The Retirement Systems of Alabama

Component Units of the State of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2007

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)

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

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ALABAMA
TENNESSEE
MISSISSIPPI
GEORGIA
FLORIDA
GREAT SEAL

INTRODUCTORY SECTION

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 20, 2008

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, 2007. 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.

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.

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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 2007 and 2006. Also, an analysis of significant variances between fiscal years 2007 and 2006 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 40.

At the date of the latest actuarial valuations (9/30/06), the number of participants in the TRS, ERS, and JRF was 222,294, 129,396, and 656, respectively. The TRS's, ERS's, and JRF's last valuations were performed as of September 30, 2006. The TRS's funded percentage decreased from 83.6% at September 30, 2005 to 82.8% at September 30, 2006. The ERS's funded percentage decreased from 84.0% at September 30, 2005 to 81.1% at September 30, 2006. The JRF's funded percentage increased from 85.5% at September 30, 2005 to 86.4% at September 30, 2006.

Investment Activity

Total investments for the RSA increased in fiscal year 2007, primarily due to increases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2007 were $21.6 billion, $10.3 billion and $268.2 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2006 of $19.0 billion, $8.9 billion, and $243.8 million, respectively. Total pension fund investments managed by the RSA increased from $28.1 billion at September 30, 2006 to $32.1 billion at September 30, 2007, a 14.2% increase.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2007 was $719.9 million, $347.3 million, and $8.5 million, respectively, compared to $703.2 million, $329.5 million, and $9.6 million, respectively, for the fiscal year ended September 30, 2006. The increase in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2007 was $2.6 billion, $1.2 billion and $26.0 million, respectively, compared to the increase in fair value of investments of $878.7 million, $375.0 million, and $11.2 million, respectively, for the fiscal year ended September 30, 2006. 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 2007

Act 2007-296 authorized a one time lump-sum payment to certain retirees and beneficiaries of the Teachers' Retirement System (TRS) whose effective date of retirement for purposes of receiving benefits was prior to December 14, 2007, and who were receiving or was entitled to receive a monthly allowance from the TRS on December 14, 2007. The payment was twenty-four dollars for each year of service.

Act 2007-257 authorized a one time lump-sum payment to certain retirees and beneficiaries of the Employees' Retirement System (ERS) whose effective date of retirement for purposes of receiving benefits was prior to December 14, 2007, and who were receiving or was entitled to receive a monthly allowance from the ERS on December 14, 2007. The payment was twelve dollars for each year of service.

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, 2007. The independent auditors' report is located at the front of the financial section of this report.

Highlights and Initiatives
The Battle House, a Renaissance Hotel in Mobile, opened its doors in May 2007. Once the upgrade to the Riverview Plaza is finished later this year, it and the Battle House will make up part of the Renaissance Center in Mobile. The Battle House, which originally opened in 1852, closed in 1974 and was vacant until the RSA reopened it earlier this year. The historic hotel is also connected to the new 35-story RSA Battle House Tower, the tallest building in the state of Alabama.

In other RSA real estate news, construction continues on our eighth project, The Renaissance Montgomery Hotel and Spa, which includes a civic center upgrade and expansion, a new performing arts theater, and a 600-car parking deck. The project is expected to be completed in early 2008. Additionally, work continues on the new eight-story office building being added to the State Capitol Complex. The 280,000 square foot structure will be the new headquarters for the RSA and is expected to be completed in mid-2008.

During the fiscal year, the RSA provided the bridge financing – our largest industrial loan to date – of up to $350 million to National Alabama Corporation. This company is an affiliate of National Steel Car of Canada; the new railcar manufacturing plant being constructed in the Shoals will produce 8,000 – 10,000 rail cars per year and employ approximately 1,800 workers. The RSA also provided financing to Raycom Media for its recent acquisition of three television stations and Lincoln Financial Sports from Lincoln National Corporation. Following the closing, Raycom stations will cover over 10.5% of U.S. households with operations in 18 states. Raycom currently owns and operates 37 stations in 17 states. Community Newspaper Holdings, Inc. owns and operates 92 daily newspapers as well as 71 non-daily newspapers and numerous specialty publications across 23 states.

The staff will continue to purchase and develop investments that will facilitate the mission of the RSA. Our aim is to serve the interests of our members by preserving the excellent benefits and soundness of the Systems 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.

