains in 2020.

## Deductions

Deductions increased \$244.4 million, or 4.8%, in 2020, primarily because of the \$241.8 million, or 4.9%, increase in benefit payments. Regular pension benefit payments increased due to an increase in the number of retirees and beneficiaries receiving benefit payments from 131,802 in 2019 to 135,649 in 2020, and an increase in postretirement benefits.

## Requests for Information

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

# STATEMENT OF FIDUCIARY NET POSITION

June 30, 2020 (in thousands)



## Assets

Cash and cash equivalents	\$ 1,328,750
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### Receivables:

Interest and dividends	205,891
Due from brokers for securities sold	19,716
Members and employer contributions	266,065
Other	974

Total receivables	<u>492,646</u>
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### Investments - at fair value:

#### Equities:

Domestic	43,419,674
International	12,779,056

#### Domestic obligations:

U.S. treasuries	17,124,568
Corporate and other bonds	5,245,110

#### International obligations:

Corporates	848,476
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Total investments	<u>79,416,884</u>
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Net OPEB asset	2,658
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Capital assets, net	<u>6,970</u>
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Total assets	<u>81,247,908</u>
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<b>Deferred Outflows of Resources</b>	<u>8,954</u>
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## Liabilities

Accounts payable and other	10,620
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Due to brokers for securities purchased	34,028
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Net pension liability	28,862
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Net OPEB liability	8,867
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Total liabilities	<u>82,377</u>
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<b>Deferred Inflows of Resources</b>	<u>12,927</u>
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<b>Net Position Restricted for Pensions</b>	<u>\$ 81,161,558</u>
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See accompanying notes to financial statements.

# STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

For the Year Ended June 30, 2020 (in thousands)



## Additions:

### Contributions:

Employer	\$ 2,733,089
Nonemployer	5,729
Member	800,864

### Investment income:

Net increase in fair value of investments	2,438,172
Interest, dividends, and other	1,731,858
Total investment income	4,170,030
Less investment expense	50,421
Net investment income	4,119,609
Total additions	7,659,291

## Deductions:

Benefit payments	5,192,283
Refunds of member contributions	76,976
Administrative expenses, net	17,411
Total deductions	5,286,670
Net increase in net position	2,372,621

## Net Position Restricted for Pensions:

Beginning of year	78,788,937
End of year	\$ 81,161,558

See accompanying notes to financial statements



## 1. Plan Description

Teachers Retirement System of Georgia (the System) was created in 1943 by an act of the Georgia Legislature (the Act) to provide retirement benefits for teachers who qualify under the Act. The System administers a cost-sharing, multiple-employer defined benefit pension plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. A Board of Trustees comprising two appointees by the Board, two ex-officio state employees, five appointees by the Governor, and one appointee of the Board of Regents is ultimately responsible for the administration of the System.

### 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. There were 317 employers and 1 nonemployer contributing entity participating in the plan during 2020.

### Retirement Benefits

As of June 30, 2020, participation in the System is as follows:

Inactive members and beneficiaries	
currently receiving benefits	135,649
Inactive members not yet	
receiving benefits, vested	13,799
Inactive members, nonvested	103,349
Active plan members	231,047
Total	<u>483,844</u>

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

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

reduced monthly retirement benefit. Options are available for distribution of the member's monthly pension, at a reduced rate, to a designated beneficiary on the member's death.

### Death and Disability Benefits

Retirement benefits also include death and disability benefits, whereby the disabled member or surviving spouse is entitled to receive annually an amount equal to the member's service retirement benefit or disability retirement, whichever is greater. The benefit is based on the member's creditable service (minimum of 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, employer, and nonemployer contributions. The contribution rates are adopted and amended by the Board of Trustees. Pursuant to O.C.G.A. §47-3-63, the employer contributions for certain full-time public school support personnel are funded on behalf of the employers by the State of Georgia.

Contributions, as a percentage of covered payroll, required for fiscal year 2020 were based on the June 30, 2017 actuarial valuation as follows:

Member	<u>6.00 %</u>
Employer:	
Normal	7.77 %
Unfunded accrued liability	<u>13.37 %</u>
Total	<u>21.14 %</u>

Members become fully vested after 10 years of service. If a member terminates with less than 10 years of service, no vesting of employer contributions occurs, but the member's contributions may be refunded with interest. Member contributions with accumulated interest are reported as net position restricted for pensions.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*

## 2. 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, nonemployer, and the members are recognized when due, based on statutory requirements. Retirement and refund payments are recognized as deductions when due and payable.

### Reporting Entity

The System is a component unit of the State of Georgia; however, it is accountable for its own fiscal matters and presentation of its separate financial statements. The System has considered potential component units under GASB Statements No. 80, *Blending Requirements for Certain Component Units*, GASB Statement No. 61, *The Financial Reporting Entity's Omnibus – An Amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and determined there were no component units of the System.

### Cash and Cash Equivalents

Cash and cash equivalents, reported at cost, include cash in banks and cash on deposit with the investment custodian.

### Investments

Investments are reported at fair value. Securities traded on a national or international exchange are valued at the last reported sales price. There are no investments in, loans to, or leases with parties related to the System.

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

The System's policy in regard to the allocation of invested assets is established on a cost basis in compliance with Georgia Statute. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension plan. The following was the System's adopted asset allocation policy as of June 30, 2020:

Asset Class	Target Allocation
Fixed income	25% - 45%
Equities	55% - 75%
Total	100%

Approximately 21.6% of the investments held for pension benefits are invested in debt securities of the U.S. government. The System has no investments in any one organization, other than those issued by the U.S. government, that represent 5% or more of the System's net position restricted for pensions.

For the fiscal year ended June 30, 2020, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 2.91%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

### Capital Assets

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

### System Employee Pensions and Other Postemployment Benefits (OPEB)

For the plans listed below, for purposes of measuring the net pension liability, net OPEB asset, net OPEB liability, deferred outflows of resources and deferred inflows of resources related to pension and OPEB, and pension and OPEB expense, information about the fiduciary net position of the plans and additions to and deductions from the fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### Pensions:

- Employees' Retirement System of Georgia (ERS)

#### OPEB:

- Georgia State Employees Postemployment Benefit Fund (State OPEB)
- State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB)

### Use of Estimates

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

### New Accounting Pronouncements

*Pronouncements effective for the 2020 financial statements:*  
In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* effective immediately. The primary objective of this Statement is to provide temporary relief to governments and stakeholders as a result of the COVID-19 pandemic. This Statement postpones the effective dates of certain provisions in the Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

## 2. Summary of Significant Accounting Policies and Plan Asset Matters, *continued*

### *Pronouncements issued, and not yet effective, but early implementation for the 2020 financial statements:*

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities* effective for fiscal years beginning after December 15, 2018. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 84 to fiscal years beginning after December 15, 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. There are no applicable reporting requirements for the System related to this Statement.

### *Pronouncements issued, but not yet effective:*

In June 2017, the GASB issued Statement No. 87, *Leases* effective for fiscal years beginning after December 15, 2019. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 87 to fiscal years beginning after June 15, 2021. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. The System is in the process of evaluating the impact of this pronouncement on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Costs Incurred before the End of a Construction Period* effective for fiscal years beginning after December 15, 2019. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 89 to fiscal years beginning after December 15, 2020. The objectives of this Statement are to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. In addition, this Statement's goal is to simplify accounting for interest cost incurred before the end of a construction period. The System does not anticipate this statement will impact its financial statements and related reporting.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* for fiscal years beginning after December 15, 2018. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 90 to fiscal years beginning after December 15, 2019. The objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The System is in the process of evaluating the impact of this pronouncement on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations* effective for fiscal years beginning after December 15, 2020. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 91 to fiscal years

beginning after December 15, 2021. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with commitments extended by issuers, arrangements associated with conduit debt obligations, and related note disclosures. The System does not anticipate this statement will impact its financial statements and related reporting.

In January 2020, the GASB issued Statement No. 92, *Omnibus 2020* effective for fiscal years beginning after June 15, 2020. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 92 to fiscal years beginning after June 15, 2021. The objectives of this Statement are to enhance comparability in accounting and financial reporting as well as improve the consistency of authoritative literature. The variety of topics covered include the effective date for Statement No. 87, the reporting of intra-entity transfers, the applicability of certain requirements of Statements No. 73, 74, and 84, and the measurement of liabilities related to asset retirement obligations. The System is in the process of evaluating the impact of this pronouncement on its financial statements.

In March 2020, the GASB issued Statement No. 93, *Replacement of Interbank Offered Rates* effective for fiscal years beginning after June 15, 2020. In May 2020, the GASB issued Statement No. 95 which changed the effective date for Statement No. 93 to fiscal years beginning after June 15, 2021. The objective of this Statement is to address the accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). The System does not anticipate this statement will impact its financial statements and related reporting.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* effective for fiscal years beginning after June 15, 2022. The objective of this Statement is to improve the comparability of financial statements among governments that enter into public-private and public-public partnership arrangements (PPP) and availability payment arrangements (APAs). The System does not anticipate this pronouncement will impact its financial statements and related reporting.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for fiscal years beginning after June 15, 2022. The objective of this Statement is to better meet the informational needs of financial statement users by establishing uniform accounting and financial reporting requirements and improving the comparability of financial statements among governments that have entered into subscription based information technology arrangements (SBITAs). The System is in the process of evaluating the impact of this pronouncement on its financial statements.



# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*

## 2. Summary of Significant Accounting Policies and Plan Asset Matters, *continued*

In June 2020, the GASB issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for fiscal years beginning after June 15, 2021. The objectives of this Statement are to increase consistency and comparability related to the reporting of fiduciary component units when a potential component unit does not have a governing board, mitigate the costs associated with the reporting of defined contribution pension plans or other postemployment benefit plans as fiduciary component units, and enhance the relevance, consistency, and comparability for Internal Revenue Code Section 457 deferred compensation plans. The System is in the process of evaluating the impact of this pronouncement on its financial statements.

## 3. Investment Program

The System maintains sufficient cash to meet its immediate liquidity needs. Cash not immediately needed is invested as directed by the Board of Trustees. All investments are held by agent custodial banks in the name of the System. State statutes and the System's investment policy authorize the System to invest in a variety of short-term and long-term securities as follows:

### Cash and Cash Equivalents

The carrying amount of the System's deposits totaled approximately \$1.3 billion at June 30, 2020, with actual bank balances of approximately \$1.3 billion. The System's cash balances are fully insured through the Federal Deposit Insurance Corporation, an independent agency of the U.S. government.

Short-term securities authorized but not currently used are:

- Repurchase and reverse repurchase agreements, whereby the System and a broker exchange cash for direct obligations of the U.S. government or obligations unconditionally guaranteed by agencies of the U.S. government or U.S. corporations. The System or broker promises to repay the cash received plus interest at a specific date in the future in exchange for the same securities.
- U.S. Treasury obligations.
- Commercial paper, with a maturity of 180 days or less. Commercial paper is an unsecured promissory note issued primarily by corporations for a specific amount and maturing on a specific day. The System considers for investment only commercial paper of the highest quality, rated P-1 and/or A-1 by national credit rating agencies.
- Master notes, an overnight security administered by a custodian bank, and an obligation of a corporation whose

commercial paper is rated P-1 and/or A-1 by national credit rating agencies.

Investments in commercial paper or master notes are limited to no more than \$500 million in any one name.

### Investments

Fixed income investments, managed by the Division of Investment Services (the Division), are authorized in the following instruments:

- U.S. and foreign government obligations. At June 30, 2020, the System held U.S. Treasury bonds of approximately \$17.1 billion.
- U.S. and foreign corporate obligations. At June 30, 2020, the System held U.S. corporate bonds of approximately \$5.2 billion and international corporate bonds of approximately \$848.5 million.
- Obligations unconditionally guaranteed by agencies of the U.S. government. At June 30, 2020, the System did not hold agency bonds.
- Private placements are authorized under the same general restrictions applicable to corporate bonds. At June 30, 2020, the System did not hold private placements.

Mortgage investments are authorized to the extent that they are secured by first mortgages on improved real property located in the state of Georgia. Equity securities are also authorized (in statutes) for investment as a complement to the System's fixed income portfolio and as a long-term inflation hedge.



### 3. Investment Program, *continued*

By statute, no more than 75% of the invested assets on a historical cost basis may be placed in equities. Equity holdings in any one corporation may not exceed 5% of the outstanding equity of the issuing corporation. The equity portfolio is managed by the Division 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. Equity investments are authorized in the following instruments:

- Domestic equities are those securities considered by the O.C.G.A. to be domiciled in the United States. At June 30, 2020, the System held domestic equities of approximately \$43.4 billion.
- International equities, including American Depositary Receipts (ADR), are not considered by the O.C.G.A. to be domiciled in the United States. At June 30, 2020, the System held ADRs of approximately \$7.2 billion and international equities of approximately \$5.6 billion.

**Fair Value Measurements:** The System categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the inputs used in valuation and gives the highest priority to unadjusted quoted prices in active markets and requires that observable inputs be used in the valuations when available. The disclosure of fair value estimates in the hierarchy is based on whether the significant inputs into the valuations are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest level, Level 1, is given to unadjusted quoted prices in active markets and the lowest level, Level 3, to unobservable inputs.

Level 1 - Valuations based on unadjusted quoted prices for identical instruments in active markets that the System has the ability to access.

Level 2 - Valuations based on quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The System's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each investment.

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities. Equity securities classified in Level 2 are valued using prices quoted for similar instruments in active markets. Equity securities classified in Level 3 are valued using third-party valuations not currently observable in the market.

Debt securities classified in Level 1 are valued using prices quoted in active markets. Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. These securities have nonproprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*



## 3. Investment Program, *continued*

This table shows the fair value leveling of the System's investments (in thousands):

### Investments Measured at Fair Value as of June 30, 2020 (dollars in thousands)

Investments by fair value level	Fair value measures using			Total
	Quoted prices in active markets for identical assets	Significant other observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	
Equities:				
Domestic	\$ 43,419,674	\$ —	\$ —	\$ 43,419,674
International	12,677,157	101,899	—	12,779,056
Obligations:				
Domestic:				
U.S. treasuries	17,124,568	—	—	17,124,568
Corporate bonds	—	5,245,110	—	5,245,110
International:				
Corporate bonds	—	848,476	—	848,476
Total investments by fair value level	<u>\$ 73,221,399</u>	<u>\$ 6,195,485</u>	<u>\$ —</u>	<u>\$ 79,416,884</u>

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations to the System. O.C.G.A. 47-20-84 limits investments to investment grade securities. It is the System's investment policy to require that the bond portfolio be of high quality and chosen with respect to maturity ranges, coupon levels, refunding characteristics, and marketability. The System's policy is to require that new purchases of bonds be restricted to high grade bonds rated no lower than "A" by any nationally recognized statistical rating organization. If a bond is subsequently downgraded to a rating below "A," it is

placed on a watch list. The System holds two bonds that were downgraded to a rating below "A." Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. The quality ratings of investments in fixed income securities as described by Standard & Poor's and by Moody's Investors Service, which are nationally recognized statistical rating organizations, at June 30, 2020, are shown in the chart on the following page.



**3. Investment Program, *continued*****Quality Ratings of Fixed Income Investments held at June 30, 2020** (dollars in thousands)

Investment type	Standard and Poor's/ Moody's quality rating	June 30, 2020 Fair value
Domestic obligations:		
U.S. treasuries		\$ 17,124,568
Corporates	AAA/Aaa	747,536
	AA/Aa	1,513,527
	AA/A	448,108
	A/A	1,669,297
	A/Baa	442,792
	BBB/A	423,850
Total domestic corporates		5,245,110
International obligations:		
Corporates	AA/Aa	424,612
	AA/A	423,864
Total international corporates		848,476
Total fixed income investments		\$ 23,218,154

**Concentration of Credit Risk:** Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issuer. At June 30, 2020, the System did not have debt or equity investments in any one organization, other than those issued or guaranteed by the U.S. government or its agencies, which represented greater than 5% of total investments.

