

# *The Retirement Systems of Alabama*

**Component Units of the State of Alabama**

## *Comprehensive Annual Financial Report*

*For the Fiscal Year Ended September 30, 2005*

**Front Cover: Robert Trent Jones Golf Trail / The Shoals / Muscle Shoals / Schoolmaster Course, 18<sup>th</sup> Hole**

**Back Cover: Robert Trent Jones Golf Trail / The Shoals / Muscle Shoals / Fighting Joe Course, 18<sup>th</sup> Hole**

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# The Retirement Systems of Alabama

Component Units of the State of Alabama

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2005

The Retirement Systems of Alabama  
Consists of:

TEACHERS' RETIREMENT SYSTEM of ALABAMA  
EMPLOYEES' RETIREMENT SYSTEM of ALABAMA  
JUDICIAL RETIREMENT FUND

(Each a Component Unit of The State of Alabama)

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David G. Bronner, Ph.D., J.D., Chief Executive Officer

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# INTRODUCTORY SECTION

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# Retirement Systems of Alabama



**Teachers'**  
Paul R. Hubbert, Chair  
Sarah Swindle, Vice Chair

David G. Bronner, CEO  
Marcus H. Reynolds, Jr., Deputy

**Employees'**  
State State Police Public Judicial  
Bob Riley, Chair  
John H. Wilkerson, Jr., Vice Chair

March 19, 2006

The Boards of Control  
Teachers' Retirement System of Alabama  
Employees' Retirement System of Alabama  
135 South Union Street  
Montgomery, AL 36130

Dear Board Members:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2005. The Retirement Systems of Alabama includes the Teachers' Retirement System of Alabama (TRS), the Employees' Retirement System of Alabama (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama Comprehensive Annual Financial Report.

Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the management of the Systems. Sufficient internal controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements, supporting schedules, and statistical tables. I trust that you and the members of the Systems will find this report helpful in understanding your retirement system.

## Report Contents

The 2005 Comprehensive Annual Financial Report is divided into the following five sections:

- The *Introductory Section*, which contains this letter of transmittal and general information regarding the operations and administrative structure of the RSA.
- The *Financial Section*, which contains the Independent Auditors' Report by KPMG LLP, Management's Discussion and Analysis, financial statements, required supplementary information, and supporting schedules for the TRS, ERS, and JRF.
- The *Investment Section*, which contains a report on investment activity, an outline of investment policies, investment results, and various investment schedules.
- The *Actuarial Section*, which contains the certification letter of the independent consulting actuary, Cavanaugh Macdonald Consulting, LLC, for the TRS, ERS, and JRF, as well as summaries of the results of the most recent actuarial valuations.
- The *Statistical Section*, which contains significant statistical information regarding the TRS, ERS, and JRF.



#### **Administration and Plan History**

The TRS, ERS, and JRF operate under common management and are collectively referred to as the Retirement Systems of Alabama (RSA). In addition to executive management, the TRS, ERS, and JRF share investment management, accounting, and information system services, the costs of which are allocated to the funds on an equitable basis. The TRS was established under the provisions of Act 419 of the Legislature of 1939 to provide benefits to qualified persons employed by State-supported educational institutions. The ERS was established under the provisions of Act 515 of the Legislature of 1945 to provide benefits to State employees, State police, and, on an elective basis, to qualified persons of cities, towns, and quasi-public organizations. The JRF was established under the provisions of Act 1163 of the Legislature of 1973 to provide benefits to qualified judges and justices. Additional information regarding the administration and history of each system, including laws establishing each plan and services provided, can be found in the *Financial Section - Notes to the Financial Statements* portion of this report.

#### **Financial Information**

*Accounting Method* - As required by Generally Accepted Accounting Principles (GAAP), the financial information of the TRS, ERS, and JRF is reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the corresponding liability is incurred. Investments are reported at fair value.

*Internal Controls* - The management of the RSA is responsible for maintaining the system of internal controls (system). The system provides management with reasonable, but not absolute, assurance regarding the safeguarding of assets against loss or unauthorized disposition and the reliability of the financial records from which the financial reports are prepared. The concept of reasonable assurance recognizes that the cost of a control should not exceed the resulting benefits.

*Summary Comparative Data* – Management’s Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes, and required supplementary information, and summary comparative data for fiscal years 2005 and 2004. Also, an analysis of significant variances between fiscal years 2005 and 2004 is provided in the MD&A.

#### **Plan Financial Condition**

The funding objective of the RSA pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Historical information concerning funding progress is presented in the *Required Supplementary Information* - “Schedule of Funding Progress” on page 39.

At the date of the latest actuarial valuations, as presented in the *Notes to the Required Supplementary Information* on page 41, the number of participants in the TRS, ERS, and JRF was 207,336, 122,194, and 649, respectively. The TRS’s, ERS’s, and JRF’s last valuations were performed as of September 30, 2004. The TRS’s funded percentage decreased from 93.6% at June 30, 2003 to 89.6% at September 30, 2004. The ERS’s funded percentage decreased from 91.1% at September 30, 2003 to 89.7% at September 30, 2004. The JRF’s funded percentage decreased from 86.6% at September 30, 2003 to 85.9% at September 30, 2004.

#### **Investment Activity**

Total investments for the RSA increased in fiscal year 2005, primarily due to increases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2005 were \$18.0 billion, \$8.4 billion and \$231 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2004 of \$16.6 billion, \$7.7 billion, and \$219.3 million, respectively. Total pension fund investments managed by the RSA increased from \$24.6 billion at September 30, 2004 to \$26.6 billion at September 30, 2005, an 8.1% increase.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2005 was \$624.4 million, \$295.6 million, and \$7.4 million, respectively, compared to \$580.0 million, \$268.9 million, and \$7.2 million, respectively, for the fiscal year ended September 30, 2004. The increase in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2005 was \$1.2 billion, \$545.8 million and \$11.9 million, respectively, compared to the increase in fair value of investments of \$1.1 billion, \$458.0 million, and \$14.7 million, respectively, for the fiscal year ended September 30, 2004. Additional information concerning investments, including investment policies and procedures are located in the Investment Section.

The staff will continue to purchase and develop investments that will facilitate the mission of the RSA and serve the interests of our members by preserving the excellent benefits and soundness of the RSA while providing these at the least expense to the State of Alabama and all Alabama taxpayers. With the continued cooperative efforts of the Boards of Control, the RSA staff, and the Legislature, this goal will be achieved.

#### **Management's Discussion and Analysis**

GASB Statement No. 34 requires that management provide a narrative introduction, overview, and analysis to accompany the Financial Statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

#### **Legislation Enacted During Fiscal-Year 2005**

Act 2005-299 provides that any person serving as an elected official who has retired from the TRS or ERS may serve for compensation in an elected public office with the state, a county or an incorporated municipality without suspension of retirement benefits provided that under no circumstances shall such a person participate in or accrue additional benefits under the TRS, ERS, a supernumerary plan, or any other retirement plan funded by public funds; provided that under no circumstances shall a person whose retirement is based upon service as an elected official continue in or return to such office and receive both the pension benefits and salary; provided further, that this subsection shall apply to elected officials whose participation in the TRS or ERS is constitutionally required to be upon the same terms and conditions as specified by law for other employees in the retirement system if such elected official's compensation does not exceed the annual earnings limit set out above.

The responsibility for compliance with this section is placed upon the employing authority, and each person employed under this section shall certify to the employer any information required in order to carry out this section.

#### **Professional Services**

Professional consultants are appointed by the Boards of Control to perform professional services that are essential to the effective operation of the TRS, ERS, and JRF. The certification letters from the independent actuary are included in this report. The professional consultants appointed by the Boards of Control are listed on page 9 of this report.

#### **Financial Statement Audit**

KPMG LLP, Certified Public Accountants, have issued an unqualified ("clean") opinion on the RSA's financial statements for the fiscal year ended September 30, 2005. The independent auditors' report is located at the front of the financial section of this report.

#### **Highlights and Initiatives**

During the fiscal year, the RSA's holdings in the media sector grew once again. Community Newspaper Holdings Inc., one of the nation's largest newspaper companies by number of papers, expanded during the year by purchasing the Eagle-Tribune Company. Raycom Media also expanded its broadcast holdings by purchasing 15 stations from Liberty Corporation. The company is concurrently planning to sell 12 stations to more effectively focus on and strengthen its core group of television stations in the Southeast and Midwest.

Real estate continued to be an active area for the RSA during the fiscal year. In Mobile, construction continues on the Battle House Tower. When completed in 2006, the 35-story office tower will be the tallest building in the state of Alabama. The Renaissance Ross Bridge Resort and Spa on the Robert Trent Jones Golf Trail and the four-star The Marriott Shoals Hotel and Spa on the Robert Tent Jones Golf Trail were completed and are now open for business. A partnership between the city of Montgomery and the RSA will continue the revitalization of downtown Montgomery with a project that includes a 12-story, 347-room hotel, spa and performing arts theater; the Montgomery Civic Center will be expanded and a 600-car parking deck will be built as well. Finally, the RSA continued its improvement of one of its top performing investments, 55 Water, with the addition of the "Elevated Acre Park", which the *New York Times* labeled a "must see" and a vast improvement to lower Manhattan.

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Finally, on the heels of the RSA's successful settlement with advisors in the suit involving WorldCom, the RSA has also successfully settled its case against the advisors of Enron Corporation. The \$49 million settlement represents approximately 89% of the amount it was suing to collect. Like the WorldCom settlement, this recovery is considered very high for a legal settlement related to stocks and bonds of a bankrupt company; normal settlement in such litigation is usually only five to ten cents on the dollar. The RSA has and will continue to be committed to preserving the integrity of the financial markets.

#### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its comprehensive annual financial report for the fiscal year ended September 30, 2004. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive financial report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements.

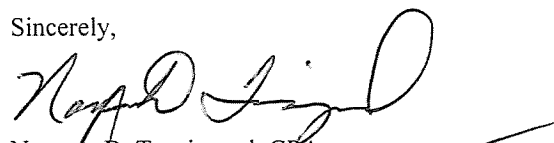
A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we are submitting it to the GFOA.

#### **Acknowledgments**

The compilation of this report reflects the combined effort of the staff under the leadership of the Boards of Control. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship of the funds of the TRS, ERS, and JRF.

I would like to take this opportunity to express my gratitude to the staff, the Boards of Control, the consultants, the Legislature, and to the many people who have worked so diligently through continued cooperative efforts to assure the successful operation and financial soundness of the TRS, ERS, and JRF.

Sincerely,



Norman D. Turnipseed, CFA  
Chief Accountant & Fiscal Officer



David G. Bronner, Ph.D., J.D.  
Chief Executive Officer

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## The Retirement Systems of Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Nancy L. Zjelke*

President

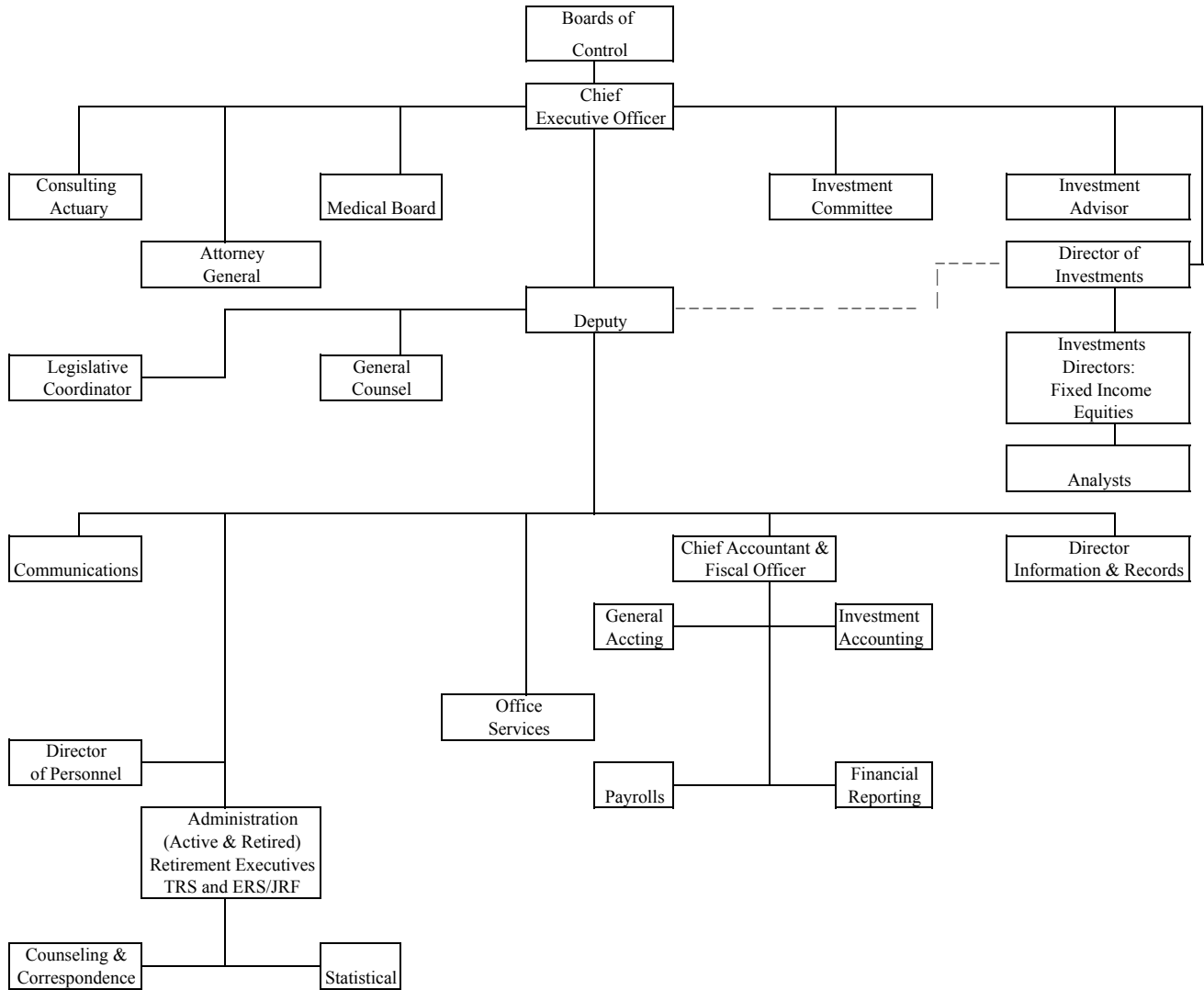
*Jeffrey R. Enner*

Executive Director

# RETIREMENT SYSTEMS OF ALABAMA

## Introductory Section

### Organization Chart



**Teachers' Retirement System Board of Control**

**Ex Officio Members**

Chairman, Dr. Paul R. Hubbert, Executive Secretary, AEA  
Jim Main, State Finance Director  
Kay Ivey, State Treasurer  
Dr. Joseph Morton, State Superintendent of Education

**Elected Members**

Vice-Chairman, Mrs. Sarah Swindle, Retired Position  
Ms. Judy Rigdon, Teacher Position  
Dr. Susan Williams Brown, Postsecondary Position  
Ms. Judy West Bell, Teacher Position  
Dr. J. Terry Jenkins, Superintendent Position  
Mr. Clyde Goode, Principal Position  
Ms. Sallie B. Cook, Retired Position  
Mr. Russell J. Twilley, Support Personnel Position  
Mrs. Peggy K. Lamb, Teacher Position  
Mrs. Sharon P. Saxon, Support Personnel Position

**Employees' Retirement System Board of Control\*\***

**Ex Officio Members**

Chairman, Bob Riley, Governor  
Jim Main, State Finance Director  
Kay Ivey, State Treasurer  
Jackie Graham, State Personnel Director

**Elected Members**

Mr. Clyde Sellers, Retired Local Employee  
Mrs. Ann Gant, Active Local Employee  
Mr. Ronald Matthews, Active Local Employee  
Ms. Mary Lou Foster, Retired State Employee  
Ms. Alice Thornton, Active State Employee  
Mr. Stephen C. Walkley, Active State Employee

**Appointed Members**

Vice-Chairman, Mr. John H. Wilkerson, Jr.  
Mr. Robert H. Pruitt  
Mr. Robert S. Miller

\*\* The Employees' Retirement System Board of Control is responsible for the administration of both the Employees' Retirement System and the Judicial Retirement Fund.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Introductory Section*

#### Staff, Advisors, and Medical Board

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#### **Staff, Advisors, and Medical Board**

David G. Bronner, Ph.D., J.D., Chief Executive Officer

Marcus H. Reynolds, Jr., J.D., Deputy Director

#### **Administrative Staff**

Chief Accountant and Fiscal Officer, Norman D. Turnipseed, M.B.A., C.P.A.

Director of Information Technology Services, Peggi L. Douglass, M.B.A.

Teachers' Retirement Executive, Donald L. Yancey, M.P.A., J.D.

Employees' & Judicial Retirement Executive, R. Donald Nelson, M.S.

Legislative Counsel, Lindy J. Beale, J.D.

General Counsel, William F. Kelley, Jr., J.D.

General Counsel, William T. Stephens, J.D.

Director of Communications, Michael E. Pegues, M.A.

#### **Investment Staff**

Director of Investments, Marc Green, M.B.A., C.F.A.

Director of Alternative Investments, M. Hunter Harrell, M.B.A., J.D., C.F.A.

Assistant Director of Equities, Steven R. Lambdin, M.B.A., C.P.A., C.F.A.

Assistant Director of Equities, Eric J. Fox, M.B.A., C.F.A.

Director of Fixed Income, Julie S. Barranco, M.B.A., C.F.A.

Equity Analyst, Zach Turnage, C.F.A.

Equity Analyst, G. Allan Carr Jr., M.B.A., C.F.A.

Equity Analyst, Kevin W. Gamble, M.B.A., C.F.A.

Equity Analyst, Keith Buchanan

Equity Analyst, Adam Rogers, M.B.A.

Fixed Income Analyst, C. Lance Lachney, M.B.A., C.F.A.

Fixed Income Analyst, Joseph G. Walker, M.B.A., C.F.A.

Cash Management & Operations, Nancy H. Sprayberry

#### **Advisors**

Independent Certified Public Accountants, KPMG LLP

AmSouth Bank, N.A., Mr. Brian Sullivan, Investment Consultant

State Street, Investment Custodian

Cavanaugh Macdonald, Mr. Edward A. Macdonald

Attorney General, Mr. Troy King

Chief Examiner, Mr. Ronald L. Jones

#### **Medical Board**

Chairman, Neil Stronach, M.D.

Malcolm Brown, M.D.

Glen Yates, M.D.





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# FINANCIAL SECTION

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**KPMG LLP**  
SouthTrust Tower  
Suite 1800  
420 20<sup>th</sup> Street North  
Birmingham, AL 35203

## **Independent Auditors' Report**

Boards of Control  
Teachers' Retirement System of Alabama  
Employees' Retirement System of Alabama  
Judicial Retirement Fund:

We have audited the accompanying combining statement of plan net assets of the Retirement Systems of Alabama (consisting of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama, and the Judicial Retirement Fund), component units of the State of Alabama, as of September 30, 2005, and the related combining statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the Retirement Systems of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Retirement Systems of Alabama's 2004 financial statements and, in our report dated March 9, 2005, we expressed an unqualified opinion on such financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement Systems of Alabama's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Systems of Alabama (component units of the State of Alabama) as of September 30, 2005, and the results of their operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 14 through 17 and the schedules of funding progress and employer contributions (pages 38 to 41) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 42 through 44 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

March 8, 2006

## Management's Discussion and Analysis

The Retirement Systems of Alabama (RSA) is comprised of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). The following discussion provides an overview of the financial position and results of operation for the RSA as of and for the period ended September 30, 2005, respectively. For more detailed information, please refer to the financial statements, including the Notes to the Financial Statements and the Required Supplementary Information.

### Financial Statements and Required Supplementary Information

The financial statements (statements) include the Combining Statement of Plan Net Assets and the Combining Statement of Changes in Plan Net Assets. The Notes to the Financial Statements are considered an integral part of the financial statements. The statements are prepared using the economic resources measurement focus and accrual basis of accounting. Revenues are recognized when earned, pursuant to plan requirements, and expenses are recognized when incurred, regardless of when cash is received or expended. Investments are reported at fair value.

Combining Statement of Plan Net Assets – Includes all accounting assets and liabilities of the RSA and provides a snapshot of the financial position of the RSA as of the end of the fiscal year. Assets less liabilities results in the net assets held in trust for pension benefits at fiscal year-end.

Combining Statement of Changes in Plan Net Assets – Reports all additions and deductions of the RSA for the fiscal year. Additions primarily consist of employer contributions, employee contributions, and investment income. Deductions are principally made up of retirement allowance payments. Additions minus deductions provide the change in plan net assets for the fiscal year. The change in plan net assets plus the beginning plan net assets results in the plan net assets at fiscal year-end.

The Notes to the Financial Statements include plan descriptions, a summary of significant accounting policies, a description of legally required reserves and corresponding reserve balances at year-end, credit risk disclosures for cash and investments, concentration of investments disclosures, and securities lending disclosures.

The Required Supplementary Information following the Notes to the Financial Statements includes a Schedule of Funding Progress and a Schedule of Employer Contributions. The Schedule of Funding Progress provides trend data on the level of funding for the TRS, ERS, and JRF plans. The Schedule of Employer Contributions provides trend data on the annual required employer contributions and the percentage actually contributed. The Notes to the Required Supplementary Information provide disclosures concerning actuarial assumptions.

### Comparative Summary Statements

#### Summary Comparative Statement of Plan Net Assets As of September 30, 2005 and 2004 (Amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b><i>Assets</i></b>				
Cash	\$ 17,114	\$ 20,514	\$ (3,400)	(16.57)
Receivables	277,289	285,573	(8,284)	(2.90)
Investments	26,573,524	24,564,620	2,008,904	8.18
Invested Securities Lending Collateral	2,124,251	1,640,485	483,766	29.49
Property and Equipment	<u>5,102</u>	<u>4,615</u>	<u>487</u>	10.55
Total Assets	<u>28,997,280</u>	<u>26,515,807</u>	<u>2,481,473</u>	9.36
<b><i>Liabilities</i></b>				
Accounts Payable and Other Liabilities	6,579	4,862	1,717	35.31
Securities Lending Collateral	<u>2,124,251</u>	<u>1,640,485</u>	<u>483,766</u>	29.49
Total Liabilities	<u>2,130,830</u>	<u>1,645,347</u>	<u>485,483</u>	29.51
<b><i>Net Assets</i></b>	<u><u>\$ 26,866,450</u></u>	<u><u>\$ 24,870,460</u></u>	<u><u>\$ 1,995,990</u></u>	<b>8.03</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Management's Discussion and Analysis (Continued)

#### Summary Comparative Statement of Changes in Plan Net Assets For the Fiscal Years Ended September 30, 2005 and 2004

(Amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>Additions</b>				
Employee Contributions	\$ 420,627	\$ 421,057	\$ (430)	(0.10)
Employer Contributions	552,651	492,181	60,470	12.29
Investment Income	2,706,758	2,382,036	324,722	13.63
Transfers Between Systems	<u>4,940</u>	<u>3,785</u>	<u>1,155</u>	30.52
Total Additions	<u>3,684,976</u>	<u>3,299,059</u>	<u>385,917</u>	11.70
<b>Deductions</b>				
Retirement Allowance Payments	1,598,272	1,454,322	143,950	9.90
Return of Contributions, Unit Withdrawals, and Death Benefits	67,361	71,290	(3,929)	(5.51)
Transfers Between Systems	4,940	3,785	1,155	30.52
Administrative Expenses	17,651	13,597	4,054	29.82
Depreciation	<u>762</u>	<u>708</u>	<u>54</u>	7.63
Total Deductions	<u>1,688,986</u>	<u>1,543,702</u>	<u>145,284</u>	9.41
<b>Increase in Plan Net Assets</b>	1,995,990	1,755,357	240,633	13.71
Net Assets - Beginning of Year	<u>24,870,460</u>	<u>23,115,103</u>	<u>1,755,357</u>	7.59
<b>Net Assets - End of Year</b>	<u><b>\$ 26,866,450</b></u>	<u><b>\$ 24,870,460</b></u>	<u><b>\$ 1,995,990</b></u>	<b>8.03</b>

#### Comparison of Individual Plan Net Assets As of September 30, 2005 and 2004

(Amounts in Thousands)

	<u>2005</u>	<u>2004</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>TRS</b>	\$ 18,168,523	\$ 16,853,149	\$ 1,315,374	7.80
<b>ERS</b>	8,464,515	7,795,598	668,917	8.58
<b>JRF</b>	<u>233,412</u>	<u>221,713</u>	<u>11,699</u>	5.28
<b>Totals</b>	<u><b>\$ 26,866,450</b></u>	<u><b>\$ 24,870,460</b></u>	<u><b>\$ 1,995,990</b></u>	<b>8.03</b>

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Management's Discussion and Analysis (Continued)

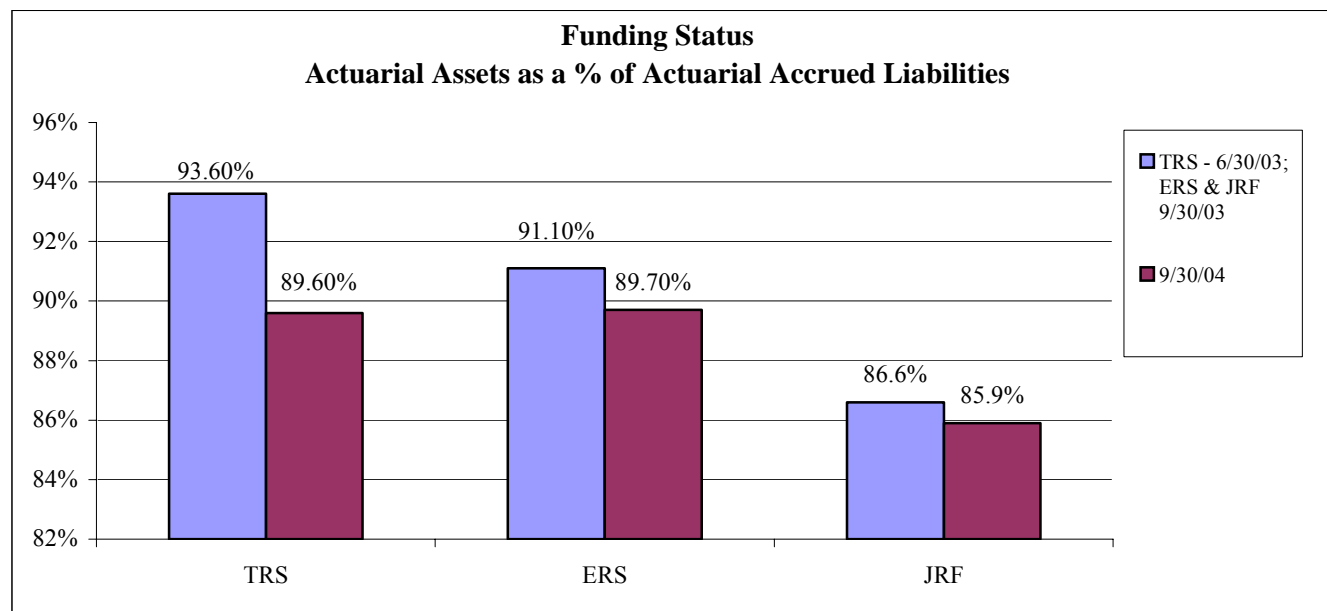
##### **Financial Analysis**

- While total receivables decreased slightly, interest and dividends receivables decreased by 8.7% primarily as a result of restructuring and liquidation of debt toward the end of the fiscal year.
- Assets and liabilities related to securities lending increased as a result of greater securities lending activities.
- Investments and investment income increased mainly as a result of increases in the fair value of investments and increases in the interest rates of fixed maturity investments.
- Employer contributions increased mostly as a result of increased employer contribution rates.
- Retirement allowance payments increased by \$144 million primarily due to new retirees and the first members participating in the Deferred Retirement Option Plan (DROP) became eligible for disbursements from the DROP.

##### **Funding Status**

The primary objective of a retirement system is to accumulate sufficient assets to pay benefits to participants when due. The principal sources of assets to fund benefits include investment income and member and employer contributions. A five-year smoothing method is used in actuarially valuing assets to limit fluctuations in the contributions from year to year.