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, 2006. 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

Norman D. Turnipseed, CPA
Chief Accountant & Fiscal Officer

David G. Bronner

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

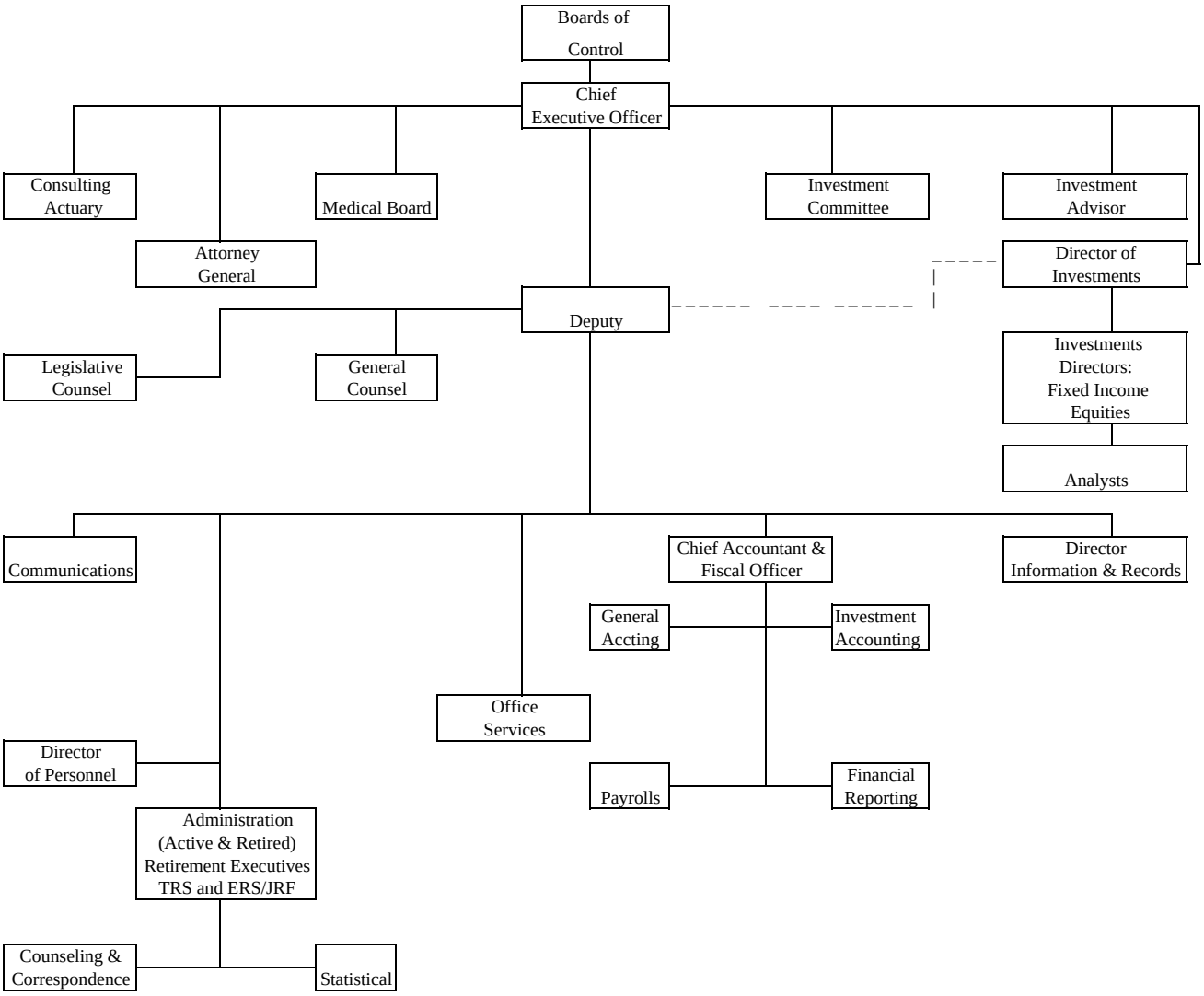
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2006

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

President

Executive Director

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
Dr. Carl Ponder, Principal Position
Ms. Sallie B. Cook, Retired Position
Mr. Robert W. Smith, Jr., Support Personnel Position
Mrs. Teresa Harbison, Teacher Position
Ms. 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. Pruit
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.