**Interest Rate Risk:** Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. While the System has no formal interest rate risk policy, active management of the bond portfolio incorporates interest rate risk to generate

improved returns. This risk is managed within the portfolio using the effective duration method. This method is widely used in the management of fixed income portfolios and quantifies to a much greater degree the sensitivity to interest rate changes when analyzing a bond portfolio with call options, prepayment provisions, and any other cash flows. Effective duration makes assumptions regarding the most likely timing and amounts of variable cash flows and is best utilized to gauge the effect of a change in interest rates on the fair value of a portfolio. It is believed that the reporting of effective duration found in the table below quantifies to the fullest extent possible the interest rate risk of the System's fixed income assets.

**Effective Duration of Fixed Income Assets by Security Type** (dollars in thousands)

Fixed income security type	Fair value June 30, 2020	Percentage of all fixed income assets	Effective duration (years)
Domestic obligations:			
U.S. treasuries	\$ 17,124,568	73.8 %	6.6
Corporates	5,245,110	22.6	4.0
International obligations:			
Corporates	848,476	3.6	5.3
Total	\$ 23,218,154	100.0 %	6.0

# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*

## 3. Investment Program, *continued*

**Foreign Currency Risk:** Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The System's currency risk exposures, or exchange rate risks, primarily reside within the System's international equity investment holdings. The System's asset allocation and investment policies allow for active and passive investments in international securities. The System's Board-adopted foreign exchange risk

management policy is to minimize risk and protect the investments from negative impact by hedging foreign currency exposures with foreign exchange instruments when market conditions and circumstances are deemed appropriate. Foreign exchange instruments are used to protect the value of noncash investments from currency movements. The System's foreign exchange risk management policy does not quantify limitations on foreign currency-denominated investments. As of June 30, 2020, the System's exposure to foreign currency risk in U.S. Dollars is highlighted in this table:

### International Investment Securities at Fair Value as of June 30, 2020 (dollars in thousands)

Currency	Cash & cash equivalents	Equities	Fixed income	Total
Australian Dollar	\$ —	\$ 196,847	\$ —	\$ 196,847
Brazilian Real	—	101,345	—	101,345
British Pound	—	381,413	—	381,413
Canadian Dollar	—	163,762	—	163,762
Chilean Peso	—	9,468	—	9,468
Colombian Peso	—	3,490	—	3,490
Czech Krone	—	5,672	—	5,672
Danish Krone	—	89,223	—	89,223
Euro	—	1,466,280	—	1,466,280
Hong Kong Dollar	—	518,930	—	518,930
Indian Rupee	—	251,325	—	251,325
Indonesian Rupiah	—	20,937	—	20,937
Israeli Shekel	—	9,260	—	9,260
Japanese Yen	—	1,068,583	—	1,068,583
Malaysian Ringgit	—	46,013	—	46,013
Mexican Peso	—	44,038	—	44,038
New Taiwan Dollar	—	177,165	—	177,165
New Zealand Dollar	—	10,564	—	10,564
Norwegian Krone	—	10,049	—	10,049
Philippine Peso	—	18,313	—	18,313
Polish Zloty	—	16,951	—	16,951
Qatari Riyal	—	13,235	—	13,235
Singapore Dollar	—	77,626	—	77,626
South African Rand	—	111,643	—	111,643
South Korean Won	—	332,033	—	332,033
Swedish Krona	—	189,100	—	189,100
Swiss Franc	—	133,514	—	133,514
Thailand Baht	—	101,899	—	101,899
UAE Dirham	—	19,899	—	19,899
Total holdings subject to foreign currency risk	—	5,588,577	—	5,588,577
Investment securities payable in U.S. dollars	—	7,190,479	848,476	8,038,955
Total international investments - at fair value	\$ —	\$ 12,779,056	\$ 848,476	\$ 13,627,532

## 4. Securities Lending Program

State statutes and Board of Trustees' policies permit the System to lend its securities to broker/dealers with a simultaneous agreement to return the collateral for the same securities in the future. The System is presently involved in a securities lending program with major brokerage firms. The System lends equity and fixed income securities for varying terms and receives a fee based on the loaned securities' value. The System reports the gross loan fee income earned as investment income on the combining statement of changes in fiduciary net position. 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, corporate bonds, and equities. The collateral value must be equal to at least 102% to 109% of the loaned securities' value, depending on the type of collateral security.

Securities loaned totaled approximately \$15.5 billion at June 30, 2020. The collateral value was equal to 105.0% of the loaned

securities' value at June 30, 2020. The System's lending collateral was held in the System's name by the tri-party custodian.

Loaned securities are included in the accompanying statement of fiduciary net position since the System maintains ownership. The related collateral securities are not recorded as assets on the System's statement of fiduciary net position, and a corresponding liability is not recorded, since the System is deemed not to have the ability to pledge or trade the collateral securities. In accordance with the criteria set forth in GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions*, the System is deemed not to have the ability to pledge or sell collateral securities, since the System's lending contracts do not address whether the lender can pledge or sell the collateral securities without a borrower default, the System has not previously demonstrated that ability, and there are no indications of the System's ability to pledge or sell the collateral securities.

## 5. Capital Assets

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

### Summary of Capital Assets (dollars in thousands)

	Balance at June 30, 2019	Additions	Disposals	Balance at June 30, 2020
<b>Capital assets:</b>				
Land	\$ 4,350	\$ —	\$ —	\$ 4,350
Building	2,800	—	—	2,800
Furniture and fixtures	560	12	—	572
Computer equipment	2,393	267	(229)	2,431
Computer software	14,980	—	—	14,980
	<u>25,083</u>	<u>279</u>	<u>(229)</u>	<u>25,133</u>
<b>Accumulated depreciation for:</b>				
Building	(1,050)	(70)	—	(1,120)
Furniture and fixtures	(253)	(70)	—	(323)
Computer equipment	(1,479)	(451)	190	(1,740)
Computer software	(14,980)	—	—	(14,980)
	<u>(17,762)</u>	<u>(591)</u>	<u>190</u>	<u>(18,163)</u>
<b>Capital assets, net</b>	<u>\$ 7,321</u>	<u>\$ (312)</u>	<u>\$ (39)</u>	<u>\$ 6,970</u>



# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*



## 6. Net Pension Liability of Employers and Nonemployer

This table summarizes components of the net pension liability of the participating employers and nonemployer at June 30, 2020:

### Components of Net Pension Liability (dollars in thousands)

Total pension liability	\$	105,385,472
Plan fiduciary net position		81,161,558
Employers' and nonemployer net pension liability	\$	24,223,914
Plan fiduciary net position as a percentage of the total pension liability		77.01 %

**Actuarial assumptions:** The total pension liability was determined by an actuarial valuation as of June 30, 2019. Based on the funding policy adopted by the Board on May 15, 2019, the investment rate of return assumption was changed to 7.25% in the June 30, 2018 actuarial valuation. Therefore, the investment rate of return used in the roll-forward of the total pension liability is 7.25% using the following actuarial assumptions, applied to all periods including in the measurement:

Inflation	2.50%
Salary increases	3.00 - 8.75%, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation
Post-retirement benefit increases	1.50% semi-annually

Post-retirement mortality rates for service retirements and beneficiaries were based on the Pub-2010 Teachers Headcount Weighted Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. Post-retirement mortality rates for disability retirements were based on the Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally. The rates of improvement were reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Headcount Weighted Below Median Employee mortality table with ages set forward one year and adjusted 106%

was used for death prior to retirement. Future improvement in mortality rates was assumed using the MP-2019 projection scale generationally. These rates of improvement were reduced by 20% for all years prior to the ultimate rate.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2013 – June 30, 2018, with the exception of the long-term assumed rate of return on assets (discount rate) which was changed from 7.50% to 7.25%, and the assumed annual rate of inflation which was changed from 2.75% to 2.50%, effective with the June 30, 2018 valuation.



## 6. Net Pension Liability of Employers and Nonemployer, *continued*

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are

developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

### Target Allocation & Estimated Rates of Return by Asset Class

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00 %	(0.10)%
Domestic large cap equities	51.00	8.90
Domestic small cap equities	1.50	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Total	100.00 %	

\* Net of inflation

**Discount rate:** The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and nonemployer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the net pension liability to changes in the discount rate:** The following presents the net pension liability of the employers and nonemployer, calculated using the discount rate of 7.25%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

### Employers' and Nonemployer Net Pension Liability

(dollars in thousands)

1% Decrease (6.25%)	Current discount rate (7.25%)	1% Increase (8.25%)
\$38,413,345	\$24,223,914	\$12,592,649

## 6. Net Pension Liability of Employers and Nonemployer, *continued*

**Actuarial valuation date:** The total pension liability is based upon the June 30, 2019 actuarial valuation. An expected total pension liability is determined as of June 30, 2020 using standard roll-forward techniques. The roll-forward calculation adds the annual normal cost (also called service cost), subtracts the actual benefit payments and refunds for the plan year, and then applies the expected investment rate of return for the year.

## 7. System Employees' Retirement Benefits

The System's employees are members of the ERS plan. This note to the financial statements and required supplementary information in the first two tables on page 43 are presented from the perspective of the System as an employer.

### General Information about the Employees' Retirement System of Georgia

**Plan description:** ERS is a cost-sharing multiple-employer defined benefit pension plan established by the Georgia General Assembly during the 1949 Legislative Session for the purpose of providing retirement allowances for employees of the State of Georgia and its political subdivisions. ERS is directed by a Board of Trustees. Title 47 of the O.C.G.A. assigns the authority to establish and amend the benefit provisions to the State Legislature. ERS issues a publicly available financial report that can be obtained at [www.ers.ga.gov/post/annual-financial-reports](http://www.ers.ga.gov/post/annual-financial-reports).

**Benefits provided:** The ERS Plan supports three benefit tiers: Old Plan, New Plan, and Georgia State Employees' Pension and Savings Plan (GSEPS). Employees under the Old Plan started membership prior to July 1, 1982 and are subject to plan provisions in effect prior to July 1, 1982. Members hired on or after July 1, 1982 but prior to January 1, 2009 are New Plan members subject to modified plan provisions. Effective January 1, 2009, new state employees and rehired state employees who did not retain membership rights under the Old or New Plans are members of GSEPS. ERS members hired prior to January 1, 2009 also have the option to irrevocably change their membership to GSEPS.

Under the Old Plan, the New Plan, and GSEPS, a member may retire and receive normal retirement benefits after completion of 10 years of creditable service and attainment of age 60 or 30 years of creditable service regardless of age. Additionally, there are some provisions allowing for early retirement after 25 years of creditable service for members under age 60.

Retirement benefits paid to members are based upon the monthly average of the member's highest 24 consecutive

calendar months, multiplied by the number of years of creditable service, multiplied by the applicable benefit factor. Annually, postretirement cost-of-living adjustments may also be made to members' benefits, provided the members were hired prior to July 1, 2009. The normal retirement pension is payable monthly for life; however, options are available for distribution of the member's monthly pension, at reduced rates, to a designated beneficiary upon the member's death. Death and disability benefits are also available through ERS.

**Contributions:** Member contributions under the Old Plan are 4% of annual compensation, up to \$4,200, plus 6% of annual compensation in excess of \$4,200. Under the Old Plan, the State pays member contributions in excess of 1.25% of annual compensation. Under the Old Plan, these State contributions are included in the members' accounts for refund purposes and are used in the computation of the members' earnable compensation for the purpose of computing retirement benefits. Member contributions under the New Plan and GSEPS are 1.25% of annual compensation. The System's total required contribution rate for the year ended June 30, 2020 was 24.66% of annual covered payroll for old and new plan members and 21.64% for GSEPS members. The System's contributions to ERS for funding purposes totaled approximately \$4.5 million for the year ended June 30, 2020. Contributions are expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

### Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2020, the System reported a liability of approximately \$28.9 million for its proportionate share of the net pension liability for the ERS plan. The net pension liability was measured as of June 30, 2019. The total pension liability used to calculate the net pension liability was based on an actuarial valuation as of June 30, 2018. An expected total pension liability as of June 30, 2019 was determined using standard roll-forward techniques. The System's proportionate share of the net pension liability was based on contributions to ERS during the fiscal year ended June 30, 2019. At June 30, 2019, the System's proportionate share was 0.699417% which is based on contributions, and an increase of (0.022632)% from its proportionate share measured as of June 30, 2018.

For the year ended June 30, 2020, the System recognized pension expense of approximately \$5.6 million. Pursuant to GASB Statement No. 67, approximately \$2.8 million of the pension expense is included in investment expense as a reduction of investment income. At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to pensions from the sources shown in the chart on the following page.



## 7. System Employees' Retirement Benefits, *continued*

### Deferred Outflows and Inflows of Resources (dollars in thousands)

	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ 961	\$ —
Change of assumptions	508	—
Net difference between projected and actual earnings on pension plan investments	—	898
Changes in proportion and differences between the System's contributions and proportionate share of contributions	541	132
System's contributions subsequent to the measurement date	4,504	—
Total	<u>\$ 6,514</u>	<u>\$ 1,030</u>

System contributions subsequent to the measurement date of approximately \$4.5 million are reported as deferred outflows of resources and will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows (dollars in thousands):

#### Years ended June 30:

2021	\$	1,566
2022		(528)
2023		(177)
2024		119

**Actuarial assumptions:** The total pension liability as of June 30, 2019 was determined by an actuarial valuation as of June 30, 2018 using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Salary increases	3.25 - 7.00%, including inflation
Investment rate of return	7.30%, net of pension plan investment expense, including inflation

Post retirement mortality rates were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward two years for both males and females for service retirements and dependent beneficiaries. The RP-2000 Disabled Mortality Table with future mortality improvement projected to 2025 with Society of Actuaries' projection scale BB and set back seven years for males and set forward three years for

females was used for death after disability retirement. There is a margin for future mortality improvement in the tables used by the System. Based on the results of the most recent experience study adopted by the Board on December 17, 2015, the numbers of expected future deaths are 9-12% less than the actual number of deaths that occurred during the study period for service retirements and beneficiaries and for disability retirements. There is a margin for future mortality improvement in the tables used by the plan. Rates of mortality in active service were based on the RP-2000 Employee Mortality Table projected to 2025 with projection scale BB.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014, with the exception of the investment rate of return. Subsequent to the June 30, 2017 measurement date, the ERS Board of Trustees adopted a new funding policy. Because of this new funding policy, the assumed investment rate of return was reduced from 7.50% to 7.40% for the June 30, 2017 actuarial valuation. In addition, based on the new funding policy, the assumed investment rate of return was further reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date. Therefore, an assumption change from 7.50% to 7.30% is reflected in the calculation of the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of pension plan investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*



## 7. System Employees' Retirement Benefits, *continued*

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in this table:

### Target Allocation & Estimated Rates of Return by Asset Class

Asset class	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%
Domestic large cap equities	46.20	8.90
Domestic small cap equities	1.30	13.20
International developed market equities	12.40	8.90
International emerging market equities	5.10	10.90
Alternatives	5.00	12.00
Total	100.00%	

\*Net of inflation

**Discount rate:** The discount rate used to measure the total pension liability was 7.30%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the ERS fiduciary net position was projected to be available to make all projected long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the System's proportionate share of the net pension liability to changes in the discount rate:** The following presents the System's proportionate share of the net pension liability calculated using the discount rate of 7.30%, as well as what the System's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.30%) or 1-percentage-point higher (8.30%) than the current rate (dollars in thousands):

#### System's Proportionate Share of the Net Pension Liability

1% Decrease (6.30%)	Current discount rate (7.30%)	1% Increase (8.30%)
\$41,015	\$28,862	\$18,501

**Pension plan fiduciary net position:** Detailed information about the ERS plan's fiduciary net position is available in the separately issued ERS financial report, which is publicly available at [www.ers.ga.gov/post/annual-financial-reports](http://www.ers.ga.gov/post/annual-financial-reports).

## 8. System Employees' Other Postemployment Benefits

### **Plan descriptions and Funding Policy:**

#### **Georgia State Employees Postemployment Benefit Fund (State OPEB Fund)**

**Plan Description:** Employees of State organizations as defined in §45-18-25 of the *Official Code of Georgia Annotated* (O.C.G.A.) are provided OPEB through the State OPEB Fund - a cost-sharing multiple-employer defined benefit postemployment healthcare plan, reported as an employee trust fund and administered by a Board of Community Health (Board). Title 45 of the O.C.G.A. assigns the authority to establish and amend the benefit terms of the group health plan to the Board.