The ratio of actuarial assets to actuarial liabilities provides an excellent indication as to whether sufficient assets are being accumulated to pay benefits when due. The following bar graph provides comparisons of the funded ratio (actuarial assets to actuarial liabilities) as of the last two valuations for each System (September 30, 2004 and June 30, 2003, for TRS and September 30, 2004 and September 30, 2003, for ERS and JRF). The funded ratio has decreased slightly in the most recent valuations as a result of the continued amortization of losses in fair value of investments that occurred in fiscal years 2001 and 2002. Since a five-year smoothing method is employed to value assets, the funded ratio is likely to continue to decrease over the next few years as the recent losses are incorporated into the smoothing calculations. However, as reflected by the following graph, the TRS, ERS, and JRF continue to operate on an actuarially sound basis and accumulated funds are sufficient to continue to provide benefits as they become due.



## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Management's Discussion and Analysis (Continued)

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##### **Financial Highlights**

- Total assets exceeded total liabilities at September 30, 2005, by \$26.9 billion. Net assets are held in trust to meet future benefit payments.
- The funding level (actuarial value of assets as a percent of actuarial accrued liabilities) as of the latest actuarial valuations was 89.6% for the TRS, 89.7% for the ERS, and 85.9% for the JRF.
- The fair value of investments increased by \$1.8 billion during the fiscal year.
- The investment section contains a detailed schedule of investment returns and related benchmarks.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Combining Statement of Plan Net Assets

September 30, 2005 with comparative figures for 2004

(Amounts in Thousands)

	2005			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Assets</b>				
Cash (Note 4)	\$ 12,508	\$ 3,696	\$ 910	\$ 17,114
Receivables				
Employee Contributions	21,478	10,624	114	32,216
Employer Contributions	30,264	15,042	304	45,610
Dividends and Interest	134,163	64,084	1,216	199,463
Total Receivables	185,905	89,750	1,634	277,289
Investments, at Fair Value (Note 5)				
Domestic Equity Securities	8,329,184	3,861,335	140,393	12,330,912
Domestic Fixed Income Securities	5,030,232	2,327,077	71,211	7,428,520
International Securities	2,523,056	1,068,022	-	3,591,078
Real Estate	1,147,347	553,441	2,473	1,703,261
Short-term Investments	941,540	561,290	16,923	1,519,753
Total Investments	17,971,359	8,371,165	231,000	26,573,524
Invested Securities Lending Collateral (Note 5)	1,460,243	644,950	19,058	2,124,251
Property and Equipment less Accumulated Depreciation (Note 8)	2,873	2,229	-	5,102
Total Assets	19,632,888	9,111,790	252,602	28,997,280
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	4,122	2,325	132	6,579
Securities Lending Collateral (Note 5)	1,460,243	644,950	19,058	2,124,251
Total Liabilities	1,464,365	647,275	19,190	2,130,830
<b>Net Assets Held in Trust for Pension Benefits (Note 3)</b>	<b>\$ 18,168,523</b>	<b>\$ 8,464,515</b>	<b>\$ 233,412</b>	<b>\$ 26,866,450</b>

A "Schedule of Funding Progress" is presented on page 39.

See accompanying Notes to the Financial Statements .



	<b>2004</b>			
	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b><i>Assets</i></b>				
Cash	\$ 15,109	\$ 4,710	\$ 695	\$ 20,514
Receivables				
Employee Contributions	19,840	9,269	110	29,219
Employer Contributions	26,127	11,461	308	37,896
Dividends and Interest	<u>147,543</u>	<u>69,537</u>	<u>1,378</u>	<u>218,458</u>
Total Receivables	<u>193,510</u>	<u>90,267</u>	<u>1,796</u>	<u>285,573</u>
Investments, at Fair Value				
Domestic Equity Securities	7,743,769	3,636,637	126,199	11,506,605
Domestic Fixed Income Securities	4,980,577	2,317,072	73,036	7,370,685
International Securities	1,936,147	832,907	-	2,769,054
Real Estate	1,060,523	512,355	2,429	1,575,307
Short-term Investments	<u>923,947</u>	<u>401,353</u>	<u>17,669</u>	<u>1,342,969</u>
Total Investments	<u>16,644,963</u>	<u>7,700,324</u>	<u>219,333</u>	<u>24,564,620</u>
Invested Securities Lending Collateral	1,098,881	526,821	14,783	1,640,485
Property and Equipment less Accumulated Depreciation	<u>2,599</u>	<u>2,016</u>	<u>-</u>	<u>4,615</u>
Total Assets	<u>17,955,062</u>	<u>8,324,138</u>	<u>236,607</u>	<u>26,515,807</u>
<b><i>Liabilities</i></b>				
Accounts Payable and Other Liabilities	3,032	1,719	111	4,862
Securities Lending Collateral	<u>1,098,881</u>	<u>526,821</u>	<u>14,783</u>	<u>1,640,485</u>
Total Liabilities	<u>1,101,913</u>	<u>528,540</u>	<u>14,894</u>	<u>1,645,347</u>
<b><i>Net Assets Held in Trust for Pension Benefits</i></b>	<b><u>\$ 16,853,149</u></b>	<b><u>\$ 7,795,598</u></b>	<b><u>\$ 221,713</u></b>	<b><u>\$ 24,870,460</u></b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2005 with comparative figures for 2004

(Amounts in Thousands)

	2005			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Additions</b>				
Contributions				
Employee	\$ 260,149	\$ 158,128	\$ 2,350	\$ 420,627
Employer	347,862	195,846	8,943	552,651
Transfers from Teachers' Retirement System	-	1,829	-	1,829
Transfers from Employees' Retirement System	2,707	-	48	2,755
Transfers from Judicial Retirement Fund	-	356	-	356
Total Contributions	<u>610,718</u>	<u>356,159</u>	<u>11,341</u>	<u>978,218</u>
Investment Income (Note 5)				
<i>From Investing Activities</i>				
Net Increase in Fair Value of Investments	1,221,059	545,826	11,877	1,778,762
Interest and Dividends	<u>624,397</u>	<u>295,631</u>	<u>7,420</u>	<u>927,448</u>
Total Investment Income from Investing Activities	1,845,456	841,457	19,297	2,706,210
Less: Investment Expenses	<u>4,278</u>	<u>2,652</u>	<u>2</u>	<u>6,932</u>
Net Investment Income from Investing Activities	<u>1,841,178</u>	<u>838,805</u>	<u>19,295</u>	<u>2,699,278</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	40,399	17,604	422	58,425
Less Securities Lending Expenses:				
Borrower Rebates	33,559	14,948	362	48,869
Management Fees	<u>1,620</u>	<u>448</u>	<u>8</u>	<u>2,076</u>
Total Securities Lending Expenses	<u>35,179</u>	<u>15,396</u>	<u>370</u>	<u>50,945</u>
Net Income from Securities Lending Activities	<u>5,220</u>	<u>2,208</u>	<u>52</u>	<u>7,480</u>
Total Investment Income	<u>1,846,398</u>	<u>841,013</u>	<u>19,347</u>	<u>2,706,758</u>
Total Additions	<u>2,457,116</u>	<u>1,197,172</u>	<u>30,688</u>	<u>3,684,976</u>
<b>Deductions</b>				
Retirement Allowance Payments	1,092,723	487,348	18,201	1,598,272
Return of Contributions and Death Benefits	36,350	30,960	51	67,361
Transfers to Employees' Retirement System	1,829	-	356	2,185
Transfers to Teachers' Retirement System	-	2,707	-	2,707
Transfers to Judicial Retirement Fund	-	48	-	48
Administrative Expenses	10,372	6,898	381	17,651
Depreciation (Note 8)	<u>468</u>	<u>294</u>	<u>-</u>	<u>762</u>
Total Deductions	<u>1,141,742</u>	<u>528,255</u>	<u>18,989</u>	<u>1,688,986</u>
<b>Net Increase</b>	1,315,374	668,917	11,699	1,995,990
<b>Net Assets Held in Trust for Pension Benefits:</b>				
Beginning of Year	<u>16,853,149</u>	<u>7,795,598</u>	<u>221,713</u>	<u>24,870,460</u>
End of Year	<u>\$ 18,168,523</u>	<u>\$ 8,464,515</u>	<u>\$ 233,412</u>	<u>\$ 26,866,450</u>

See accompanying Notes to the Financial Statements .

	2004			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Additions</b>				
Contributions				
Employee	\$ 251,714	\$ 166,973	\$ 2,370	\$ 421,057
Employer	312,474	170,713	8,994	492,181
Transfers from Teachers' Retirement System	-	1,575	-	1,575
Transfers from Employees' Retirement System	2,146	-	64	2,210
Total Contributions	<u>566,334</u>	<u>339,261</u>	<u>11,428</u>	<u>917,023</u>
Investment Income				
<i>From Investing Activities</i>				
Net Increase in Fair Value of Investments	1,055,525	457,981	14,736	1,528,242
Interest and Dividends	<u>580,000</u>	<u>268,876</u>	<u>7,218</u>	<u>856,094</u>
Total Investment Income from Investing Activities	1,635,525	726,857	21,954	2,384,336
Less: Investment Expenses	<u>4,079</u>	<u>2,390</u>	<u>12</u>	<u>6,481</u>
Net Investment Income from Investing Activities	<u>1,631,446</u>	<u>724,467</u>	<u>21,942</u>	<u>2,377,855</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	10,704	4,892	109	15,705
Less Securities Lending Expenses:				
Borrower Rebates	7,206	3,318	83	10,607
Management Fees	<u>630</u>	<u>283</u>	<u>4</u>	<u>917</u>
Total Securities Lending Expenses	<u>7,836</u>	<u>3,601</u>	<u>87</u>	<u>11,524</u>
Net Income from Securities Lending Activities	<u>2,868</u>	<u>1,291</u>	<u>22</u>	<u>4,181</u>
Total Investment Income	<u>1,634,314</u>	<u>725,758</u>	<u>21,964</u>	<u>2,382,036</u>
Total Additions	<u>2,200,648</u>	<u>1,065,019</u>	<u>33,392</u>	<u>3,299,059</u>
<b>Deductions</b>				
Retirement Allowance Payments	987,761	448,658	17,903	1,454,322
Return of Contributions and Death Benefits	35,983	31,406	103	67,492
Unit Withdrawals	-	3,798	-	3,798
Transfers to Employees' Retirement System	1,575	-	-	1,575
Transfers to Teachers' Retirement System	-	2,146	-	2,146
Transfers to Judicial Retirement Fund	-	64	-	64
Administrative Expenses	7,361	5,892	344	13,597
Depreciation	<u>439</u>	<u>269</u>	<u>-</u>	<u>708</u>
Total Deductions	<u>1,033,119</u>	<u>492,233</u>	<u>18,350</u>	<u>1,543,702</u>
<b>Net Increase</b>	1,167,529	572,786	15,042	1,755,357
<b>Net Assets Held in Trust for Pension Benefits:</b>				
Beginning of Year	<u>15,685,620</u>	<u>7,222,812</u>	<u>206,671</u>	<u>23,115,103</u>
End of Year	<u>\$ 16,853,149</u>	<u>\$ 7,795,598</u>	<u>\$ 221,713</u>	<u>\$ 24,870,460</u>

# RETIREMENT SYSTEMS OF ALABAMA

## *Financial Section*

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2005

(Dollar Amounts in Thousands)

#### 1) PLAN DESCRIPTION

The Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF) operate under common management and are collectively referred to as the Retirement Systems of Alabama (RSA or Systems). In addition to executive management, the TRS, ERS, and JRF share investment management, accounting, and information system services, the costs of which are allocated to the funds on an equitable basis.

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, under the provisions of Act 419 of the Legislature of 1939 for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control.

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, under the provisions of Act 515 of the Legislature of 1945. The purpose of the ERS is to provide retirement allowances and other specified benefits for State employees, State police, and on an

elective basis, to all cities, counties, towns, and quasi-public organizations. The responsibility for the general administration and operation of the ERS is vested in its Board of Control.

The JRF, a cost-sharing multiple-employer public employee retirement plan, was established as of September 18, 1973, under the provisions of Act Number 1163 of the Legislature of 1973 for the purpose of providing retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. Act Number 1205 of the Legislature of 1975 supplemented the provisions of Act Number 1163 and enlarged the scope and coverage of the JRF to include District and Probate Judges. The responsibility for the general administration and operation of the JRF is vested in the Board of Control of the ERS.

At September 30, 2005, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	267
Counties	-	64
Other Public Entities	-	478
Universities	13	-
Post-Secondary Institutions	30	-
City and County Bds of Education	131	-
State Agencies & Other	30	-
<b>Totals</b>	<u><b>204</b></u>	<u><b>809</b></u>

At the date of the latest actuarial valuation as presented in the Notes to the Required Supplementary Information, membership consisted of:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Retirees and beneficiaries currently receiving benefits:			
General	56,466	16,016	272
State Police	-	713	-
Employees of Local Employers	-	13,269	-
Deferred Retirement Option Plan (DROP)	4,468	1,440	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	14,588	3,045	45
State Police	-	8	-
Employees of Local Employers	-	6,454	-
Active employees:			
General	131,814	31,830	332
State Police	-	719	-
Employees of Local Employers	-	48,700	-
<b>Totals</b>	<b><u>207,336</u></b>	<b><u>122,194</u></b>	<b><u>649</u></b>

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS, ERS, and JRF. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years or more of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of credited service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS and ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of state police service in computing the formula method.

The JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65, (5) completed 10 years of credited service and has attained age 70 or (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his or her retirement benefit to commence at the end of the term in which the member's seventieth birthday occurs is entitled only to the refund of his or her contributions (except for members with at least 25 years of credited service).

**(Dollar Amounts in Thousands)**

The service retirement benefit for circuit, appellate, and probate judges is 75% of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75% of the position's salary immediately prior to retirement.

Covered members of the TRS and ERS (except state police and certified law enforcement, correctional officers and firemen) are required by statute to contribute 5% of earnable compensation to the TRS and ERS. State police members of the ERS contribute 10% of earnable compensation. JRF members and certified law enforcement, correctional officers, and firemen members of the TRS and ERS are required to contribute 6% of earnable compensation.

**2) SUMMARY OF SIGNIFICANT  
ACCOUNTING POLICIES****A. Basis of Accounting**

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. The accompanying financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the TRS, ERS, and JRF are considered component units of the State of Alabama and are included in the State's Comprehensive Annual Financial Report.

**B. Investments**

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other investment vehicles with the care, skill, prudence, and diligence under the circumstances then

prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an appraisal is performed to determine the fair value of the private placements.

**C. Comparative Combining Statements**

The basic financial statements include the prior year Combining Statement of Plan Net Assets and Combining Statement of Changes in Plan Net Assets (Statements) for comparative purposes only. Prior-year Note Disclosures are not included. Therefore, the prior year basic financial statement presentation does not meet the minimum level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, the prior year Statements should be read in conjunction with the RSA's prior year financial report from which the prior year Statements were derived.

**D. New Accounting Pronouncements**

During the fiscal year, the RSA implemented GASB 44 *Economic Condition Reporting: The Statistical Section (An amendment of NCGA Statement 1)*. The primary affects of GASB 44 include the expansion of existing trend information from six-years to ten-years, a ten-year trend schedule of the ten largest employers in the ERS, and a ten-year trend schedule of additions, reductions, and changes in net assets.

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### **3) LEGALLY REQUIRED RESERVES**

#### **A. Annuity Savings**

Member contributions are credited to the Annuity Savings account. Interest at 4% per annum is credited to the annuity savings account of each member on the basis of the average of the beginning and end of year balances (as of June 30 for the TRS and September 30 for the ERS and JRF).

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest that, by law, is not payable to the member is transferred to the Expense fund.

When a TRS or ERS member dies prior to becoming eligible for retirement, the member's accumulated contributions and accumulated interest credited to the Annuity Savings account are returned to the member's designated beneficiary. If the pre-retirement death benefit defined below is not payable, an additional death benefit equal to the member's accumulated contributions, up to five thousand dollars, is paid from the Pension Accumulation account to the member's beneficiary.

When a member retires or when a survivor allowance becomes payable, the amount of the member's accumulated contributions and accumulated interest is transferred from the Annuity Savings account to the Pension Accumulation account.

#### **A. Pension Accumulation**

The Pension Accumulation account is credited with contributions made by the employer and net investment income. The lump sum death benefit is paid from this account when a TRS or ERS member dies prior to becoming eligible for the pre-retirement death benefit or retirement. Periodic interest representing member's earnings is transferred from the Pension Accumulation account to the Annuity Savings account. When a TRS, ERS, or JRF member retires or when a survivor allowance becomes

payable, the member's accumulated contributions and accumulated interest is credited to the pension accumulation account, and all monthly benefit payments are paid from this account.

#### **B. Pre-retirement Death Benefit**

The Pre-retirement Death Benefit (PRDB) account (established October 1, 1983, under the provisions of Act 616 of the Legislature of 1983) is credited with contributions made by TRS and ERS employers and investment income on such funds. The pre-retirement death benefit (in the form of group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS or ERS member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The pre-retirement death benefit is equal to the annual earnable compensation of the member as reported to the System for the preceding year ending June 30 for the TRS and September 30 for the ERS. There is no PRDB available for JRF members.

#### **C. Term Life Insurance**

The Alabama Teacher's Group Term Life Insurance Plan (established October 1, 1987) is credited with a portion of the employer contributions. All active contributing members of the TRS are covered by this plan. Contingent on availability of funds, upon death, a benefit is paid to the designated beneficiary of an insured member of the TRS. Beneficiaries of full-time employees receive fifteen thousand dollars while beneficiaries of part-time employees receive a pro-rated amount of fifteen thousand dollars.

#### **D. Expense**

The Expense fund is used to pay the administrative expenses of the RSA. A portion of the employer contributions and the interest not payable upon member withdrawal provide the funding of the Expense fund. The majority of expenses are directly

## RETIREMENT SYSTEMS OF ALABAMA

### Financial Section

#### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2005

(Dollar Amounts in Thousands)

identifiable as expenses of the TRS, ERS, or JRF. As discussed in Note 1, certain administrative salaries and other expenses are shared on an equitable basis between the TRS and ERS.

#### E. Deferred Retirement Option Plan (DROP)

The DROP was established for election to participate on or after June 1, 2002, under the provisions of Act 23 of the Legislature of 2002. Eligible members may elect to retire, and, in lieu of immediate withdrawal of service, continue employment for a period of three to five years. The retirement allowance, employee

contributions, and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member. DROP participation is an option available to eligible members that have at least twenty-five years of service (exclusive of sick leave), are at least fifty-five years of age, and are eligible for retirement. See the actuarial section for additional information.

#### F. Reserves

The reserves of the RSA are funded to the full extent required by statute. The reserve balances as of September 30, 2005, are as follows:

	TRS	ERS	JRF
Annuity Savings	\$ 2,856,983	\$ 1,616,410	\$ 28,071
Pension Accumulation	14,922,396	6,714,439	204,564
Preretirement Death Benefit	12,753	15,853	-
Term Life Insurance	10,369	-	-
Deferred Retirement Option Plan	352,032	112,938	-
Expense	11,117	2,646	777

#### 4) CASH

Cash consists of deposits held by the State Treasurer in the respective retirement system's name. Deposits are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975* requires all State organizations to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to

satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Virtually all cash on hand at September 30 was restricted for administrative purposes.

#### 5) INVESTMENTS

##### A. Investment Risks

Investments are subject to certain types of risks, including interest rate risk, custodial credit risk, credit quality risk, and foreign currency risk. The following describes those risks:



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*Interest Rate Risk* – The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. However, the System’s intent is to hold all fixed maturity investments until maturity, and as such, fixed maturity investments are classified in the following tables as if they were held to maturity.

*Custodial Credit Risk* – For an investment, custodial credit risk is the risk that an entity will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The RSA’s custodial credit risk policy requires the custodial agent to hold or direct its agents or subcustodians to hold, for the account of the RSA all securities and other non-cash property other than securities in the Federal Reserve book-entry system, in a clearing agency which acts as a securities depository, or in another book-entry system. The RSA’s safekeeping agent holds all investments of the RSA in the RSA’s name, with the exception of Netherlands, Austrian, and Belgium Securities. Netherlands, Austrian, and Belgium securities are held by an agent of the custodial agent, but not in the name of the RSA.

*Credit Quality* – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer’s ability to meet its obligations. Domestic fixed-maturity investments may consist of rated or non-rated securities. International fixed-maturity investments may consist of securities with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2% of the fair value of each System’s total portfolio may be invested in obligations of sovereign countries with a rating of BBB or BAA at the time of purchase. The Systems may hedge against the possible adverse

effects of currency fluctuations on each System’s portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

*Foreign Currency Risk* – The risk that changes in exchange rates will adversely affect the fair value of an investment. In order for an international equity security to be eligible for purchase by the Systems, the issuing company must be incorporated in a country whose debt securities are eligible for purchase as discussed above, and the market value of the aggregate outstanding equity of the issuing company must be at least \$100 million.

*Concentration of Credit Risk* – The investment policies limit the aggregate amount that can be invested in each class of investments. The policy limits are as follows:

- Domestic Fixed Income – Limited to 70% of the market value of the aggregate portfolio for each System
- International Fixed Income – Limited to 10% of the market value of each System’s total portfolio.
- Domestic Equity – Limited to 65% of the market value of each System’s aggregate portfolio.
- International Equity – The aggregate market value of international equities is limited to 15% of the aggregate market value of each System’s total portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a company.
- Real Estate – The suggested limit is 10% of the book value of each System’s portfolio.
- Alternative Investments (mezzanine financing, LBO’s, venture capital, limited partnerships, futures, commodities and derivative investments) – Limited to 5% of the book value of each System’s aggregate portfolio.
- Short-term Investments – Limited to 20% of the market value of each System’s aggregate portfolio.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2005

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2005, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS						
TRS						
Type of Investment	Maturity in Years at Fair value				Total	Cost
	Less Than 1	1-5	6-10	More Than 10	Fair Value	
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 745,011	\$ -	\$ -	\$ -	\$ 745,011	\$ 745,011
U.S. Government Guaranteed	-	110,530	146,329	12,483	269,342	275,162
U.S. Agency	-	487,739	354,735	33,349	875,823	884,323
Corporate Bonds	12,499	523,020	419,214	592,975	1,547,708	1,488,475
Private Placements	11,957	192,753	350,686	1,650,822	2,206,218	2,690,891
GNMAs	2	2,445	2,600	53,080	58,127	53,796
FHAs	-	-	-	866	866	772
CMOs	-	-	-	32,466	32,466	31,892
Money Market Funds	196,530	-	-	-	196,530	196,530
Total Domestic Fixed Maturity	965,999	1,316,487	1,273,564	2,376,041	5,932,091	6,366,852
International						
Canadian - U.S. Dollar	-	39,681	-	-	39,681	35,000
German	-	26,409	-	-	26,409	27,723
Total Intl Fixed Maturity	-	66,090	-	-	66,090	62,723
Total Fixed Maturity	\$ 965,999	\$ 1,382,577	\$ 1,273,564	\$ 2,376,041	5,998,181	6,429,575
<i>Equities</i>						
Domestic					8,329,184	6,246,793
International						
United Kingdom - Pound Sterling					602,289	490,423
Japan - Yen					591,251	516,441
France - Euro					245,255	182,023
Germany - Euro					173,331	148,883
Switzerland - Franc					167,325	122,860
Netherlands - Euro					116,223	100,290
Italy - Euro					97,111	78,433
Spain - Euro					97,505	71,270
Australia - U.S. Dollar					134,488	79,016
Singapore - U.S. Dollar					19,154	19,362
Belgium - Euro					33,923	26,386
Finland - Euro					31,464	29,424
Hong Kong - U.S. Dollar					42,325	32,709
Sweden - Krona					58,226	41,642
Denmark - Krone					17,518	11,363
Ireland - Euro					18,732	16,473
Norway - Krone					17,454	9,338
Other					33,073	25,531
Total International Equities					2,496,647	2,001,867
Total Equities					10,825,831	8,248,660
Real Estate					1,147,347	599,431
Total Investments					\$ 17,971,359	\$ 15,277,666

INVESTMENTS						
ERS						
Type of Investment	Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 458,628	\$ -	\$ -	\$ -	\$ 458,628	\$ 458,628
U.S. Government Guaranteed	-	53,453	65,595	5,824	124,872	127,664
U.S. Agency	25,183	203,159	144,038	15,619	387,999	391,151
Corporate Bonds	5,530	219,814	193,781	286,754	705,879	678,164
Private Placements	6,439	77,566	152,541	819,573	1,056,119	1,296,425
GNMAs	1	981	1,265	20,004	22,251	20,550
FHAs	-	-	-	335	335	290
CMOs	-	-	-	12,616	12,616	12,461
Money Market Funds	102,661	-	-	-	102,661	102,661
Total Domestic Fixed Maturity	598,442	554,973	557,220	1,160,725	2,871,360	3,087,994
International						
Canadian - U.S. Dollar	-	17,006	-	-	17,006	15,000
EUR \$ - Private Placements	-	14,171	-	-	14,171	14,876
Total Intl Fixed Maturity	-	31,177	-	-	31,177	29,876
Total Fixed Maturity	\$ 598,442	\$ 586,150	\$ 557,220	\$ 1,160,725	2,902,537	3,117,870
<i>Equities</i>						
Domestic					3,861,335	2,943,344
International						
United Kingdom - Pound Sterling					254,086	203,402
Japan - Yen					249,395	216,763
France - Euro					103,753	75,874
Germany - Euro					72,971	61,990
Switzerland - Franc					70,555	50,277
Netherlands - Euro					48,996	40,860
Italy - Euro					40,906	32,764
Spain - Euro					41,108	29,760
Australia - U.S. Dollar					56,669	32,734
Singapore - U.S. Dollar					8,342	8,171
Belgium - Euro					14,295	11,021
Finland - Euro					13,273	12,484
Hong Kong - U.S. Dollar					18,307	14,156
Sweden - Krona					24,641	17,532
Denmark - Krone					7,375	4,728
Ireland - Euro					7,892	6,861
Norway - Krone					7,353	3,936
Other					13,935	10,708
Total International Equities					1,053,852	834,021
Total Equities					4,915,187	3,777,365
Real Estate					553,441	297,258
Total Investments					\$ 8,371,165	\$ 7,192,493

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2005

(Dollar Amounts in Thousands)

INVESTMENTS						
JRF						
Type of Investment	Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 11,597	\$ -	\$ -	\$ -	\$ 11,597	\$ 11,596
U.S. Government Guaranteed	985	4,125	3,176	249	8,535	8,727
U.S. Agency	-	7,987	9,390	2,200	19,577	19,732
Corporate Bonds	960	8,976	9,324	11,878	31,138	30,975
Private Placements	-	2,521	3,296	5,307	11,124	15,818
GNMAs	-	35	66	8	109	95
CMOs	-	-	-	728	728	708
Money Market Funds	5,326	-	-	-	5,326	5,326
Total Domestic Fixed Maturity	<u>\$ 18,868</u>	<u>\$ 23,644</u>	<u>\$ 25,252</u>	<u>\$ 20,370</u>	88,134	92,977
Domestic Equities					140,393	83,400
Real Estate					<u>2,473</u>	<u>892</u>
Total Investments					\$ 231,000	\$ 177,269

The following tables provide information as of September 30, 2005, concerning credit risk:

**RATINGS OF FIXED MATURITIES  
TRS**

<b>Moody's Ratings§ (Unless Noted)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a Percent of Total Fixed Maturity Fair Value</b>
Aaa	\$ 1,316,715	\$ 1,328,004	21.952
AAA (SP)	293	271	0.005
Aa3	111,136	104,829	1.853
A1	248,098	246,150	4.136
A2	834,092	834,629	13.906
A (SP)	39,681	35,000	0.662
A3	208,820	197,040	3.481
Baa1	252,208	193,652	4.205
BBB+ (SP)	27,700	21,898	0.462
Baa2	362,068	344,087	6.036
BBB (SP)	18,320	13,667	0.305
Baa3	160,251	153,372	2.672
Ba1	138,112	130,954	2.303
Ba2	144,770	190,470	2.414
Ba3	40,731	39,993	0.679
B2	79,783	86,353	1.330
B3	589	569	0.010
Caa2	12,499	12,678	0.208
Caa	17,035	18,562	0.284
D (SP)	4,254	4,073	0.071
‡ Not Rated	1,981,026	2,473,324	33.026
Totals	<u>\$ 5,998,181</u>	<u>\$ 6,429,575</u>	<u>100.000</u>

§ The Moody's ratings are used when available. The Standard & Poor's rating is used when it is available and a Moody's rating is not available. Standards and Poor's ratings are denoted by (SP). Fixed maturity investments that are not rated are included in the "Not Rated Category".