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 Private Placements, 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.
Director of Fixed Income, Julie S. Barranco, M.B.A., C.F.A.
Equity Analyst, Zach Turnage, M.B.A, 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, M.B.A.
Equity Analyst, Adam Rogers, M.B.A.
Fixed Income Analyst, C. Lance Lachney, M.B.A., C.F.A.
Fixed Income Analyst, Nick Prillaman, M.B.A.
Cash Management & Operations, Nancy H. Sprayberry

Advisors and Professional Service Providers

Independent Certified Public Accountants, KPMG LLP
Regions Bank, 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.

ALABAMA
TENNESSEE
MISSISSIPPI
GEORGIA
FLORIDA
GREAT SEAL

FINANCIAL SECTION

KPMG LLP
Suite 1800
420 20th 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, 2007, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility 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 2006 financial statements and, in our report dated March 5, 2007, 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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, 2007, and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 14 through 17 and the schedules of funding progress and employer contributions (pages 39 through 41) are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. 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.

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

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 12, 2008

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, 2007, 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, securities lending disclosures, funded status, and additional actuarial information relevant to the latest actuarial valuations.

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.

Comparative Summary Statements

Summary Comparative Statement of Plan Net Assets
As of September 30, 2007 and 2006
(Amounts in Thousands)

	2007	2006	Variance	% Increase/ (Decrease)
Assets				
Cash	$ 16,428	$ 15,804	$ 624	3.95
Receivables	339,147	329,823	9,324	2.83
Investments	32,145,955	28,091,981	4,053,974	14.43
Invested Securities Lending Collateral	4,080,080	2,811,823	1,268,257	45.10
Property and Equipment	94,842	24,500	70,342	287.11
Total Assets	36,676,452	31,273,931	5,402,521	17.27
Liabilities				
Accounts Payable and Other Liabilities	5,471	6,016	(545)	(9.06)
Securities Lending Collateral	4,080,080	2,811,823	1,268,257	45.10
Total Liabilities	4,085,551	2,817,839	1,267,712	44.99
Net Assets	**$ 32,590,901**	**$ 28,456,092**	**$ 4,134,809**	**14.53**

Summary Comparative Statement of Changes in Plan Net Assets
For the Fiscal Years Ended September 30, 2007 and 2006
(Amounts in Thousands)

	2007	2006	Variance	% Increase/ (Decrease)
Additions				
Employee Contributions	$ 486,422	$ 464,702	$ 21,720	4.67
Employer Contributions	827,408	684,861	142,547	20.81
Investment Income	4,943,969	2,306,814	2,637,155	114.32
Transfers Between Systems	5,440	6,376	(936)	(14.68)
Total Additions	6,263,239	3,462,753	2,800,486	80.87
Deductions				
Retirement Allowance Payments	2,034,825	1,777,821	257,004	14.46
Return of Contributions, Unit Withdrawals, and Death Benefits	69,486	68,508	978	1.43
Transfers Between Systems	5,440	6,376	(936)	(14.68)
Administrative Expense	17,901	19,607	(1,706)	(8.70)
Depreciation	778	799	(21)	(2.63)
Total Deductions	2,128,430	1,873,111	255,319	13.63
Increase in Plan Net Assets	4,134,809	1,589,642	2,545,167	160.11
Net Assets - Beginning of Year	28,456,092	26,866,450	1,589,642	5.92
Net Assets - End of Year	**$ 32,590,901**	**$ 28,456,092**	**$ 4,134,809**	**14.53**

Comparison of Individual Plan Net Assets
As of September 30, 2007 and 2006
(Amounts in Thousands)

	2007	2006	Variance	% Increase/ (Decrease)
TRS	$ 21,918,750	$ 19,207,803	$ 2,710,947	14.11
ERS	10,401,218	9,001,867	1,399,351	15.55
JRF	270,933	246,422	24,511	9.95
Totals	**$ 32,590,901**	**$ 28,456,092**	**$ 4,134,809**	**14.53**