**Benefits Provided:** The State OPEB Fund provides healthcare benefits for retirees and their dependents due under the group health plan for employees of State organizations (including technical colleges) and other entities authorized by law to contract with the Department of Community Health (DCH) for inclusion in the plan. Retiree medical eligibility is attained when an employee retires and is immediately eligible to draw a retirement annuity from ERS. If elected, dependent coverage starts on the same day as retiree coverage. Medicare-eligible retirees are offered Standard and Premium Medicare Advantage plan options. Non-Medicare eligible retiree plan options include Health Reimbursement Arrangement (HRA), Health Maintenance Organization (HMO) and a High Deductible Health Plan (HDHP). The State OPEB Fund also pays for administrative expenses of the fund. By law, no other use of the assets of the State OPEB Fund is permitted.

**Contributions:** As established by the Board, the State OPEB Fund is substantially funded on a pay-as-you-go basis; that is, annual cost of providing benefits will be financed in the same year as claims occur. Contributions to the State OPEB Fund from the System was \$1.1 million for the year ended June 30, 2020. Active employees are not required to contribute to the State OPEB Fund.

#### **State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund (SEAD-OPEB)**

**Plan Description:** SEAD-OPEB was created in 2007 by the Georgia General Assembly to amend Title 47 of the O.C.G.A., relating to retirement, so as to establish a fund for the provision of term life insurance to retired and vested inactive members of ERS, LRS, and JRS. The plan is a cost-sharing multiple-employer defined benefit OPEB plan as defined in Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans other than OPEB Plans*. The SEAD-OPEB trust fund accumulates the premiums received from the aforementioned retirement plans, including interest earned on deposits and investments of such payments.

**Benefits Provided:** The amount of insurance for a retiree with creditable service prior to April 1, 1964 in the SEAD-OPEB plan is

the full amount of insurance in effect on the date of retirement. The amount of insurance for a service retiree with no creditable service prior to April 1, 1964 in the SEAD-OPEB plan is 70% of the amount of insurance in effect at age 60 or at termination, if earlier. Life insurance proceeds are paid in a lump sum to the beneficiary upon death of the retiree.

**Contributions:** Georgia law provides that employee contributions to the SEAD-OPEB plan shall be in an amount established by the Board of Trustees not to exceed one-half of 1% of the member's earnable compensation. There were no employer contributions required for the fiscal year ended June 30, 2020.

### **OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2020, the System reported a liability of \$8.9 million for its proportionate share of the State OPEB net liability and an asset of \$2.7 million for its proportionate share of the SEAD-OPEB net asset.

The following schedule details the System's proportionate share of the OPEB amounts for all plans as of June 30, 2020:

#### **Aggregate OPEB Amounts - All Plans** (dollars in thousands)

OPEB liabilities	\$	8,867
OPEB assets		2,658
Deferred outflows of resources		2,440
Deferred inflows of resources		11,897
OPEB expense		(3,244)

The net OPEB liability and net OPEB asset were measured as of June 30, 2019. The total OPEB liability and OPEB asset were used to calculate the net OPEB liability/asset and were based on actuarial valuations as of June 30, 2018. An expected total OPEB liability and OPEB asset as of June 30, 2019 were determined using standard roll-forward techniques.

The System's proportionate share of the net OPEB liability for the State OPEB plan was actuarially determined based on employer contributions during the fiscal year ended June 30, 2019. At June 30, 2019, the System's proportionate share was 0.714338%, which was an increase of (0.022693)% from its proportionate share measured as of June 30, 2018. The System's proportionate share of the net OPEB asset for the SEAD-OPEB plan was based on actual member salaries reported to the SEAD-OPEB plan during the fiscal year ended June 30, 2019. At June 30, 2019, the System's proportionate share was 0.939985%, which was an increase of 0.074598% from its proportionate share measured as of June 30, 2018.



# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*



## 8. System Employees' Other Postemployment Benefits, *continued*

For the year ended June 30, 2020 the System recognized a reduction of OPEB expense of \$2.9 million for the State OPEB plan and a reduction of OPEB expense of \$301.1 thousand for the SEAD-OPEB

plan. Pursuant to GASB Statement No. 67, approximately \$1.8 million of the State OPEB reduction of expense and \$158.6 thousand of the SEAD-OPEB reduction of OPEB expense is included in investment expense as a reduction of investment income. At June 30, 2020, the System reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources:

### Deferred Outflows and Inflows of Resources (dollars in thousands)

	State OPEB plan		SEAD-OPEB plan	
	Deferred outflows of resources	Deferred inflows of resources	Deferred outflows of resources	Deferred inflows of resources
Differences between expected and actual experience	\$ —	\$ 3,075	\$ 14	\$ —
Change of assumptions	—	8,276	54	—
Net difference between projected and actual earnings on pension plan investments	598	—	—	244
Changes in proportion and differences between the System's contributions and proportionate share of contributions	648	177	—	125
System's contributions subsequent to the measurement date	1,126	—	—	—
<b>Total</b>	<b>\$ 2,372</b>	<b>\$ 11,528</b>	<b>\$ 68</b>	<b>\$ 369</b>

System contributions subsequent to the measurement date of \$1.1 million for the State OPEB plan are reported as deferred outflows of resources and will be recognized as a reduction of the net State OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollars in thousands):

Years ended June 30:	State OPEB	SEAD-OPEB
2021	\$ (4,083)	\$ (138)
2022	(3,641)	(152)
2023	(2,108)	(23)
2024	(450)	12

## 8. System Employees' Other Postemployment Benefits, *continued*

**Actuarial assumptions:** The total OPEB liability and OPEB asset as of June 30, 2019 were determined by an actuarial valuation as of

June 30, 2018 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2019:

### Actuarial Assumptions

	State OPEB plan	SEAD-OPEB plan
Inflation	2.75%	2.75%
Salary increases	3.25 - 7.00%, including inflation	3.25 - 7.00%, including inflation
Investment rate of return	7.30%, compounded annually, net of investment expense, including inflation	7.30%, net of OPEB plan investment expense, including inflation
Single equivalent interest rate	7.30%	n/a
Healthcare cost trend rate:		
Pre-Medicare eligible	7.25%	n/a
Medicare eligible	5.38%	n/a
Ultimate trend rate:		
Pre-Medicare eligible	4.75%	n/a
Medicare eligible	4.75%	n/a
Year of Ultimate trend rate		
Pre-Medicare eligible	2028	n/a
Medicare eligible	2022	n/a

Mortality rates for the State OPEB plan were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale BB. The RP-2000 Combined Mortality Table projected to 2025 with projection scale BB and set forward 2 years for both males and females is used for the period after service retirement and for dependent beneficiaries. The RP-2000 Disabled Mortality Table projected to 2025 with projection scale BB and set back 7 years for males and set forward 3 years for females is used for the period after disability retirement.

Postretirement mortality rates for the SEAD-OPEB plan were based on the RP-2000 Combined Mortality Table with future mortality improvement projected to 2025 with the Society of Actuaries' projection scale BB and set forward 2 years for both males and females for service retirements and dependent beneficiaries. There is a margin for future mortality improvement in the tables used by the plan.

The actuarial assumptions used in the June 30, 2018 valuation for the State OPEB and SEAD-OPEB plans were based on the results of an actuarial experience study for the period July 1, 2009 - June 30, 2014, with the exception of the investment rate of return for SEAD-OPEB.

Projection of State OPEB benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and includes the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

The long-term expected rate of return on the State OPEB and SEAD-OPEB plan investments were determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected nominal returns, net of investment expense and the assumed rate of inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, *continued*



## 8. System Employees' Other Postemployment Benefits, *continued*

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

### Target Allocation & Estimated Rates of Return by Asset Class

Asset class	State OPEB		SEAD-OPEB	
	Target allocation	Long-term expected real rate of return*	Target allocation	Long-term expected real rate of return*
Fixed income	30.00%	(0.10)%	30.00%	(0.10)%
Domestic large cap equities	46.20	8.90	46.20	8.90
Domestic mid cap equities	—	—	—	—
Domestic small cap equities	1.30	13.20	1.30	13.20
International developed market equities	12.40	8.90	12.40	8.90
International emerging market equities	5.10	10.90	5.10	10.90
Alternatives	5.00	12.00	5.00	12.00
Total	<u>100.00%</u>		<u>100.00%</u>	

\*Net of inflation

#### Discount rate

The State OPEB discount rate has changed since the prior measurement date from 5.22% to 7.30%. In order to measure the total OPEB liability for the State OPEB Fund, a single equivalent interest rate of 7.30% was used as the discount rate. The projection of cash flows used to determine the discount rate assumed that contributions from members and from the employer will be made at the current level as averaged over the last five years, adjusted for annual projected changes in headcount. Projected future benefit payments for all current plan members were projected through 2120. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make OPEB payments for inactive employees indefinitely. Therefore, the calculated discount rate of 7.30% was applied to all periods of projected benefit payments to determine the total OPEB liability.

The discount rate used to measure the total SEAD-OPEB liability was 7.30%. The projection of cash flows used to determine the

discount rate assumed that plan member contributions will be made at the current contribution rate and that employer and State of Georgia contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

#### ***Sensitivity of the Employer Agency's proportionate share of the net OPEB liability to changes in the discount rate:***

The following presents the System's proportionate share of the net State OPEB liability and net SEAD-OPEB asset calculated using the discount rate detailed below, as well as what the proportionate share of the net State OPEB liability and net



## 8. System Employees' Other Postemployment Benefits, *continued*

SEAD-OPEB asset would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate (dollars in thousands):

System's Proportionate Share of the Net OPEB Liability (Asset)			
	1% Decrease	Current discount rate	1% Increase
	(6.30%)	(7.30%)	(8.3%)
State OPEB	\$10,978	\$8,867	\$7,073
	(6.30%)	(7.30%)	(8.30%)
SEAD-OPEB	(1,471)	(2,658)	(3,634)

**Sensitivity of the Employer Agency's proportionate share of the net OPEB liability to changes in the healthcare cost trend rates:** The following presents the System's proportionate share of the State net OPEB liability, as well as what the proportionate

share of the State net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates (dollars in thousands):

System's Proportionate Share of the Net State OPEB Liability		
1% Decrease	Current healthcare cost trend rate	1% Increase
\$6,814	\$8,867	\$11,304

**OPEB plan fiduciary net position:** Detailed information about the OPEB plan's fiduciary net position is available in the Comprehensive Annual Financial Reports (CAFR) for each of the plans which are publicly available. The State OPEB plan is located at <https://sao.georgia.gov/comprehensive-annual-financial-reports> and the SEAD-OPEB plan is located at [www.ers.ga.gov/post/annual-financial-reports](http://www.ers.ga.gov/post/annual-financial-reports).



# NOTES TO FINANCIAL STATEMENTS

June 30, 2020, continued



## 9. Deferred Outflows and Inflows of Resources

Deferred Outflows and Inflows of Resources reported on the Statement of Net Position as of June 30, 2020 consist of the following (dollars in thousands):

### Deferred Outflows of Resources

	ERS pension plan	State OPEB plan	SEAD- OPEB plan	Total
<b>Deferred Outflows of Resources</b>				
Differences between expected and actual experience	\$ 961	\$ —	\$ 14	\$ 975
Change of assumptions	508	—	54	562
Net difference between projected and actual earnings on plan investments	—	598	—	598
Changes in proportion and differences between the System's contributions and proportionate share of contributions	541	648	—	1,189
System's contributions subsequent to the measurement date	4,504	1,126	—	5,630
<b>Total Deferred Outflows of Resources</b>	<u>\$ 6,514</u>	<u>\$ 2,372</u>	<u>\$ 68</u>	<u>\$ 8,954</u>

### Deferred Inflows of Resources

	ERS pension plan	State OPEB plan	SEAD- OPEB plan	Total
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	\$ —	\$ 3,075	\$ —	\$ 3,075
Change of assumptions	—	8,276	—	8,276
Net difference between projected and actual earnings on plan investments	898	—	244	1,142
Changes in proportion and differences between the System's contributions and proportionate share of contributions	132	177	125	434
<b>Total Deferred Inflows of Resources</b>	<u>\$ 1,030</u>	<u>\$ 11,528</u>	<u>\$ 369</u>	<u>\$ 12,927</u>

# REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30 (Unaudited)



## Schedule of Changes in Employers' & Nonemployer Net Pension Liability (dollars in thousands)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability:							
Service cost	\$ 1,597,714	\$ 1,536,336	\$ 1,484,705	\$ 1,413,080	\$ 1,435,810	\$ 1,386,498	\$ 1,374,556
Interest	7,080,133	6,868,617	6,565,372	6,293,611	5,990,178	5,779,597	5,557,046
Differences between expected and actual experience	368,463	430,272	894,691	573,483	380,526	(165,785)	—
Changes of assumptions	1,316,780	2,388,357	—	—	662,047	—	—
Benefit payments	(5,192,283)	(4,950,465)	(4,699,920)	(4,461,124)	(4,228,819)	(3,996,879)	(3,764,452)
Refunds of member contributions	(76,976)	(76,543)	(76,061)	(76,296)	(79,334)	(80,085)	(87,095)
Net change in total pension liability	5,093,831	6,196,574	4,168,787	3,742,754	4,160,408	2,923,346	3,080,055
Total pension liability - beginning	100,291,641	94,095,067	89,926,280	86,183,526	82,023,118	79,099,772	76,019,717
Total pension liability - ending (a)	105,385,472	100,291,641	94,095,067	89,926,280	86,183,526	82,023,118	79,099,772
Plan fiduciary net position:							
Contributions - employer	2,733,089	2,560,989	2,014,308	1,648,669	1,572,624	1,399,668	1,264,546
Contributions - nonemployer	5,729	5,414	4,416	6,175	7,908	7,038	6,417
Contributions - member	800,864	759,474	745,574	716,233	685,626	661,835	640,120
Net investment income	4,119,609	4,972,419	6,247,155	7,971,677	810,574	2,384,145	9,826,743
Benefit payments	(5,192,283)	(4,950,465)	(4,699,920)	(4,461,124)	(4,228,819)	(3,996,879)	(3,764,452)
Refunds of member contributions	(76,976)	(76,543)	(76,061)	(76,296)	(79,334)	(80,085)	(87,095)
Administrative expense	(17,411)	(15,276)	(15,865)	(16,773)	(15,279)	(14,996)	(15,025)
Other <sup>1</sup>	—	—	(27,654)	—	—	(27,706)	—
Net change in plan fiduciary net position	2,372,621	3,256,012	4,191,953	5,788,561	(1,246,700)	333,020	7,871,254
Plan fiduciary net position - beginning	78,788,937	75,532,925	71,340,972	65,552,411	66,799,111	66,466,091	58,594,837
Plan fiduciary net position - ending (b)	81,161,558	78,788,937	75,532,925	71,340,972	65,552,411	66,799,111	66,466,091
Net pension liability-ending (a)-(b)	\$ 24,223,914	\$ 21,502,704	\$ 18,562,142	\$ 18,585,308	\$ 20,631,115	\$ 15,224,007	\$ 12,633,681

<sup>1</sup> The System is a participating employer in the Employees' Retirement System of Georgia, the Georgia State Employees Postemployment Benefit Fund, and the State Employees' Assurance Department Retired and Vested Inactive Members Trust Fund. Pursuant to the requirements of GASB Statement No. 68, the fiscal year 2015 beginning Fiduciary Net Position was restated by \$27,705,937. Pursuant to the requirements of GASB Statement No. 75, the fiscal year 2018 beginning Fiduciary Net Position was restated by \$27,653,657. These restatements were made for reporting purposes to reflect the impact of recording the initial deferred outflows of resources and the net pension and OPEB liabilities and OPEB asset. For actuarial purposes, these adjustments are being recognized in fiscal year 2015 and 2018 respectively, and beginning fiduciary net position was not restated.