‡ Primarily consists of private placements.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2005

(Dollar Amounts in Thousands)

#### RATINGS OF FIXED MATURITIES ERS

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
Aaa	\$ 587,230	\$ 592,275	20.232
Aa3	45,802	43,606	1.578
A1	127,179	126,204	4.382
A2	499,042	499,354	17.193
A (SP)	17,006	15,000	0.586
A3	85,366	79,485	2.941
Baa1	132,775	101,469	4.574
BBB+ (SP)	12,203	9,647	0.420
Baa2	168,786	160,491	5.815
BBB (SP)	7,850	5,856	0.270
Baa3	74,741	71,684	2.575
Ba1	66,949	63,433	2.307
Ba2	56,455	77,395	1.945
Ba3	18,402	18,076	0.634
B2	29,768	32,703	1.026
Caa2	5,530	5,609	0.191
Caa	9,798	10,764	0.338
D (SP)	2,127	2,036	0.073
‡ Not Rated	955,528	1,202,783	32.920
Totals	\$ 2,902,537	\$ 3,117,870	100.000

§ The Moody's ratings are used when available. The Standard & Poor's rating is used when it is available and a Moody's rating is not available. Standards and Poor's ratings are denoted by (SP). Fixed maturity investments that are not rated are included in the "Not Rated Category".

‡ Primarily consists of private placements.

**RATINGS OF FIXED MATURITIES**  
**JRF**

<b>Moody's Ratings§ (Unless Noted)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a Percent of Total Fixed Maturity Fair Value</b>
Aaa	\$ 31,157	\$ 31,495	35.350
Aa3	1,990	1,873	2.258
A1	5,590	5,591	6.343
A2	15,030	14,887	17.054
A3	6,587	6,408	7.474
Baa1	2,265	2,133	2.570
Baa2	4,841	4,787	5.493
Baa3	5,047	5,002	5.727
Ba1	4,108	3,734	4.661
Ba2	157	157	0.178
Ba3	343	367	0.389
B1	1,423	4,928	1.615
B2	1,198	1,368	1.359
Caa2	960	974	1.089
Caa	1,074	1,524	1.219
D (SP)	354	339	0.402
‡ Not Rated	6,010	7,410	6.819
Totals	<u>\$ 88,134</u>	<u>\$ 92,977</u>	<u>100.000</u>

§ The Moody's ratings are used when available. The Standard & Poor's rating is used when it is available and a Moody's rating is not available. Standards and Poor's ratings are denoted by (SP). Fixed maturity investments that are not rated are included in the "Not Rated Category".

‡ Primarily consists of private placements.

(Dollar Amounts in Thousands)

**B. Concentration of Investments**

As of September 30, 2005, the ERS owned debt and equity securities of Raycom Media Corporation and Community News, which represented approximately 5.9% and 5.1%, respectively, of the ERS investments.

**C. Securities Lending Program**

The TRS, ERS, and JRF are authorized by the Boards of Control to participate in a securities lending program. The Systems' custodian, State Street Bank and Trust Company, administers the program. Certain securities from the TRS, ERS, and JRF are loaned to borrowers approved by the Systems. Approved borrowers of securities provide acceptable collateral in the form of cash, securities issued or guaranteed by the United States government or its agencies or instrumentalities, sovereign debt, Canadian Provincial debt, convertible bonds, irrevocable bank letters of credit by a person other than the borrower or an affiliate of the borrower if State Street determines to be appropriate, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (i) in the case of loaned securities denominated in United States Dollars or whose primary trading market is located in the United States, sovereign debt issued by foreign governments (other than Canada) or corporate bonds that are not denominated in United States Dollars (other than those issued in Canada), a value of 102% of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105% of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5% of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street

shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF).

The following describes the QDF's fund guidelines. The QDF's average effective duration is restricted to 120 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be five years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 30 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines.

As of September 30, 2005, the average term of the loans was 3 days for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2005, the fair value of the securities on loan was \$1,511,267, \$651,723, and \$18,645 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was \$1,562,954, \$672,355, and \$19,058 for the TRS, ERS, and JRF, respectively. Since the amounts owed by the TRS, ERS, and JRF exceeded the amounts the borrowers owed to the TRS, ERS,



and JRF, there was no credit risk exposure as of September 30, 2005. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the

Systems. Securities pledged as collateral are held by the custodial agent, but not in the name of the Systems. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. The following table provides information as of September 30, 2005, concerning securities lent:

**SECURITIES LENDING - INVESTMENTS LENT AND COLLATERAL RECEIVED**  
(at Fair Value)

<b>Type of Investment Lent</b>	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>	<b>Totals</b>
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 374,014	\$ 196,818	\$ 11,073	\$ 581,905
Domestic Equity	571,651	257,018	7,572	836,241
International Equity	469,422	172,178	-	641,600
Total Lent for Cash Collateral	1,415,087	626,014	18,645	2,059,746
<i>For Non-cash Collateral</i>				
Domestic Equity	66	125	-	191
International Equity	96,114	25,584	-	121,698
Total Lent for Non-cash Collateral	96,180	25,709	-	121,889
<b>Total Securities Lent</b>	<b>\$ 1,511,267</b>	<b>\$ 651,723</b>	<b>\$ 18,645</b>	<b>\$ 2,181,635</b>
<b>Type of Collateral Received</b>				
<i>Cash Collateral - Invested in State Street Quality D Fund</i>	\$ 1,460,243	\$ 644,950	\$ 19,058	\$ 2,124,251
<i>Non-cash Collateral</i>				
For Lent Domestic Equity Securities				
Pledged Securities	68	130	-	198
For Lent International Equity Securities				
Pledged Securities	102,643	27,275	-	129,918
Total Non-cash Collateral	102,711	27,405	-	130,116
<b>Total Collateral Received</b>	<b>\$ 1,562,954</b>	<b>\$ 672,355</b>	<b>\$ 19,058</b>	<b>\$ 2,254,367</b>

**D. Mortgage-backed Securities**

As of September 30, 2005, the TRS, ERS, and JRF had investments in mortgaged-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligors tend to

prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

(Dollar Amounts in Thousands)

**6) FUNDING STATUS AND PROGRESS**

State law provides that the Boards of Control engage an actuary to prepare an annual valuation of the assets and liabilities of the various reserve funds. Under the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Plans and Note Disclosures for Defined Contribution Plans*, the actuary determines the "unfunded actuarial liability." The "unfunded actuarial liability" is the difference between the actuarial value of assets and the actuarial accrued liability.

Significant actuarial assumptions used and results from the most recent actuarial valuations are presented in the "Notes to the Required Supplementary Information."

**7) CONTRIBUTIONS REQUIRED AND MADE**

The actuary has computed, as of the date of the latest available actuarial valuations, the estimated present value of benefits payable to retired members, beneficiaries, and active members. The actuarial valuations for the TRS and ERS are prepared using the entry age method, while the JRF valuation utilizes the projected unit credit method. The present value of all expected benefits payable from each system to the present group of members and beneficiaries is calculated by adding the present value of the expected benefits payable to the active members to the present value of the expected future payments to retired members and beneficiaries.

As required by statute, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs.

For the TRS and ERS, the normal contribution is determined using the "entry age normal" method.

Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

For the JRF, the normal contribution is determined using the "projected accrued benefit" (unit-credit) method. Under this method, the benefits of each individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial accrued liability.

The 2005 retirement contributions were made in accordance with actuarially determined contribution requirements.

**8) PROPERTY AND EQUIPMENT**

Plan assets used in plan operations are reported at historical cost less accumulated depreciation. Depreciation is determined on the straight-line basis using estimated useful lives of 30 years for buildings and 3 to 10 years for furniture and equipment.

Property and equipment was comprised of the following amounts as of September 30, 2005:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 691	\$ 499
Building and Improvements	4,972	3,546
Furniture and Equipment	<u>2,007</u>	<u>1,319</u>
Total Property and Equipment	7,670	5,364
Less Accum Depreciation	<u>(4,797)</u>	<u>(3,135)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 2,873</u></b>	<b><u>\$ 2,229</u></b>

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## 9) OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 1, the TRS, ERS, and JRF (as agencies of the State of Alabama) participate in the State Employees' Health Insurance Plan (SEHIP).

The SEHIP provides postretirement health care benefits, in accordance with State statute, to all TRS, ERS, and JRF employees who retire with a retirement benefit payable from the TRS, ERS, or JRF. The SEHIP provides a fixed amount equal to the Medicare eligible premium (presently one hundred ten dollars per month) for each retiree. Those retirees who are not Medicare eligible must pay the difference to maintain the insurance. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the premiums each agency pays for its active employees. During the fiscal year 2005, the estimated portion of health insurance premiums paid and included in administrative expense by the TRS, ERS, and JRF on behalf of retirees was \$91, \$81, and \$1, respectively.

## 10) PENSION PLAN FOR RSA EMPLOYEES

A portion of the RSA employees participates in the TRS pension plan, which is a cost sharing plan, and a portion of the RSA employees participates in the ERS pension plan, which is an agent multiple-employer pension plan. As a component unit, RSA employees participating in the ERS pension plan are valued with all other State of Alabama employees, and therefore, report under the requirements of a cost sharing unit.

Contributions were made to each plan in accordance with actuarially determined contribution requirements. A schedule of Employer Contributions is shown below:

	<b>Fiscal Year</b>	<b>Annual</b>	<b>Percentage</b>
	<b>Ended</b>	<b>Required</b>	<b>Contributed</b>
		<b>Contributions</b>	
<b>TRS</b>	2005	469	100
	2004	418	100
	2003	313	100
<b>ERS</b>	2005	291	100
	2004	216	100
	2003	189	100

## 11) TREND INFORMATION

The schedules of funding progress and employer contributions, as required by GASB Statement No. 25, are presented in the Required Supplementary Information section.

## 12) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2019. Rental payments (reported as investment income) from leases with state agencies totaled \$19,495 during the 2005 fiscal year.

(Dollar Amounts in Thousands)

### **1) CONTRIBUTIONS**

Contributions were made in accordance with actuarially determined contribution requirements. The employer cost rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience.

The employer cost rates for the fiscal year 2005-2006 are 8.17% for the TRS, 6.77% for the ERS - State Employees, 21.36% for the ERS - State Police and 21.93% for the JRF. Local agency rates differ for each agency.

### **2) ANALYSIS OF FUNDING PROGRESS**

Analysis of the dollar amounts of the actuarial value of assets, the actuarial accrued liability, and the unfunded actuarial accrued liability in isolation may be misleading. Expressing the actuarial value of assets as a percentage of the actuarial accrued liability (assets to liabilities percentage) provides one indication of the respective retirement system's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the respective system is becoming financially stronger or weaker. Generally, the strength of a retirement system is considered to increase as the assets to liabilities percentage increases. Trends in the actuarial accrued liability and the annual covered payroll are affected by inflation. Expressing the unfunded accrued liability as a percentage of annual covered payroll (liabilities to payroll percentage) approximately adjusts for the effects of inflation and aids analysis of the respective retirement system's progress made in accumulating sufficient assets to pay benefits when due. Generally, the strength of a retirement system is considered to increase as the liabilities to payroll percentage decreases.

The following schedules provide information concerning funding progress, employer contributions, and actuarial assumptions:

#### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
	(A)	(B)	(B-A)			
<b>TRS</b>						
9/30/2004	\$18,704,009	\$ 20,886,190	\$ 2,182,181	89.6	\$4,846,677	45.0
6/30/2003	18,110,470	19,357,735	1,247,265	93.6	4,632,611	26.9
6/30/2002	17,904,881	18,374,174	469,293	97.4	4,379,183	10.7
6/30/2001	17,475,298	17,238,616	(236,682)	101.4	4,305,080	(5.5)
6/30/2000	16,703,929	16,291,462	(412,467)	102.5	4,131,904	(10.0)
6/30/1999	15,642,066	15,568,192	(73,874)	100.5	3,964,112	(1.9)
<b>ERS</b>						
9/30/2004	8,563,945	9,546,478	982,533	89.7	2,702,393	36.4
9/30/2003	8,312,500	9,124,279	811,779	91.1	2,677,025	30.3
9/30/2002	8,100,846	8,493,469	392,623	95.4	2,547,775	15.4
9/30/2001	8,028,471	8,010,123	(18,348)	100.2	2,408,543	(0.8)
9/30/2000	7,769,122	7,403,968	(365,154)	104.9	2,278,637	(16.0)
9/30/1999	7,302,046	6,884,355	(417,691)	106.1	2,159,608	(19.3)
<b>JRF</b>						
9/30/2004	251,844	293,055	41,211	85.9	39,419	104.5
9/30/2003	247,011	285,123	38,112	86.6	39,742	95.9
9/30/2002	245,425	289,858	44,433	84.7	39,763	111.7
9/30/2001	245,705	289,044	43,339	85.0	38,694	112.0
9/30/2000	239,023	268,598	29,575	89.0	40,325	73.3
9/30/1999	221,926	263,491	41,565	84.2	40,499	102.6

See Notes to the Required Supplementary Information .

**RETIREMENT SYSTEMS OF ALABAMA***Financial Section***Required Supplementary Information****For the Fiscal Year Ended September 30, 2005**

(Dollar Amounts in Thousands)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
<b>TRS</b>		
9/30/2005	\$ 347,862	100
9/30/2004	312,474	100
9/30/2003	235,786	100
9/30/2002	265,670	100
9/30/2001	279,880	100
9/30/2000	277,180	100
<b>ERS</b>		
9/30/2005	195,846	100
9/30/2004	170,713	100
9/30/2003	154,218	100
9/30/2002	123,887	100
9/30/2001	122,483	100
9/30/2000	113,991	100
<b>JRF</b>		
9/30/2005	8,943	100
9/30/2004	8,994	100
9/30/2003	8,637	100
9/30/2002	8,222	100
9/30/2001	7,598	100
9/30/2000	5,696	100

*See Notes to the Required Supplementary Information .*

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to Required Supplementary Information

For the Fiscal Year Ended September 30, 2005

#### ACTUARIAL ASSUMPTIONS

	TRS	ERS	JRF
Valuation date	September 30, 2004	September 30, 2004	September 30, 2004
Actuarial cost method	Entry age	Entry age	Projected unit credit
Asset valuation method	5-year market related value	5-year smoothed market	5-year smoothed market
Amortization method	Level percent open	Level percent open	Level percent open
Remaining amortization period	20 years	Within 20 years - varies by employer	20 years
Actuarial assumptions:			
Investment rate of return ‡	8%	8%	8%
Future salary increases ‡	5.00%-7.75%	4.61%-7.75%	5%
Cost of living increases	None	None	None

‡ Includes inflation at 4.5%.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Personal Services:</b>				
Salaries	\$ 4,381	\$ 3,372	\$ 306	\$ 8,059
Employee Fringe Benefits	1,159	956	46	2,161
Total Personal Services	<u>5,540</u>	<u>4,328</u>	<u>352</u>	<u>10,220</u>
<b>Professional Services:</b>				
Actuarial	52	139	15	206
Accounting and Auditing	34	35	14	83
Information Technology	1,980	471	-	2,451
Education & Training	9	8	-	17
Information & Research	17	10	-	27
Mailing Services	123	118	-	241
Legal Services	-	19	-	19
Personnel Services	35	-	-	35
Other Professional Services and Fees	116	91	-	207
Total Professional Services	<u>2,366</u>	<u>891</u>	<u>29</u>	<u>3,286</u>
<b>Communications and Travel:</b>				
Telephone	58	34	-	92
Telecommunication Lines	54	45	-	99
Internet Access	17	20	-	37
Postage	971	569	-	1,540
Travel	74	59	-	133
Total Communications and Travel	<u>1,174</u>	<u>727</u>	<u>-</u>	<u>1,901</u>
<b>Rentals:</b>				
Office Space	386	257	-	643
Equipment Leasing	45	7	-	52
Total Rentals	<u>431</u>	<u>264</u>	<u>-</u>	<u>695</u>
<b>Miscellaneous:</b>				
Supplies	802	624	-	1,426
Maintenance	59	64	-	123
Total Miscellaneous	<u>861</u>	<u>688</u>	<u>-</u>	<u>1,549</u>
<b>Total Administrative Expenses</b>	<b><u>\$ 10,372</u></b>	<b><u>\$ 6,898</u></b>	<b><u>\$ 381</u></b>	<b><u>\$ 17,651</u></b>



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
<i>Investment Activity</i>				
<b>Investment Management Fees:</b>				
Salaries and Benefits	\$ 3,566	\$ 2,285	\$ -	\$ 5,851
Dues and Subscriptions	368	181	-	549
Travel	22	4	-	26
<b>Professional Services:</b>				
Investment Advisor	60	30	-	90
Investment Custodian	127	75	2	204
Investment Information	18	12	-	30
Real Estate Appraisal	117	65	-	182
<b>Total Investment Activity Expenses</b>	<u>4,278</u>	<u>2,652</u>	<u>2</u>	<u>6,932</u>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	33,559	14,948	362	48,869
Securities Lending Management Fees	1,620	448	8	2,076
Total Securities Lending Activity Expenses	<u>35,179</u>	<u>15,396</u>	<u>370</u>	<u>50,945</u>
<b>Total Investment Expenses</b>	<u>\$ 39,457</u>	<u>\$ 18,048</u>	<u>\$ 372</u>	<u>\$ 57,877</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2005

(Amounts in Thousands)

<b>Professional/Consultant</b>	<b>Nature of Service</b>	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
Mellon Consultants, Inc.	Actuary	\$ 36	\$ 85	\$ 11	\$ 132
Buck Consultants, Inc.	Actuary	8	32	-	40
Cavanaugh MacDonald	Actuary	8	22	4	34
KPMG	Auditor	34	35	14	83
Crum Defense Escrow Account	Legal	-	19	-	19
Avanade, Inc.	Information Technology	1,936	433	-	2,369
Covenant Technology Solutions	Information Technology	40	33	-	73
SunGard Workflow Solutions	Information Technology	3	4	-	7
Auburn University Montgomery	Information & Research	14	9	-	23
NASRA	Education & Training	-	6	-	6
NASIO	Education & Training	2	-	-	2
Microsoft Events	Education & Training	2	-	-	2
Action in Mailing	Mail	102	113	-	215
Finance Mail & Supply	Mail	21	5	-	26
State Personnel Department	Personnel	35	-	-	35
Maximus, Inc.	Consulting	100	92	-	192
Various	Other	25	3	-	28
<b>Total Professional/Consultant Fees-Admin Services</b>		<b>2,366</b>	<b>891</b>	<b>29</b>	<b>3,286</b>
AmSouth Bank	Investment Advisor	60	30	-	90
State Street Bank & Trust Co.	Investment Custodial	127	75	2	204
ADP Investor Communications Svcs	Investment Information	18	12	-	30
Houlihan, Lokey, Zukin Fin. Advisors	Real Estate Appraisor	117	65	-	182
<b>Total Professional/Consultant Fees-Investment Services</b>		<b>322</b>	<b>182</b>	<b>2</b>	<b>506</b>
<b>Total Professional/Consultant Fees</b>		<b>\$ 2,688</b>	<b>\$ 1,073</b>	<b>\$ 31</b>	<b>\$ 3,792</b>

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# INVESTMENT SECTION

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## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2005

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Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September, 30, 2005. The report provides highlights on investments in general as well as specific information on the Retirement System's investment activity for the fiscal year. Investment data presented in the report was prepared using AIMR performance presentation standards.

2005 followed closely in the footsteps of 2004. Roughly two-thirds of the domestic equity market returns were recorded in the first fiscal quarter of the year. Interest rates also remained range bound for most of the year on the long end, although the short end saw a considerable rise as the Federal Reserve raised short term interest rates eight times over the twelve month period.

The financial markets have the usual litany of problems that it has been facing the past few years. The twin budget and trade deficits have continued to be a thorn in the side, although the market has not reacted unfavorably as it continues to grow. Energy prices have skyrocketed, with Crude oil rising from below \$45 at the beginning of the year to around \$70 at year end. Many other commodity prices hit new highs throughout the year, increasing concerns that inflation is rearing its head. Obviously the continued struggle in the Middle East has been a drag, not only with higher energy prices, but a strain on the budget as well.

However, the economy remained fairly stable throughout the year. GDP growth between 3.5 and 4% was a slowdown from the prior year, but still quite healthy. Both consumer and corporate spending held up well. The consumer remains stretched by most measures, though this has been an issue for several years now. Corporate balance sheets have improved greatly over the past three years, and financial discipline has been the norm as share buybacks and dividend increases are continuing priorities for top management. Along those lines, there has been increased activity in the leveraged buyout area as financial and strategic buyers are recognizing the value present in the market.

We are sticking with our forecast of more normalized investment returns in coming years. It is hard to envision a scenario of a huge bull or bear market over the coming year. The stock market has gone through a bout of multiple compressions the past year, and we are at cyclical highs as far as profit margins for the market as a whole. However, interest rates have remained accommodative on the long end, and we should be much closer to the end of the Federal Reserve rate tightening than the beginning. A trading range bound market could once again unfold in the coming few quarters as the markets hash out what impact the series of rate hikes will ultimately do to the economy. Therefore, we foresee no major changes to the current asset allocation. We will continue to demand the best execution from all our financial counterparts, and will strive to produce results that strengthen the Retirement Systems of Alabama (RSA).

#### **RSA Performance Summary**

Fiscal year 2005 was the third year in a row of double digit returns for the RSA. We saw good follow through on the economic rebound which resulted in continued profit growth and improving credit quality, and those are addressed in the following fixed income and equity sections.

As of September 30, 2005, aggregate defined benefit assets under management totaled \$26.57 billion. During fiscal year 2005, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund were 11.26%, 10.98%, and 9.91%, respectively. International equities and small capitalization equities were the two standout performers for the year.

#### **Equities**

In much the same fashion as 2004, the stock markets came out of the gates ripping in the first fiscal quarter of 2005. About 66% of domestic returns and 60% of international returns came in the December ending quarter. Looking back there was no single factor that began the rally, although the finality of the presidential election coincided with the start. Corporate earnings continued to come in quite strong, and the economy chugged along at a good pace despite the withdrawal of liquidity from the markets as the Federal Reserve raised rates throughout the year. Despite

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the rising short-term rates, the long end of the yield curve remained relatively flat over the course of the year. Thus, the “housing bubble” blowup that was so talked about never occurred.

The remainder of the year saw the market gyrate up and down as it digested the various economic figures. The market changed its colors seemingly monthly regarding what was deemed good news for the stock market and what was bad news. Strong data could be good in that it would help corporate earnings growth, or it could be bad because it would prolong the Federal Reserve’s quest to slow down the economy.

As far as activity, close to 1% was added to international equities in October, and the Special Situations Fund size was increased. We are well into the fifth year of small capitalization stocks outperforming large cap stocks, and we are looking for that trend to reverse itself sometime in the near future. We are overweight in large capitalization stocks to a higher degree than our peer group. Given that corporate profit margins are at cyclical highs, productivity gains have been astronomical, and pension and healthcare costs are growing, the larger capitalization sector seems to offer better protection in the event of a slowdown.

In review, the RSA equity allocation began the year at roughly 58%, and closed out fiscal 2005 at 59.6% on average across the three funds. Domestic equities account for over 46.3% of the fund, and international equities are now over 13% of the total. The smaller market capitalization indices fared better than the larger capitalization ones, a trend that has been ongoing for five years. The S & P 500 index was up 12.25%, the S & P 400 Midcap index was up 22.16%, and the S & P Smallcap 600 index was up 21.22%. The MSCI EAFE index was up 25.79%, again outperforming the broad domestic equity indices.

For the year, the RSA domestic equity portfolios increased 14.21%, 14.39%, and 13.35% for the TRS, ERS, and JRF, respectively. International equity returns fared better, posting 25.97% for both TRS and ERS. The combined total return for the overall equity portfolios were 16.79%, 16.86%, and 13.35% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 19.51%, 2.68%, and 9.77% for TRS, 19.50%, 2.67%, and 9.73% for ERS, and 17.39%, 1.14%, and 10.96% for JRF, respectively.

### **Fixed Income**

At the beginning of fiscal year 2005, the federal funds rate was yielding 1.75%, following the third consecutive hike by Alan Greenspan and the Federal Reserve. These actions were set in motion in June of 2004 and have yet to cease. At this point, the 2 year treasury was yielding close to 2.50%, with the spread differential between 2s and 10s hovering around 155 basis points. During this time, we felt the yield curve had considerable room to flatten in an environment characterized by stable employment and economic output, accompanied by a Fed that was poised to raise rates at a “measured pace”.

Interest rates rose steadily throughout the end of the calendar year as the labor market gradually improved and the economy grew at a moderate rate. At this point, market participants began to closely monitor the shape of the yield curve and assessing the ramifications of a flatter curve in the future. What was more interesting was the narrowing trend in the long end. The 10s/30s curve collapsed considerably during this time due to changes in long-term inflation expectations, mortgage-related buying, and participation of foreign creditors. This phenomenon also caught the eye of the Fed chairman, in which Greenspan later described as a “conundrum”.

While acknowledging that pressures on inflation have picked up, this has not directly fed through to core consumer prices. As the Fed has systematically raised rates, long-term inflation expectations have remained relatively unchanged. This has led to a substantial flattening of the yield curve. During this time, the Treasury Department has also reinstated the issuance of the long bond. It is looking to raise \$20-30 billion through semi-annual offerings beginning in the first quarter of 2006. The department has been under considerable pressure since its cancellation in 2001. This comes as a relief to many insurance companies and pension funds that need long duration securities to better match liabilities. It also provides a way to hold down borrowing costs and stabilize the average maturity of outstanding treasury debt that has shrunk to 53 months.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2005

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Within the corporate bond market, we have tried to take advantage of pullbacks in the market to selectively add to some industries where we have been underweight versus the benchmark. We have also used treasury rallies to monetize gains in issues where we felt further gains were limited, in particular high yield securities. Over the past couple of years, corporations have pulled back on capital expenditures and retained cash, pushing default rates to 8 year lows. This in turn, has sparked shareholder-friendly initiatives and questions regarding optimal capital structures. As a result, risks of leveraged buyouts have been rampant over the last several months, hurting spreads in select names and sectors.

Currently, the federal funds rate is 3.75%, the result of eleven consecutive hikes. During this time, the 2 year treasury has risen 175 basis points, driving the spread differential between 2s and 10s inside of 15 basis points. Further rate moves are expected for the last two meetings of this calendar year, with 50-75 basis points priced in by mid-2006. So the question at this point is if and when will we see an inverted curve. It should be noted that the existence of an inverted curve has preceded four out of the last five recessions. This, coupled with a new chairman at the Federal Reserve, should lead to some interesting and important moments early on in 2006.

In fiscal year 2005, the RSA purchased approximately \$2.6 billion in additional securities for the fixed income portfolio. As of September 30, 2005, the RSA's fixed income portfolio had a market value of \$10.7 billion, of which 14% was in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were 4.50% for the TRS, 4.75% for the ERS, and 5.22% for the JRF versus 2.80% for the Lehman Aggregate Index. The five-year annualized returns were 6.11% for the TRS, 5.81% for the ERS, and 4.09% for the JRF, versus 6.62% for the Lehman Aggregate Index. The ten-year annualized returns were 6.47% for the TRS, 6.36% for the ERS, and 5.73% for the JRF versus 6.55% for the Lehman Aggregate Index.

Sincerely,



Marc Green  
Director of Investments

## **I. Board Objectives**

The Boards of Control, as Trustees of the Teachers' Retirement System and Employees' Retirement System (Systems), have full power, through each System's secretary-treasurer, to invest and reinvest System funds in accordance with the Prudent Man Rule: "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." Other funds currently and hereafter under the management of the Systems will be governed by this Investment Policy Statement within each System's limitations and/or by other applicable legislated restrictions.