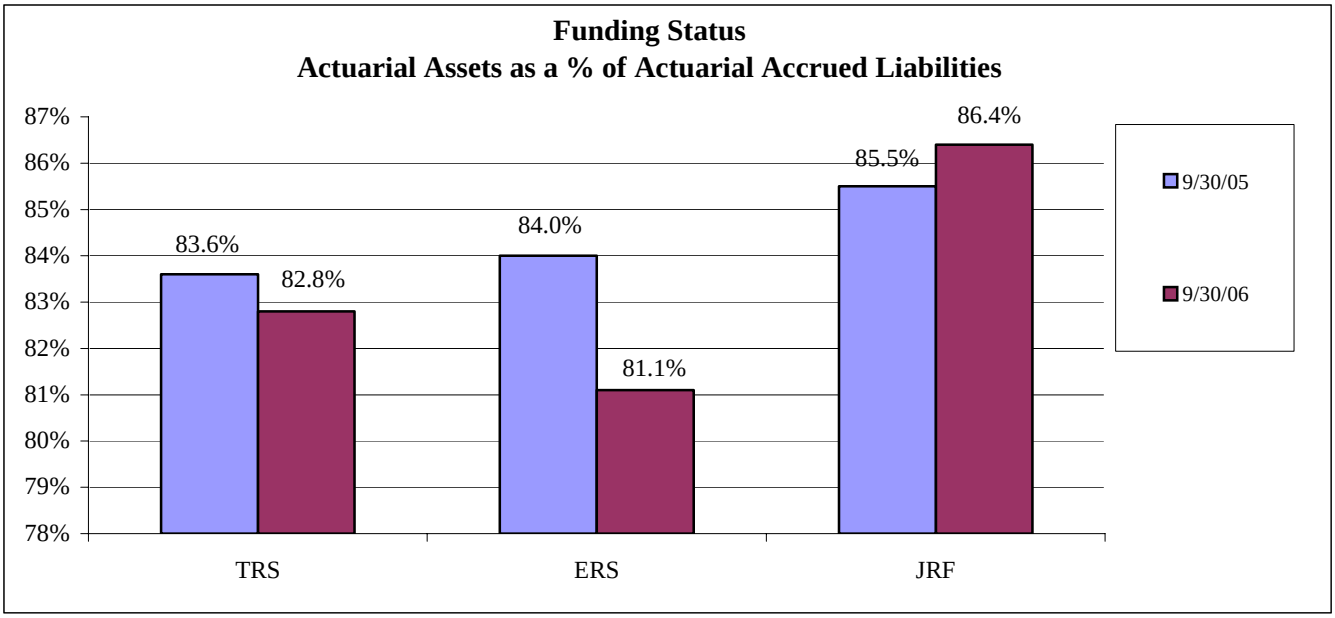
Financial Analysis

- Employer contributions increased primarily as a result of increases in employer cost rates and covered payroll.
- Assets and liabilities related to securities lending increased as a result of increased securities lending activities.
- Investments and investment income increased mainly as a result of the upturn in the equity markets. The RSA returns on equity were in line with the overall market returns. The S&P 500 increased 16.44% in 2007 compared to a return of 10.79% in 2006 and the S&P Midcap 400 increased 18.76% in 2007 compared to 6.56% in 2006.
- Property and equipment increased mainly due to the ongoing construction of a new administrative building.
- Retirement allowance payments increased primarily due to new retirees and an adhoc cost of living adjustments for retirees.

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, 2006 and September 30, 2005). The funded ratio decreased in the most recent TRS and ERS valuations as a result of the continued amortization of losses in fair value of investments that occurred in fiscal years 2001 and 2002 and changes in assumptions resulting from an experience study. Assumption changes included rates of withdrawal, disability, retirement and mortality. 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.



Financial Highlights

- Total assets exceeded total liabilities at September 30, 2007, by $32.6 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 82.8% for the TRS, 81.1% for the ERS, and 86.4% for the JRF.

- The fair value of investments increased by $3.9 billion during the fiscal year.

- The investment section contains a detailed schedule of investment returns and related benchmarks.

Financial Section

Combining Statement of Plan Net Assets

September 30, 2007 with comparative figures for 2006

(Amounts in Thousands)