Note: Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

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

# REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30 (Unaudited), *continued*



## Schedule of Employers' & Nonemployer Net Pension Liability & Related Ratios (dollars in thousands)

	2020	2019	2018	2017	2016	2015	2014
Total pension liability	\$105,385,472	\$100,291,641	\$94,095,067	\$89,926,280	\$86,183,526	\$82,023,118	\$79,099,772
Plan fiduciary net position	81,161,558	78,788,937	75,532,925	71,340,972	65,552,411	66,799,111	66,466,091
Employers' and nonemployer net pension liability	<u>\$ 24,223,914</u>	<u>\$ 21,502,704</u>	<u>\$18,562,142</u>	<u>\$18,585,308</u>	<u>\$20,631,115</u>	<u>\$15,224,007</u>	<u>\$12,633,681</u>
Plan fiduciary net position as a percentage of the total pension liability	77.01 %	78.56 %	80.27 %	79.33 %	76.06 %	81.44 %	84.03 %
Covered payroll	\$ 12,955,620	\$ 12,279,440	\$12,009,066	\$11,596,664	\$11,075,907	\$10,697,384	\$10,349,862
Employers' and nonemployer net pension liability as a percentage of covered payroll	186.98 %	175.11 %	154.57 %	160.26 %	186.27 %	142.32 %	122.07 %

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of Employer and Nonemployer Contributions (dollars in thousands)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Actuarially determined employer and nonemployer contribution	\$2,738,818	\$2,566,403	\$2,018,724	\$1,654,844	\$1,580,532	\$1,406,706	\$1,270,963	\$1,180,469	\$1,082,224	\$1,089,912
Contributions in relation to actuarially determined contribution	<u>2,738,818</u>	<u>2,566,403</u>	<u>2,018,724</u>	<u>1,654,844</u>	<u>1,580,532</u>	<u>1,406,706</u>	<u>1,270,963</u>	<u>1,180,469</u>	<u>1,082,224</u>	<u>1,089,912</u>
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
Covered payroll	\$12,955,620	\$12,279,440	\$12,009,066	\$11,596,664	\$11,075,907	\$10,697,384	\$10,349,862	\$10,345,916	\$10,527,471	\$10,602,257
Contributions as a percentage of covered payroll	21.14 %	20.90 %	16.81 %	14.27 %	14.27 %	13.15 %	12.28 %	11.41 %	10.28 %	10.28 %

## Schedule of Investment Returns

	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	2.91 %	4.08 %	5.05 %	7.62 %	(2.92)%	(0.45)%	12.17 %

**Note:** Schedule is intended to show information 10 years. Additional years will be displayed as they become available.

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

# REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30 (Unaudited), *continued*

## Schedule of the System's Proportionate Share of the Net Pension Liability to ERS (dollars in thousands)

	2020	2019	2018	2017	2016	2015
System's proportion of the net pension liability	0.699417 %	0.676785 %	0.691037 %	0.698825 %	0.683763 %	0.668620 %
System's proportionate share of the net pension liability	\$ 28,862	\$ 27,823	\$ 28,065	\$ 33,057	\$ 27,702	\$ 25,077
System's covered payroll	18,555	18,202	17,756	16,880	16,291	17,622
System's proportionate share of the net pension liability as a percentage of its covered payroll	155.54 %	152.86 %	158.06 %	195.84 %	170.04 %	142.31 %
ERS fiduciary net position as a percentage of the total pension liability	76.74 %	76.68 %	76.33 %	72.34 %	76.20 %	77.99 %

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of the System's Contributions to ERS (dollars in thousands)

	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 4,504	\$ 4,451	\$ 4,423	\$ 4,328	\$ 4,102	\$ 3,433
Contributions in relation to the contractually required contribution	4,504	4,451	4,423	4,328	4,102	3,433
Contribution deficiency (excess)	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
System's covered payroll	\$ 19,214	\$ 18,555	\$ 18,202	\$ 17,756	\$ 16,880	\$ 16,291
Contributions as a percentage of covered payroll	23.44 %	23.99 %	24.30 %	24.37 %	24.30 %	21.07 %

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

## Schedule of the System's Proportionate Share of the Net OPEB Liability (Asset) (dollars in thousands)

	2020	2019	2018
<b>State OPEB plan</b>			
System's proportion of the net OPEB liability (asset)	0.714338 %	0.691645 %	0.698345 %
System's proportionate share of the net OPEB liability (asset)	\$ 8,867	\$ 18,091	\$ 28,452
System's covered payroll	21,061	20,599	19,895
System's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	42.10 %	87.82 %	143.01 %
Plan fiduciary net position as a percentage of the total OPEB liability	56.57 %	31.48 %	17.34 %
<b>SEAD-OPEB plan</b>			
System's proportion of the net OPEB liability (asset)	0.939985 %	0.865387 %	0.837498 %
System's proportionate share of the net OPEB liability (asset)	\$ (2,658)	\$ (2,342)	\$ (2,177)
System's covered payroll	11,996	12,056	12,196
System's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	22.16 %	19.43 %	17.85 %
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	129.73 %	129.46 %	130.17 %

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information and independent auditor's report.



# REQUIRED SUPPLEMENTARY INFORMATION

For the Year Ended June 30 (Unaudited), *continued*



## Schedule of the System's Contributions to OPEB Plans (dollars in thousands)

	2020	2019	2018
<b>State OPEB plan</b>			
Contractually required contribution	\$ 1,126	\$ 3,820	\$ 3,449
Contributions in relation to the contractually required contribution	1,126	3,820	3,449
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
System's covered payroll	\$ 22,052	\$ 21,061	\$ 20,599
Contributions as a percentage of covered payroll	5.11 %	18.14 %	16.74 %
<b>SEAD-OPEB plan</b>			
Contractually required contribution <sup>1</sup>	\$ —	\$ —	\$ —
Contributions in relation to the contractually required contribution	—	—	—
Contribution deficiency (excess)	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>
System's covered payroll	\$ 12,080	\$ 11,996	\$ 12,056
	— %	— %	— %

<sup>1</sup> Employer contributions are not currently required for the SEAD-OPEB plan.

**Note:** Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information and independent auditor's report.



## Required Supplementary Information for the System as the Plan

### ***Schedule of Changes in the Employers' and Nonemployer Net Pension Liability***

The total pension liability contained in this schedule was provided by the System's actuary, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less the amount of the fiduciary net position of the System.

### ***Schedule of Employer and Nonemployer Contributions***

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

### ***Actuarial Methods and Assumptions***

*Changes of assumptions:* On November 18, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, withdrawal, and salary increases. Based on the funding policy adopted by the Board on May 15, 2019, the investment rate of return assumption was changed to 7.25%. In addition, the assumed rate of inflation was changed to 2.50%. On May 13, 2020, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary

among the changes were the updates to rates of mortality, retirement, disability, and withdrawal.

*Method and assumptions used in calculations of actuarially determined contributions:* The actuarially determined contribution rates in the schedule of employer and nonemployer contributions are calculated as of June 30, three years prior to the end of the fiscal year in which contributions are reported (June 30, 2020 employer contributions are based on June 30, 2017 valuation).

#### **The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:**

Valuation date:	June 30, 2017
Actuarial cost method:	Entry age
Amortization method:	Level percent of pay, closed
Remaining amortization period:	27.1 years
Asset valuation method:	Five-year smoothed fair
Inflation rate:	2.75%
Salary increases:	3.25 to 9.00%, including inflation
Investment rate of return:	7.50%, net of pension plan investment expense, including inflation
Post-retirement benefit increases:	1.50% semi-annually

# NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020 (Unaudited), *continued*



## Required Supplementary Information for the System as a Participating Employer in ERS

### ***Schedule of the System's Proportionate Share of the Net Pension Liability to ERS***

This schedule presents historical trend information about the System's proportionate share of the net pension liability for its employees who participate in the ERS plan. GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a 10-year presentation.

### ***Schedule of the System's Contributions to ERS***

This schedule presents historical trend information about the System's contributions for its employees who participate in the ERS plan. GASB Statement No. 68 was implemented in 2015. Information related to previous years is not available; therefore, trend information will be accumulated going forward to display a 10-year presentation.

### ***Changes in Benefit Terms and Assumptions***

***Changes of benefit terms:*** There were no changes in benefit terms that affect the measurement of the total pension liability since the prior measurement date.

***Changes of assumptions:*** On December 17, 2015, the Board adopted recommended changes to the economic and demographic assumptions utilized by the System. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal, and salary increases. In addition, based on the ERS Board's new funding policy, the assumed investment rate of return was reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date, and remained unchanged for June 30, 2019.

## Required Supplementary Information for the System as a Participating Employer in the State OPEB plan

### ***Changes in Benefit Terms and Assumptions***

***Changes of benefit terms:*** There were no changes in benefit terms that affect the measurement of the total State OPEB liability since the prior measurement date.

***Changes in assumptions:*** The June 30, 2017 actuarial valuation was revised, for various factors, including the methodology used to determine how employees and retirees were assigned to each of the OPEB Funds and anticipated participation percentages. Current and former employees of State organizations (including technical colleges, community service boards and public health departments) are now assigned to the State OPEB fund based on their last employer payroll location: irrespective of retirement affiliation.

The discount rate was updated from 3.09% as of June 30, 2016 to 3.60% as of June 30, 2017 to 5.22% as of June 30, 2018, and to 7.30% as of June 30, 2019.

## Required Supplementary Information for the System as a Participating Employer in the SEAD-OPEB plan

### ***Changes of assumptions***

On December 17, 2015, the Board of Trustees adopted recommended changes to the economic and demographic assumptions utilized by the Plan. Primary among the changes were the updates to rates of mortality, retirement, disability, withdrawal and salary increases. In addition, based on the SEAD Board's new funding policy, the assumed investment rate of return was reduced by 0.10% from 7.40% to 7.30% as of the June 30, 2018 measurement date, and remained unchanged for June 30, 2019.



## Schedule of Administrative Expenses (dollars in thousands)

### Personal services:

Salaries and fringes	\$ 9,293
Retirement contributions	2,732
Health insurance	1,103
FICA	669
Miscellaneous	128
Total personal services	<u>13,925</u>

### Communications:

Postage	186
Publications and printing	250
Telecommunications	114
Travel	111
Total communications	<u>661</u>

### Professional services:

Computer services	1,305
Contracts	2
Actuarial services	171
Audit fees	208
Legal services	40
Medical services	76
Total professional services	<u>1,802</u>

### Management Expenses:

Building maintenance	596
Total management expenses	<u>596</u>

### Other services and charges:

Repairs and maintenance	6
Supplies and materials	193
Depreciation expense	591
Miscellaneous	262
Total other services and charges	<u>1,052</u>

Total administrative expenses 18,036

Less reimbursement by other state retirement systems for services rendered on their behalf 625

Net administrative expenses \$ 17,411

See accompanying independent auditor's report.

## Schedule of Investment Expenses (dollars in thousands)

Investment advisory and custodial fees	\$ 38,345
Miscellaneous	<u>12,076</u>
Total investment expenses	<u>\$ 50,421</u>

See accompanying independent auditors' report.



# INVESTMENT OVERVIEW

The first half of the fiscal year was essentially a continuation of the prior year, steady global growth and increasing geopolitical tensions. The second half of the year turned tumultuous as the markets first reacted to the economic effects of the COVID-19 pandemic, and then the monetary and fiscal response which followed. U.S. Real GDP ended up being down 9.5% for the fiscal year after an astonishing decline in the June quarter of 32.9% annualized. The sharp drop in global growth was truly a black swan type of event. In spite of the pandemic, U.S. equities returned 6% over the past year, while foreign markets were down less than 5%, as central banks flooded the world economies with liquidity. Longer-term periods for total equities were generally quite positive.

We continually emphasize that the pension plan has a long-term investment horizon and that short-term concerns should not drive investment decisions. The System invests primarily in a mix of liquid, high-quality bonds and stocks. These types of investments further diversify the portfolio and allow the System to participate in rising markets while moderating the risks on the downside. A high-quality balanced fund has proven to be a successful strategy in a variety of markets over long periods of time.

As in previous years, the bias to quality was a primary goal and was successfully met. “Conservation of Capital” and “Conservatism” remain the guiding principles for investment decisions. The Board of Trustees continues to use a diversified portfolio to accomplish these objectives.

U.S. economic growth plummeted in the final six months of the year, pulling the year-over year Real GDP down almost 10%. The sharp decline in the economy transitioned into a vigorous rebound by the end of the year as the nation began to open back up and the economy responded to the massive fiscal and monetary stimulus. Globally, the developed countries have largely followed a similar pattern to the U.S. The emerging markets were more differentiated in their responses, impacts and recoveries from the global shutdown. Economic and earnings growth for the next year are highly dependent on the course the COVID-19 virus takes.

Studies undertaken to evaluate the investment returns of pension funds over very long-time horizons indicate that the asset allocation decision has the largest impact on the fund’s returns. Although the returns for the various asset categories vary from year-to-year, over the long term, equities typically outperform fixed income and cash by a very wide margin. For that reason, the System has generally maintained significant equity exposure with the remainder of the fund invested in fixed income securities designed to generate income and preserve capital.

Returns for one, three, five, ten, twenty, and thirty-year periods are presented in this section. Longer periods allow

for a more valid evaluation of returns, both in absolute terms and relative to an asset class index, by reducing emphasis on the short-term volatility of markets. The Daily Valuation Method, a time-weighted rate of return, was used to calculate returns in a manner consistent with the CFA Institute’s objectives as stated in its publication “Global Investment Performance Standards Handbook,” third edition.

The return for the S&P 500 was 7.5%. The S&P MidCap 400 and the S&P SmallCap 600 indexes had returns of (6.7%) and (11.3%), respectively. Growth stocks generally outperformed value stocks by a wide margin for the year, while by sector, information technology had the best performance. Energy was the worst-performing sector again as energy prices collapsed due to high inventories and an oil price war by major producers.

International market returns were negative. The MSCI EAFE Index returned (5.1%) and the Emerging Market Index had a return of (3.4%). Interestingly, although the emerging markets index outperformed the developed markets index, only 3 of the 26 emerging markets country indexes had positive performance compared to 9 of the 22 countries in the developed index. The three emerging market countries with positive performance, China, Korea and Taiwan, have the largest weightings in the index.

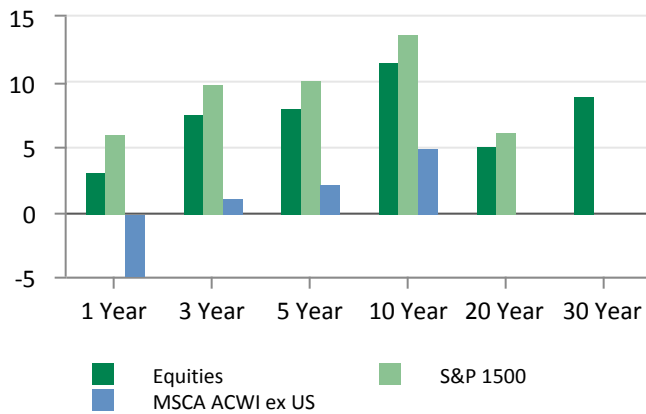
Interest rates declined dramatically last year particularly on the short end of the yield curve, again in response to central bank policies. Nominal rates were barely positive, driving real rates into negative territory. The decline in yields drove bond prices higher resulting in the 10-year Treasury having a total return of 14.0% and the 30-year Treasury bond returning nearly 30% compared to the 1.4% return in Treasury bills. Higher quality corporate bonds also provided decent returns.

We look at two fixed-income indexes to measure the bond market’s performance. The Bloomberg Barclays Government / Credit Index had a return of 10.0%. It is a broad index containing corporate and government-sponsored bonds as well as Treasuries. The FTSE Gov/Corp AAA/AA had a return of 10.2% and is a broad index containing higher-rated corporate bonds as well as Treasuries and Government securities.

In summary, despite unprecedented upheavals related to a global pandemic, the investment status of the System is excellent. The high quality of the System’s investments is in keeping with the continued policy of “Conservatism” and “Conservation of Capital.”