It is the objective of the Boards that funds be invested in such a manner as to maximize the total return of each System within prudent risk parameters. Also, the Systems recognize that a stronger Alabama equates to a stronger Retirement System, and as such, investments in Alabama businesses are encouraged to the extent the investment meets the criteria delineated by this policy statement.

The long term investment performance expectations of the Systems are to achieve a return on marketable securities in excess of the actuarial investment assumption and to exceed the rate of inflation (as measured by the CPI) by 3% through investments in a broadly diversified portfolio. The performance evaluation of each System will be submitted to the respective Board on a semi-annual basis.

## **II. Asset Allocation**

The most important aspect of any investment strategy is the decision regarding allocation of investments among the various asset classes. The purpose of formulating asset allocation guidelines is to maximize investment returns within the standards of prudence established for the whole portfolio. Accordingly, the asset allocation decisions will be predicated on the following factors:

1. The actuarial projected liability stream of benefits and their cost,
2. The perception of the prospective risks and returns of eligible asset classes, and
3. Judgments regarding future economic and financial conditions.

The maximum permissible allocation of assets in the Systems to each eligible asset class is expressed below:

### **A. Domestic Fixed Income**

The domestic fixed income portfolio of each System may consist of any rated or non-rated debt security including, but not limited to, the following: U.S. Treasury issues, agency issues, mortgage-backed securities, corporate bonds, and privately placed debt securities. This area of investments may not exceed 70% of the market value of the aggregate portfolio of each System.

### **B. International Fixed Income**

The international fixed income asset class may be used to provide diversification for each System and may consist of U.S. dollar denominated or foreign currency denominated fixed income obligations of sovereign countries with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2 percent of the market value of each System's total portfolio may be invested in the obligations of sovereign countries with a rating of BBB or BAA by one of such agencies at the time of purchase. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. The market value of this asset may not exceed 10% of the market value of each System's total portfolio.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2005

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C. Domestic Equity

The domestic equity portfolio of each System may consist of both actively and passively managed equity securities. Also, covered call options may be utilized in order to add incremental value to each System's equity portfolio and may be written and repurchased as market conditions warrant. The asset class may not exceed 65% of the market value of each System's aggregate portfolio.

D. International Equity

The international equity asset class may be used to provide diversification for the Systems and may consist of both actively and passively managed international equity securities. In order to be eligible for purchase by the Systems, an international equity security must be issued by a company incorporated in a country whose debt securities are eligible for investment under Section B above, and the market value of the aggregate outstanding equity of the issuing company must be at least \$100 million. Furthermore, each System may not purchase or hold more than 5 percent of any class of the outstanding stock of a company. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international equity securities when it is considered appropriate. The aggregate market value of international equities may not exceed 15% of the aggregate market value of each System's total portfolio.

E. Real Estate

The real estate portfolio of each System may consist of office, retail, industrial, commercial, and residential housing projects. The suggested range may not exceed 10% of the book value of each System's aggregate portfolio.

F. Alternative Investments

Alternative investments may consist of, but are not limited to, mezzanine financing, LBO's, venture capital, limited partnerships, futures, commodities, and derivative investments. The asset class may not exceed 5% of the book value of each System's aggregate portfolio.

G. Short-term Investments

Short-term investments may consist of money allocated to commercial paper, rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. Treasury securities and other money market investments. The primary objective of short-term investments is to provide highly liquid, low risk methods of return on funds, which have not been committed to the other aforementioned asset classes. The asset class may not exceed 20% of the market value of each System's aggregate portfolio.

Asset allocation is a dynamic process, and as such, the allocation decision should be revisited as market conditions change. In order to recognize this dynamism, the allocation targets within the recommended ranges of each asset class for the prospective quarter should be included in the quarterly strategy report.



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### **III. Procedures**

1. The investment advisor will work with the staff to develop a quarterly strategy for investments, which will be disseminated to the Boards, as it is prepared each quarter.
2. The Investment Committee of each System shall approve all investments made within the prescribed investment policy. These Investment Committees, in their approval, are considered to be signing for the respective Board of Control. If any purchase or sale is questioned by a member of the respective Investment Committee as to whether it is within given Board policy, the Board shall decide and no purchase or sale shall take place until all parties are in clear agreement that said action is or is not covered by policy.
3. Each week the secretary-treasurer of each System will send to the investment advisor the list of actual activities for written confirmation, which will then be forwarded to the respective System's Board of Control members upon receipt.
4. The staff members of the investment advisor will meet at least quarterly with members of the RSA staff and interested Boards of Control members to cover subjects of mutual interest.
5. All investment security purchases will be documented with an individual worksheet setting out the reason for the purchase, rating, market history and other general data pertinent to the decision making process.
6. An annual survey will be made of all fixed income investments held with emphasis on credit quality. A holding that has been downgraded in rating will be examined as to the reason for the downgrade and a determination should be made as to whether the security should remain in the portfolio.
7. The rules of the Securities Exchange Commission, the general policies of the Boards of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The RSA staff will provide the Alabama Ethics Commission with a quarterly report of all purchases and sales of any and all securities for personal accounts occurring within each reported quarter. The staff will abide by the Alabama Ethics Commission Advisory Opinion No. 673.

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2005

		<b>Annualized</b>		
	<b>1 Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Last 10 Years</b>
<b>Total Portfolio</b>				
TRS	11.26%	12.86%	4.48%	7.92%
ERS	10.98%	12.74%	4.01%	7.78%
JRF	9.91%	10.99%	2.09%	7.54%
<b>Total Domestic Equity</b>				
TRS	14.21%	18.05%	1.91%	10.22%
ERS	14.39%	18.09%	0.20%	9.33%
JRF	13.35%	17.39%	1.14%	10.96%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	12.25%	16.72%	-1.49%	9.49%
Dow Jones Industrial Average	7.22%	14.18%	1.92%	10.37%
S&P MidCap 400	22.16%	22.12%	7.06%	14.13%
S & P 600 Smallcap	21.22%	24.20%	10.96%	12.17%
<b>Total International Equity</b>				
TRS	25.97%	25.07%	3.82%	6.32%
ERS	25.97%	25.03%	3.80%	6.32%
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	25.79%	24.62%	3.16%	5.83%
<b>Total Fixed Income and Alternatives</b>				
TRS	4.50%	6.68%	6.11%	6.47%
ERS	4.75%	6.66%	5.81%	6.36%
JRF	5.22%	4.16%	4.09%	5.73%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	2.92%	4.07%	6.67%	6.57%
Lehman Bros. Aggregate	2.80%	3.96%	6.62%	6.55%

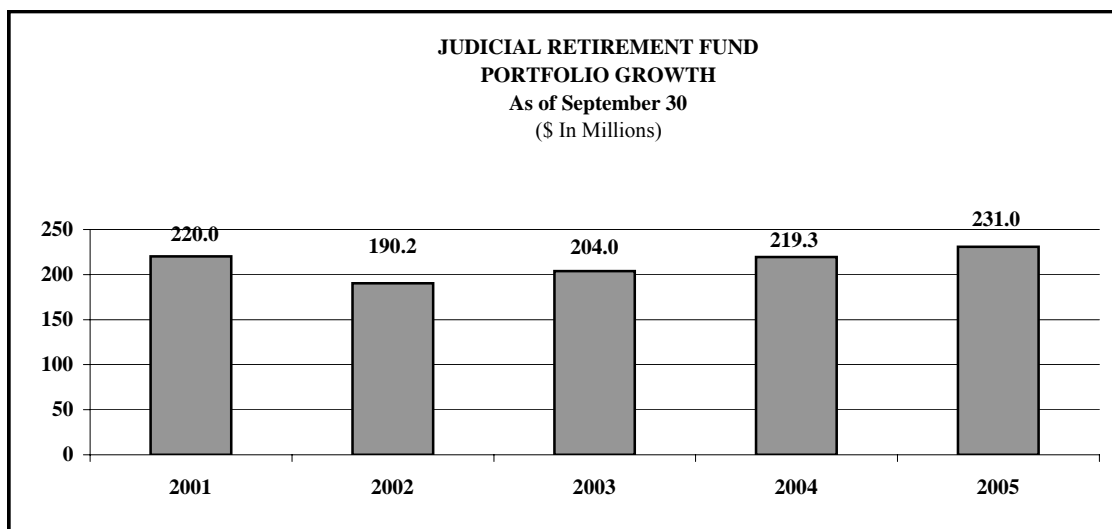
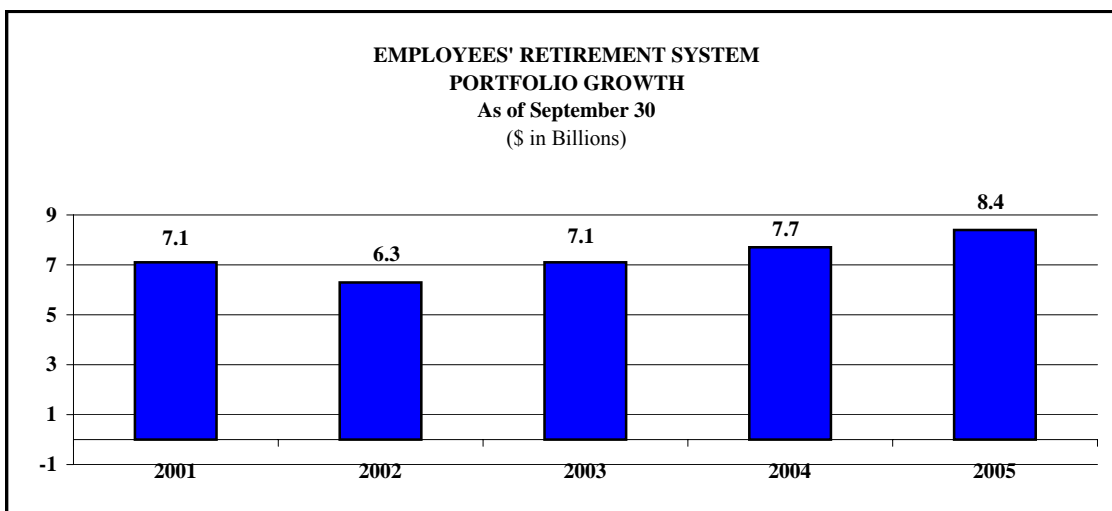
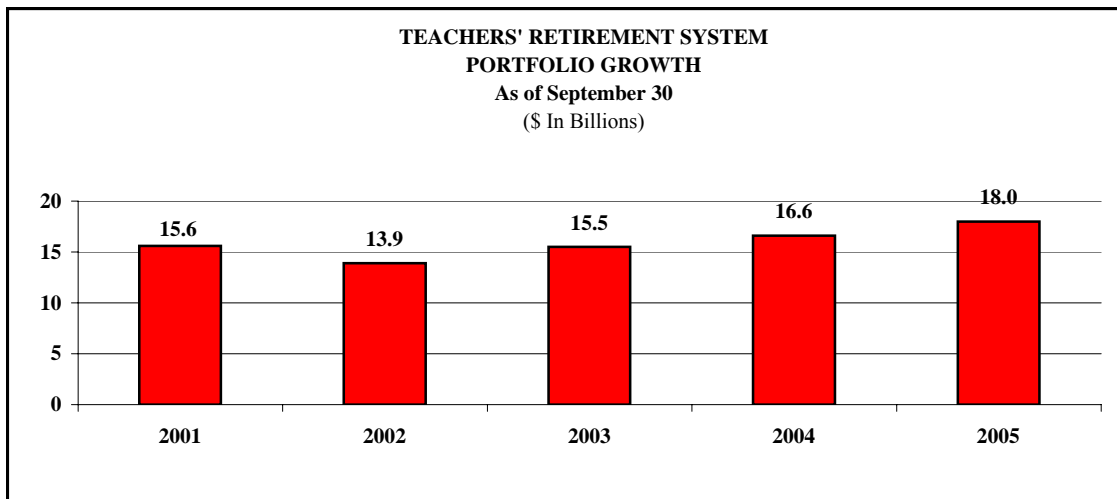
*Investment return calculations were prepared using a time-weighted rate of return based on AIMR's performance presentation standards.*

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Portfolio Growth

#### Five-Year Comparison

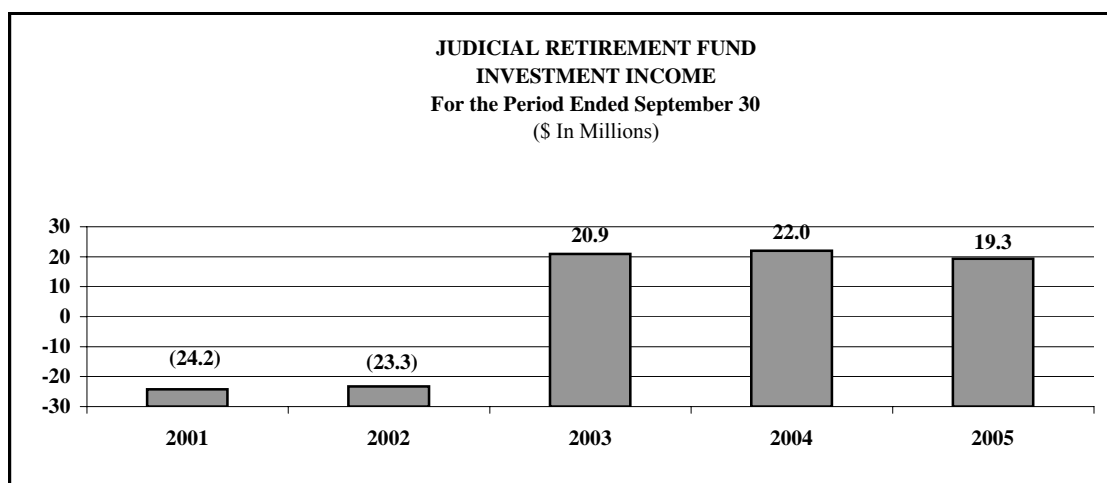
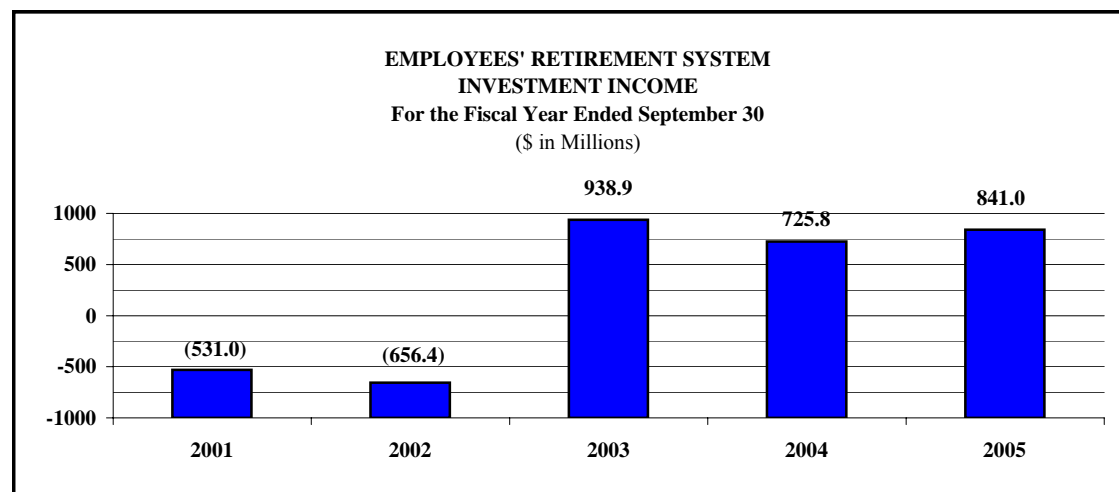
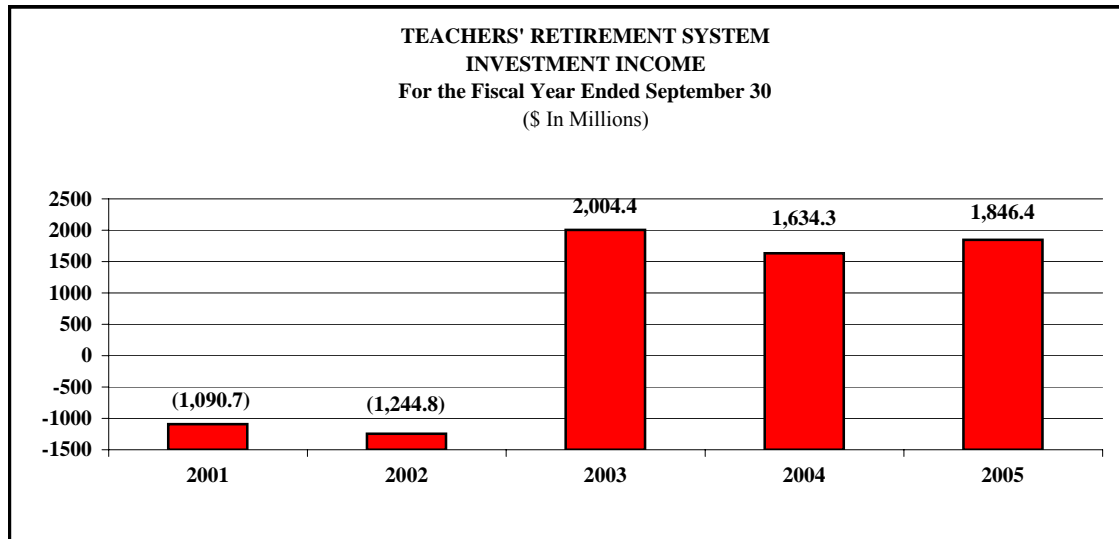


## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Investment Income

#### Five-Year Comparison

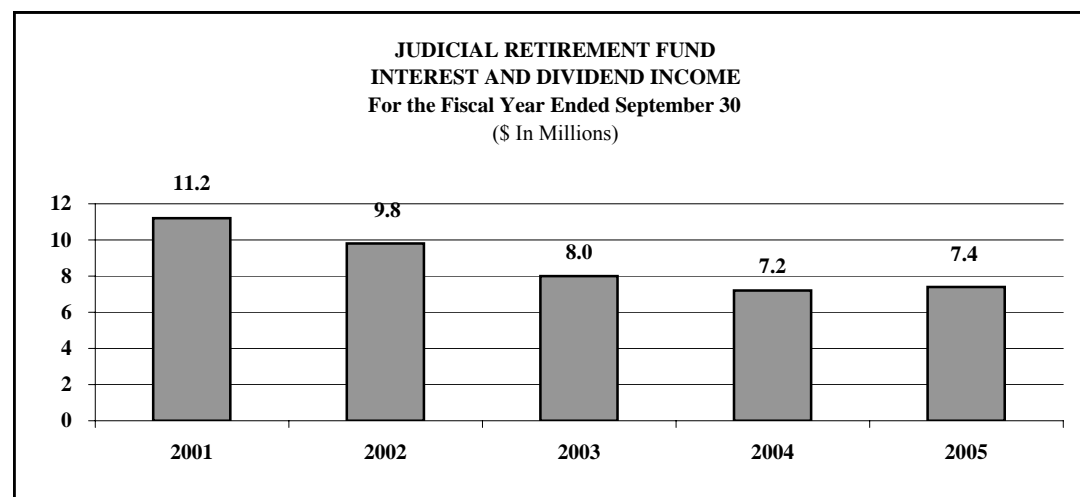
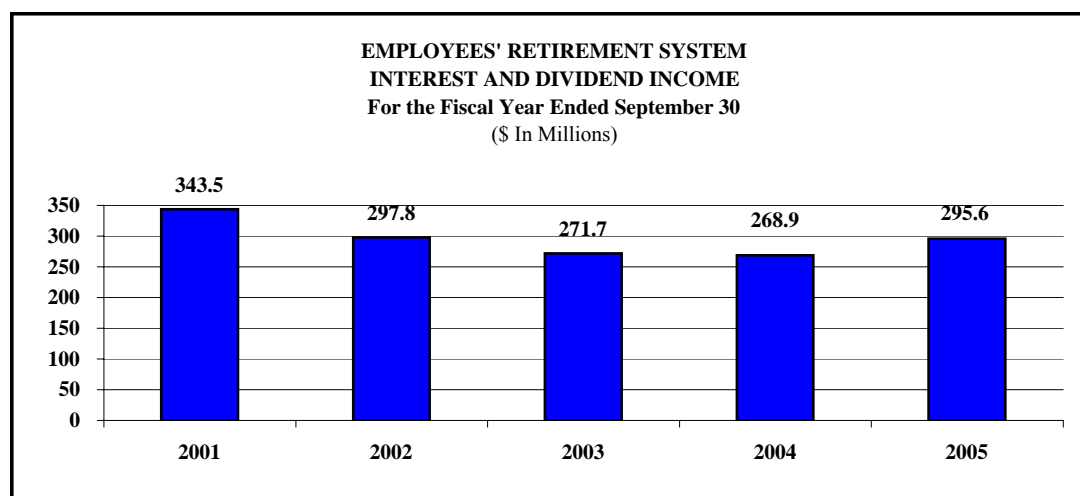
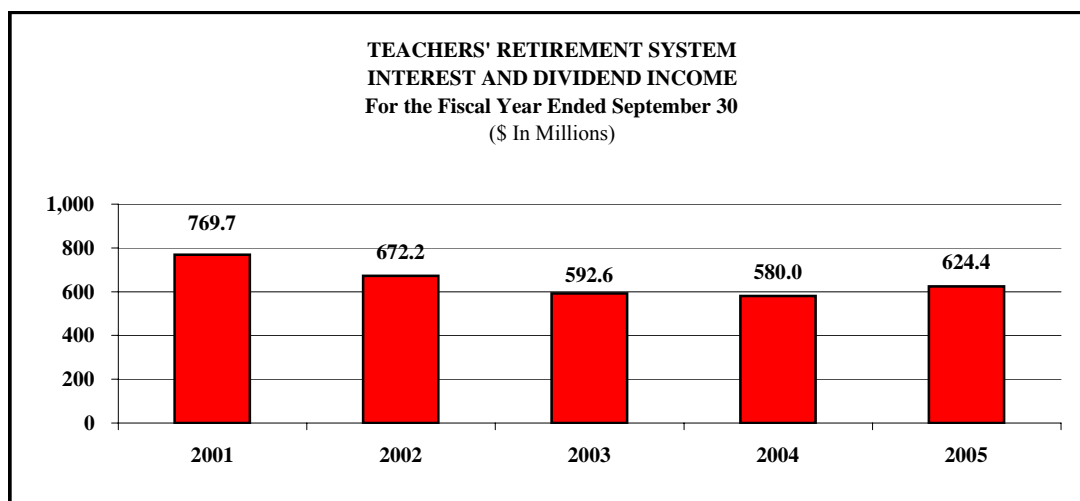


## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Interest and Dividends

#### Five-Year Comparison

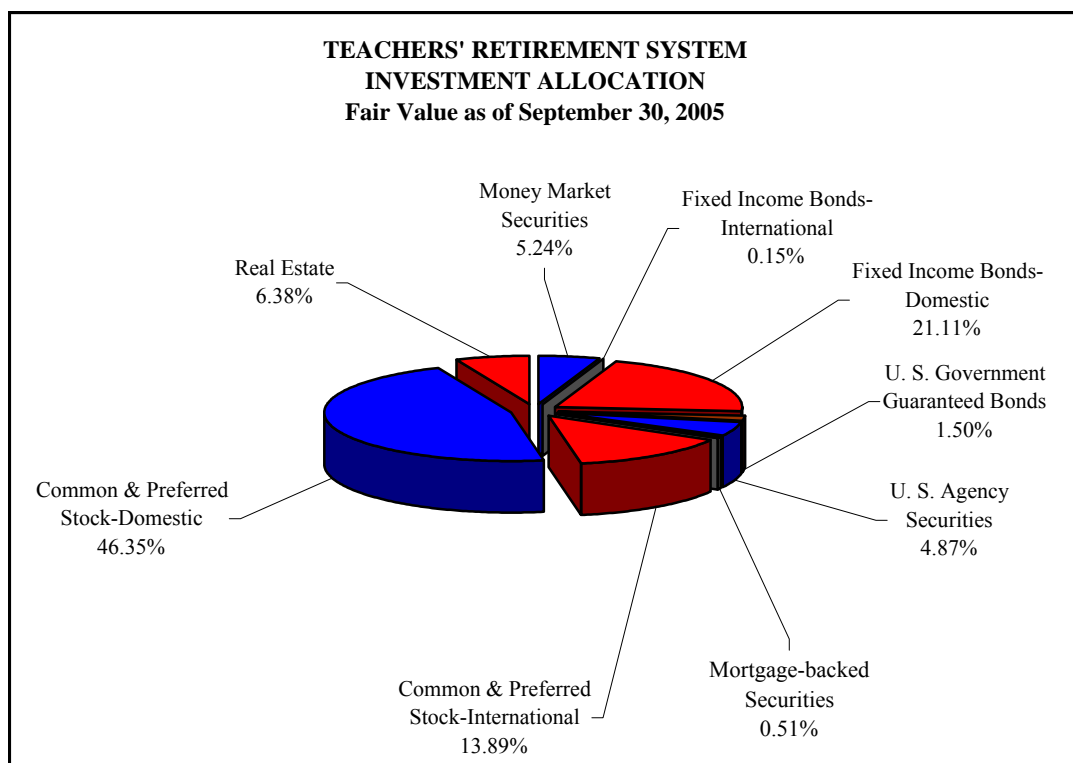


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Teachers' Retirement System

#### Investment Allocation and Summary



**TEACHERS' RETIREMENT SYTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2005**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 941,540	5.24
U.S. Government Guaranteed	269,342	1.50
U.S. Agency Securities	875,823	4.87
Mortgage-backed Securities	91,459	0.51
Fixed Income Bonds		
Domestic	3,793,608	21.11
International	26,409	0.15
Common and Preferred Stocks		
Domestic	8,329,184	46.35
International	2,496,647	13.89
Real Estate	1,147,347	6.38
<b>Total Investments</b>	<b><u>\$ 17,971,359</u></b>	<b><u>100.00</u></b>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Teachers' Retirement System

#### Largest Stock and Bond Holdings

---

#### TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2005

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	3,726	Exxon Mobil Corporation	\$ 236,759
2)	6,167	General Electric Company	207,652
3)	5,895	Microsoft Corporation	151,682
4)	3,171	Citigroup Incorporated	144,340
5)	179	Raycom Media (8% noncum PFD)	131,739
6)	1,882	Johnson & Johnson	119,093
7)	4,627	Pfizer Incorporated	115,540
8)	2,455	Bank of America Corporation	103,352
9)	1,596	American International Group	98,902
10)	1,285	Altria Group Incorporated	94,711

#### TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2005

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 986,851	Raycom Media Incorporated due 12/15/16	\$ 724,815
2)	910,146	Community News due 1/31/17	699,737
3)	219,450	Alabama River Group due 10/8/13	220,931
4)	172,808	Alabama Real Estate Holdings due 9/30/32	148,398
5)	90,000	CSX Corporation due 5/1/32	97,859
6)	90,750	Mediaone Group Incorporated due 2/1/32	96,536
7)	71,590	Nationwide Financial Services due 3/1/27	76,776
8)	59,855	Hartford Insur-Simsbury due 1/2/10	59,681
9)	53,767	Washington Mutual due 1/15/15	53,519
10)	47,000	Dana Credit Corporation due 8/15/07	46,476