	2007			
	Teachers' Retirement System	**Employees' Retirement System**	**Judicial Retirement Fund**	**Totals**
Assets				
Cash (Note 4)	$ 8,102	$ 7,190	$ 1,136	$ 16,428
Receivables				
Employee Contributions	25,508	14,600	112	40,220
Employer Contributions	47,751	26,083	316	74,150
Dividends and Interest	151,198	72,215	1,364	224,777
Total Receivables	224,457	112,898	1,792	339,147
Investments, at Fair Value (Note 5)				
Domestic Equities	10,350,683	5,002,102	152,778	15,505,563
Domestic Fixed Income	5,282,777	2,497,334	64,232	7,844,343
International	3,735,724	1,650,424	24,752	5,410,900
Real Estate	1,480,737	720,752	2,550	2,204,039
Short-term	776,563	380,667	23,880	1,181,110
Total Investments	21,626,484	10,251,279	268,192	32,145,955
Invested Securities Lending Collateral (Note 5)	2,717,017	1,317,633	45,430	4,080,080
Property and Equipment less Accumulated Depreciation (Note 8)	62,798	32,044	-	94,842
Total Assets	24,638,858	11,721,044	316,550	36,676,452
Liabilities				
Accounts Payable and Other Liabilities	3,091	2,193	187	5,471
Securities Lending Collateral (Note 5)	2,717,017	1,317,633	45,430	4,080,080
Total Liabilities	2,720,108	1,319,826	45,617	4,085,551
Net Assets Held in Trust for Pension Benefits (Note 3)	**$ 21,918,750**	**$ 10,401,218**	**$ 270,933**	**$ 32,590,901**

See accompanying *Notes to the Financial Statements* .

	2006			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash	$ 9,653	$ 5,074	$ 1,077	$ 15,804
Receivables				
Employee Contributions	23,814	14,553	112	38,479
Employer Contributions	38,912	22,281	303	61,496
Dividends and Interest	154,800	73,728	1,320	229,848
Total Receivables	217,526	110,562	1,735	329,823
Investments, at Fair Value				
Domestic Equity	9,157,003	4,345,437	153,064	13,655,504
Domestic Fixed Income	4,990,746	2,314,148	68,108	7,373,002
International	2,967,620	1,307,815	-	4,275,435
Real Estate	1,206,840	583,690	2,494	1,793,024
Short-term	646,143	328,769	20,104	995,016
Total Investments	18,968,352	8,879,859	243,770	28,091,981
Invested Securities Lending Collateral	1,922,021	864,409	25,393	2,811,823
Property and Equipment less Accumulated Depreciation	15,875	8,625	-	24,500
Total Assets	21,133,427	9,868,529	271,975	31,273,931
Liabilities				
Accounts Payable and Other Liabilities	3,603	2,253	160	6,016
Securities Lending Collateral	1,922,021	864,409	25,393	2,811,823
Total Liabilities	1,925,624	866,662	25,553	2,817,839
Net Assets Held in Trust for Pension Benefits	**$ 19,207,803**	**$ 9,001,867**	**$ 246,422**	**$ 28,456,092**

Financial Section

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2007 with comparative figures for 2006

(Amounts in Thousands)

	2007			
	Teachers' Retirement System	**Employees' Retirement System**	**Judicial Retirement Fund**	**Totals**
Additions				
Contributions				
Employee	$ 302,272	$ 181,734	$ 2,416	$ 486,422
Employer	540,847	277,254	9,307	827,408
Transfers from Teachers' Retirement System	-	2,406	-	2,406
Transfers from Employees' Retirement System	2,814	-	220	3,034
Total Contributions	845,933	461,394	11,943	1,319,270
Investment Income (Note 5)				
From Investing Activities				
Net Increase in Fair Value of Investments	2,589,858	1,249,495	25,988	3,865,341
Interest and Dividends	719,910	347,272	8,500	1,075,682
Total Investment Income from Investing Activities	3,309,768	1,596,767	34,488	4,941,023
Less: Investment Expenses	5,105	3,725	2	8,832
Net Investment Income from Investing Activities	3,304,663	1,593,042	34,486	4,932,191
From Securities Lending Activities				
Securities Lending Income	136,869	58,925	1,945	197,739
Less Securities Lending Expenses:				
Borrower Rebates	126,966	54,648	1,832	183,446
Management Fees	1,770	727	18	2,515
Total Securities Lending Expenses	128,736	55,375	1,850	185,961
Net Income from Securities Lending Activities	8,133	3,550	95	11,778
Total Investment Income	3,312,796	1,596,592	34,581	4,943,969
Total Additions	4,158,729	2,057,986	46,524	6,263,239
Deductions				
Retirement Allowance Payments	1,397,808	615,661	21,356	2,034,825
Return of Contributions and Death Benefits	37,474	31,829	183	69,486
Transfers to Employees' Retirement System	2,406	-	-	2,406
Transfers to Teachers' Retirement System	-	2,814	-	2,814
Transfers to Judicial Retirement Fund	-	220	-	220
Administrative Expenses	9,614	7,813	474	17,901
Depreciation (Note 8)	480	298	-	778
Total Deductions	1,447,782	658,635	22,013	2,128,430
Net Increase	2,710,947	1,399,351	24,511	4,134,809
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	19,207,803	9,001,867	246,422	28,456,092
End of Year	**$ 21,918,750**	**$ 10,401,218**	**$ 270,933**	**$ 32,590,901**

See accompanying *Notes to the Financial Statements* .