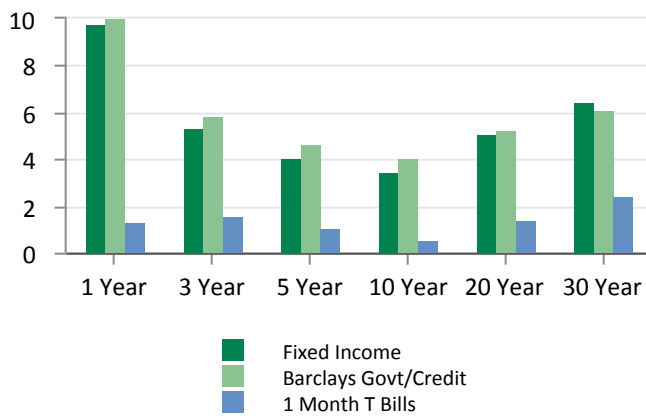
*Prepared by the Division of Investment Services*

## Equities



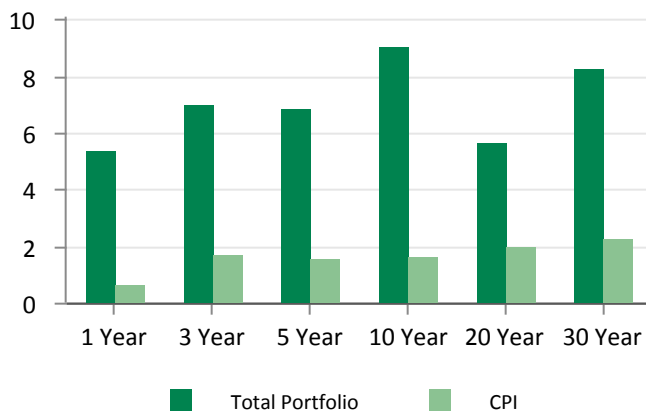
	Equities	S&P 1500	MSCA ACWI ex US
1 Year	3.18%	6.08%	(4.80)%
3 Year	7.55	9.91	1.13
5 Year	8.12	10.20	2.26
10 Year	11.58	13.75	4.97
20 Year	5.20	6.20	—
30 Year	8.93	—	—

## Fixed Income



	Fixed Income	Barclays Govt/Credit	1 Month T Bills
1 Year	9.81%	10.02%	1.37%
3 Year	5.38	5.87	1.64
5 Year	4.09	4.74	1.09
10 Year	3.53	4.13	0.57
20 Year	5.16	5.30	1.49
30 Year	6.53	6.14	2.49

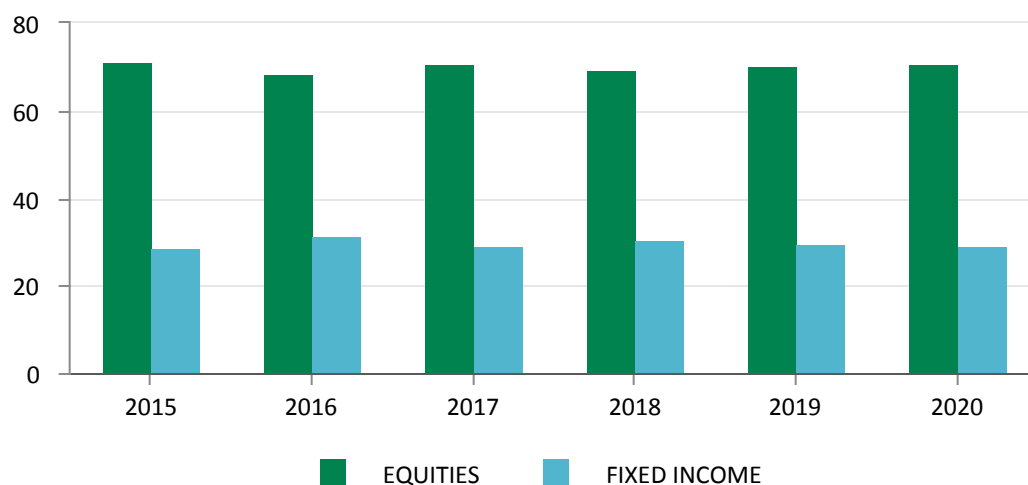
## Total Portfolio



	Total Portfolio	CPI
1 Year	5.42%	0.71%
3 Year	7.04	1.75
5 Year	6.94	1.59
10 Year	9.08	1.71
20 Year	5.74	2.03
30 Year	8.32	2.30

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

## Investment Allocation



## Investment Summary

### Asset Allocation at June 30

	2015	2016	2017	2018	2019	2020
Equities	71.2%	68.6%	70.9%	69.4%	70.2%	70.8%
Fixed Income	28.8%	31.4%	29.1%	30.6%	29.8%	29.2%

### Asset Allocation at June 30 (in millions)

Equities	\$ 46,423	\$ 43,652	\$ 49,237	\$ 51,182	\$ 53,433	\$ 56,199
Fixed Income	18,807	19,979	20,139	22,564	22,685	23,218
Total Investments	<u>\$ 65,230</u>	<u>\$ 63,631</u>	<u>\$ 69,376</u>	<u>\$ 73,746</u>	<u>\$ 76,118</u>	<u>\$ 79,417</u>

## Schedule of Fees and Commissions (dollars in thousands)

For the Year Ended June 30, 2020

### Investment Advisors' Fees:

U.S. Equity	\$ 14,205
International Equity	21,786

### Investment Commissions:

U.S. Equity	4,231
International Equity	6,053

### SEC & Foreign Transaction Fees:

1,760

### Miscellaneous\*:

14,430

### Total Fees and Commissions

\$ 62,465

\*Amount included in total investment expenses shown on page 47.

## Twenty Largest Equity Holdings (dollars in thousands)\*

Shares	Company	Fair Value
8,637,862	Microsoft Corp.	\$ 1,757,891
5,660,120	SPDR S&P 500 Trust ETF	1,745,355
4,479,890	Apple Inc.	1,634,264
537,404	Amazon.Com Inc.	1,482,601
734,215	Alphabet Inc.	1,039,693
2,878,786	Facebook Inc.	653,686
2,695,740	Visa Inc.	520,736
2,966,260	Johnson & Johnson	417,145
879,970	Netflix Inc.	400,421
2,121,183	Berkshire Hathaway Inc.	378,652
1,275,776	UnitedHealth Group Inc.	376,290
3,839,539	JPMorgan Chase & Co.	361,147
6,108,048	Taiwan Semiconductor Manufacturing Company Limited	346,754
6,185,888	Verizon Communications Inc.	341,028
5,166,240	Tencent Holdings Ltd.	332,355
2,579,500	Procter & Gamble Co.	308,431
702,596	Adobe Inc.	305,847
1,395,090	Alibaba Group Holding Ltd.	300,921
6,519,677	Exxon Mobil Corp.	291,560
777,010	ASML Holding NV	285,963
<b>Total of 20 Largest Equity Holdings</b>		<u><u>\$ 13,280,740</u></u>
<b>Total Equity Holdings</b>		<u><u>\$ 56,198,730</u></u>

## Ten Largest Fixed-Income Holdings\*

Description	Maturity Date	Interest Rate %	Par Value (in thousands)	Fair Value (in thousands)
U.S. Treasury Note	11/15/24	2.25	1,297,000	\$ 1,410,034
U.S. Treasury Note	3/31/23	1.5	1,105,000	1,145,189
U.S. Treasury Note	10/31/22	2	1,000,000	1,042,500
U.S. Treasury Note	3/31/25	2.625	920,000	1,021,954
U.S. Treasury Note	1/31/25	2.5	860,000	947,746
U.S. Treasury Note	8/31/25	2.75	810,000	910,966
U.S. Treasury Note	2/15/28	2.75	600,000	699,888
U.S. Treasury Bond	2/15/49	3	500,000	690,315
U.S. Treasury Bond	2/15/39	3.5	482,000	681,919
U.S. Treasury Bond	11/15/28	5.25	428,000	592,446
<b>Total of 10 Largest Fixed-Income Holdings</b>				<u><u>\$ 9,142,957</u></u>
<b>Total Fixed-Income Holdings</b>				<u><u>\$ 23,218,154</u></u>

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





May 13, 2020

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

Members of the Board:

Section 47-3-23 of the law governing the operation of the Teachers Retirement System of Georgia provides that the actuary shall make annual valuations of the contingent assets and liabilities of the Retirement System on the basis of regular interest and the tables last adopted by the Board of Trustees. We have submitted the report giving the results of the actuarial valuation of the System prepared as of June 30, 2019. The report indicates that annual employer contributions at the rate of 19.81% of compensation for the fiscal year ending June 30, 2022 are sufficient to support the benefits of the System. Our firm, as actuary, is responsible for all of the actuarial trend data in the financial section of the annual report and the supporting schedules in the actuarial section of the annual report.

Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience investigation for the five-year period ending June 30, 2018. A summary of these changes can be found on page 2 of the actuarial valuation report.

In our opinion, the valuation is complete and accurate, and the methodology and assumptions are reasonable as a basis for the valuation. The valuation takes into account the effect of all amendments to the System enacted through the 2019 Session of the General Assembly. In preparing the valuation, the actuary relied on data provided by the System. While not verifying data at the source, the actuary performed tests for consistency and reasonableness.

The System is funded on an actuarial reserve basis. The actuarial assumptions recommended by the actuary and adopted by the Board are both individually and 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 financial reporting purposes meet the parameters set by Actuarial Standards of Practice (ASOPS). The funding objective of the plan is that contribution rates over time will remain level as a percent of payroll. The valuation method used is the entry age normal cost method. The normal contribution rate to cover current cost has been determined as a level percent of payroll. Gains and losses are reflected in the unfunded accrued liability, which is amortized as a level percent of payroll in accordance with the funding policy adopted by the Board.

The Plan and the employers are required to comply with the financial reporting requirements of GASB Statements No. 67 and 68. The necessary disclosure information is provided in separate supplemental reports.

We have provided the following information and supporting schedules for the Actuarial Section of the Comprehensive Annual Financial Report:

- Summary of Actuarial Assumptions and Methods
- Schedule of Active Members
- Schedule of Retirees and Beneficiaries Added to and Removed from Rolls
- Schedule of Funding Progress
- Analysis of Financial Experience

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.

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


The actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Use of these computations for purposes other than meeting these requirements may not be appropriate.

This is to certify that John Garrett and Edward Koebel are members of the American Academy of Actuaries and have 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,



John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary



Cathy Turcot  
Principal and Managing Director



Edward Koebel, EA, FCA, MAAA  
Chief Executive Officer

# SUMMARY OF ACTUARIAL ASSUMPTIONS & METHODS

The laws governing the Teachers Retirement System of Georgia (the System) provide that an actuary perform an annual valuation of the contingent assets and liabilities of the System and perform at least once every five years an actuarial investigation of the mortality, service, and compensation experience of the members and beneficiaries of the System. The latest actuarial valuation of the System, prepared as of June 30, 2019, was made on the basis of the funding policy adopted by the Board on November 20, 2013 and the 5-year experience study adopted by the Board on May 13, 2020, with the exception of the investment rate of return and salary increases assumptions adopted by the Board on May 15, 2019. The Board is responsible for maintaining this funding policy. A summary of plan provisions can be found in the Introductory Section beginning on page 11, and a plan description can be found in the Financial Section beginning on page 21.

The more pertinent facts and significant assumptions underlying the computations included in the June 30, 2019 valuation are as follows:

## a) Actuarial Method Used

The actuarial cost method used for funding purposes is the Entry Age Normal method, which is the same cost method used for financial reporting purposes. The Entry Age Normal method is the most commonly used funding method among public retirement plans. This cost method allocates the cost of benefits over each member's expected career as a level percentage of their expected salary and demonstrates the highest degree of stability in the calculation of a plan's normal cost over time. Gains and losses are reflected in the unfunded accrued liability. Adopted November 20, 2013.

## b) Investment Rate of Return

The assumed investment rate of return is 7.25% compounded annually, which consists of a 4.75% assumed real rate of return and a 2.50% assumed annual rate of inflation. This long-term expected rate of return is used to determine the total pension liability for financial reporting purposes. Adopted May 15, 2019.

## c) Salary Increases

Salaries are expected to increase 3.00% to 8.75% annually depending upon the members' years of creditable service. The salary increase includes a 0.50% assumed real rate of wage inflation and a 2.50% assumed annual rate of inflation. Adopted May 15, 2019.

## 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 Pub-2010 Teachers Headcount Weighted

Below Median Healthy Retiree mortality table (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally is used for death after service retirement and beneficiaries. The rates of improvement have been reduced by 20% for all years prior to the ultimate rate. The Pub-2010 Teachers Mortality Table for Disabled Retirees (ages set forward one year and adjusted 106%) with the MP-2019 Projection scale applied generationally is used for death after disability retirement. The rates of improvement have been reduced by 20% for all years prior to the ultimate rate. Adopted May 13, 2020.

## e) Asset Valuation Method

In accordance with the funding policy, the actuarial value of the assets was set equal to the fair value of assets on June 30, 2013. Five-year smoothing of investment gains and losses commenced in the subsequent year. The actuarial value of assets recognizes a portion of the difference between the fair value of the assets and the expected fair value of assets, based on the assumed valuation rate of return. The amount recognized is one-fifth of the difference between fair value and actuarial expected value. Adopted November 20, 2013. The actuarial value of assets is limited to a range between 75% and 125% of fair value. Adopted July 27, 2011.

## f) Service Retirement Benefit

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

## g) Actuarially Determined Unfunded Accrued Liability

The present value of the unfunded accrued liability, based on unaudited data provided the actuary by the System, was approximately \$23.7 billion at June 30, 2019.

## h) Required Contributions (% of compensation)

Contributions required by the annual actuarial valuation as of June 30, 2019, to be made for the year ended June 30, 2022:

(1) Member	<u>6.00 %</u>
(2) Employer:	
Normal	7.45 %
Unfunded Accrued Liability	<u>12.36 %</u>
Total	<u>19.81 %</u>



### Service Retirement

Adopted May 13, 2020

Age	Male		Female	
	< 30 years of service	≥ 30 years of service	< 30 years of service	≥ 30 years of service
50	3.00%	52.00%	2.75%	50.00%
55	5.00	37.00	5.75	35.00
60	20.00	34.00	25.00	40.00
61	18.00	30.00	25.00	40.00
62	25.00	35.00	25.00	43.00
63	22.00	28.00	25.00	43.00
64	22.00	28.00	24.00	43.00
65	27.00	27.00	32.00	32.00
66	32.00	32.00	32.00	32.00
67	30.00	30.00	32.00	32.00
68	30.00	30.00	30.00	30.00
69	30.00	30.00	30.00	30.00
70	30.00	30.00	30.00	30.00



# SUMMARY OF ACTUARIAL ASSUMPTIONS & METHODS

continued



## Separation Before Service Retirement

Adopted May 13, 2020

Age	Annual Rate of				
	Death	Disability	Withdrawal Years of Service		
			0-4 Yrs	5-9 Yrs	10+ Yrs.
Male					
20	0.0375%	—%	27.00%	—%	—%
25	0.0336	—	17.00	13.00	—
30	0.0437	—	14.00	6.50	6.00
35	0.0549	0.0165	14.00	6.25	3.50
40	0.0714	0.0275	13.00	6.25	2.75
45	0.1087	0.0720	13.00	6.00	2.50
50	0.1799	0.1360	11.25	5.75	2.75
55	0.2828	0.2400	11.75	5.50	3.25
60	0.4441	—	12.00	6.00	—
64	0.6475	—	15.00	7.50	—
Female					
20	0.0139%	—%	28.00%	—%	—%
25	0.0148	—	13.50	12.00	—
30	0.0235	—	13.50	7.00	6.00
35	0.0345	0.0152	13.00	7.00	4.00
40	0.0493	0.0312	12.00	6.50	3.00
45	0.0728	0.0650	10.75	6.00	2.50
50	0.1107	0.1400	10.75	5.50	3.00
55	0.1687	0.3400	10.75	5.00	3.00
60	0.2554	—	11.50	5.50	—
64	0.3665	—	15.00	7.50	—



## Active Members

Fiscal Year <sup>(1)</sup>	Number of Participating Employers	Members	Annual Payroll <sup>(2)</sup> (000's)	Average Pay	% Increase
2010	386	222,020	\$10,437,703	\$47,012	0.1%
2011	399	216,137	10,099,278	46,726	(0.6)
2012	404	213,648	10,036,023	46,975	0.5
2013	401	209,854	9,924,682	47,293	0.7
2014	405	209,828	9,993,686	47,628	0.7
2015	414	213,990	10,347,332	48,354	1.5
2016	416	218,193	10,783,277	49,421	2.2
2017	419	222,902	11,333,997	50,847	2.9
2018	422	226,039	11,704,334	51,780	1.8
2019	426	226,366	11,882,828	52,494	1.4

<sup>(1)</sup> Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the fiscal year beginning two years after the valuation date. An actuarial valuation for the fiscal year ended June 30, 2020 is currently in process and was not available for this analysis.