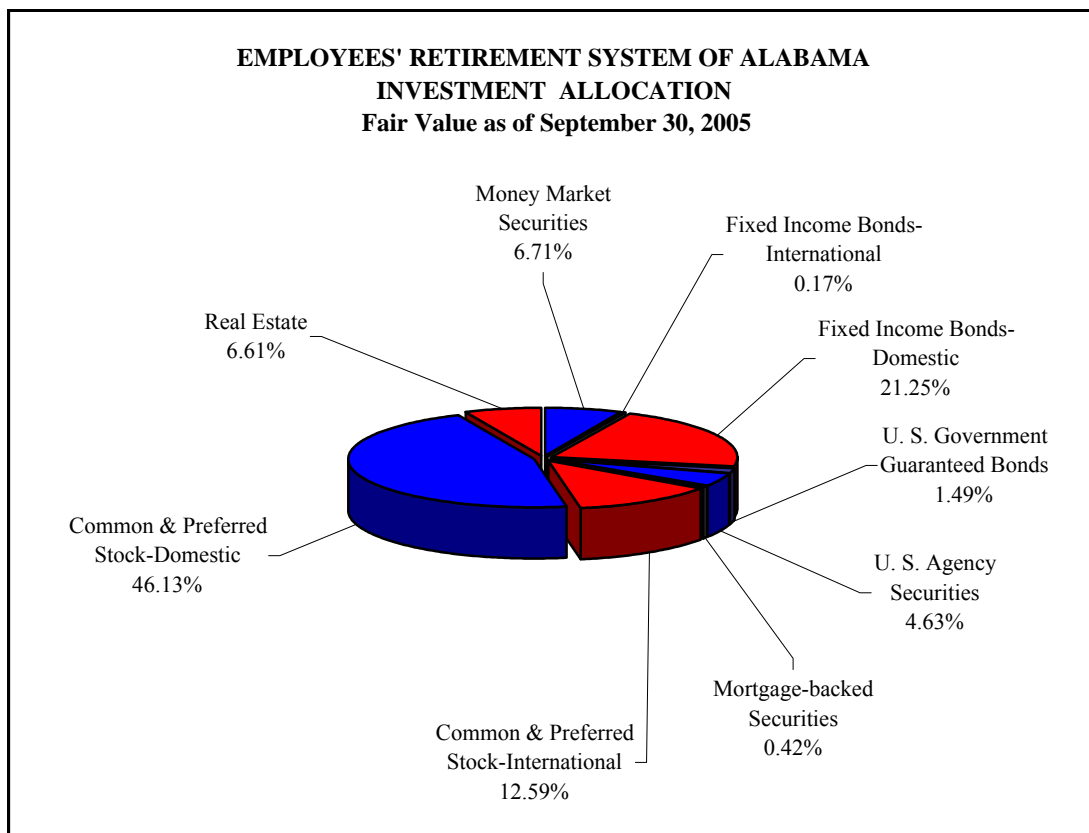
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Employees' Retirement System

#### Investment Allocation and Summary



### EMPLOYEES' RETIREMENT SYSTEM INVESTMENT SUMMARY AT FAIR VALUE

As of September 30, 2005

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 561,290	6.71
U.S. Government Guaranteed	124,872	1.49
U.S. Agency Securities	387,999	4.63
Mortgage-backed Securities	35,202	0.42
Fixed Income Bonds		
Domestic	1,779,004	21.25
International	14,171	0.17
Common and Preferred Stocks		
Domestic	3,861,335	46.13
International	1,053,851	12.59
Real Estate	553,441	6.61
<b>Total Investments</b>	<b>\$ 8,371,165</b>	<b>100.00</b>



## RETIREMENT SYSTEMS OF ALABAMA

---

### *Investment Section*

#### Employees' Retirement System

#### Largest Stock and Bond Holdings

---

#### EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2005

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	179	Raycom Media (8% noncum PFD)	\$ 131,739
2)	1,671	Exxon Mobil Corporation	106,182
3)	2,780	General Electric Corporation	93,613
4)	96	CNHI TR D Preferred (8% noncum)	73,785
5)	2,660	Microsoft Corporation	68,441
6)	1,435	Citigroup Incorporated	65,323
7)	849	Johnson & Johnson	53,754
8)	2,057	Pfizer Incorporated	51,357
9)	1,113	Bank of America Corporation	46,864
10)	727	American International Group	45,053

#### EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2005

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 493,425	Raycom Media Incorporated due 12/15/16	\$ 362,408
2)	458,955	Community News due 1/31/17	352,853
3)	94,050	Alabama River Group due 10/8/13	94,685
4)	82,770	Alabama Real Estate Holdings due 9/30/32	71,115
5)	54,260	Mediaone Group Incorporated due 2/1/32	57,719
6)	50,000	CSX Corporation due 5/1/32	54,366
7)	39,850	General Electric Capital Corporation due 9/15/14	39,675
8)	32,230	Hartford Insur-Simsbury due 1/2/10	32,151
9)	31,181	St. Paul Companies Incorporated due 11/29/05	30,903
10)	23,864	Nationwide Financial Services due 3/1/27	25,593

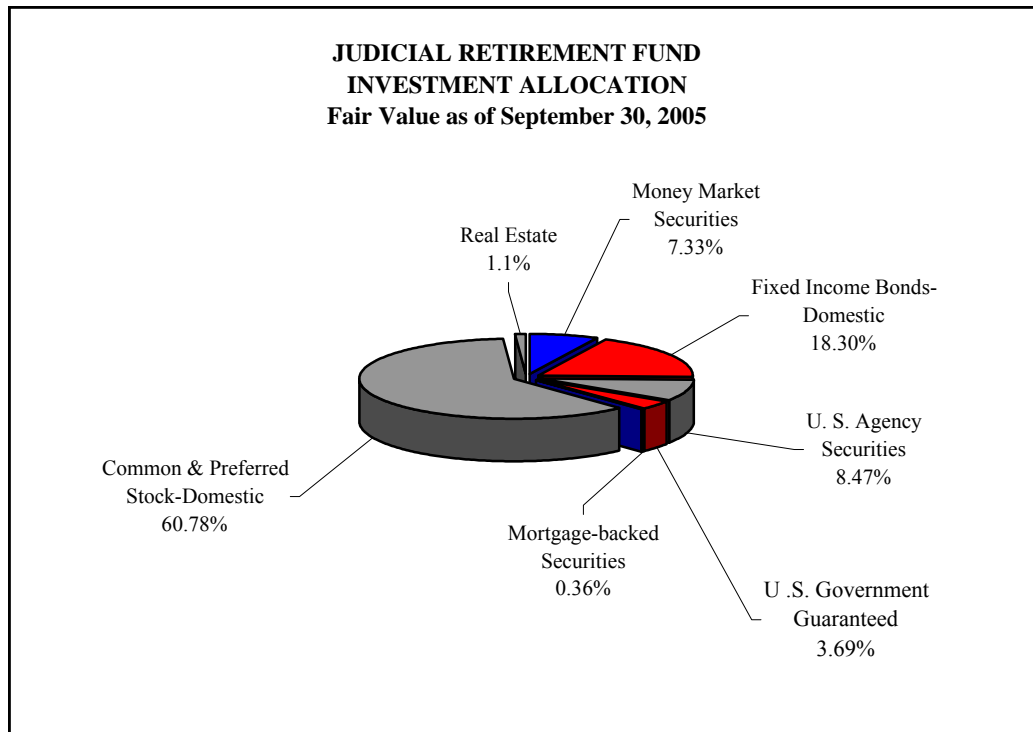
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Judicial Retirement Fund

#### Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND  
INVESTMENT SUMMARY AT FAIR VALUE**

**As of September 30, 2005**

(\$ In Thousands)

	<b>Fair Value</b>	<b>% of Fair Value</b>
Money Market Securities and Mutual Funds	\$ 16,923	7.33
U.S. Agency Securities	19,577	8.47
U.S. Government Guaranteed	8,534	3.69
Mortgage-backed Securities	838	0.36
Fixed Income Bonds, Domestic	42,262	18.30
Common and Preferred Stocks, Domestic	140,393	60.78
Real Estate	2,473	1.07
<b>Total Investments</b>	<b>\$ 231,000</b>	<b>100.00</b>

## RETIREMENT SYSTEMS OF ALABAMA

---

### *Investment Section*

#### Judicial Retirement Fund

#### Largest Stock and Bond Holdings

---

#### JUDICIAL RETIREMENT FUND

#### LARGEST STOCK HOLDINGS

September 30, 2005

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	71	Exxon Mobil Corporation	\$ 4,527
2)	120	General Electric Corporation	4,033
3)	104	Microsoft Corporation	2,679
4)	58	Citigroup Incorporated	2,659
5)	34	Johnson & Johnson	2,127
6)	83	Pfizer Incorporated	2,080
7)	45	Bank of America Corporation	1,911
8)	29	American International Group	1,817
9)	23	Altria Group Incorporated	1,728
10)	69	Intel Corporation	1,697

#### JUDICIAL RETIREMENT FUND

#### LARGEST BOND HOLDINGS

September 30, 2005

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 5,318	Community News due 1/31/17	\$ 3,884
2)	2,864	Nationwide Financial Services due 3/1/27	3,071
3)	3,032	Xcel Energy Incorporated due 12/29/05	3,000
4)	2,000	PPL Energy due 12/21/013	2,279
5)	2,020	Kellogg Company due 11/29/05	2,004
6)	2,010	General Mills Incorporated due 11/16/05	1,999
7)	1,634	General Electric Capital Corporation due 9/15/14	1,641
8)	1,500	GTE Corporation due 2/1/27	1,597
9)	5,000	UAL Pass-through Certificates Ser 1992B due 10/26/15	1,423
10)	1,275	Mediaone Group due 2/1/32	1,356

A complete list of portfolio holdings is available upon request.

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Broker Commissions Paid

For the Fiscal Year Ended September 30, 2005

	Stock		Fixed		Total
	Commissions	# of	Commissions	Securities	Commissions
	Per Share	Shares	(000's)	Commissions	(000's)
		(000's)		(000's)	
Banc of America	\$ -	-	\$ -	\$ 282	\$ 282
Bear Stearns & Co.	0.0473	10,111	478	279	757
Bernstein	0.0324	16,054	520	-	520
Centennial	0.0508	295	15	-	15
Citigroup	0.0266	21,533	573	555	1,128
Citigroup-Montgomery	-	-	-	5	5
Concord	0.0505	297	15	-	15
Credit Suisse First Boston Corp.	0.0114	18,365	210	266	476
Deutsche Bank	0.0501	1,477	74	73	147
Empirical Research	0.0501	379	19	-	19
First Discount	0.0513	273	14	-	14
Gardner Rich	0.0492	427	21	-	21
Goldman Sachs & Co.	0.0247	6,888	170	343	513
Howard Weil & Co.	0.0503	1,093	55	-	55
ISI	0.0493	3,587	177	-	177
Issuer Designated	-	-	-	109	109
Janney Montgomery Scott	0.0533	150	8	-	8
J. P. Morgan Chase	0.0214	13,968	299	387	686
Keefe Bruyette	0.0500	2,518	126	-	126
Lehman Brothers, Inc.	0.0230	16,091	370	294	664
McDonald & Company	0.0490	449	22	160	182
Merrill Lynch, Pierce, Fenner & Smith	0.0410	13,182	541	273	814
Morgan Keegan	0.0498	1,164	58	3	61
Morgan Stanley Dean Witter	0.0254	22,267	565	179	744
Morgan Stanley Dean Witter-Int'l	0.0011	122,038	140	-	140
Morgan Stanley-Montgomery	-	-	-	3	3
NBC Capital Markets	-	-	-	298	298
NBC Securities, Inc.	0.0500	1,200	60	5	65
Ned Davis	0.0508	492	25	-	25
Quintus Securities	0.0486	247	12	-	12
Raymond James	0.0502	1,195	60	65	125
Robert Thomas	0.0400	50	2	-	2
Sandler O'Neil	0.0501	2,752	138	-	138
Securities Capital	0.0494	425	21	-	21
Simmons	0.0497	906	45	-	45
Southwest	0.0517	271	14	-	14
Sterne, Agee & Leach	0.0500	1,420	71	-	71
Sterne, Agee-Mobile	-	-	-	3	3
Sterne, Agee-Montgomery	-	-	-	3	3
Susquehanna	0.0305	164	5	-	5
UBS Warburg	0.0498	3,291	164	392	556
Wachovia	0.0498	1,466	73	3	76
<b>Totals</b>		<b>286,485</b>	<b>\$ 5,160</b>	<b>\$ 3,980</b>	<b>\$ 9,140</b>

**Average Commission Per Share of Stock = \$ 0.0180**

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# ACTUARIAL SECTION

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## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

August 29, 2005

Board of Control  
Teachers' Retirement System of Alabama  
Montgomery, Alabama

### Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of September 30, 2004 in accordance with Section 367(15) of the act governing the operation of the System. The valuation date has been changed to September 30 from June 30 to coincide with the fiscal year and to be consistent with the valuation dates for the other Retirement Systems of Alabama. After the June 30, 2003 valuation report was issued, the State Office of the Attorney General rendered an opinion that the Board of Control has the authority under Section 16-25-21(2)c1 of the Code of Alabama, to change the pension fund's actuarial funding period provided it is set at not less than ten or more than twenty years. Based on this opinion, the Board adopted a resolution on May 24, 2004 to change the funding period used to determine the contribution rate in the June 30, 2003 valuation from 10 years to 20 years. The contribution rate for the fiscal year ending September 30, 2006 was, therefore, reduced from 9.44% to 8.17% of payroll.

The purpose of this report is to provide a summary of the funded status of the system as of September 30, 2004, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the cost-of-living increase effective October 1, 2005 granted to retired members under Act 2005-174. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 9.36% of payroll for the fiscal year ending September 30, 2007, based on a 20-year funding period. The increase in the contribution rate from 8.17% to 9.36% of payroll is primarily due to a recognition of asset losses and the cost of the COLA.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.



This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

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.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'E. Macdonald'.

Edward A. Macdonald, ASA, MAAA, FCA  
President

EAM:sh

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods

---

### Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study prepared as of June 30, 2000, submitted on November 14, 2001, and adopted by the Board in January 2002.

**Investment Rate of Return:** 8% per annum, compounded annually.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.50% per annum:

<u>Age</u>	<u>Annual Rate (%)</u>
20	7.25
25	7.25
30	7.75
35	7.00
40	6.50
45	6.25
50	6.00
55	5.50
60	5.00
65	5.00

**Separations Before Service Retirement:** Representative values of the assumed annual rates of death, disability, and withdrawal are as follows:

<u>Age</u>	<u>Annual Rate (%)</u>					
	<u>Death</u>		<u>Disability</u>		<u>Withdrawal*</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	0.05	0.03	0.05	0.07	23.83	23.83
25	0.06	0.03	0.06	0.07	11.59	11.14
30	0.08	0.03	0.07	0.07	7.86	7.93
35	0.08	0.04	0.12	0.10	6.08	6.08
40	0.09	0.06	0.14	0.16	4.78	4.35
45	0.14	0.09	0.24	0.32	3.75	3.71
50	0.21	0.12	0.61	0.65	2.82	2.57
55	0.36	0.19	1.35	0.95	1.85	2.07
60	0.63	0.34	2.50	1.89	1.41	1.95
65	1.15	0.67				
69	1.80	1.08				

\* Withdrawal rates are higher during the first three years of service.



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**Service Retirement\*:** Representative values of the assumed annual rates of service retirement are as follows:

For those members first eligible for unreduced benefits before age 50 or after age 60, rates are as follows:

<u>Age</u>	<u>Annual Rate (%)</u>	
	<u>Male*</u>	<u>Female*</u>
45	7.0	4.0
50	12.0	8.0
55	45.0	45.0
60	15.0	15.0
62	35.0	35.0
65	40.0	40.0
70	100.0	100.0

\*Retirement rates increase by 10% for males and 20% for females in the year members first become eligible for unreduced service retirement.

For members first eligible for unreduced benefits on or after age 50 but before age 60, no withdrawal or retirement is assumed to occur for the five years prior to DROP eligibility and 45% are assumed to retire in the first year eligible for DROP participation. The rates, thereafter, are as follows:

<u>Age</u>	<u>Annual Rate (%)</u>	
	<u>Male</u>	<u>Female</u>
58	15.0	15.0
60	15.0	15.0
62	35.0	35.0
65	40.0	40.0
70	100.0	100.0

**Deaths after Retirement:** Rate of mortality for the period after service retirement are according to the 1982 George B. Buck Men Teachers Mortality Study Table set back one year for males and the UP94 Mortality Table set back one year for females. Special tables are used for the period after disability retirement. Representative values of the assumed annual rates of death after service and disability retirement are as follows:

<u>Age</u>	<u>Annual Rate (%) of Death After</u>			
	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
40	0.1	0.1	3.3	2.6
50	0.3	0.1	3.8	2.5
55	0.5	0.2	4.2	2.7
60	0.8	0.4	4.9	3.0
65	1.5	0.8	6.0	3.4
70	2.6	1.4	7.6	4.1
75	3.9	2.2	10.2	5.2
80	5.9	3.8	14.2	6.8
85	9.2	6.6	20.1	9.5
90	14.3	11.2	28.7	13.5
95	20.5	18.4	40.4	19.4

### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued), Actuarial Cost Method and Summary of Plan Provisions

---

**Spousal Benefits:** For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit and 25% will elect the spousal benefit.

**Valuation Method:** Entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

**Assets:** Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected actuarial value of assets, based on the assumed valuation rate of return. Each year 20% of the difference between market value and expected actuarial value is recognized.

### **Actuarial Cost Method**

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.
4. The unfunded accrued liability contributions are determined by subtracting the current assets held by the System and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System.

### **Summary of Plan Provisions as Interpreted for Valuation Purposes**

The Teachers' Retirement System of Alabama was established on September 15, 1939 and became effective September 30, 1941. The valuation considered amendments to the System through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

#### **Definitions**

**Average Final Compensation** - the average compensation of a member for the 3 highest years in the last 10 years of creditable service.

**Membership Service** - all service rendered while a member of the retirement system and for which contributions are made.

**Creditable Service** - the sum of membership service, prior service, and any other service established as creditable in accordance with the provisions of the retirement law.

**Annuity** - payments for life derived from accumulated contributions of a member.

**Pension** - payments for life derived from employer contributions.

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Retirement Allowance - the sum of the annuity and pension.

### **Benefits**

#### **Service Retirement Allowance**

**Condition for Allowance** A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.

**Amount of Allowance** Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.

Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement" below).

#### **Disability Retirement Allowance**

**Condition for Allowance** A disability retirement allowance may be granted to a member who has 10 years or more of creditable service and becomes totally and permanently incapacitated for duty before reaching eligibility for a service retirement allowance.

**Amount of Allowance** Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.

Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement" below).

#### **Benefits Payable on Separation of Service**

Any member who withdraws from service is entitled to receive his or her contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 60.

#### **Benefits Payable upon Death of In Active Service**

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect (1) to exercise Option 3 defined below under "Special Privileges at Retirement" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous scholastic year (July 1-June 30). \*

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan Provisions (Continued) and Supporting Schedules

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In the event of the death of a member with more than one year of service who is not eligible to retire, the designated beneficiary shall receive the return of member contributions and total earned interest. Also, the designated beneficiary shall receive an additional death benefit equal to the salary on which member retirement contributions were made for the previous scholastic year (July 1-June 30). \*

In the event of a job-related death of a member with less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time of death. \*

In the event of a non-job related death of a member with less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit which is limited to a \$5,000 maximum.

\*However, if the death occurred more than 180 calendar days after the member's last day in pay status, or if the deceased had applied for a refund of contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was non-job related.

#### Special Privileges at Retirement

In lieu of the full retirement allowance, any member may, at retirement, elect to receive a reduced retirement allowance equal in value to the full allowance, with the provision that:

Option 1 – If a member dies before the annuity payments equal the present value of the annuity at the date of retirement, the balance is paid to a designated beneficiary or to the member's estate, or

Option 2 – After the member's death, the member's allowance is continued throughout the life of the designated beneficiary, or

Option 3 – After the member's death, one-half of the member's allowance is continued throughout the life of the designated beneficiary, or

Option 4 - Some other benefit is paid either to the member or to such other person as the member shall designate provided such benefit, together with the reduced retirement allowance, is of equivalent actuarial value to the member's retirement allowance and is approved by the Board of Control.

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Deferred Retirement Option Plan  
(DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

Member Contributions

Regular members contribute 5% of salary. Certified police officers and firefighters contribute 6% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and interest upon retirement.

## Supporting Schedules

The following table reflects a six-year history of active member valuation data:

### TEACHERS' RETIREMENT SYSTEM SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
09/30/04	*	131,814	\$ 4,494,548,521	\$ 34,098	(1.50)
06/30/03	§	129,617	4,486,058,170	34,610	2.78
06/30/02	†	128,649	4,332,119,671	33,674	1.74
06/30/01		130,066	4,305,080,140	33,099	3.96
06/30/00		129,777	4,131,903,775	31,838	3.03
06/30/99		128,279	3,964,111,877	30,902	(1.54)

\* In addition, there are 4,468 employees with annual compensation of \$352,128,959 who are currently participating in the DROP program. Employers of the Retirement System contribute on this payroll.

§ In addition, there are 2,711 employees with annual compensation of \$146,552,344 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

† In addition, there are 973 employees with annual compensation of \$47,063,551 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

#### Supporting Schedules (Continued)

The following table presents a six-year history of a solvency test:

#### TEACHERS' RETIREMENT SYSTEM SOLVENCY TEST (\$ in Thousands)

		Aggregate Accrued Liabilities For				% of Accrued Liabilities Covered by Reported Assets		
		(1)	(2)	(3)	Reported Assets			
Valuation Date		Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)		(1)	(2)	(3)
09/30/04	*	\$ 2,779,858	\$ 11,491,556	\$ 6,614,776	\$ 18,704,009	100	100	67.0
06/30/03		2,750,536	9,548,773	7,058,426	18,110,470	100	100	82.3
06/30/02	§	2,690,967	8,526,609	7,156,598	17,904,881	100	100	93.4
06/30/01	#	2,607,236	7,471,415	7,159,965	17,475,298	100	100	103.3
06/30/00		2,405,186	7,075,177	6,811,099	16,703,929	100	100	106.1
06/30/99	†	2,335,475	6,582,401	6,650,316	15,642,066	100	100	101.1

\* Reflects additional allowance payable under Act 2005-174

§ Reflects effect of amendments to the System and additional allowance payable under Act 2002-393. Beginning 6/30/2002, item (1) and item (2) include DROP participants.

# Reflects changes in actuarial assumptions.

† Reflects additional allowance payable under Act 2000-741.

The following table presents a six-year history of retirants and beneficiaries:

#### SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

Fiscal Year Ended	Number of Retirees and Beneficiaries *			Annual Allowances		
	Added	Removed	Year-end	Year-end (000s)	% Increase	Average
2004	3,610	1,298	56,722	\$ 1,013,245	5.2	\$ 17,863
2003	3,782	1,275	54,410	963,130	8.6	17,701
2002	3,550	1,294	51,903	886,969	5.6	17,089
2001	3,225	1,280	49,647	839,704	9.4	16,913
2000	4,312	1,248	47,702	767,477	9.7	16,089
1999	2,756	1,176	44,638	699,517	12.8	15,671

\* Does not include DROP participants.

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The following table provides an analysis of actuarial gains and losses:

**TEACHERS' RETIREMENT SYSTEM**  
**ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2004**

	<u><b>Amount</b></u>
Unfunded Actuarial Liability as of June 30, 2003	\$ 1,247,264,917
Normal Cost for July 1, 2003 through September 30, 2003	70,034,490
Contributions Received During the Period	(54,320,988)
Interest to Period End	<u>25,102,433</u>
Expected Unfunded Actuarial Liability as of September 30, 2003	1,288,080,852
Normal Cost for October 1, 2003 through September 30, 2004	280,137,958
Contributions Received During the Year	(294,451,810)
Interest to Year End	<u>102,473,914</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of September 30, 2004	<u>1,376,240,914</u>
 Actuarial (Gains)/Losses During the Year	
From Investments	607,205,733
From Actuarial Liabilities	<u>198,734,625</u>
Total Actuarial (Gains)/Losses During the Year	<u>805,940,358</u>
 <b>Actual Unfunded Actuarial Liability as of September 30, 2004</b>	 <b><u>\$ 2,182,181,272</u></b>

Note that the valuation date was changed from June 30 to September 30.



## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

August 29, 2005

Board of Control  
Employees' Retirement System of Alabama  
State Capitol  
Montgomery, AL 36104

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the Employees' Retirement System of Alabama, prepared as of September 30, 2004 in accordance with Section 36-27-23(p) of the act governing the operation of the System. The purpose of this report is to provide a summary of the funded status of the system as of September 30, 2004, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the cost-of-living increase effective October 1, 2005 granted to retired members under Act 2005-316. On the basis of the valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 7.78% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 24.12% of payroll for the fiscal year ending September 30, 2007.

The financing objective of the System has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 20-year period for State Employees and State Police, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.





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.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

A handwritten signature in blue ink, consisting of a series of loops and flourishes.

Edward A. Macdonald, ASA, MAAA, FCA  
President

EAM:sh

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Actuarial Assumptions and Methods

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### Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study prepared as of September 30, 2000, submitted on May 23, 2002, and adopted by the Board on June 5, 2002.

**Investment Rate of Return:** 8% per annum, compounded annually.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.50% per annum:

<u>Age</u>	<u>Annual Rate (%)</u>
20	7.66
25	7.75
30	7.61
35	7.25
40	6.98
45	6.60
50	6.32
55	5.84
60	5.49
65	5.05

**Separations from Active Service:** Representative values of the assumed annual rates of death, disability, withdrawal, and service retirement are as follows:

#### STATE AND LOCAL EMPLOYEES

<u>Age</u>	<u>Annual Rate (%) of</u>					
	<u>Death</u>		<u>Disability</u>		<u>Withdrawal</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
20	0.05	0.03	0.05	0.08	25.80	31.30
25	0.06	0.03	0.06	0.09	18.50	21.50
30	0.08	0.03	0.08	0.12	11.40	14.40
35	0.08	0.04	0.17	0.24	8.10	10.10
40	0.09	0.06	0.30	0.41	6.30	7.30
45	0.14	0.09	0.54	0.65	4.90	6.00
50	0.21	0.12	0.98	0.98	3.30	6.00
55	0.36	0.19	1.50	1.50	3.00	4.50
60	0.63	0.34	2.37	2.37	3.00	4.50
62	0.80	0.44	2.84	2.84	3.00	4.50
65	1.15	0.67	3.71	3.71		
69	1.80	1.08	4.85	4.85		

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For members who are first eligible for unreduced benefits before age 50 or on or after age 60, rates are as follows:

<b>Age</b>	<b>Annual Rate of Service Retirement</b>	
	<b>Male(%) §</b>	<b>Female(%) †</b>
45	11.00	15.00
50	11.00	15.00
55	45.00	45.00
60	15.00	15.00
62	45.00	35.00
65	60.00	50.00
69	30.00	30.00
70	100.00	100.00

§ Retirement rates increase by 20% in the year a member first becomes eligible for unreduced service retirement.

† Retirement rates increase by 25% in the year a member first becomes eligible for unreduced service retirement.

For members first eligible for unreduced benefits on or after age 50 but before age 60, no withdrawal or retirement is assumed to occur for the five years prior to DROP eligibility and 45% are assumed to retire in the first year of eligibility for DROP participation. The rates, thereafter, are as follows:

<b>Age</b>	<b>Annual Rate of Service Retirement</b>	
	<b>Male(%)</b>	<b>Female(%)</b>
58	15.00	25.00
60	15.00	15.00
62	45.00	35.00
65	60.00	50.00
70	100.00	100.00

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued), Actuarial Cost Methods, and Summary of Plan Provisions

#### STATE POLICEMEN

Age	Annual Rate (%) of				
	Death		Disability	Withdrawal †	Service Retirement "A"
	Male	Female			Service Retirement "B"
20	0.05	0.03	0.04	1.00	
25	0.06	0.03	0.05	1.00	
30	0.08	0.03	0.07	1.50	
35	0.08	0.04	0.11	2.00	
40	0.09	0.06	0.17	1.00	
45	0.14	0.09	0.23	0.50	
50	0.21	0.12	0.30		20.00
55	0.36	0.19	0.35		10.00
60	0.63	0.34			30.00
62	0.80	0.44			30.00
65	1.15	0.67			100.00
69	1.80	1.08			100.00
70					100.00

† Higher rates are assumed during the first three years of employment.

A - For those who will become eligible for DROP prior to age 57, these are the rates in effect prior to the DROP eligibility. An additional 20% are assumed to retire in the first year of eligibility for unreduced benefits. 80% are assumed to retire in the first year eligible for DROP participation if less than age 57.