	2006			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	$ 278,220	$ 184,144	$ 2,338	$ 464,702
Employer	434,195	241,750	8,916	684,861
Transfers from Teachers' Retirement System	-	2,982	26	3,008
Transfers from Employees' Retirement System	3,235	-	133	3,368
Total Contributions	715,650	428,876	11,413	1,155,939
Investment Income				
From Investing Activities				
Net Increase in Fair Value of Investments	878,743	375,025	11,215	1,264,983
Interest and Dividends	703,189	329,459	9,598	1,042,246
Total Investment Income from Investing Activities	1,581,932	704,484	20,813	2,307,229
Less: Investment Expenses	4,947	3,216	2	8,165
Net Investment Income from Investing Activities	1,576,985	701,268	20,811	2,299,064
From Securities Lending Activities				
Securities Lending Income	84,052	35,407	908	120,367
Less Securities Lending Expenses:				
Borrower Rebates	77,407	32,567	861	110,835
Management Fees	1,271	504	7	1,782
Total Securities Lending Expenses	78,678	33,071	868	112,617
Net Income from Securities Lending Activities	5,374	2,336	40	7,750
Total Investment Income	1,582,359	703,604	20,851	2,306,814
Total Additions	2,298,009	1,132,480	32,264	3,462,753
Deductions				
Retirement Allowance Payments	1,207,251	551,793	18,777	1,777,821
Return of Contributions and Death Benefits	36,683	31,780	45	68,508
Transfers to Employees' Retirement System	2,982	-	-	2,982
Transfers to Teachers' Retirement System	-	3,235	-	3,235
Transfers to Judicial Retirement Fund	26	133	-	159
Administrative Expenses	11,325	7,850	432	19,607
Depreciation	462	337	-	799
Total Deductions	1,258,729	595,128	19,254	1,873,111
Net Increase	1,039,280	537,352	13,010	1,589,642
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	18,168,523	8,464,515	233,412	26,866,450
End of Year	**$ 19,207,803**	**$ 9,001,867**	**$ 246,422**	**$ 28,456,092**

(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, 2007, the number of participating units in each system was as follows:

	TRS	ERS
Cities	-	277
Counties	-	64
Other Public Entities	-	502
Universities	13	-
Post-Secondary Institutions	31	-
City and County Bds of Education	131	-
State Agencies & Other	31	-
Totals	**206**	**843**

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

	TRS	ERS	JRF
Retirees and beneficiaries currently receiving benefits:			
General	61,393	17,002	273
State Police	-	735	-
Employees of Local Employers	-	14,856	-
Deferred Retirement Option Plan (DROP)	5,375	1,905	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	16,913	3,496	51
State Police	-	9	-
Employees of Local Employers	-	6,911	-
Active employees:			
General	138,613	32,283	332
State Police	-	706	-
Employees of Local Employers	-	51,493	-
Totals	**222,294**	**129,396**	**656**

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. Interfund Transfers

Interfund transfers result from transfers of members between retirement systems.

E. New Accounting Pronouncements

During the current fiscal year, GASB 50, P*ension Disclosures (an amendment of GASB Statements No. 25 and No. 27)* was implemented.

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.

B. 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.

C. 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.

D. 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.

E. 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

(Dollar Amounts in Thousands)

Expense fund. The majority of expenses are directly 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.

F. 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 from 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.

G. Reserves

The reserves of the RSA are funded to the full extent required by statute. The reserve balances as of September 30, 2007, are as follows:

	TRS	ERS	JRF
Annuity Savings	$ 3,038,296	$ 1,830,813	$ 30,286
Pension Accumulation	18,247,298	8,329,813	239,699
Preretirement Death Benefit	18,735	18,880	-
Term Life Insurance	10,949	-	-
Deferred Retirement Option Plan	534,395	184,067	-
Expense	6,279	5,601	948

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 expenses.