<sup>(2)</sup> The annual payroll shown in the schedule of active member valuation data is the annual compensation of the active members at the date of the valuation. The covered payroll reported in the financial section represents the payroll during the fiscal year upon which employer contributions were made.



# ACTUARIAL VALUATION DATA

continued



## Retirees and Beneficiaries

Fiscal Year <sup>(1)</sup>	Added to Roll		Removed from Roll		Roll-End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number	Annual Allowances (000's)	Number	Annual Allowances (000's)	Number	Annual Allowances (000's)		
2010	6,383	279,009	1,763	46,853	86,978	2,862,477	8.8%	32,910
2011	7,136	295,192	1,937	55,062	92,177	3,102,607	8.4	33,659
2012	7,055	298,471	1,915	55,565	97,317	3,345,513	7.8	34,377
2013	7,937	322,853	1,983	59,453	103,271	3,608,913	7.9	34,946
2014	7,078	291,066	2,195	68,324	108,154	3,831,655	6.2	35,428
2015	7,207	306,751	2,237	72,818	113,124	4,065,588	6.1	35,939
2016	7,225	312,063	2,392	80,359	117,957	4,297,292	5.7	36,431
2017	7,189	318,594	2,459	84,596	122,687	4,531,290	5.4	36,934
2018	7,345	341,242	2,732	98,829	127,300	4,773,703	5.3	37,500
2019	7,247	347,533	2,727	100,233	131,820	5,021,003	5.2	38,090

<sup>(1)</sup> Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the fiscal year beginning two years after the valuation date. An actuarial valuation for the fiscal year ended June 30, 2020 is currently in process and was not available for this analysis.



## Solvency Test (dollars in thousands)

Fiscal Year <sup>1</sup>	Aggregate Actuarial Accrued Liabilities For			Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirees and Beneficiaries	Active Members (Employer-Financed Portion)				
2010	\$6,705,274	\$34,264,548	\$22,622,215	\$54,529,416	100.0 %	100.0 %	59.9 %
2011	6,973,343	37,271,020	21,734,277	55,427,716	100.0	100.0	51.5
2012	7,242,569	39,759,145	21,346,964	56,262,332	100.0	100.0	43.4
2013	7,480,767	43,152,402	21,587,696	58,594,837	100.0	100.0	36.9
2014	7,815,630	45,841,742	22,114,745	62,061,722	100.0	100.0	38.0
2015	8,153,958	50,251,964	24,385,088	65,514,119	100.0	100.0	29.1
2016	8,522,267	55,186,998	28,012,510	68,161,710	100.0	100.0	15.9
2017	8,936,010	57,659,259	29,385,762	71,212,660	100.0	100.0	15.7
2018	9,350,031	58,993,494	28,561,728	75,024,364	100.0	100.0	23.4
2019	9,791,208	61,856,920	30,191,271	78,126,922	100.0	100.0	21.5

<sup>1</sup>Fiscal year refers to the actuarial valuation performed as of June 30 of that year and determines the funding necessary for the fiscal year beginning two years after the valuation date. An actuarial valuation for the fiscal year ended June 30, 2020 is currently in process and was not available for this analysis.

## Member & Employer Contribution Rates

Fiscal Year	Member	Employer
2012	5.53%	10.28%
2013	6.00	11.41
2014	6.00	12.28
2015	6.00	13.15
2016	6.00	14.27
2017	6.00	14.27
2018	6.00	16.81
2019	6.00	20.90
2020	6.00	21.14
2021	6.00	19.06



# ACTUARIAL VALUATION DATA

continued

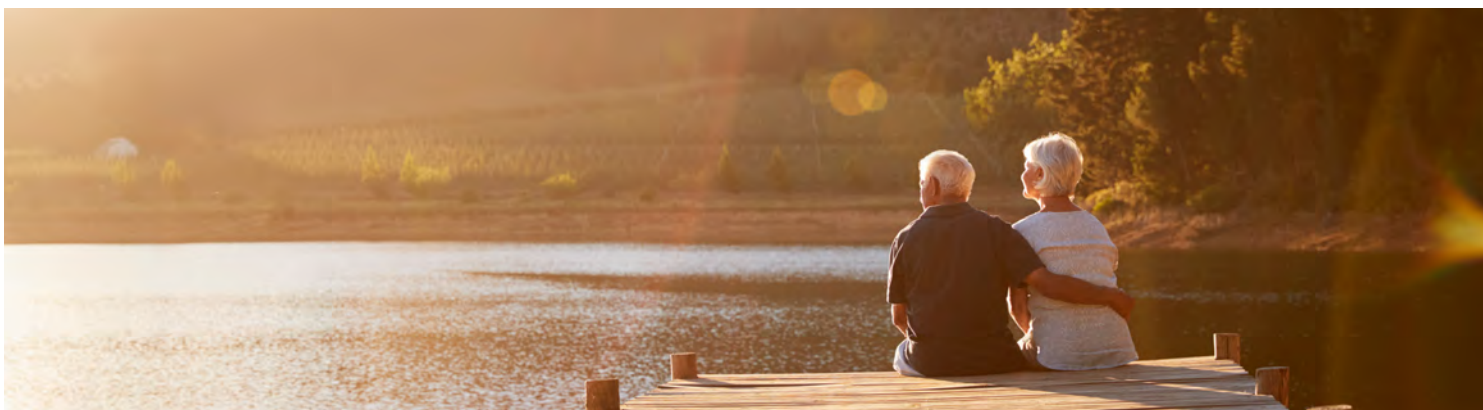


## Schedule of Funding Progress (dollars in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) Funding Excess) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>(1)</sup> (c)	UAAL (Funding Excess) as a Percentage of Covered Payroll [(b-a)/c]
6/30/10	\$ 54,529,416	\$ 63,592,037	\$ 9,062,621	85.7%	\$ 10,437,703	86.8%
6/30/11	55,427,716	65,978,640	10,550,924	84.0	10,099,278	104.5
6/30/12	56,262,332	68,348,678	12,086,346	82.3	10,036,023	120.4
6/30/13	58,594,837	72,220,865	13,626,028	81.1	9,924,682	137.3
6/30/14	62,061,722	75,772,117	13,710,395	81.9	9,993,686	137.2
6/30/15	65,514,119	82,791,010	17,276,891	79.1	10,347,332	167.0
6/30/16	68,161,710	91,721,775	23,560,065	74.3	10,783,277	218.5
6/30/17	71,212,660	95,981,031	24,768,371	74.2	11,333,997	218.5
6/30/18	75,024,364	96,905,253	21,880,889	77.4	11,704,334	186.9
6/30/19	78,126,922	101,839,399	23,712,477	76.7	11,882,828	199.6

<sup>(1)</sup> The annual covered payroll shown in the schedule of funding progress valuation data is the annual compensation of the active members at the date of the valuation. The covered payroll reported in the financial section represents the payroll during the fiscal year upon which employer contributions were made.

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



## Analysis of Financial Experience (dollars in millions)

Item	Analysis of the Change in Unfunded Accrued Liability Increase (Decrease) During the Years Ended June 30,									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Interest Added to Previous										
Unfunded Accrued Liability	\$ 1,586.4	\$ 1,733.8	\$ 1,649.2	\$ 1,300.9	\$ 1,077.6	\$ 1,084.6	\$ 977.8	\$ 846.2	\$ 733.2	\$ 486.3
Accrued Liability Contribution	(1,834.2)	(1,261.0)	(929.4)	(985.4)	(796.1)	(662.0)	(604.7)	(443.5)	(396.3)	(312.0)
Experience:										
Valuation Asset Growth	558.1	(925.3)	(539.2)	150.9	(677.3)	(836.1)	1,241.1	1,855.1	2,018.7	1,674.9
Pensioners' Mortality	53.9	(32.4)	40.5	(13.4)	37.7	35.3	52.7	51.6	24.2	89.8
Turnover and Retirements	147.8	266.2	246.9	209.2	335.9	119.6	378.2	319.1	195.3	269.5
New Entrants	151.3	161.2	172.7	153.1	138.9	115.3	96.2	101.2	89.6	123.7
Salary Increases	(213.2)	(103.6)	327.9	72.3	(227.6)	(624.9)	(715.2)	(709.9)	(1,132.2)	(1,040.5)
Interest Smoothing	—	(2,744.0)	121.6	5,286.1	2,861.2	739.8	915.9	(627.0)	412.8	—
Amendments <sup>(1)</sup>	—	—	—	—	—	—	—	—	(685.5)	—
Change in Member										
Contribution Rate <sup>(3)</sup>	—	—	—	—	—	—	—	—	—	12.8
Assumption and Method										
Changes <sup>(2)</sup>	1,204.2	(133.4)	—	—	688.3	—	(926.7)	—	—	1,472.4
Miscellaneous	177.3	151.0	118.1	109.5	127.9	112.8	124.4	142.6	228.5	274.2
Total Increase	<u>\$ 1,831.6</u>	<u>\$ (2,887.5)</u>	<u>\$ 1,208.3</u>	<u>\$ 6,283.2</u>	<u>\$ 3,566.5</u>	<u>\$ 84.4</u>	<u>\$ 1,539.7</u>	<u>\$ 1,535.4</u>	<u>\$ 1,488.3</u>	<u>\$ 3,051.1</u>

<sup>(1)</sup> Amendments

2011 - Reflects the impact of discontinuing the one-time 3% increase on the first \$37,500 of members' allowances for all members who retire on or after January 1, 2013

<sup>(2)</sup> Assumption and Method Changes

2010 - The assumed rates of withdrawal, disability, retirement, and mortality and the assumed rates of salary increase have been revised to more closely reflect the actual and anticipated experience of the System.

2013 - Reflects change to asset smoothing methodology where the final actuarial value of assets used for the current valuation was set to the fair value of assets as of June 30, 2013. Five-year smoothing of investment gains and losses will commence in subsequent years.

2015 - The assumed rates of withdrawal, disability, retirement, and mortality and the assumed rates of salary increase have been revised to more closely reflect the actual and anticipated experience of the System. In addition, assumptions related to percent married, unused sick leave, and termination benefits were also revised.

2018 - Reflects elimination of the interest smoothing methodology and the reductions in the long-term discount rate and the inflation assumption.

2019 - The assumed rates of withdrawal, disability, retirement, mortality, and the assumed rates of salary increase and administrative expenses have been revised to more closely reflect the actual and anticipated experience of the System.

<sup>(3)</sup> Member Contribution Rate

2010 - Reflects an increase in the member contribution rate from 5.53% to 6.00% effective July 1, 2012.

# STATISTICAL SECTION OVERVIEW & FINANCIAL TRENDS



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

## Operating Information

The schedules presented on pages 64 through 70 contain benefits, service and employer data to help the reader understand how the System's financial report relates to the services of the System and the activities it performs.

## Financial Trends

The schedules presented on pages 62 through 63 contain trend information to help the reader understand how the System's financial position has changed over time.

### Additions by Source (dollars in thousands)

Fiscal Year	Member Contributions	Employer and Nonemployer Contributions	Net Investment Income (Loss)	Total Additions to (Deductions from) Fiduciary Net Position
2011	\$604,126	\$1,089,912	\$9,594,994	\$11,289,032
2012	601,512	1,082,224	1,090,900	2,774,636
2013	640,745	1,180,469	6,938,349	8,759,563
2014	640,120	1,270,963	9,826,743	11,737,826
2015	661,835	1,406,706	2,384,145	4,452,686
2016	685,626	1,580,532	810,574	3,076,732
2017	716,233	1,654,844	7,971,677	10,342,754
2018	745,574	2,018,724	6,247,155	9,011,453
2019	759,474	2,566,403	4,972,419	8,298,296
2020	800,864	2,738,818	4,119,609	7,659,291

Contributions were made in accordance with actuarially determined contribution requirements





## Deductions by Type (dollars in thousands)

Fiscal Year	Service	Benefit Payments					Total Benefit Payments	Net Administrative Expenses	Refunds	Total Deductions From Fiduciary Net Position
		Partial Lump-Sum Option	Disability	Survivor Benefits	Supplemental Payments <sup>(1)</sup>	Lump-Sum Death Settlement				
2011	\$2,868,815	\$37,652	\$80,393	\$52,122	\$922	\$1,599	\$3,041,503	\$20,986	\$67,916	\$3,130,405
2012	3,091,370	42,441	85,830	55,328	754	1,829	3,277,552	21,954	72,157	3,371,663
2013	3,353,295	42,259	91,727	58,234	633	2,001	3,548,149	22,584	81,142	3,651,875
2014	3,569,374	33,148	98,145	61,203	508	2,074	3,764,452	15,025	87,095	3,866,572
2015	3,791,526	34,494	103,483	64,911	379	2,086	3,996,879	14,996	80,085	4,091,960
2016	4,015,786	33,929	109,669	67,013	312	2,110	4,228,819	15,279	79,334	4,323,432
2017	4,241,760	31,839	114,813	70,179	297	2,236	4,461,124	16,773	76,296	4,554,193
2018	4,473,928	32,100	118,567	73,385	250	1,690	4,699,920	15,865	76,061	4,791,846
2019	4,714,549	32,714	124,071	76,912	204	2,015	4,950,465	15,276	76,543	5,042,284
2020	4,951,973	28,420	128,984	80,529	181	2,196	5,192,283	17,411	76,976	5,286,670

<sup>(1)</sup> Supplemental payments to retirees who belong to a local retirement system.

## Changes in Fiduciary Net Position (dollars in thousands)

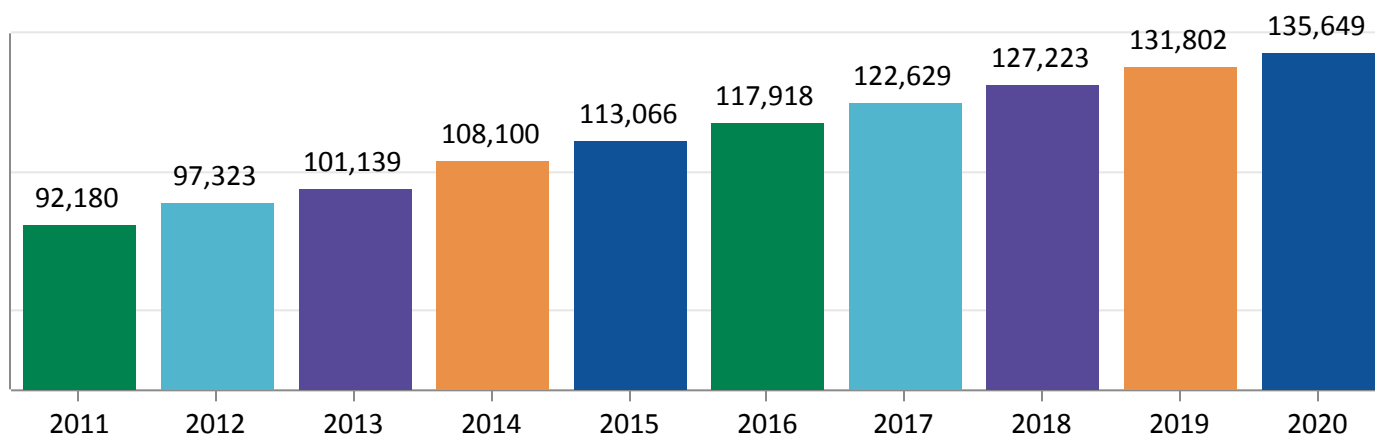
Fiscal Year	Total Additions to (Deductions from) Fiduciary Net Position	Total Deductions from Fiduciary Net Position	Changes in Fiduciary Net Position
2011	\$11,289,032	\$3,130,405	\$8,158,627
2012	2,774,636	3,371,663	(597,027)
2013	8,759,563	3,651,875	5,107,688
2014	11,737,826	3,866,572	7,871,254
2015	4,452,686	4,091,960	360,726
2016	3,076,732	4,323,432	(1,246,700)
2017	10,342,754	4,554,193	5,788,561
2018	9,011,453	4,791,846	4,219,607
2019	8,298,296	5,042,284	3,256,012
2020	7,659,291	5,286,670	2,372,621