B - Rates for those who will not become eligible for DROP prior to age 57. An additional 25% are assumed to retire in the first year of eligibility for unreduced benefits. Also, for those who will become eligible for DROP prior to age 57, these are the rates after the first year of DROP eligibility.

**Death after Retirement:** The rate of mortality for the period after service retirement are based on the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females. Special tables are used for the period after disability retirement.

**Spousal Benefit:** For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit and 25% will elect the spousal benefit.

**Percent Married:** 100% of employees are assumed to be married, with the wife 3 years younger than the husband.

**Actuarial Method:** Entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

**Assets:** Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of the assets and the expected value of the assets, based on the assumed valuation rate of return. Each year 20% of the difference between the market value and expected value is recognized.

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## Actuarial Cost Method

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.
4. The unfunded accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.

## Summary of Plan Provisions as Interpreted for Valuation Purposes

The Employees' Retirement System of Alabama was established on October 1, 1945. The valuation considered amendments to the System effective through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

### Definitions

Average Final Compensation - the average compensation of a member for the 3 highest years in the last 10 years of creditable service.

Membership Service - all service rendered while a member of the Retirement System and for which contributions are made.

Creditable Service - the sum of membership service, prior service, and any other previous service established as creditable in accordance with the provisions of the retirement law.

Annuity - payments for life derived from accumulated contributions of a member.

Pension - payments for life derived from the accumulated contributions of an employer.

Retirement Allowance - the sum of the annuity and pension payments.

### Benefits – Members Classified as Other Than State Policemen

#### Service Retirement Allowance

##### Condition for Allowance

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service (except for local employers that maintained 30-year retirement by not electing 25-year retirement) or who has attained age 60 and completed at least 10 years of creditable service.

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

---

Amount of Allowance	<p>Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Disability Retirement Allowance	
Condition for Allowance	<p>A disability retirement allowance may be granted to a member who has 10 or more years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for service retirement.</p>
Amount of Allowance	<p>Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of the member's creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Benefits Payable on Separation of Service	<p>Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60.</p>
Benefits Payable upon Death in Active Service	<p>In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). *</p> <p>In the event of the death of a member with more than one year of service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member retirement contributions were made for the previous fiscal year (October 1 – September 30). *</p>

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In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit equal to the annual earnable compensation of the member at the time death occurs. \*

In the event of a non job-related death of a member with less than 1 year of service, the beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit, which is limited to a maximum of \$5,000.

\* However, if the death occurred more than 180 calendar days after the member's last day in pay status, or if the deceased had applied for a refund of contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was not job-related.

#### Deferred Retirement Option Plan (DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years (at least 30 years for units that did not elect 25 year retirement) of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of this period, the member may withdraw from active service and receive the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

#### Member Contributions

Regular members contribute 5% of salary. Certified firefighters, police officers and correctional officers contribute 6% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and interest upon retirement.

### Benefits – Members Classified as State Policemen

#### Service Retirement Allowance

##### Condition of Allowance

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 52 and completed at least 10 years of creditable service.

##### Amount of Allowance

Upon service retirement, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of their creditable service.

The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).

A member who has attained 20 or more years of creditable service and retires prior to age 60 is eligible to receive a "bonus service credit" up to 4 years as follows:

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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-Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.

-Age 52 to 56 – bonus service of 4 years.

-Age 52 or less (disability retirement only) – bonus service of 4 years.

-Age 52 or less with 25 or more years of service – bonus service of 4 years.

#### Disability Retirement Allowance

##### Condition for Allowance

A disability retirement allowance may be granted to a member who has 10 or more years of creditable service or who becomes disabled as a result of his or her employment in the line of duty without regard to his or her years of creditable service, and who becomes permanently incapacitated, mentally or physically, for the further performance of duty before reaching the minimum age for service retirement.

##### Amount of Allowance

Upon retirement for disability, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of the member's creditable service.

The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).

#### Benefits Payable upon Separation from Service

Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed 10 years or more of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after the attainment of age 52.

#### Benefits Payable upon Death in Active Service

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). \*

In the event of the death of a member with one or more years of service who is not eligible for service retirement, the designated beneficiary shall receive a return of member contributions and total interest earned plus an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which member retirement contributions were made for the previous fiscal year (October 1 – September 30). \*

In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable



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from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs. \*

In the event of a non job-related death of a member with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit, which is limited to a maximum of \$5,000.

\* However, if the death occurred more than 180 calendar days after the member's last day in pay status, or if the deceased had applied for a refund of contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was not job-related.

#### Deferred Retirement Option Plan (DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 52 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

#### Member Contributions

Members contribute 10% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions with interest upon retirement.

#### Special Privileges at Retirement – All Members

In lieu of the full retirement allowance, any member may, at retirement, elect to receive a reduced retirement allowance equal in value to the full retirement allowance, with the provision that:

- Option 1: If a member dies before the annuity payments equal or exceed the present value of the member's annuity at the date of retirement, the balance is paid to a designated beneficiary or to the member's estate, or
- Option 2: After the member's death, the member's allowance is continued throughout the life of the designated beneficiary, or
- Option 3: After the member's death, one-half of the member's retirement allowance is continued throughout the life of the designated beneficiary, or
- Option 4: Some other benefit is paid either to the member or the designated beneficiary, provided such benefit, together with the reduced retirement allowance, is of equivalent actuarial value to the member's retirement allowance and is approved by the Board of Control.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Supporting Schedules

#### Supporting Schedules

The following schedule provides a six-year history on active member valuation data:

#### EMPLOYEES' RETIREMENT SYSTEM SCHEDULE OF ACTIVE MEMBER VALUATION DATA

	Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
φ	09/30/04	81,249	\$ 2,625,617,551	\$ 32,316	1.18
§	09/30/03	82,304	2,628,626,363	31,938	3.12
*	09/30/02	81,545	2,525,514,089	30,971	3.20
	09/30/01	80,256	2,408,542,913	30,011	2.33
	09/30/00	77,693	2,278,637,042	29,329	2.85
	09/30/99	75,734	2,159,607,572	28,516	2.37

φ In addition, there are 1,440 members with compensation of \$76,775,883 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

§ In addition, there are 923 members with compensation of \$48,398,330 who are currently participating in DROP. Employers of the Retirement System contribute on this payroll.

\* In addition, there are 428 members with compensation of \$22,260,590 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

The following table provides a six-year history of solvency tests:

#### EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA SOLVENCY TEST (\$ in Thousands)

Aggregate Accrued Liabilities For							
	(1)	(2)	(3)		Portion (%) of Accrued Liabilities Covered by Reported Assets		
Valuation	Active Member	Retirants and	Members (Employer	Reported			
Date	Contributions	Beneficiaries	Financed Portion)	Assets	(1)	(2)	(3)
09/30/04 φ	\$ 1,533,055	\$ 4,496,854	\$ 3,516,569	\$ 8,563,945	100	100	72.1
09/30/03	1,484,793	3,928,131	3,711,355	8,312,500	100	100	78.1
09/30/02	1,400,699	3,580,584	3,512,186	8,100,846	100	100	88.8
09/30/01 §	1,319,603	3,244,967	3,445,553	8,028,471	100	100	100.5
09/30/00	1,219,344	3,080,504	3,104,120	7,769,122	100	100	111.8
09/30/99	1,152,050	2,826,060	2,906,245	7,302,046	100	100	114.4

φ Reflects COLA granted effective October 1, 2005 under Act 2005-316. Active member contributions exclude \$20,500,000 of employee lump sum contributions made by local employers before September 30, 2004 not recognized for valuation purposes.

§ Reflects changes in actuarial assumptions.

The following table presents a six-year history of data concerning retirants and beneficiaries:

**EMPLOYEES' RETIREMENT SYSTEM**  
**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS**

<b>Fiscal Year Ended</b>	<b>Number of Retirees and Beneficiaries</b>			<b>Annual Allowances</b>		
	<b>Added</b>	<b>Removed</b>	<b>Year-end</b>	<b>Year-end (000s)</b>	<b>% Increase</b>	<b>Average</b>
2004	2,015	926	30,009	\$ 456,643	6.0	\$ 15,217
2003	1,702	709	28,920	430,633	8.1	14,890
2002	1,678	760	27,927	398,383	5.5	14,265
2001	1,458	803	27,009	377,548	8.1	13,979
2000	1,589	828	26,354	349,260	5.1	13,253
1999	1,121	787	25,593	332,237	9.5	12,982

The following table provides an analysis of actuarial gains and losses:

**EMPLOYEES' RETIREMENT SYSTEM**  
**ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2004**

	<b>Amount</b>
(Overfunded) Actuarial Liability as of September 30, 2003	\$ 811,779,486
Normal Cost for 2004 Plan Year	127,584,146
Contributions Received During the Year	(141,713,733)
Interest to Year End	<u>64,377,175</u>
Expected (Overfunded) Actuarial Liability as of September 30, 2004	<u>862,027,074</u>
Actuarial (Gains)/Losses During the Year	
From Investments	207,530,078
From Actuarial Liabilities	<u>(87,023,996)</u>
Total Actuarial (Gains)/Losses During the Year	<u>120,506,082</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2004</b>	<b><u>\$ 982,533,156</u></b>



## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

August 29, 2005

Board of Control  
Judicial Retirement Fund of Alabama  
State Capitol  
Montgomery, AL 36104

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2004 in accordance with Section 36-27-23(p) of the act governing the operation of the Fund. The purpose of this report is to provide a summary of the funded status of the Fund as of September 30, 2004, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the cost-of-living increase effective October 1, 2005 granted to retired members under Act 2005-316. On the basis of the valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 22.50% of payroll for the fiscal year beginning October 1, 2006.

The financing objective of the Fund has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the projected unit credit cost method. Market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 20-year period, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Annual Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Annual Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Fund.



In our opinion the Fund is operating on an actuarially sound basis. Assuming that contributions to the Fund 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 Fund may be safely anticipated.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'E. Macdonald'.

Edward A. Macdonald, ASA, MAAA, FCA  
President

EAM:sh

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

#### Summary of Actuarial Assumptions and Methods and Summary of Plan Provisions

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### Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study prepared as of September 30, 2000, submitted May 23, 2002, and adopted by the Board on June 5, 2002.

**Investment Rate of Return:** 8% per annum, compounded annually.

**Salary Increases:** 5% per annum, compounded annually.

**Separations Before Retirement:** Representative values of the assumed annual rates of death and disability are as follows:

<u>Age</u>	<u>Annual Rate (%) of</u>		
	<u>Death</u>		<u>Disability</u>
	<u>Male</u>	<u>Female</u>	
30	0.08	0.03	0.08
35	0.08	0.04	0.16
40	0.09	0.06	0.27
45	0.14	0.09	0.43
50	0.21	0.12	0.65
55	0.36	0.19	1.00
60	0.63	0.34	1.58
64	1.01	0.58	2.28

**Rates of Retirement:** 30% of members are assumed to retire in the first year of eligibility and 5% in each year thereafter. All remaining members are assumed to retire at age 70.

**Deaths after Retirement:** The rate of mortality after service retirement are based on the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females. Special mortality tables are used for the period after disability retirement.

**Percent Married:** 90% of members are assumed to be married.

**Actuarial Method:** Projected unit credit method. Gains and losses are reflected in the unfunded accrued liability.

**Assets:** Actuarial Value. The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets.

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## Summary of Plan Provisions as Interpreted for Valuation Purposes

The Judicial Retirement Fund (JRF) was established on September 18, 1973. The valuation considered amendments to the JRF through the valuation date. The following summary describes the main benefit and contribution provisions of the JRF as interpreted for the valuation.

### Membership

Any justice of the Supreme Court, judge of the Court of Civil Appeals, judge of the Court of Criminal Appeals, judge of the Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury who was holding office on the effective date of the Act and elected to come under its provisions became a member of the JRF. Justices, Appellate Judges, and Circuit Judges elected or appointed after September 18, 1973 must become a member of the JRF. Also, District Judges appointed after October 1, 1975 and Probate Judges elected or appointed after October 1, 1976 must become a member of the JRF. Certain other district and probate judges as well as certain former county court judges, district attorneys, or assistant district attorneys serving as circuit judges and certain supernumerary judges and justices may also elect to become a member.

### Credited Service

Credited service is service as a member plus certain periods of previous service credited in accordance with the provisions of the Act.

### Benefits

#### Service Retirement Benefit

##### Condition of Benefit

A retirement benefit is payable upon request of any member who has:

- Completed 12 years of credited service and has attained age 65, or
- Completed 15 years of credited service and whose age plus service equals or exceeds 77, or
- Completed at least 18 years of credited service or three full terms as a judge or justice, or
- Completed 10 years of credited service and has attained age 70, or
- Completed 25 years of service or 24 years of service provided the member purchases one year of service prior to retirement, regardless of age.

However, a judge who became a member on or after July 30, 1979 or who is a district or probate judge must meet the following age and service requirement combinations in order to be eligible to retire (except judges with at least 25 years of creditable service):

- Age 70 with at least 10 years of service
- Age 65 or greater with at least 12 years of service
- Age 62 or greater with at least 15 years of service
- Age 61 with at least 16 years of service
- Age 60 with at least 17 years of service

##### Amount of Benefit

The service retirement benefit for a member is equal to:

- (a) For circuit or appellate judges who were members prior to July 30, 1979, 75% of the salary prescribed by law for the position from which the member retires.

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

#### Summary of Plan Provisions (Continued) and Supporting Schedules

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- (b) For circuit and appellate judges who assumed office on or after July 30, 1979, 75% of the member's salary at the time of separation from service.
- (c) For probate judges, 75% of the member's salary at the time of separation from service.
- (d) For district judges, 75% of the position's salary immediately prior to retirement.

#### Disability Retirement Benefit

##### Condition of Benefit

A disability retirement benefit is payable to any member who becomes permanently unable, physically or mentally, to carry out their duties on a full-time basis, provided the member has completed five or more years of credited service.

##### Amount of Benefit

The disability retirement benefit for a judge is equal to 25% of the salary prescribed by law for the position at the time of retirement from which the member retires on disability plus 10% of such salary for each year of credited service in excess of five years. The disability retirement benefit is subject to a 30% minimum and a 75% maximum of such salary. The retirement benefit for a circuit judge and for an appellant judge who assumed office prior to July 30, 1979, is adjusted as current salaries are adjusted.

#### Spousal Benefits

##### Condition of Benefit

Upon the death of an active, inactive, or retired member with at least 5 years of credited service, a death benefit is payable to the member's spouse.

##### Amount of Benefit

The death benefit for the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position for each year of service of the former member, not to exceed 30% of such salary.

The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the position's salary prescribed by law at the time of death for each year of service not to exceed 30% of such salary.

For the spouse of a probate judge, the yearly benefit is equal to the greater of \$480 for each year of credited service to a maximum of 10 year, or 3% of the judge's salary at the time of their separation from service for each year of credited service not to exceed 30% of such salary.

The benefit is payable for the spouse's life or until remarriage.

#### Benefit Payable on Separation from Service

If a member terminates service and elects not to withdraw his or her contributions and accrued interest from the JRF, the member is eligible to receive any of the above benefits for which the member has sufficient credited service upon reaching an eligible retirement age.

A member terminating service prior to reaching eligibility for retirement benefits may elect to receive a refund of their accumulated contributions



and interest (the amount of accrued interest refundable to a District or Probate Judge is based upon the same rules and regulations applicable to similar refunds under ERS).

**Member Contributions**

Each member contributes 6% of salary.

**State Contributions**

The State makes contributions, which, in addition to the members' contributions, are sufficient to carry out the provisions of the Act.

## Supporting Schedules

The following schedule presents six years of active member valuation data:

### JUDICIAL RETIREMENT FUND SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<b>Valuation Date</b>	<b>Number</b>	<b>Annual † Payroll</b>	<b>Annual Average Pay</b>	<b>% Increase (Decrease) in Average Pay</b>
09/30/04	332	\$ 39,419,414	\$ 118,733	0.98
09/30/03	338	39,742,054	117,580	2.83
09/30/02	331	37,849,332	114,348	9.95
09/30/01	326	33,902,846	103,996	26.04
09/30/00	326	26,898,150	82,510	(0.88)
09/30/99	325	27,053,721	83,242	7.94

† Does not include salary increases effective after the valuation date.

The following schedule presents six years of solvency tests:

### JUDICIAL RETIREMENT FUND SOLVENCY TEST

(\$ in Thousands)

<b>Aggregate Accrued Liabilities For</b>								
	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>		<b>Portion (%) of Accrued Liabilities Covered by Reported Assets</b>			
<b>Valuation Date</b>	<b>Active Member Contributions</b>	<b>Retirants and Beneficiaries</b>	<b>Active Members (Employer Financed Portion)</b>	<b>Reported Assets</b>	<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	
09/30/04 *	\$ 27,492	\$ 178,446	\$ 87,118	\$ 251,844	100	100	52.7	
09/30/03	25,012	181,882	78,228	247,011	100	100	51.3	
09/30/02	23,537	184,490	81,831	245,425	100	100	45.7	
09/30/01 †	21,015	189,375	78,654	245,705	100	100	44.9	
09/30/00	20,685	169,016	78,897	239,023	100	100	62.5	
09/30/99	18,812	171,346	73,333	221,926	100	100	43.3	

\* Reflects COLA granted under Act 2005-316.

† Reflects change in post retirement mortality.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Judicial Retirement Fund

#### Supporting Schedules (Continued)

The following schedule presents six years of retirant and beneficiary data:

#### JUDICIAL RETIREMENT FUND SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

Fiscal Year Ended	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end	% Increase	Average
2004	7	11	272	\$ 17,862,024	(0.8)	\$ 65,669
2003	14	7	276	18,002,868	7.6	65,228
2002	8	10	269	16,728,048	4.5	62,186
2001	25	6	271	16,006,800	44.7	59,066
2000	3	3	252	11,060,436	(2.1)	43,891
1999	13	4	252	11,293,512	12.8	44,816

The following table provides an analysis of actuarial gains and losses:

#### JUDICIAL RETIREMENT FUND ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2004

	Amount
Unfunded Actuarial Liability as of September 30, 2003	\$ 38,112,044
Normal Cost for 2004 Plan Year	5,550,253
Contributions Received During the Year	(8,597,637)
Interest to Year End	2,927,068
Expected Unfunded Actuarial Liability as of September 30, 2004	37,991,728
Actuarial (Gains)/Losses During the Year	
From Investments	7,673,672
From Actuarial Liabilities	(4,454,405)
Total Actuarial (Gains)/Losses During the Year	3,219,267
<b>Actual Unfunded Actuarial Liability as of September 30, 2004</b>	<b>\$ 41,210,995</b>

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# STATISTICAL SECTION

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# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Additions by Source

#### Ten-Year History

(Amounts in Thousands)

#### TEACHERS' RETIREMENT SYSTEM ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Rate (%)		
2005	\$ 262,856	\$ 347,862	7.03	\$ 1,846,398	\$ 2,457,116
2004	253,860	312,474	6.56	1,634,314	2,200,648
2003	252,018	235,786	5.02	2,004,431	2,492,235
2002	235,726	265,670	5.96	(1,244,757)	(743,361)
2001	230,618	279,880	6.38	(1,090,706)	(580,208)
2000	214,003	277,180	6.38	1,414,568	1,905,751
1999	217,205	166,100	4.03	1,829,883	2,213,188
1998	199,780	358,088	9.66	564,331	1,122,199
1997	190,802	330,658	9.23	2,313,425	2,834,885
1996	185,646	311,084	9.23	1,086,660	1,583,390

#### EMPLOYEES' RETIREMENT SYSTEM ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions					Investment Income	Total
		Amount	Employer Rate (%)					
			State					
			Regular	Law	Local			
2005	\$ 160,313	\$ 195,846	5.57	18.03	*	\$ 841,013	\$ 1,197,172	
2004	168,548	170,713	4.19	13.87	*	725,758	1,065,019	
2003	162,284	154,218	3.95	9.24	*	938,921	1,255,423	
2002	151,221	123,887	3.95	9.24	*	(656,360)	(381,252)	
2001	132,238	122,483	4.08	9.45	*	(530,968)	(276,247)	
2000	118,128	113,991	4.08	9.45	*	655,108	887,227	
1999	112,779	97,373	3.11	6.85	*	857,378	1,067,530	
1998	108,477	157,246	7.56	15.74	*	254,330	520,053	
1997	103,952	145,738	6.99	15.17	*	1,056,283	1,305,973	
1996	103,877	139,196	6.99	15.22	*	501,830	744,903	

#### JUDICIAL RETIREMENT FUND ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Rate (%)		
2005	\$ 2,398	\$ 8,943	21.93	\$ 19,347	\$ 30,688
2004	2,434	8,994	21.93	21,964	33,392
2003	2,342	8,637	21.19	20,855	31,834
2002	2,356	8,222	21.19	(23,333)	(12,755)
2001	2,212	7,598	21.19	(24,197)	(14,387)
2000	1,643	5,696	21.19	25,081	32,420
1999	1,594	2,870	9.16	27,800	32,264
1998	1,467	5,417	19.71	17,378	24,262
1997	1,662	5,430	19.71	36,288	43,380
1996	1,513	6,193	23.05	14,698	22,404

§ Includes transfers from other systems.

\* Local agency rates differ for each participating agency.

# RETIREMENT SYSTEMS OF ALABAMA

Statistical Section  
Deductions by Type  
Ten-Year History

(Amounts in Thousands)

## TEACHERS' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution	Service Transfers	Administrative Expenses	Other	Total
		Refunds & Death Benefits				
2005	\$ 1,092,723	\$ 36,350	\$ 1,829	\$ 10,372	\$ 468	\$ 1,141,742
2004	987,761	35,983	1,575	7,361	439	1,033,119
2003	932,687	32,084	2,418	7,011	367	974,567
2002	858,383	35,510	2,091	6,845	391	903,220
2001	811,896	34,156	1,207	6,023	1,002	854,284
2000	720,576	33,978	1,534	5,639	165	761,892
1999	678,740	31,307	1,800	6,563	737	719,147
1998	576,463	32,636	1,116	7,076	547	617,838
1997	534,958	30,907	1,245	6,524	500	574,134
1996	466,479	29,345	1,127	3,443	429	500,823

## EMPLOYEES' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Unit	Administrative Expenses	Other	Total
			Withdrawals & Service Transfers			
2005	\$ 487,348	\$ 30,960	\$ 2,755	\$ 6,898	\$ 294	\$ 528,255
2004	448,658	31,406	6,008	5,892	269	492,233
2003	423,027	25,056	2,842	5,843	278	457,046
2002	389,856	24,965	10,410	5,582	235	431,048
2001	371,715	24,906	4,074	4,578	330	405,603
2000	341,145	24,864	1,985	3,811	367	372,172
1999	330,231	25,291	1,674	4,812	333	362,341
1998	270,469	26,031	1,757	4,855	351	303,463
1997	252,023	23,716	2,021	4,273	337	282,370
1996	220,265	22,865	1,207	2,884	291	247,512

## JUDICIAL RETIREMENT FUND DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution	Service Transfers	Administrative Expenses	Other	Total
		Refunds & Death Benefits				
2005	\$ 18,201	\$ 51	\$ 356	\$ 381	\$ -	\$ 18,989
2004	17,903	103	-	344	-	18,350
2003	17,964	83	103	322	-	18,472
2002	16,770	29	-	306	-	17,105
2001	15,655	79	163	272	-	16,169
2000	11,256	43	-	263	-	11,562
1999	11,150	101	-	226	-	11,477
1998	10,035	155	145	245	-	10,580
1997	9,678	6	-	299	-	9,983
1996	9,364	40	251	279	-	9,934

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Benefits by Type

#### Ten-Year History

(Amounts in Thousands)

### TEACHERS' RETIREMENT SYSTEM BENEFITS BY TYPE

<u>Fiscal Year</u>	<u>Age &amp; Service Benefits</u>		<u>Disability</u>	<u>Death Benefits &amp; Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>	<u>Benefits</u>	<u>Death</u>	<u>Resignation</u>
2005	\$ 1,024,372	\$ 31,482	\$ 36,869	\$ 11,931	\$ 24,419
2004	923,893	29,066	34,802	10,240	25,743
2003	872,992	27,020	32,675	10,035	22,049
2002	804,822	24,076	29,485	12,390	23,120
2001	762,007	22,104	27,785	10,949	23,207
2000	676,365	19,384	24,827	9,800	24,178
1999	637,542	18,180	23,018	8,550	22,757
1998	541,729	15,267	19,467	9,171	23,465
1997	503,603	13,893	17,462	10,083	20,824
1996	439,566	12,066	14,847	8,066	21,279

### EMPLOYEES' RETIREMENT SYSTEM BENEFITS BY TYPE

<u>Fiscal Year</u>	<u>Age &amp; Service Benefits</u>		<u>Disability</u>	<u>Death Benefits &amp; Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>	<u>Benefits</u>	<u>Death</u>	<u>Resignation</u>
2005	\$ 431,179	\$ 23,689	\$ 32,480	\$ 7,505	\$ 23,455
2004	395,467	22,772	30,419	7,696	23,710
2003	372,512	21,832	28,683	6,554	18,502
2002	343,265	20,181	26,410	5,540	19,425
2001	327,214	19,372	25,129	5,965	18,941
2000	300,541	17,394	23,210	5,564	19,300
1999	291,548	16,489	22,194	6,195	19,096
1998	236,328	14,562	19,579	5,252	20,779
1997	219,592	13,620	18,811	5,676	18,040
1996	191,531	11,753	16,981	5,428	17,437

### JUDICIAL RETIREMENT FUND BENEFITS BY TYPE

<u>Fiscal Year</u>	<u>Age &amp; Service Benefits</u>		<u>Disability</u>	<u>Death Benefits &amp; Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>	<u>Benefits</u>	<u>Death</u>	<u>Resignation</u>
2005	\$ 14,911	\$ 2,972	\$ 318	\$ -	\$ 51
2004	14,722	2,864	317	-	103
2003	14,823	2,801	340	-	83
2002	13,655	2,746	369	-	29
2001	12,711	2,543	401	-	79
2000	9,061	1,852	343	-	43
1999	9,110	1,694	346	-	101
1998	8,194	1,509	332	-	155
1997	7,943	1,380	354	-	6
1996	7,590	1,412	362	-	40

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2004

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,144	699	310	135	235	329	279	300	1
251 - 500	7,900	6,117	707	1,076	2,424	3,581	959	928	8
501 - 750	6,085	4,907	528	650	1,806	2,799	715	760	5
751 - 1,000	4,840	3,983	342	515	1,353	2,249	587	648	3
1,001 - 1,250	4,318	3,682	225	411	1,163	2,039	550	560	6
1,251 - 1,500	5,108	4,569	194	345	1,230	2,368	832	676	2
1,501 - 1,750	6,357	6,026	123	208	1,239	3,385	925	803	5
1,751 - 2,000	6,660	6,453	85	122	1,254	3,799	790	812	5
2,001 - 2,250	5,135	5,017	58	60	937	2,958	621	614	5
2,251 - 2,500	3,508	3,438	38	32	559	2,043	448	453	5
2,501 - 2,750	2,374	2,315	33	26	425	1,256	372	319	2
2,751 - 3,000	1,724	1,692	26	6	302	879	294	245	4
3,001 - 3,250	1,320	1,301	16	3	204	643	251	220	2
3,251 - 3,500	1,065	1,050	13	2	179	548	181	154	3
3,501 - 3,750	810	797	11	2	139	395	153	118	5
3,751 - 4,000	588	582	4	2	110	287	89	100	2
4,001 - 4,250	469	461	8	-	58	252	83	73	3
4,251 - 4,500	402	396	6	-	63	183	80	73	3
4,501 - 4,750	263	261	2	-	33	110	65	54	1
4,751 - 5,000	186	183	2	1	28	89	40	29	-
Over 5,000	678	666	9	3	86	259	160	161	12
<b>Totals <sup>3</sup></b>	<b>60,934</b>	<b>54,595</b>	<b>2,740</b>	<b>3,599</b>	<b>13,827</b>	<b>30,451</b>	<b>8,474</b>	<b>8,100</b>	<b>82</b>

#### <sup>1</sup> Type of Retirement

A - Service

B - Survivor benefit

C - Disability

#### <sup>2</sup> Option

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

#### <sup>3</sup> This includes 4,468 DROP

participants as of September 30, 2004.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2004

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	706	274	403	29	128	87	101	383	7
251 - 500	4,220	2,555	1,224	441	1,065	1,134	868	1,131	22
501 - 750	4,793	3,389	608	796	1,584	1,707	624	836	42
751 - 1,000	4,172	3,093	333	746	1,307	1,676	488	639	62
1,001 - 1,250	3,853	3,208	197	448	1,069	1,686	454	582	62
1,251 - 1,500	3,092	2,744	124	224	758	1,359	420	513	42
1,501 - 1,750	2,496	2,300	74	122	561	1,160	331	427	17
1,751 - 2,000	1,988	1,882	45	61	453	966	219	331	19
2,001 - 2,250	1,527	1,476	19	32	344	725	166	274	18
2,251 - 2,500	1,106	1,066	15	25	238	502	149	209	8
2,501 - 2,750	824	794	15	15	172	373	101	169	9
2,751 - 3,000	652	638	11	3	146	302	66	135	3
3,001 - 3,250	479	470	6	3	94	237	49	92	7
3,251 - 3,500	357	353	3	1	76	179	37	62	3
3,501 - 3,750	265	260	2	3	58	116	29	59	3
3,751 - 4,000	206	203	2	1	42	105	22	34	3
4,001 - 4,250	160	160	-	-	24	74	12	45	5
4,251 - 4,500	140	140	-	-	34	68	4	33	1
4,501 - 4,750	100	98	2	-	21	47	7	25	-
4,751 - 5,000	73	73	-	-	20	29	4	19	1
Over 5,000	229	228	1	-	59	98	12	56	4
<b>Totals <sup>3</sup></b>	<b>31,438</b>	<b>25,404</b>	<b>3,084</b>	<b>2,950</b>	<b>8,253</b>	<b>12,630</b>	<b>4,163</b>	<b>6,054</b>	<b>338</b>

#### <sup>1</sup> Type of Retirement

A - Service

B - Survivor benefit

C - Disability

#### <sup>2</sup> Option

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

<sup>3</sup> Includes 1,440 DROP participants as of September 30, 2004.

Does not include 42 members entitled to deferred benefits, but not currently in receipt.



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

#### Retired Members by Type of Benefit as of September 30, 2004

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	1	-	1	-		1
251 - 500	1	-	1	-		1
501 - 750	9	1	7	1	1	8
751 - 1,000	6	1	5	-	1	5
1,001 - 1,250	6	-	6	-		6
1,251 - 1,500	1	-	1	-		1
1,501 - 1,750	5	1	3	1	1	4
1,751 - 2,000	7	1	6	-	1	6
2,001 - 2,250	7	2	5	-	2	5
2,251 - 2,500	4	3	-	1	3	1
2,501 - 2,750	4	2	2	-	1	3
2,751 - 3,000	6	4	2	-	2	4
3,001 - 3,250	22	5	16	1	3	19
3,251 - 3,500	45	13	31	1	2	43
3,501 - 3,750	5	3	1	1	3	2
3,751 - 4,000	5	4	-	1	-	5
4,001 - 4,250	2	2	-	-	-	2
4,251 - 4,500	4	2	2	-		4
4,501 - 4,750	8	3	5	-		8
4,751 - 5,000	7	7	-	-	-	7
Over 5,000	117	116	-	1	6	111
<b>Totals</b>	<b>272</b>	<b>170</b>	<b>94</b>	<b>8</b>	<b>26</b>	<b>246</b>

#### † Type of Retirement

A - Service

B - Survivor benefit

C - Disability

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

#### Ten-Year History of Average Monthly Benefit Payments as of September 30

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2004*</b>					
Average monthly benefit	\$ 601	\$ 918	\$ 1,325	\$ 2,058	\$ 2,961
Average final average salary	\$ 28,825	\$ 32,049	\$ 35,474	\$ 46,274	\$ 54,194
Number of active retirants	742	591	498	2,964	1,476
<b>2003**</b>					
Average monthly benefit	\$ 535	\$ 798	\$ 1,133	\$ 1,905	\$ 2,984
Average final average salary	\$ 27,372	\$ 28,531	\$ 31,559	\$ 44,478	\$ 56,593
Number of active retirants	569	424	437	2,420	1,464
<b>2002**</b>					
Average monthly benefit	\$ 563	\$ 791	\$ 1,090	\$ 1,795	\$ 2,657
Average final average salary	\$ 28,942	\$ 28,971	\$ 30,725	\$ 41,721	\$ 50,034
Number of active retirants	564	416	412	1,973	1,236
<b>2001**</b>					
Average monthly benefit	\$ 502	\$ 777	\$ 1,092	\$ 1,788	\$ 2,819
Average final average salary	\$ 26,015	\$ 27,774	\$ 30,013	\$ 40,681	\$ 50,689
Number of active retirants	552	386	431	1,455	843
<b>2000**</b>					
Average monthly benefit	\$ 465	\$ 756	\$ 1,036	\$ 1,698	\$ 2,387
Average final average salary	\$ 24,661	\$ 27,450	\$ 28,961	\$ 39,249	\$ 44,226
Number of active retirants	564	433	452	1,370	814
<b>1999**</b>					
Average monthly benefit	\$ 484	\$ 726	\$ 980	\$ 1,723	\$ 2,528
Average final average salary	\$ 24,412	\$ 24,802	\$ 26,105	\$ 38,510	\$ 44,668
Number of active retirants	553	381	557	1,427	805
<b>1998**</b>					
Average monthly benefit	\$ 414	\$ 675	\$ 885	\$ 1,577	\$ 2,255
Average final average salary	\$ 21,919	\$ 24,090	\$ 24,853	\$ 36,538	\$ 41,688
Number of active retirants	468	426	510	1,273	787
<b>1997**</b>					
Average monthly benefit	\$ 419	\$ 642	\$ 952	\$ 1,621	\$ 2,378
Average final average salary	\$ 21,281	\$ 22,344	\$ 26,316	\$ 37,035	\$ 43,046
Number of active retirants	497	457	513	1,241	862
<b>1996**</b>					
Average monthly benefit	\$ 366	\$ 595	\$ 947	\$ 1,567	\$ 2,264
Average final average salary	\$ 19,519	\$ 21,491	\$ 27,076	\$ 36,483	\$ 42,361
Number of active retirants	418	452	424	931	705
<b>1995**</b>					
Average monthly benefit	\$ 360	\$ 550	\$ 949	\$ 1,472	\$ 2,075
Average final average salary	\$ 19,365	\$ 20,058	\$ 27,328	\$ 34,253	\$ 38,078
Number of active retirants	422	473	327	824	605

\*Reflects retirements July 1, 2003 through September 30, 2004.

\*\*As of June 30. Beginning with the 2004 plan year, the valuation date was changed from June 30 to September 30.

Schedule prepared by Cavanaugh Macdonald

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Ten-Year History of Average Monthly Benefit Payments as of September 30

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2004</b>					
Average monthly benefit	\$ 1,406	\$ 1,176	\$ 1,472	\$ 1,834	\$ 2,761
Average final average salary	\$ 38,630	\$ 36,939	\$ 38,336	\$ 41,807	\$ 51,146
Number of active retirants	734	320	263	846	343
<b>2003</b>					
Average monthly benefit	\$ 1,195	\$ 1,079	\$ 1,285	\$ 1,849	\$ 2,749
Average final average salary	\$ 36,391	\$ 35,075	\$ 34,952	\$ 43,008	\$ 52,337
Number of active retirants	552	251	240	684	296
<b>2002</b>					
Average monthly benefit	\$ 1,107	\$ 1,023	\$ 1,346	\$ 1,665	\$ 2,725
Average final average salary	\$ 33,936	\$ 32,913	\$ 36,895	\$ 38,739	\$ 51,237
Number of active retirants	511	268	224	626	311
<b>2001</b>					
Average monthly benefit	\$ 979	\$ 935	\$ 1,224	\$ 1,630	\$ 2,359
Average final average salary	\$ 32,428	\$ 30,796	\$ 33,257	\$ 37,763	\$ 44,275
Number of active retirants	490	214	192	306	100
<b>2000</b>					
Average monthly benefit	\$ 873	\$ 973	\$ 1,343	\$ 1,636	\$ 2,399
Average final average salary	\$ 30,434	\$ 30,488	\$ 34,121	\$ 37,312	\$ 44,483
Number of active retirants	450	241	231	525	110
<b>1999</b>					
Average monthly benefit	\$ 731	\$ 899	\$ 1,173	\$ 1,455	\$ 2,249
Average final average salary	\$ 28,201	\$ 29,501	\$ 29,572	\$ 34,234	\$ 42,655
Number of active retirants	362	206	192	287	40
<b>1998</b>					
Average monthly benefit	\$ 799	\$ 814	\$ 1,140	\$ 1,447	\$ 2,352
Average final average salary	\$ 28,045	\$ 28,400	\$ 30,618	\$ 33,502	\$ 42,894
Number of active retirants	626	398	417	1,114	561
<b>1997</b>					
Average monthly benefit	\$ 659	\$ 866	\$ 1,110	\$ 1,404	\$ 2,175
Average final average salary	\$ 26,217	\$ 29,096	\$ 29,994	\$ 33,224	\$ 41,250
Number of active retirants	381	261	217	324	105
<b>1996</b>					
Average monthly benefit	\$ 730	\$ 837	\$ 1,112	\$ 1,439	\$ 2,336
Average final average salary	\$ 26,120	\$ 27,103	\$ 28,978	\$ 32,150	\$ 41,332
Number of active retirants	508	314	310	543	320
<b>1995</b>					
Average monthly benefit	\$ 522	\$ 783	\$ 1,079	\$ 1,423	\$ 2,019
Average final average salary	\$ 22,835	\$ 26,252	\$ 27,864	\$ 32,831	\$ 38,143
Number of active retirants	393	267	259	238	88

Schedule prepared by Cavanaugh McDonald

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

#### Ten-Year History of Average Monthly Benefit Payments as of September 30

	Years of Credited Service			
	10-14	15-19	20-24	25-29
<b>2004</b>				
Average monthly benefit	\$ 1,568	\$ -	\$ 6,367	\$ 8,696
Number of active retirants	1	-	3	3
<b>2003</b>				
Average monthly benefit	\$ 5,778	\$ 8,339	\$ 8,726	\$ 6,594
Number of active retirants	2	4	4	4
<b>2002</b>				
Average monthly benefit	\$ 7,840	\$ 7,446	\$ 8,711	\$ 8,430
Number of active retirants	1	3	1	2
<b>2001</b>				
Average monthly benefit	\$ 6,565	\$ 7,751	\$ 7,068	\$ 11,877
Number of active retirants	10	5	8	1
<b>2000</b>				
Average monthly benefit	\$ 5,717	\$ -	\$ -	\$ -
Number of active retirants	1	-	-	-
<b>1999</b>				
Average monthly benefit	\$ 4,144	\$ 5,285	\$ 6,127	\$ 7,809
Number of active retirants	4	2	6	1
<b>1998</b>				
Average monthly benefit	\$ -	\$ 4,894	\$ 4,100	\$ -
Number of active retirants	-	1	8	-
<b>1997</b>				
Average monthly benefit	\$ 7,231	\$ 4,282	\$ 5,822	\$ -
Number of active retirants	2	4	5	-
<b>1996</b>				
Average monthly benefit	\$ 4,871	\$ 4,894	\$ 3,630	\$ -
Number of active retirants	4	3	2	-
<b>1995</b>				
Average monthly benefit	\$ 2,678	\$ 4,132	\$ 4,894	\$ -
Number of active retirants	5	23	6	-

Schedule prepared by Cavanaugh Macdonald



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Largest Employers

#### Ten-Year History

Units	2005	2004	2003	2002
<b>1) Unit</b>	State of Alabama	State of Alabama	State of Alabama	State of Alabama
<b># of Active Members</b>	33,683	33,741	34,659	34,526
<b>% of Total Active Members</b>	40.45%	40.80%	41.54%	42.10%
<b>2) Unit</b>	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
<b># of Active Members</b>	2,373	2,050	2,124	2,251
<b>% of Total Active Members</b>	2.85%	2.48%	2.55%	2.74%
<b>3) Unit</b>	Mobile County	Mobile County	Mobile County	Mobile County
<b># of Active Members</b>	1,626	1,622	1,658	1,627
<b>% of Total Active Members</b>	1.95%	1.96%	1.99%	1.98%
<b>4) Unit</b>	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
<b># of Active Members</b>	1,272	1,297	1,334	1,388
<b>% of Total Active Members</b>	1.53%	1.57%	1.60%	1.69%
<b>5) Unit</b>	Madison County	Madison County	Madison County	Madison County
<b># of Active Members</b>	1,071	1,055	1,035	963
<b>% of Total Active Members</b>	1.29%	1.28%	1.24%	1.17%
<b>6) Unit</b>	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp
<b># of Active Members</b>	923	785	766	746
<b>% of Total Active Members</b>	1.11%	0.95%	0.92%	0.91%
<b>7) Unit</b>	Helen Keller Hosp	Tuscaloosa, City of	Jefferson Co Health	Jefferson Co Health
<b># of Active Members</b>	816	684	668	698
<b>% of Total Active Members</b>	0.98%	0.83%	0.80%	0.85%
<b>8) Unit</b>	Mobile-Wash MHB	Mobile-Wash MHB	Tuscaloosa, City of	Baldwin County
<b># of Active Members</b>	713	611	655	640
<b>% of Total Active Members</b>	0.86%	0.74%	0.79%	0.78%
<b>9) Unit</b>	Tuscaloosa, City of	Jefferson Co Health	Gadsden, City of	Tuscaloosa, City of
<b># of Active Members</b>	680	599	613	634
<b>% of Total Active Members</b>	0.82%	0.72%	0.73%	0.77%
<b>10) Unit</b>	Hoover, City of	Gadsden, City of	Hoover, City of	Bessemer, City of
<b># of Active Members</b>	616	587	602	595
<b>% of Total Active Members</b>	0.74%	0.71%	0.72%	0.73%
<b>Total # of Active Members</b>	83,279	82,708	83,429	82,016

Source: Retirement Systems of Alabama records

<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
32,722	31,348	30,690	31,238	34,015	34,083
41.15%	40.75%	41.57%	42.09%	45.03%	46.33%
Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
2,221	2,155	2,124	2,028	2,041	1,958
2.79%	2.80%	2.88%	2.73%	2.70%	2.66%
Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
1,604	1,624	1,574	1,578	1,512	1,512
2.02%	2.11%	2.13%	2.13%	2.00%	2.06%
Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
1,396	1,382	1,290	1,301	1,260	1,223
1.76%	1.80%	1.75%	1.75%	1.67%	1.66%
Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
1,014	942	893	886	871	829
1.28%	1.22%	1.21%	1.19%	1.15%	1.13%
Thomas Hospital	Thomas Hospital	Thomas Hospital	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health
877	805	751	785	848	822
1.10%	1.05%	1.02%	1.06%	1.12%	1.12%
Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Thomas Hospital	Helen Keller Hosp	Helen Keller Hosp
700	679	712	675	609	563
0.88%	0.88%	0.96%	0.91%	0.81%	0.77%
Baldwin County	Baldwin County	Baldwin County	Helen Keller Hosp	Thomas Hospital	Thomas Hospital
650	643	598	629	591	550
0.82%	0.84%	0.81%	0.85%	0.78%	0.75%
Tuscaloosa, City of	Tuscaloosa, City of	Helen Keller Hosp	Baldwin County	Baldwin County	Baldwin County
631	612	583	581	546	527
0.79%	0.80%	0.79%	0.78%	0.72%	0.72%
Helen Keller Hosp	Helen Keller Hosp	Bessemer, City of	Bessemer, City of	Bessemer, City of	Decatur, City of
610	579	532	541	523	519
0.77%	0.75%	0.72%	0.73%	0.69%	0.71%
79,526	76,935	73,822	74,214	75,536	73,571

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

#### Ten-Year History of Additions, Reductions, and Changes in Net Assets

(Amounts in Thousands)

	2005	2004	2003	2002	2001
<b>Additions</b>					
Contributions					
Employee	\$ 260,149	\$ 251,714	\$ 249,996	\$ 233,789	\$ 228,088
Employer	347,862	312,474	235,786	265,670	279,880
Transfers from Employees' Retirement System	2,707	2,146	2,022	1,937	2,433
Transfers from Judicial Retirement Fund	-	-	-	-	97
Total Contributions	<u>610,718</u>	<u>566,334</u>	<u>487,804</u>	<u>501,396</u>	<u>510,498</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,221,059	1,055,525	1,412,887	(1,915,592)	(1,860,162)
Interest and Dividends	<u>624,397</u>	<u>580,000</u>	<u>592,645</u>	<u>672,200</u>	<u>769,739</u>
Total Investment Income from Investing Activities	1,845,456	1,635,525	2,005,532	(1,243,392)	(1,090,423)
Less: Investment Expenses	<u>4,278</u>	<u>4,079</u>	<u>4,432</u>	<u>4,592</u>	<u>3,467</u>
Net Investment Income from Investing Activities	<u>1,841,178</u>	<u>1,631,446</u>	<u>2,001,100</u>	<u>(1,247,984)</u>	<u>(1,093,890)</u>
From Securities Lending Activities					
Securities Lending Income	40,399	10,704	14,215	16,473	43,671
Less Securities Lending Expenses:					
Borrower Rebates	33,559	7,206	10,052	12,462	39,692
Management Fees	<u>1,620</u>	<u>630</u>	<u>832</u>	<u>784</u>	<u>795</u>
Total Securities Lending Expenses	<u>35,179</u>	<u>7,836</u>	<u>10,884</u>	<u>13,246</u>	<u>40,487</u>
Net Income from Securities Lending Activities	<u>5,220</u>	<u>2,868</u>	<u>3,331</u>	<u>3,227</u>	<u>3,184</u>
Total Investment Income	<u>1,846,398</u>	<u>1,634,314</u>	<u>2,004,431</u>	<u>(1,244,757)</u>	<u>(1,090,706)</u>
Total Additions	<u>2,457,116</u>	<u>2,200,648</u>	<u>2,492,235</u>	<u>(743,361)</u>	<u>(580,208)</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,092,723	987,761	932,687	858,383	811,896
Return of Contributions and Death Benefits	36,350	35,983	32,084	35,510	34,156
Transfers to Employees' Retirement System	1,829	1,575	2,418	2,091	1,207
Transfers to Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	10,372	7,361	7,011	6,845	6,023
Depreciation	<u>468</u>	<u>439</u>	<u>367</u>	<u>391</u>	<u>1,002</u>
Total Deductions	<u>1,141,742</u>	<u>1,033,119</u>	<u>974,567</u>	<u>903,220</u>	<u>854,284</u>
Net Increase/(Decrease)	1,315,374	1,167,529	1,517,668	(1,646,581)	(1,434,492)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	16,853,149	15,685,620	14,167,952	15,814,533	17,249,025
End of Year	<u>\$ 18,168,523</u>	<u>\$ 16,853,149</u>	<u>\$ 15,685,620</u>	<u>\$ 14,167,952</u>	<u>\$ 15,814,533</u>



	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Additions</b>					
Contributions					
Employee	\$ 212,049	\$ 215,531	\$ 198,025	\$ 188,815	\$ 184,486
Employer	277,180	166,100	358,088	330,658	311,084
Transfers from Employees' Retirement System	1,954	1,674	1,755	1,987	1,160
Total Contributions	<u>491,183</u>	<u>383,305</u>	<u>557,868</u>	<u>521,460</u>	<u>496,730</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	658,975	1,130,761	(107,404)	1,667,045	506,612
Interest and Dividends	755,482	702,131	673,445	647,861	582,321
Total Investment Income from Investing Activities	1,414,457	1,832,892	566,041	2,314,906	1,088,933
Less: Investment Expenses	3,229	3,038	2,806	2,698	2,631
Net Investment Income from Investing Activities	<u>1,411,228</u>	<u>1,829,854</u>	<u>563,235</u>	<u>2,312,208</u>	<u>1,086,302</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	64,006	377	14,251	15,588	5,906
Less Securities Lending Expenses:					
Borrower Rebates	59,807	338	12,662	13,849	5,309
Management Fees	859	10	493	522	239
Total Securities Lending Expenses	<u>60,666</u>	<u>348</u>	<u>13,155</u>	<u>14,371</u>	<u>5,548</u>
Net Income from Securities Lending Activities	<u>3,340</u>	<u>29</u>	<u>1,096</u>	<u>1,217</u>	<u>358</u>
Total Investment Income	<u>1,414,568</u>	<u>1,829,883</u>	<u>564,331</u>	<u>2,313,425</u>	<u>1,086,660</u>
Total Additions	<u>1,905,751</u>	<u>2,213,188</u>	<u>1,122,199</u>	<u>2,834,885</u>	<u>1,583,390</u>
<b>Deductions</b>					
Retirement Allowance Payments	720,576	678,740	576,463	534,958	466,479
Return of Contributions and Death Benefits	33,978	31,307	32,636	30,907	29,345
Transfers to Employees' Retirement System	1,530	1,781	1,116	1,110	1,111
Transfers to Judicial Retirement Fund	4	19	-	135	16
Administrative Expenses	5,639	6,563	7,142	6,590	3,509
Depreciation	165	737	481	434	363
Total Deductions	<u>761,892</u>	<u>719,147</u>	<u>617,838</u>	<u>574,134</u>	<u>500,823</u>
<b>Net Increase</b>	1,143,859	1,494,041	504,361	2,260,751	1,082,567
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	16,105,166	14,611,125	14,106,764	11,846,013	10,763,446
End of Year	<u>\$ 17,249,025</u>	<u>\$ 16,105,166</u>	<u>\$ 14,611,125</u>	<u>\$ 14,106,764</u>	<u>\$ 11,846,013</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Ten-Year History of Additions, Reductions, Changes in Net Assets

(Amounts in Thousands)

	2005	2004	2003	2002	2001
<b>Additions</b>					
Contributions					
Employee	\$ 158,128	\$ 166,973	\$ 159,763	\$ 149,130	\$ 130,965
Employer	195,846	170,713	154,218	123,887	122,483
Transfers from Teachers' Retirement System	1,829	1,575	2,418	2,091	1,207
Transfers from Judicial Retirement Fund	356	-	103	-	66
Total Contributions	356,159	339,261	316,502	275,108	254,721
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	545,826	457,981	668,539	(953,188)	(874,433)
Interest and Dividends	295,631	268,876	271,698	297,845	343,517
Total Investment Income from Investing Activities	841,457	726,857	940,237	(655,343)	(530,916)
Less: Investment Expenses	2,652	2,390	2,380	2,331	1,593
Net Investment Income from Investing Activities	838,805	724,467	937,857	(657,674)	(532,509)
From Securities Lending Activities					
Securities Lending Income	17,604	4,892	3,461	5,741	20,922
Less Securities Lending Expenses:					
Borrower Rebates	14,948	3,318	2,131	4,094	18,996
Management Fees	448	283	266	333	385
Total Securities Lending Expenses	15,396	3,601	2,397	4,427	19,381
Net Income from Securities Lending Activities	2,208	1,291	1,064	1,314	1,541
Total Investment Income	841,013	725,758	938,921	(656,360)	(530,968)
Total Additions	1,197,172	1,065,019	1,255,423	(381,252)	(276,247)
<b>Deductions</b>					
Retirement Allowance Payments	487,348	448,658	423,027	389,856	371,715
Return of Contributions and Death Benefits	30,960	31,406	25,056	24,965	24,906
Unit Withdrawals	-	3,798	820	8,388	1,544
Transfers to Teachers' Retirement System	2,707	2,146	2,022	1,937	2,433
Transfers to Judicial Retirement Fund	48	64	-	85	97
Administrative Expenses	6,898	5,892	5,843	5,582	4,578
Depreciation	294	269	278	235	330
Total Deductions	528,255	492,233	457,046	431,048	405,603
Net Increase/(Decrease)	668,917	572,786	798,377	(812,300)	(681,850)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	7,795,598	7,222,812	6,424,435	7,236,735	7,918,585
End of Year	\$ 8,464,515	\$ 7,795,598	\$ 7,222,812	\$ 6,424,435	\$ 7,236,735

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Additions</b>					
Contributions					
Employee	\$ 116,598	\$ 110,998	\$ 107,216	\$ 102,842	\$ 102,515
Employer	113,991	97,373	157,246	145,738	139,196
Transfers from Teachers' Retirement System	1,530	1,781	1,116	1,110	1,111
Transfers from Judicial Retirement Fund	-	-	145	-	251
Total Contributions	<u>232,119</u>	<u>210,152</u>	<u>265,723</u>	<u>249,690</u>	<u>243,073</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	314,458	535,674	(53,662)	758,793	237,576
Interest and Dividends	<u>340,234</u>	<u>323,062</u>	<u>308,932</u>	<u>298,086</u>	<u>265,229</u>
Total Investment Income from Investing Activities	654,692	858,736	255,270	1,056,879	502,805
Less: Investment Expenses	<u>1,537</u>	<u>1,367</u>	<u>1,432</u>	<u>1,201</u>	<u>1,155</u>
Net Investment Income from Investing Activities	<u>653,155</u>	<u>857,369</u>	<u>253,838</u>	<u>1,055,678</u>	<u>501,650</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	36,958	151	6,780	7,596	2,966
Less Securities Lending Expenses:					
Borrower Rebates	34,509	139	6,067	6,732	2,667
Management Fees	<u>496</u>	<u>3</u>	<u>221</u>	<u>259</u>	<u>119</u>
Total Securities Lending Expenses	<u>35,005</u>	<u>142</u>	<u>6,288</u>	<u>6,991</u>	<u>2,786</u>
Net Income from Securities Lending Activities	<u>1,953</u>	<u>9</u>	<u>492</u>	<u>605</u>	<u>180</u>
Total Investment Income	<u>655,108</u>	<u>857,378</u>	<u>254,330</u>	<u>1,056,283</u>	<u>501,830</u>
Total Additions	<u>887,227</u>	<u>1,067,530</u>	<u>520,053</u>	<u>1,305,973</u>	<u>744,903</u>
<b>Deductions</b>					
Retirement Allowance Payments	341,145	330,231	270,469	252,023	220,265
Return of Contributions and Death Benefits	24,864	25,291	26,031	23,716	22,865
Unit Withdrawals	-	-	-	-	-
Transfers to Teachers' Retirement System	1,954	1,674	1,755	1,987	1,160
Transfers to Judicial Retirement Fund	31	-	2	34	47
Administrative Expenses	3,811	4,812	4,921	4,339	2,950
Depreciation	<u>367</u>	<u>333</u>	<u>285</u>	<u>271</u>	<u>225</u>
Total Deductions	<u>372,172</u>	<u>362,341</u>	<u>303,463</u>	<u>282,370</u>	<u>247,512</u>
<b>Net Increase</b>	515,055	705,189	216,590	1,023,603	497,391
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>7,403,530</u>	<u>6,698,341</u>	<u>6,481,751</u>	<u>5,458,148</u>	<u>4,960,757</u>
End of Year	<u><b>\$ 7,918,585</b></u>	<u><b>\$ 7,403,530</b></u>	<u><b>\$ 6,698,341</b></u>	<u><b>\$ 6,481,751</b></u>	<u><b>\$ 5,458,148</b></u>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

#### Ten-Year History of Additions, Reductions, Changes in Net Assets

(Amounts in Thousands)