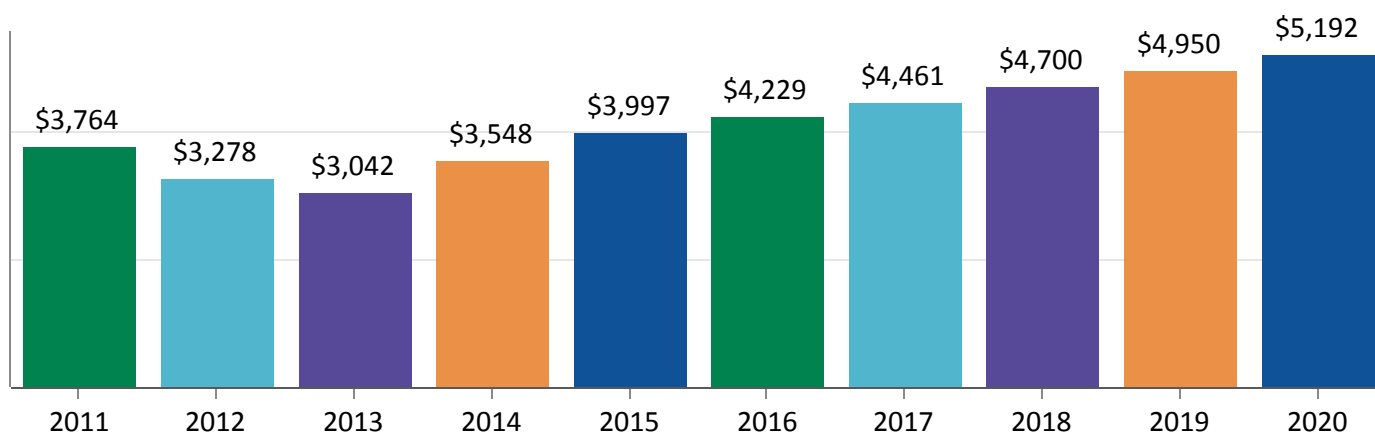
# OPERATING INFORMATION

## Benefit Payment Statistics

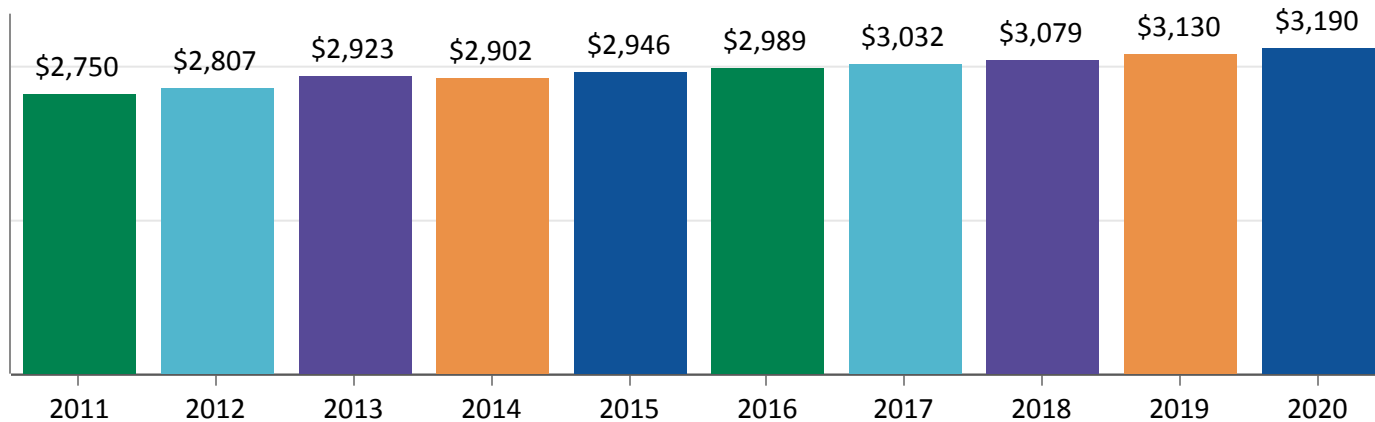
### Number of Retirees



### Annual Benefit (dollars in millions)

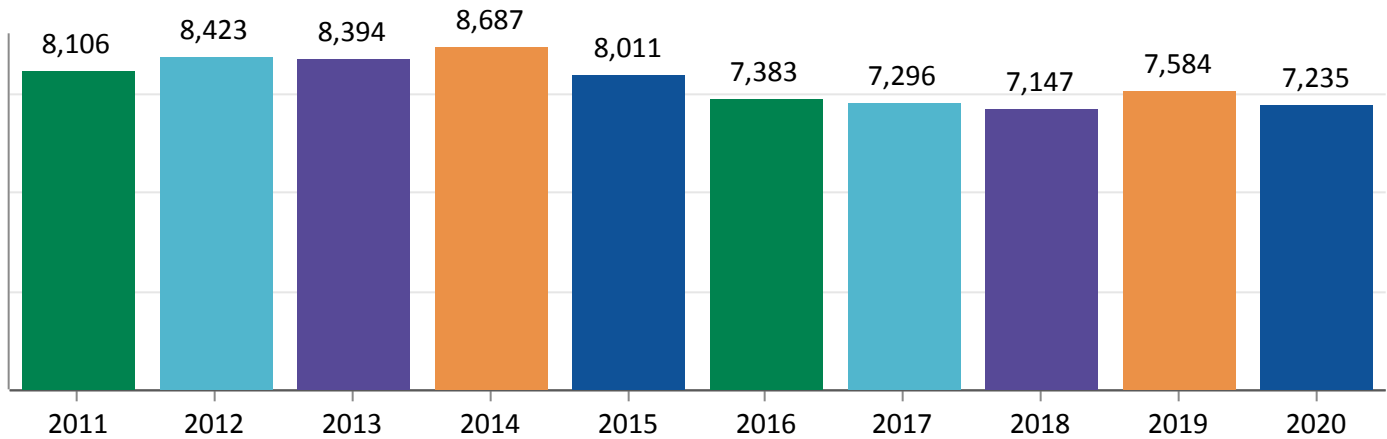


### Average Monthly Benefit

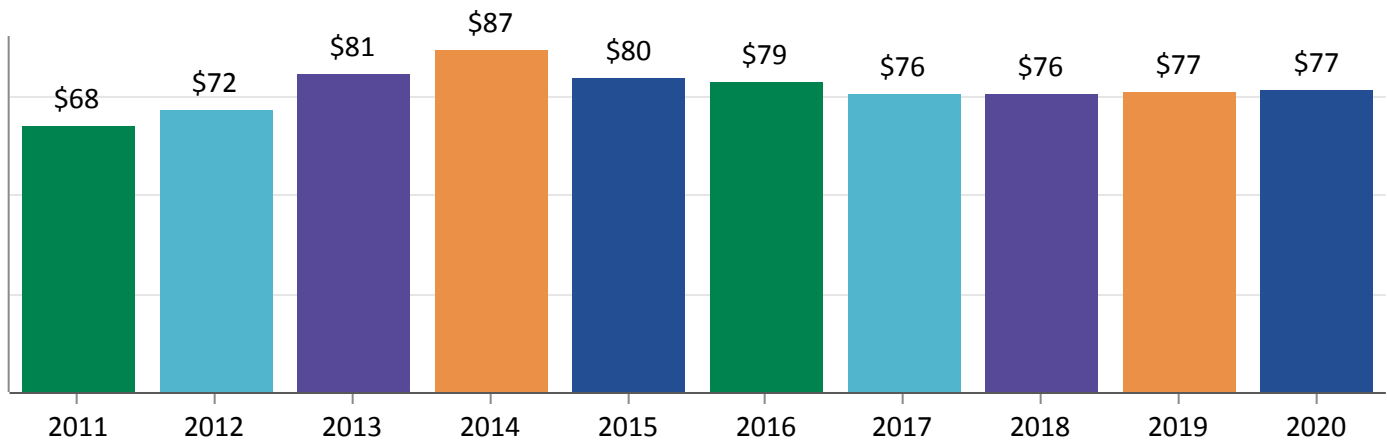


## Member Withdrawal Statistics

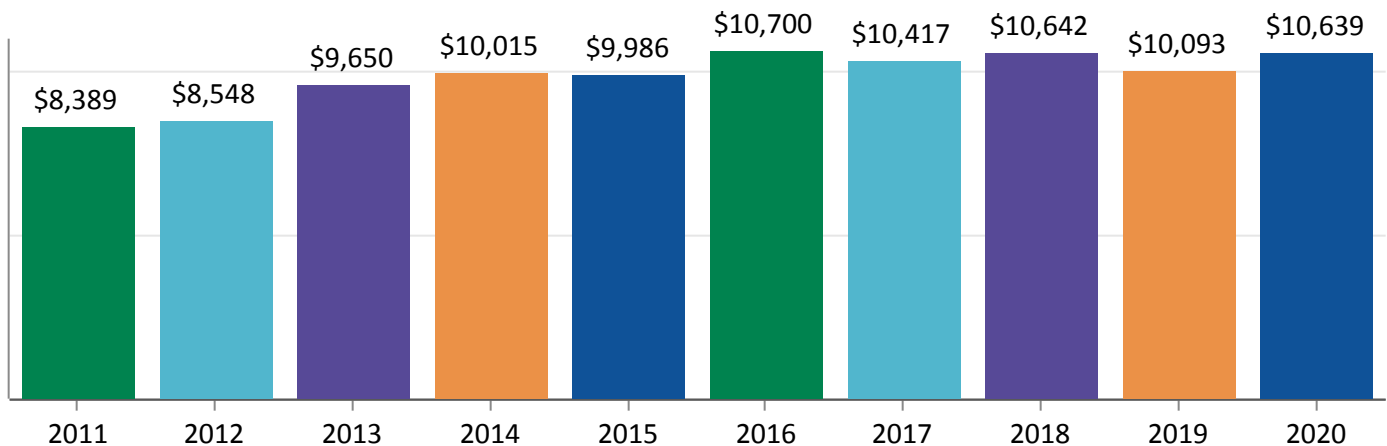
### Number of Members



### Annual Withdrawal (dollars in millions)



### Average Withdrawal



# OPERATING INFORMATION

continued

## Average Monthly Benefit Payments for New Retirees

Effective Retirement Dates for Fiscal Years Ended June 30,	Years Credited Service					Total
	10 - 15	16 - 20	21 - 25	26 - 30	Over 30	
2011						
Average monthly benefit	\$879.11	\$1,483.30	\$1,963.77	\$2,719.55	\$3,735.70	\$2,456.69
Average final average salary	\$3,753.60	\$4,216.80	\$4,461.70	\$5,175.76	\$5,940.78	\$4,943.41
Number of retirees	1,455	954	1,150	812	2,797	7,168
2012						
Average monthly benefit	\$900.60	\$1,417.23	\$2,008.09	\$2,723.70	\$3,764.35	\$2,425.05
Average final average salary	\$3,813.60	\$4,070.28	\$4,564.72	\$5,250.18	\$5,995.69	\$4,948.47
Number of retirees	1,532	920	1,125	885	2,589	7,051
2013						
Average monthly benefit	\$881.25	\$1,465.23	\$1,979.00	\$2,626.66	\$3,642.94	\$2,335.21
Average final average salary	\$3,720.18	\$4,200.63	\$4,506.44	\$5,060.19	\$5,811.25	\$4,821.63
Number of retirees	1,721	1,107	1,279	1,060	2,762	7,929
2014						
Average monthly benefit	\$877.35	\$1,410.94	\$1,902.93	\$2,515.64	\$3,556.03	\$2,152.62
Average final average salary	\$3,801.40	\$4,136.09	\$4,454.29	\$4,962.86	\$5,868.78	\$4,736.63
Number of retirees	1,744	1,066	1,169	994	2,099	7,072
2015						
Average monthly benefit	\$897.66	\$1,416.36	\$2,008.34	\$2,566.87	\$3,573.41	\$2,217.71
Average final average salary	\$3,818.45	\$4,161.17	\$4,635.36	\$5,007.10	\$5,900.24	\$4,812.42
Number of retirees	1,659	1,119	1,164	1,035	2,190	7,167
2016						
Average monthly benefit	\$883.07	\$1,447.47	\$1,979.68	\$2,582.75	\$3,496.30	\$2,207.94
Average final average salary	\$3,786.36	\$4,215.09	\$4,558.19	\$5,046.61	\$5,796.47	\$4,786.10
Number of retirees	1,695	1,094	1,130	1,001	2,297	7,217
2017						
Average monthly benefit	\$870.72	\$1,455.45	\$1,997.91	\$2,588.80	\$3,535.59	\$2,220.50
Average final average salary	\$3,778.31	\$4,230.72	\$4,657.44	\$5,139.34	\$5,877.02	\$4,839.84
Number of retirees	1,692	1,120	1,089	973	2,300	7,174
2018						
Average monthly benefit	\$880.97	\$1,503.44	\$2,106.91	\$2,703.58	\$3,625.69	\$2,331.31
Average final average salary	\$3,789.48	\$4,388.19	\$4,882.12	\$5,295.62	\$6,009.09	\$4,997.10
Number of retirees	1,609	1,184	1,090	967	2,471	7,321
2019						
Average monthly benefit	\$932.13	\$1,504.91	\$2,051.21	\$2,709.96	\$3,638.98	\$2,330.77
Average final average salary	\$3,964.41	\$4,434.82	\$4,826.46	\$5,401.88	\$6,125.55	\$5,080.38
Number of retirees	1,537	1,206	1,188	909	2,395	7,235
2020						
Average monthly benefit	\$948.76	\$1,535.47	\$2,086.78	\$2,702.45	\$3,692.62	\$2,371.48
Average final average salary	\$3,980.66	\$4,512.99	\$4,875.02	\$5,322.40	\$6,140.51	\$5,107.67
Number of retirees	1,443	1,168	1,127	822	2,330	6,890



## Retired Members by Type of Benefit

Amount of Monthly Benefit	Number of Retirees	Type of Retirement <sup>(1)</sup>				Option Selected <sup>(2)</sup>						
		A	B	C	D	Max	Opt-1	Opt-2	Opt-3	Opt-4	Opt-2 Pop-Up	Opt-3 Pop-Up
1 - 500	5,101	4,187	374	519	21	2,840	151	1,134	282	155	413	126
500 - 1000	14,724	12,756	1,112	853	3	8,868	576	2,568	616	149	1,444	503
1000 - 1500	15,221	13,493	1,006	719	3	8,911	565	2,553	676	101	1,768	647
1500 - 2000	11,825	10,506	807	511	1	6,619	475	1,957	626	86	1,418	644
2000 - 2500	10,361	9,349	622	389	1	5,623	429	1,650	570	99	1,286	704
2500 - 3000	10,006	9,259	522	224	1	5,308	437	1,463	584	99	1,401	714
3000 - 3500	11,087	10,398	517	172	—	5,974	504	1,443	591	159	1,590	826
3500 - 4000	11,912	11,474	295	143	—	6,930	542	1,368	577	167	1,531	797
4000 - 4500	11,928	11,702	158	68	—	7,381	638	1,107	538	188	1,310	766
4500 - 5000	9,854	9,738	67	49	—	6,346	529	847	454	153	920	605
5000 - 5500	7,021	6,929	40	52	—	4,630	377	625	324	108	579	378
5500 - 6000	4,681	4,645	15	21	—	3,049	270	425	235	91	353	258
6000 - 6500	3,193	3,162	15	16	—	2,005	177	348	174	73	242	174
6500 - 7000	2,332	2,314	2	16	—	1,410	128	289	149	58	174	124
7000 - 7500	1,660	1,646	1	13	—	980	108	198	113	40	117	104
7500 - 8000	1,199	1,188	2	9	—	706	70	172	94	35	62	60
8000 - 8500	884	874	2	8	—	504	47	121	73	28	65	46
8500 - 9000	666	661	1	4	—	369	48	93	49	25	41	41
9000 - 9500	447	438	3	6	—	240	22	73	43	15	27	27
9500 - 10000	341	336	1	4	—	167	17	68	35	21	13	20
Over 10000	1,206	1,198	—	8	—	478	44	289	152	66	102	75
<b>TOTALS</b>	<b>135,649</b>	<b>126,253</b>	<b>5,562</b>	<b>3,804</b>	<b>30</b>	<b>79,338</b>	<b>6,154</b>	<b>18,791</b>	<b>6,955</b>	<b>1,916</b>	<b>14,856</b>	<b>7,639</b>

<sup>(1)</sup> Type of Retirement

A - Service

B - Disability

C - Survivor Benefit

D - Supplemental payments to retirees who belonged to a local retirement system.