	2005	2004	2003	2002	2001
<b>Additions</b>					
Contributions					
Employee	\$ 2,350	\$ 2,370	\$ 2,342	\$ 2,271	\$ 2,115
Employer	8,943	8,994	8,637	8,222	7,598
Transfers from Teachers' Retirement System	-	-	-	-	-
Transfers from Employees' Retirement System	48	64	-	85	97
Total Contributions	11,341	11,428	10,979	10,578	9,810
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	11,877	14,736	12,905	(33,036)	(35,377)
Interest and Dividends	7,420	7,218	7,969	9,777	11,192
Total Investment Income from Investing Activities	19,297	21,954	20,874	(23,259)	(24,185)
Less: Investment Expenses	2	12	28	85	31
Net Investment Income from Investing Activities	19,295	21,942	20,846	(23,344)	(24,216)
From Securities Lending Activities					
Securities Lending Income	422	109	61	88	467
Less Securities Lending Expenses:					
Borrower Rebates	362	83	50	75	443
Management Fees	8	4	2	2	5
Total Securities Lending Expenses	370	87	52	77	448
Net Income from Securities Lending Activities	52	22	9	11	19
Total Investment Income	19,347	21,964	20,855	(23,333)	(24,197)
Total Additions	30,688	33,392	31,834	(12,755)	(14,387)
<b>Deductions</b>					
Retirement Allowance Payments	18,201	17,903	17,964	16,770	15,655
Return of Contributions and Death Benefits	51	103	83	29	79
Unit Withdrawals	-	-	-	-	-
Transfers to Employees' Retirement System	356	-	103	-	66
Transfers to Teachers' Retirement System	-	-	-	-	97
Administrative Expenses	381	344	322	306	272
Total Deductions	18,989	18,350	18,472	17,105	16,169
<b>Net Increase/(Decrease)</b>	11,699	15,042	13,362	(29,860)	(30,556)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	221,713	206,671	193,309	223,169	253,725
<b>End of Year</b>	<b>\$ 233,412</b>	<b>\$ 221,713</b>	<b>\$ 206,671</b>	<b>\$ 193,309</b>	<b>\$ 223,169</b>

	<b>2000</b>	<b>1999</b>	<b>1998</b>	<b>1997</b>	<b>1996</b>
<b>Additions</b>					
Contributions					
Employee	\$ 1,608	\$ 1,575	\$ 1,465	\$ 1,493	\$ 1,450
Employer	5,696	2,870	5,417	5,430	6,193
Transfers from Teachers' Retirement System	4	19	-	135	16
Transfers from Employees' Retirement System	31	-	2	34	47
Total Contributions	<u>7,339</u>	<u>4,464</u>	<u>6,884</u>	<u>7,092</u>	<u>7,706</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase in Fair Value of Investments	14,106	16,856	6,402	25,676	4,465
Interest and Dividends	10,970	10,968	10,995	10,627	10,253
Total Investment Income from Investing Activities	25,076	27,824	17,397	36,303	14,718
Less: Investment Expenses	23	24	19	15	20
Net Investment Income from Investing Activities	<u>25,053</u>	<u>27,800</u>	<u>17,378</u>	<u>36,288</u>	<u>14,698</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	850	-	-	-	-
Less Securities Lending Expenses:					
Borrower Rebates	816	-	-	-	-
Management Fees	6	-	-	-	-
Total Securities Lending Expenses	822	-	-	-	-
Net Income from Securities Lending Activities	28	-	-	-	-
Total Investment Income	<u>25,081</u>	<u>27,800</u>	<u>17,378</u>	<u>36,288</u>	<u>14,698</u>
Total Additions	<u>32,420</u>	<u>32,264</u>	<u>24,262</u>	<u>43,380</u>	<u>22,404</u>
<b>Deductions</b>					
Retirement Allowance Payments	11,256	11,150	10,035	9,678	9,364
Return of Contributions and Death Benefits	43	101	155	6	40
Transfers to Employees' Retirement System	-	-	145	-	251
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	263	226	245	299	279
Total Deductions	<u>11,562</u>	<u>11,477</u>	<u>10,580</u>	<u>9,983</u>	<u>9,934</u>
<b>Net Increase</b>	20,858	20,787	13,682	33,397	12,470
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	232,867	212,080	198,398	165,001	152,531
End of Year	<u>\$ 253,725</u>	<u>\$ 232,867</u>	<u>\$ 212,080</u>	<u>\$ 198,398</u>	<u>\$ 165,001</u>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Abbeville Water Works Board	Ashville, Town of
Abbeville, City of	Association of County Commissioners
Adamsville, City of	Athens, City of
Addison, Town of	Athens/Limestone County Emergency Management Communication District
Alabama Elk River Development Agency	Athens/Limestone Public Library Authority
Alabama Historic Ironworks Commission	Atmore, City of
Alabama League of Municipalities	Atmore Housing Authority
Alabama Municipal Electric Authority	Atmore Utilities Board
Alabama Music Hall of Fame	Attalla Housing Authority
Alabama Rural Water Association	Attalla Water Works Board
Alabama Space & Rocket Center	Attalla, City of
Alabama Sports Hall of Fame Board	Auburn Extension
Alabama Tombigbee Regional Commission	Auburn Housing Authority
Alabaster Water & Gas Board	Auburn Water Works Board
Alabaster, City of	Auburn, City of
Albertville Housing Authority	Autauga County Commission
Albertville Municipal Utilities Board	Autauga County Emergency Management Communication District
Albertville, City of	Autauga County Water Authority
Alexander City Housing Authority	Autauga/Prattville Public Library
Alexander City, City of	B. B. Comer Memorial Library
Aliceville Housing Authority	Bakerhill Water Authority
Aliceville, City of	Baldwin County Board of Revenue
Altoona, Town of	Baldwin County Emergency Communication District
Andalusia Housing Authority	Baldwin County Mental Health Center
Andalusia, City of	Baldwin County Sheriff's Office Personnel System
Andalusia Utilities Board	Baldwin County Soil & Water Conservation District
Anniston Housing Authority	Barbour County Commission
Anniston Water Works & Sewer Board	Bay Minette Housing Authority
Anniston, City of	Bay Minette, City of
Anniston/Calhoun County Public Library	Bay Minette Utilities Board
Anniston-Calhoun Co. Ft. McClellan Development Joint Power Authority	Bayou La Batre Water, Sewer and Gas Board
Arab Housing Authority	Bayou La Batre, City of
Arab Sewer Board	Bear Creek Development Authority
Arab Water Works Board	Bear Creek, Town of
Arab, Town of	Beauregard Water & Fire Protection Authority
Argo, Town of	Berry, Town of
Arley, Town of	Bessemer, City of
Ashland Housing Authority	Bibb County Commissioners Court
Ashland, City of	
Ashville Water & Gas Board	

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Bibb County Emergency Management  
Communication District  
Billingsley, Town of  
Birmingham Racing Commission  
Birmingham Regional Planning Commission  
Black Warrior Solid Waste Disposal Authority  
Blount County Communication District  
Blount County Commissioners Court  
Blount Count Water Authority  
Blountsville Utility Board  
Blountsville, Town of  
Boaz Water & Sewer Commissioners Board  
Boaz, City of  
Boldo Water & Fire Protection Authority  
Boston Housing Authority  
Branchville, Town of  
Brantley Housing Authority  
Brent Housing Authority  
Brent, City of  
Brewton Housing Authority  
Brewton, City of  
Bridgeport Housing Authority  
Bridgeport Utilities Board  
Bridgeport, City of  
Brilliant, Town of  
Brookwood, Town of  
Brundidge, City of  
Buhl-Elrod-Holman Water Authority  
Bullock County Commissioners Court  
Butler County Commissioners Court  
Butler County Emergency Communication  
District  
Butler, City of  
Cahaba Center for Mental Health  
& Mental Retardation  
Cahaba Valley Fire & Emergency  
Medical Rescue District  
Calera, City of  
Calhoun County 911 District  
Calhoun County Commission

Calhoun County Water & Fire Protection  
Authority  
Calhoun/Cleburne Mental Health Board  
Calhoun County Community Punishment and  
Corrections Authority  
Calhoun County Economic Development Council  
Camden, City of  
Camp Hill, City of  
Carbon Hill Utilities Board  
Carbon Hill, City of  
Carl Elliot Regional Library  
Carroll's Creek Water Authority  
Carrollton, Town of  
Castleberry, Town of  
Cedar Bluff, Town of  
Center Point, City of  
Center Point Fire District  
Central Alabama Aging Consortium  
Central Alabama Regional Planning &  
Development Commission  
Central Alabama Youth Services  
Central Elmore Water Authority  
Central Talladega County Water District  
Centre Water Works & Sewer Board  
Centre, City of  
Centreville, City of  
Chambers County Commissioners Court  
Chambers County Emergency Management  
Communications District  
Chambers County Library Board  
Chatom, City of  
Cheaha Regional Library  
Cheaha Regional Mental Health-Mental  
Retardation Board  
Cherokee County Commission  
Cherokee County Water and Sewer Authority  
Cherokee Water Works & Gas Board  
Cherokee, Town of  
Chickasaw Utilities Board  
Chickasaw, Town of  
Childersburg Water, Sewer & Gas Board

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Childersburg, City of	Conecuh County Board of Directors
Chilton County Commission	Conecuh County E-911
Chilton County Soil & Water Conservation District	Conecuh County Soil and Water Conservation District
Chilton Water Authority	Cook Springs Water Authority
Chilton/Clanton Public Library	Coosa County Commissioners Court
Chilton/Shelby Mental Health Center	Coosa Valley Youth Services
Choctaw County Emergency Communications District	Coosada, Town of
Clanton, City of	Cordova Water & Gas Board
Clanton Housing Authority	Cordova, City of
Clanton Water Works & Sewer Board	Cottonwood, City of
Clark County Commission	Courtland, Town of
Clarke County Industrial Development Board	Covington County Board of Revenue
Clarke County Soil and Water Conservation District	Covington County E-911 Board
Clarke/Mobile County Gas District	Cowarts, Town of
Clay County Commission	Crems Etowah County Water Authority
Clay County E-911	Crenshaw County Court of Commissioners
Clay County Water Authority	Crenshaw County Emergency Management Communications District
Clayton Housing Authority	Creola, City of
Clayton Water & Sewer Board	Cross Trails Regional Library
Clayton, City of	Cuba, Town of
Cleburne County Commission	Cullman Area Mental Health Authority
Cleveland, Town of	Cullman County Board of Revenue
Coaling, Town of	Cullman County Center for the Developmentally Disabled
Coffee County Commissioners Court	Cullman County E-911
Coffee County Soil & Water Conservation District	Cullman County Parks & Recreation
Coffeeville, Town of	Cullman Power Board
Coker Water & Fire Protection Authority	Cullman, City of
Colbert County Board of Revenue	Cullman/Jefferson County Gas District
Colbert County Emergency Management Communications District	Cumberland Mountain Water Authority
Colbert County Tourism and Convention Bureau	Curry Water Authority
Collinsville Water Works Board	CWM Water Authority
Collinsville, City of	Dadeville Housing Authority
Columbia, Town of	Dadeville Water Supply & Gas Board
Columbiana Housing Authority	Dadeville, City of
Columbiana, Town of	Dale County Commissioners Court
Columbiana Water Works Board	Dale County Water Authority
Concord Fire District	Daleville Housing Authority
	Daleville, City of



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Dallas County Court of County Revenue	Eclectic, Town of
Daphne Utility Board	Elba General Hospital & Nursing Home
Daphne, City of	Elba Water & Electric Board
Dauphin Island Park and Beach Board	Elba, City of
Dauphin Island Water & Sewer Authority	Elberta, City of
Dauphin Island, Town of	Elmore County Commissioners Court
Decatur, City of	Elmore County Emergency Communications District
Decatur Utilities	Elmore Water Authority
DeKalb County Commission	Enterprise, City of
DeKalb County Economic Development Authority	Enterprise Housing Authority
DeKalb County Emergency Communications District	Enterprise Water Works Board
DeKalb County Hospital Association	Ernest F. Ladd Memorial Stadium
DeKalb County Mental Retardation Board	Escambia County Commission
DeKalb County Soil and Water Conservation District	Escambia County Cooperative Library System
DeKalb/Cherokee County Gas District	Etowah County Board of Revenue
Demopolis Housing Authority	Etowah County Communications District
Demopolis, City of	Etowah County Community Punishment and Corrections
Demopolis Water Works and Sewer Board	Etowah Solid Waste Disposal Authority
Dora Gas Board	Eufaula Housing Authority
Dora, City of	Eufaula Water Works & Sewer Board
Dothan, City of	Eufaula, City of
Dothan/Houston County Mental Retardation Board	Eutaw Medical Clinic Board
Double Springs Water Works Board	Eutaw, City of
Double Springs, Town of	Evergreen Housing Authority
Douglas Water & Fire Protection Authority	Evergreen, City of
Douglas, Town of	Excel, Town of
Dutton, Town of	Fairfield, City of
East Alabama Mental Health-Mental Retardation Board	Fairhope Public Library
East Alabama Regional Planning & Development Commission	Fairhope, City of
East Alabama Water, Sewer, & Fire Protection District	Falkville, Town of
East Brewton Water Works & Sewer Board	Fayette County Commission
East Brewton, City of	Fayette County E911 District
East Central Alabama Gas District	Fayette Gas Board
East Lauderdale County Water & Fire Protection Authority	Fayette Housing Authority
Eclectic Water Works & Sewer Board	Fayette Water Works Board
	Fayette County Water Coordination & Fire Protection Authority
	Fayette, City of
	Fayetteville Water Authority

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Flomaton, Town of	Greene County Commission
Florence Housing Authority	Greene County Economic & Industrial Development Board
Florence/Lauderdale Tourism Board	Greene County E-911 Communications District
Foley Utilities Board	Greene County Hospital
Foley, City of	Greene County Housing Authority
Forestdale Fire District	Greene County Racing Commission
Fort Deposit Water Works & Sewer Board	Greenhill Water & Fire Protection Authority
Fort Deposit, Town of	Greensboro Housing Authority
Fort Payne Housing Authority	Greensboro, City of
Fort Payne Improvement Authority	Greenville Water Works & Sewer Board
Fort Payne Water Works Board	Greenville, City of
Fort Payne, City of	Grove Hill, City of
Fosters-Ralph Water Authority	Guin, City of
Franklin County Commission	Guin Housing Authority
Franklin County Soil and Water Conservation	Guin Water & Sewer Board
Franklin County Water Service Authority	Guntersville Electric Board
Fultondale, Town of	Guntersville Water & Sewer Board
Fyffe, Town of	Guntersville, City of
Gadsden Water & Sewer Board	Gurley, Town of
Gadsden, City of	Hackleburg, Town of
Garden City, Town of	Hackleburg Housing Authority
Gardendale, City of	Hackleburg Water Board
Geneva County Court of Commissioners	Hackneyville Water & Fire Protection Authority
Geneva County E-911 Board, Inc.	Hale County Commission
Geneva Water Works & Sewer Board	Hale County Soil and Water Conservation District
Geneva, City of	Hale County Emergency Medical Service
Georgiana, City of	Haleyville, City of
Georgiana Water Works and Sewer Board	Hamilton, City of
Gilberttown Utilities Board	Hamilton Housing Authority
Gilberttown, Town of	Hanceville, City of
Glencoe, City of	Hanceville Waterworks & Sewer Board
Goodwater, City of	Harpersville, Town of
Gordo, City of	Hartford, City of
Grant, Town of	Hartford Housing Authority
Graysville Public Library	Hartselle Utilities Board
Graysville, City of	Hartselle, City of
Greater Etowah Mental Retardation 310 Board	Harvest-Monrovia Water & Fire Protection Authority
Greater Mobile/Washington County Mental Health-Mental Retardation Board	
Greene County Ambulance Service	

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Hayneville, City of  
Headland Housing Authority  
Headland, City of  
Heflin, City of  
Heflin Water Works & Sewer Board  
Helen Keller Memorial Hospital  
Helena Utilities Board  
Helena, City of  
Henry County Commissioners Court  
Henry County Soil & Water Conservation District  
Henry County Water Authority  
Highland Water Authority  
Historic Blakeley Authority  
Historic Chattahoochee Commission  
Hodges, Town of  
Hokes Bluff Sewer Board  
Hokes Bluff Water Works Board  
Hokes Bluff, Town of  
Holly Pond, Town of  
Hollywood, Town of  
Homewood, City of  
Hoover, City of  
Horseshoe Bend Regional Library  
Houston County Board of Revenue and Control  
Houston County Soil Conservation District  
Houston County Water Authority  
Houston/Love Memorial Library  
Hueytown, City of  
Huntsville Electric System  
Huntsville Gas System  
Huntsville Solid Waste Disposal Authority  
Huntsville Water System  
Huntsville, City of  
Huntsville/Madison County Airport Authority  
Huntsville/Madison County Convention & Visitor's Bureau  
Huntsville/Madison County Marina & Port Authority

Huntsville/Madison County Mental Health Board  
Huntsville/Madison County Railroad Authority  
Indian Pines Recreation Authority  
Industrial Development Authority of Chambers County  
International Motorsports Hall of Fame  
Irondale, City of  
Jackson County Commission  
Jackson County Economic Development Authority  
Jackson County Emergency Management Communications District  
Jackson County Soil & Water Conservation District  
Jackson, City of  
Jackson County Water Authority  
Jackson's Gap Water Authority  
Jackson's Gap, Town of  
Jacksonville Housing Authority  
Jacksonville Water Works, Gas & Sewer  
Jacksonville, City of  
Jasper Water Works & Sewer Board  
Jasper, City of  
Jefferson County Department of Health  
Jefferson/Blount/St. Clair Mental Health Authority  
Jemison, Town of  
John Paul Jones Hospital  
Killen, City of  
Kinsey, Town of  
Lafayette, City of  
Lamar County Commission  
Lamar County Gas District  
Lamar County Water & Fire Protection Authority  
Lanett, City of  
Lauderdale County Commission  
Lauderdale County Community Corrections & Punishment Authority  
Lauderdale County Regional Library System  
Lawrence County Commission

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

##### Local Participating Employers

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Lawrence/Colbert Counties Gas District	Marion County Public Water Authority
Lee County Commissioners Court	Marion Housing Authority
Lee County Emergency Communications District	Marion, City of
Lee/Russell Council of Governments	Marshall County Commission on Government and Finance
Leeds Housing Authority	Marshall County Emergency Telephone Service Board
Leeds, City of	
Leeds Water Works Board	Marshall County Gas District
Leesburg, Town of	Marshall County Soil & Water Conservation District
Level Plains, Town of	Marshall-Jackson Mental Retardation Authority
Lexington, Town of	Mental Health Center of North Central Alabama
Limestone County Board of Revenue	Mental Health Dev Disabilities Board
Limestone County Water Authority	Mental Health/Mental Retardation Board of Bibb, Pickens, and Tuscaloosa Counties
Lincoln, City of	Middle Alabama Area Agency on Aging
Linden, City of	Midfield Library Board
Lineville Housing Authority	Midfield, City of
Lineville Water & Sewer Board	Mildred B. Harrison Library
Lineville, City of	Millbrook, City of
Livingston Housing Authority	Millport Housing Authority
Livingston, City of	Millport, Town of
Loachapoka Water Authority	Mobile Airport Authority
Locust Fork, Town of	Mobile County Commission
Lowndes County Board of Revenue	Mobile County Communications District
Loxley, City of	Mobile County Emergency Management Agency
Luverne Housing Authority	Mobile County Health Department
Luverne, City of	Mobile County Housing Authority
Macon County Commission	Mobile County Law Enforcement & Firefighters Pension Fund
Macon County Racing Commission	
Madison County Commissioners Court	Mobile County Personnel Board
Madison County Communications District	Mobile County Racing Commission
Madison County Mental Retardation Board	Mobile County Water, Sewer & Fire Protection Authority
Madison Water & Wastewater Board	Mobile Public Library
Madison, City of	Mobile Water Service System
Malvern, Town of	Mobile, City of
Maplesville Waterworks & Gas Board	Monroe County Commission
Maplesville, City of	Monroeville Housing Authority
Marengo County Commission	Monroeville Water Board
Marengo County Emergency Communications District	Monroeville, City of
Marengo County Nursing Home	Montevallo, City of
Marion County Board of Revenue	

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Montgomery Area Mental Health Authority	Northport, City of
Montgomery County Soil & Water Conservation District	Northwest Alabama Council of Local Governments
Moody, City of	Northwest Alabama Mental Health Center
Morgan County Commission	Northwest Alabama Regional Airport
Morgan County Emergency Management Communications District	Northwest Regional Library
Morgan County Soil & Water Conservation District	Notasulga, Town of
Moulton Housing Authority	Oak Grove, Town of
Moulton, City of	Oakman Waterworks
Moundville, City of	Oakman, Town of
Mountain Brook Library Board	Odenville Utilities Board
Mountain Brook Park & Recreation Board	Odenville, Town of
Mountain Brook, City of	Ohatchee, Town of
Mt. Vernon, Town of	Oneonta Utilities
Munford, Town of	Oneonta, City of
Munford Water Authority	Opelika Housing Authority
Muscle Shoals Electric Board	Opelika Utilities Board
Muscle Shoals Utilities Board	Opelika, City of
Muscle Shoals, City of	Opp Utilities Board
Myrtlewood, Town of	Opp, City of
Nectar, Town of	Orange Beach Water, Sewer & Fire Protection Authority
New Hope, Town of	Orange Beach, Town of
New London Water, Sewer & Fire Protection Authority	Owens Cross Roads
New Site, Town of	Oxford, City of
North Alabama Gas District	Ozark Utilities Board
North Central Alabama Mental Retardation Authority	Ozark, City of
North Central Alabama Regional Council of Governments	Ozark/Dale E-911
North Dallas County Water Authority	Pelham, City of
North Jackson County Water & Fire Protection Authority	Pell City Housing Authority
North Marshall Utilities Board	Pell City, City of
North Shelby County Library	Pennington, City of
Northeast Alabama Mental Retardation-Development Disability Authority	Pennington Utilities Board
Northeast Alabama Water, Sewer & Fire Protection District	Perry County Commissioners Court
Northeast Morgan County Water Authority	Phenix City Utilities
Northport Housing Authority	Phenix City, City of
	Phil Campbell Housing Authority
	Phil Campbell Water Works Board
	Phil Campbell, Town of
	Pickens County Commission
	Pickens County Cooperative Library

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

##### Local Participating Employers

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Pickens County E-911 Board	Roanoke Utilities Board
Pickens County Water Authority	Roanoke, City of
Piedmont Housing Authority	Robertsdale, City of
Piedmont Water, Gas & Sewer Board	Rocky Ridge Fire District
Piedmont, City of	Rogersville Water Works & Sewer Board
Pike County Commissioners Court	Rogersville, Town of
Pike County Communications District	Russell County Commissioners Court
Pike County Soil & Water Conservation District	Russell County Emergency Communications District
Pike County Water Authority	Russell County Soil & Water Conservation District
Pine Bluff Water Authority	Russell County Utilities Board
Pine Hill, Town of	Russellville Electric Board
Pine Level Water & Fire Protection Authority	Russellville Gas Board
Pisgah, Town of	Russellville Water Works Board
Pleasant Grove, City of	Russellville, City of
Prattville Housing Authority	Rutledge, Town of
Prattville Water Works Board	Sand Mountain Water Authority
Prattville, City of	Sand Springs Water Authority
Priceville, Town of	Saraland Water Service
Prichard Housing Authority	Saraland, City of
Quint-Mar Water & Fire Protection Authority	Sardis City Water Board
Ragland, Town of	Sardis City, City of
Ragland Water Works Board	Satsuma Water Works Board
Rainbow City Gas, Water & Sewer Board	Satsuma, City of
Rainbow City, City of	Scottsboro Electric Power Board
Rainsville, City of	Scottsboro Public Library
Randolph County Commissioners Court	Scottsboro Public Park & Recreation Board
Randolph County E-911	Scottsboro Water Works, Sewer & Gas Board
Red Bay Housing Authority	Scottsboro, City of
Red Bay Water & Gas Board	Section, Town of
Red Bay, City of	Section Water Works Board
Red Level, Town of	Selma Housing Authority
Reform Housing Authority	Selma Water Works & Sewer Board
Reform, City of	Selma, City of
Regional Housing Authority of Lawrence, Cullman, and Morgan Counties	Sheffield Power, Water & Gas Department
Rehobeth, City of	Sheffield, City of
Remlap/Pine Mountain Water Authority	Shelby County Board of Revenue
Riverbend Center for Mental Health	Shelby County Economic and Industrial Development Authority
Riverside, Town of	Shelby County Soil Conservation District

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Shelby County Work Release Commission  
Shoals Committee on Programs &  
Employment for the Mentally Retarded  
Shoals Economic Development Authority  
Shoals Solid Waste Disposal Authority  
Shorter, Town of  
Silas, Town of  
Silverhill, Town of  
Sipsey, Town of  
Slocumb, Town of  
Slocumb Waterworks and Sewer Board  
Snead, Town of  
Somerville, Town of  
South Alabama Gas District  
South Alabama Regional Planning Commission  
South Central Alabama Development Commission  
South Central Alabama Mental Health Center  
South Central Alabama Regional Housing Authority  
South Crenshaw County Water Authority  
Southeast Alabama Regional Planning &  
Development Commission  
Southeast Alabama Solid Waste Disposal  
Authority  
Southern Alabama Regional Council on Aging  
Southside Water & Sewer Board  
Southside, City of  
Southwest Alabama Water Authority  
Spanish Fort, City of  
Spectracare  
Springville, Town of  
St. Clair County Commissioners Court  
St. Clair County Industrial Development  
Board  
St. Clair Regional Library  
St. Clair County Soil & Water Conservation  
District  
St. Florian, Town of  
Star-Mindingall Water & Fire Prot Auth  
Steele, Town of  
Stevenson Housing Authority  
Stevenson Utilities Board  
Stevenson, City of

Stewartville Water Authority  
Stillwaters Volunteer Fire and Rescue  
Sulligent, City of  
Sulligent Housing Authority  
Sumiton Water Works Board  
Sumiton, City of  
Summerdale, Town of  
Sumter County Board of Commissioners  
Sumter County Industrial Development  
Authority  
Sumter County Soil & Water Cons District  
Sumter County Water Authority  
Sylacauga Recreation Authority  
Sylacauga Utilities Board  
Sylacauga, City of  
Talladega County Board of Revenue  
Talladega County Emergency Management  
Communications District  
Talladega County Soil & Water Conservation  
District  
Talladega Water & Sewer Board  
Talladega, City of  
Tallapoosa County Court of Commissioners  
Tallapoosa County Emergency Management  
Communications District  
Tallassee, City of  
Tarrant City Electric System  
Tarrant City, City of  
Tarrant Housing Authority  
Taylor, Town of  
Tennessee Valley Exhibit Commission  
Thomaston, Town of  
Thomasville, City of  
Thorsby, Town of  
Top of Alabama Regional Council of  
Governments  
Town Creek, Town of  
Triana, City of  
Tri-County Mental Retardation-Development  
Disability Board  
Trinity, Town of  
Troy, City of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Trussville Utilities Board	Wall Street Water Authority
Trussville, City of	Walnut Hill Water Authority
Turnerville Water and Fire Protection District	Warrior River Water & Fire Protection Authority
Tuscaloosa, City of	Warrior, City of
Tuscaloosa County Board of Revenue	Washington County Commissioners Court
Tuscaloosa County Industrial Dev Auth	Washington County E-911 District
Tuscaloosa County Park and Recreation Board	Washington County Soil & Water Conservation District
Tuscaloosa County Parking & Transit Authority	Weaver, City of
Tuscaloosa County Public Defenders Office	Webb, Town of
Tuscaloosa County Soil & Water Conservation District	Wedowee, City of
Tuscaloosa County Special Tax Board	Wedowee Water, Sewer, and Gas Board
Tuscaloosa Public Library	West Alabama Regional Commission
Tuscumbia, City of	West Autauga Water Authority
Tuskegee, City of	West Etowah County Water Authority
Tuskegee Utilities	West Jefferson, Town of
Union Grove Utilities Board	West Lauderdale County Water & Fire Protection Authority
Union Springs Utilities Board	West Morgan/East Lawrence Water and Sewer Authority
Union Springs, City of	Westover Water & Fire Protection Authority
Uniontown Housing Authority	Wetumpka, City of
Uniontown Utilities Board	Wetumpka Water & Sewer Board
Uniontown, City of	Wilcox County Commission
USS Alabama Battleship Commission	Wilcox County Gas District
Valley Head, Town of	Wilsonville, Town of
Valley Head Water Works Board	Winfield Water Works Board
Valley Housing Authority	Winfield, City of
Valley, City of	Winston County Commission
Vance, Town of	Winston County E-911 Communications District
Vernon Housing Authority	Winston County Soil and Water Conservation District
Vernon, City of	Woodstock, Town of
Vestavia Hills, City of	York Housing Authority
Vincent, City of	York, City of
Von Braun Civic Center	
Walker County Commission	
Walker County E911 District	
Walker County Housing Authority	
Walker County Mental Retardation Board	
Walker County Soil & Water Conservation District	