<sup>(2)</sup> Refer to Summary of Plan Provisions, beginning on page 11 for descriptions of Options.



# OPERATING INFORMATION

continued

## Retirement Payments by County of Residence During Fiscal Year 2020

County	Number of Retirees	FY20 Total Gross Pay (in thousands)	County	Number of Retirees	FY20 Total Gross Pay (in thousands)
Appling	346	\$ 12,885	Dade	136	\$ 4,364
Atkinson	96	3,599	Dawson	313	12,562
Bacon	180	6,499	Decatur	382	13,854
Baker	54	1,828	DeKalb	6,681	290,495
Baldwin	829	29,630	Dodge	315	10,842
Banks	209	7,148	Dooly	157	5,660
Barrow	801	26,849	Dougherty	1,659	64,189
Bartow	1,145	40,384	Douglas	1,060	38,154
Ben Hill	286	9,547	Early	236	8,946
Berrien	269	8,983	Echols	46	1,363
Bibb	1,992	72,800	Effingham	587	17,766
Bleckley	323	10,722	Elbert	334	10,935
Brantley	194	6,580	Emanuel	428	15,798
Brooks	257	8,687	Evans	169	5,628
Bryan	361	11,534	Fannin	449	16,642
Bulloch	1,576	57,762	Fayette	2,027	83,221
Burke	338	11,006	Floyd	1,649	64,261
Butts	283	10,409	Forsyth	1,727	64,658
Calhoun	106	3,715	Franklin	386	14,163
Camden	486	16,836	Fulton	6,892	303,499
Candler	205	6,788	Gilmer	515	19,271
Carroll	1,962	70,446	Glascok	33	1,023
Catoosa	653	21,956	Glynn	1,517	60,145
Charlton	108	3,739	Gordon	639	23,041
Chatham	3,241	118,135	Grady	358	13,353
Chattahoochee	31	1,140	Greene	345	14,849
Chattooga	334	11,220	Gwinnett	6,099	224,876
Cherokee	2,723	101,014	Habersham	684	25,286
Clarke	3,397	149,140	Hall	2,567	101,355
Clay	60	2,336	Hancock	205	6,318
Clayton	1,541	54,152	Haralson	398	13,639
Clinch	115	4,496	Harris	637	24,062
Cobb	6,877	262,901	Hart	464	17,905
Coffee	594	21,511	Heard	137	4,172
Colquitt	679	24,429	Henry	2,124	79,032
Columbia	2,503	92,007	Houston	1,776	65,091
Cook	256	8,853	Irwin	175	6,514
Coweta	1,687	63,387	Jackson	1,128	40,480
Crawford	208	6,902	Jasper	219	7,892
Crisp	348	13,090	Jeff Davis	178	6,598

FY20 Total			FY20 Total		
County	Number of Retirees	Gross Pay (in thousands)	County	Number of Retirees	Gross Pay (in thousands)
Jefferson	243	\$ 8,351	Richmond	3,319	\$ 112,249
Jenkins	145	5,223	Rockdale	982	36,975
Johnson	139	4,872	Schley	65	2,019
Jones	422	15,823	Screven	270	9,381
Lamar	274	9,853	Seminole	166	5,691
Lanier	105	3,617	Spalding	986	36,077
Laurens	809	30,445	Stephens	405	15,231
Lee	457	16,427	Stewart	81	2,869
Liberty	393	12,706	Sumter	582	22,143
Lincoln	197	7,605	Talbot	106	3,247
Long	84	2,497	Taliaferro	21	703
Lowndes	1,760	63,395	Tattnall	230	7,965
Lumpkin	612	22,227	Taylor	132	5,024
Macon	182	5,935	Telfair	187	6,843
Madison	879	26,408	Terrell	145	5,165
Marion	106	3,142	Thomas	759	28,552
McDuffie	362	12,999	Tift	916	34,187
McIntosh	210	7,253	Toombs	392	14,072
Meriwether	291	10,508	Towns	275	10,988
Miller	101	3,531	Treutlen	117	3,915
Mitchell	294	9,981	Troup	916	33,912
Monroe	455	17,088	Turner	178	5,944
Montgomery	171	6,489	Twiggs	99	3,214
Morgan	433	17,336	Union	467	17,932
Murray	406	15,419	Upson	450	15,579
Muscogee	2,656	97,002	Walker	659	21,860
Newton	977	34,781	Walton	1,194	43,818
Oconee	1,583	70,805	Ware	583	21,379
Oglethorpe	522	16,698	Warren	77	2,622
Paulding	1,142	37,157	Washington	309	11,326
Peach	513	20,062	Wayne	450	14,892
Pickens	734	29,299	Webster	37	1,357
Pierce	305	10,430	Wheeler	105	4,099
Pike	336	11,757	White	549	20,881
Polk	515	19,785	Whitfield	1,049	40,513
Pulaski	159	5,854	Wilcox	156	6,064
Putnam	446	17,350	Wilkes	192	6,638
Quitman	29	862	Wilkinson	145	4,807
Rabun	349	14,675	Worth	297	10,370
Randolph	125	4,370	Outside GA	17,249	614,820
Total Benefit Payments					\$ 5,192,283

# OPERATING INFORMATION

continued



## Principal Participating Employers

Employers	2020			2011		
	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
State of Georgia	39,237	1	16.98 %	—	—	— %
Gwinnett County Schools	17,686	2	7.66 %	16,115	1	7.45 %
Cobb County Schools	11,640	3	5.04 %	11,219	2	5.20 %
Dekalb County Schools	11,487	4	4.97 %	10,709	3	4.95 %
Fulton County Schools	10,084	5	4.36 %	9,471	4	4.38 %
Atlanta Public Schools	5,243	6	2.27 %	5,425	6	2.51 %
Clayton County Schools	5,109	7	2.21 %	5,234	7	2.42 %
Forsyth County Schools	4,523	8	1.96 %	—	—	— %
Chatham County Schools	4,485	9	1.94 %	4,314	8	2.00 %
Henry County Schools	4,283	10	1.85 %	3,974	9	1.84 %
Muscogee County School District	—	—	—	3,817	10	1.77 %
University of Georgia	*	—	*	7,613	5	3.52 %
<b>Top 10</b>	<b>113,777</b>		<b>49.24 %</b>	<b>77,891</b>		<b>36.04 %</b>
<b>Total</b>	<b>231,047</b>		<b>100.00 %</b>	<b>216,167</b>		<b>100.00 %</b>

\* Amount is included in State of Georgia totals

Note: GASB Statement No. 67 was implemented during the fiscal year ended June 30, 2014 and required legally separate employers within the same financial reporting entity to be treated as a single employer for reporting purposes. Therefore, information presented for fiscal years prior to implementation is not comparable with information presented for fiscal years after implementation.

## Reporting Entities

### *Universities and Colleges*

Abraham Baldwin Agricultural College  
 Albany State University  
 Atlanta Metropolitan State College  
 Augusta University  
 Clayton College & State University  
 College of Coastal Georgia  
 Columbus State University  
 Cooperative Extension Service  
 Dalton State College  
 East Georgia State College  
 Fort Valley State University  
 Georgia College & State University  
 Georgia Gwinnett College  
 Georgia Highlands College  
 Georgia Institute of Technology  
 Georgia Southern University  
 Georgia Southwestern State University  
 Georgia State University  
 Gordon College  
 Kennesaw State University  
 Middle Georgia State College  
 Savannah State University  
 South Georgia State College  
 The University of Georgia  
 University of North Georgia  
 University of West Georgia  
 Valdosta State University

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

### *Boards of Education*

Appling County  
 Atkinson County  
 Atlanta Public  
 Bacon County  
 Baker County  
 Baldwin County  
 Banks County  
 Barrow County  
 Bartow County  
 Ben Hill County  
 Berrien County  
 Bibb County



# OPERATING INFORMATION

*continued*

Dodge County	Laurens County
Dooly County	Lee County
Dougherty County	Liberty County
Douglas County	Lincoln County
Dublin City	Long County
Early County	Lowndes County
Echols County	Lumpkin County
Effingham County	Macon County
Elbert County	Madison County
Emanuel County	Marietta City
Evans County	Marion County
Fannin County	McDuffie County
Fayette County	McIntosh County
Floyd County	Meriwether County
Forsyth County	Miller County
Franklin County	Mitchell County
Fulton County	Monroe County
Gainesville City	Montgomery County
Gilmer County	Morgan County
Glascock County	Murray County
Glynn County	Muscogee County
Gordon County	Newton County
Grady County	Oconee County
Greene County	Oglethorpe County
Griffin-Spalding County	Paulding County
Gwinnett County	Peach County
Habersham County	Pelham City
Hall County	Pickens County
Hancock County	Pierce County
Haralson County	Pike County
Harris County	Polk School District
Hart County	Pulaski County
Heard County	Putnam County
Henry County	Quitman County
Houston County	Rabun County
Irwin County	Randolph County
Jackson County	Richmond County
Jasper County	Rockdale County
Jeff Davis County	Rome City
Jefferson City	Schley County
Jefferson County	Screven County
Jenkins County	Seminole County
Johnson County	Social Circle City
Jones County	Stephens County
Lamar County	Stewart County
Lanier County	Sumter County

Talbot County  
 Taliaferro County  
 Tattnall County  
 Taylor County  
 Telfair County  
 Terrell County  
 Thomas County  
 Thomaston-Upson County  
 Thomasville City  
 Tift County  
 Toombs County  
 Towns County  
 Treutlen County  
 Trion City  
 Troup County  
 Turner County  
 Twiggs County  
 Union County  
 Valdosta City  
 Vidalia City  
 Walker County  
 Walton County  
 Ware County  
 Warren County  
 Washington County  
 Wayne County  
 Webster County  
 Wheeler County  
 White County  
 Whitfield County  
 Wilcox County  
 Wilkes County  
 Wilkinson County  
 Worth County

## **Public Libraries**

Athens Regional Library  
 Augusta Richmond County Library  
 Barnesville-Lamar County Library  
 Bartow County Library  
 Bartram Trail Regional Library  
 Brooks County Library  
 Catoosa County Library  
 Chattooga County Public Library  
 Cherokee Regional Library

Chestatee Regional Library  
 Clayton County Regional Library  
 Coastal Plains Regional Library  
 Cobb County Public Library  
 Conyers-Rockdale Library System  
 Coweta Public Library  
 DeKalb County Public Library  
 DeSoto Trail Regional Library  
 Dougherty County Public Library  
 Elbert County Library  
 Flint River Regional Library  
 Forsyth County Public Library  
 Gwinnett County Public Library  
 Hall County Library  
 Hart County Library  
 Henry County Library  
 Houston County Public Library  
 Jefferson County Library System  
 Kinchafoonee Regional Library  
 Lake Blackshear Regional Library  
 Lee County Library  
 Lincoln County Library  
 Live Oak Public Libraries  
 Mary Vinson Memorial Library  
 Middle Georgia Regional Library  
 Moultrie-Colquitt County Library  
 Mountain Regional Library  
 Newton County Library  
 Northeast Georgia Regional Library  
 Northwest Georgia Regional Library  
 Ocmulgee Regional Library  
 Oconee Regional Library  
 Ochopee Regional Library  
 Okefenokee Regional Library  
 Peach Public Library  
 Piedmont Regional Library  
 Pine Mountain Regional Library  
 Roddenbery 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

# OPERATING INFORMATION

*continued*

Three Rivers Regional Library  
Troup-Harris-Coweta Regional Library  
Uncle Remus Regional Library  
Warren County Public Library  
West Georgia Regional Library  
Worth County Library System

## ***Technical Colleges***

Albany Technical Institute  
Athens Technical College  
Atlanta Technical College  
Augusta Technical Institute  
Central Georgia Technical College  
Chattahoochee Technical College  
Coastal Pines Technical College  
Columbus Technical Institute  
Georgia Piedmont Technical College  
Georgia Northwestern Technical College  
Gwinnett Technical College  
Lanier Technical College  
North Georgia Technical Institute  
Oconee Fall Line Technical College  
Ogeechee Technical College  
Savannah Technical College  
South Georgia Technical College  
Southeastern Technical College  
Southern Crescent Technical College  
Southern Regional Technical College  
West Georgia Technical College  
Wiregrass 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

## ***Charter Schools***

Academy for Classical Education, Inc.  
Amana Academy  
Atlanta Classical Academy  
Atlanta Heights Charter School  
Atlanta Neighborhood Charter School, Inc.  
Baconton Community Charter School  
Brighten Academy  
Brookhaven Innovation Academy  
Centennial Academy  
Charles Drew Charter School  
Charter Conservatory for Liberal Arts and Technology  
Chattahoochee Hills Charter School, Inc.  
Cherokee Charter Academy  
Cirrus Academy  
Coastal Plains Education Center  
Coweta Charter Academy  
DeKalb Academy of Technology and Environment  
DeKalb Path Academy  
DeKalb Preparatory Academy  
Dubois Integrity Academy  
Ethos Classical Charter School  
Foothills Education Charter High School  
Fulton Academy of Science and Technology  
Fulton Leadership Academy  
Furlow Charter School  
Genesis Innovation Academy for Boys  
Genesis Innovation Academy for Girls  
Georgia Connections Academy  
Georgia Cyber Academy  
Georgia High School for Accelerated Learning  
Georgia Magnet Charter School  
Georgia Online Academy, Inc.  
Georgia School for Innovation and the Classics  
International Academy of Smyrna Charter School  
International Charter Academy of Georgia  
International Charter School of Atlanta  
International Community School

Ivy Preparatory Academy for Girls  
 Kennesaw Charter Science and Math Academy  
 Kipp Metro Atlanta Collaborative  
 Latin College Prep  
 Latin Grammar School  
 Leadership Preparatory Academy Charter School  
 Liberty Technical Charter School  
 Main Street Academy  
 Mountain Education Center Inc.  
 Museum School of Avondale  
 North Metro Academy of Performing Arts  
 New Life Academy of Excellence Inc.  
 Odyssey Charter School  
 Pataula Charter Academy  
 Purpose Built Schools of Atlanta  
 Sail Charter School  
 Savannah Classical Academy  
 Scintilla Charter Academy  
 Seven Pillars Career Academy  
 SLAM Academy of Atlanta  
 Southwest Georgia STEM Charter  
 Spring Creek Charter Academy  
 Resurgence Hall  
 Tapestry Public Charter School  
 The Globe Academy  
 The Kindezi School  
 Utopian Academy for the Arts  
 Wesley International Academy  
 Westside Atlanta Charter School

## **State Agencies**

Board of Regents  
 Department of Administrative Service  
 Department of Agriculture  
 Department of Behavioral Health and Development Disability  
 Department of Community Health  
 Department of Corrections  
 Department of Human Services  
 Department of Natural Resources  
 Department of Public Health  
 Department of Public Safety  
 Georgia Agricultural Exposition Authority  
 Georgia Building Authority  
 Georgia Bureau of Investigation  
 Georgia Department of Audits

Georgia Department of Community Supervision  
 Georgia Department of Defense  
 Georgia Department of Driver Services  
 Georgia Department of Early Care and Learning  
 Georgia Department of Economic Development  
 Georgia Department of Education  
 Georgia Department of Juvenile Justice  
 Georgia Department of Labor  
 Georgia Department of Law  
 Georgia Department of Revenue  
 Georgia Department of Transportation  
 Georgia General Assembly  
 Georgia Military College  
 Georgia Public Defender Standards Council  
 Georgia Public Telecommunications Commission  
 Georgia Student Finance Commission  
 Governor's Office of Planning and Budget  
 Jekyll Island State Park Authority  
 Prosecuting Attorneys' Council of Georgia  
 Secretary of State  
 State Accounting Office  
 Technical College System of Georgia

## **Other**

Ben Hill County DFACS  
 Cherokee County Board of Health  
 Clarke County DFACS  
 Clayton Center Community Service Board  
 DeKalb County DFACS  
 Department of Family and Children Services Region IX  
 Douglas County DFACS  
 East Central Health District  
 Effingham County Tax Commissioner Office  
 Floyd County DFACS  
 Glynn County Health Dept  
 Hart Count Board of Health  
 Newton County DFACS  
 Northwest Georgia Public Health  
 Richmond County DFACS  
 Tift County Board of Health  
 Ware County Health Department  
 Whitfield County Board of Health





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