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:

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 domestic and emerging markets equity-linked notes. The RSA has domestic equity-linked notes included in domestic equities that were purchased by the counterparty and are held by the counterparty. Investment returns on the domestic equity-linked notes are indexed to the S&P 500. At September 30, investments in domestic equity-linked notes were $584,749 and $263,653 for the TRS and ERS, respectively. Also, the RSA has emerging market equity-linked notes included in international investments that were purchased by the counterparty and are held by the counterparty. Investment returns on the emerging market equity-linked notes are indexed to the returns of various emerging market indices. At September 30, investments in emerging market equity-linked notes were $189,346, $92,586, and $3,124 in the TRS, ERS, and JRF, respectively.

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 fair 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 50% of the fair value of the aggregate portfolio for each System.
- International Fixed Income – Limited to 10% of the fair value of each System's total portfolio.
- Domestic Equity – Limited to 65% of the fair value of each System's aggregate portfolio.
- International Equity – The aggregate fair value of international equities is limited to 25% of the aggregate fair 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 15% of the book value of each System's portfolio.
- Alternative Investments (mezzanine financing, LBO's, venture capital, limited partnerships,

(Dollar Amounts in Thousands)

futures, commodities and derivative investments) – Limited to 10% of the book value of each System's aggregate portfolio.

- Short-term Investments – Limited to 20% of the fair value of each System's aggregate portfolio.

The following tables provide information as of September 30, 2007, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS
TRS

	Maturity in Years at Fair value				Total	
Type of Investment	**Less Than 1**	**1-5**	**6-10**	**More Than 10**	**Fair Value**	**Cost**
Fixed Maturity						
Domestic						
Commercial Paper	$ 655,206	$ -	$ -	$ -	$ 655,206	$ 655,206
U.S. Government Guaranteed	16,395	157,214	282,494	-	456,103	450,486
U.S. Agency	-	364,645	352,704	31,953	749,302	748,130
Corporate Bonds	33,510	447,576	469,387	273,904	1,224,377	1,215,551
Private Placements	11,960	152,253	2,559,095	91,321	2,814,629	2,859,584
GNMAs	7	1,362	1,091	32,638	35,098	32,519
CMOs	-	-	2,857	16,805	19,662	19,667
Money Market Funds	104,963	-	-	-	104,963	104,963
Total Domestic Fixed Maturity	$ 822,041	$ 1,123,050	$ 3,667,628	$ 446,621	6,059,340	6,086,106
Equities						
Domestic					9,994,777	6,745,803
Private					355,906	356,211
International						
United Kingdom - Pound Sterling					800,836	516,705
Japan - Yen					728,674	561,325
France - Euro					362,304	205,369
Germany - Euro					305,277	162,029
Switzerland - Franc					234,716	127,693
Netherlands - Euro					131,452	76,973
Italy - Euro					135,501	91,949
Spain - Euro					144,127	73,898
Australia - U.S. Dollar					235,640	105,023
Singapore - U.S. Dollar					36,076	22,357
Belgium - Euro					38,806	24,933
Finland - Euro					68,682	34,655
Hong Kong - U.S. Dollar					74,313	42,540
Sweden - Krona					91,100	44,260
Denmark - Krone					32,022	15,272
Ireland - Euro					24,948	18,887
Norway - Krone					40,362	18,649
Greece - Euro					25,547	13,388
Emerging Markets					189,346	166,000
Other					35,995	25,961
Total International Equities					3,735,724	2,347,866
Total Equities					14,086,407	9,449,880
Real Estate					1,480,737	913,312
Total Investments					**$ 21,626,484**	**$ 16,449,298**

INVESTMENTS
ERS

Type of Investment	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value	Cost
Fixed Maturity						
Domestic						
Commercial Paper	$ 316,421	$ -	$ -	$ -	$ 316,421	$ 316,421
U.S. Government Guaranteed	8,828	72,002	128,320	-	209,150	206,548
U.S. Agency	-	152,934	173,388	14,991	341,313	340,298
Corporate Bonds	15,769	202,682	213,492	127,237	559,180	555,034
Private Placements	6,440	60,857	1,268,275	40,576	1,376,148	1,398,939
GNMAs	13	511	1,140	11,466	13,130	12,161
CMOs	-	-	1,183	6,058	7,241	7,289
Money Market Funds	55,418	-	-	-	55,418	55,418
Total Domestic Fixed Maturity	$ 402,889	$ 488,986	$ 1,785,798	$ 200,328	2,878,001	2,892,108
Equities						
Domestic					4,647,740	3,153,139
Private					354,362	354,811
International						
United Kingdom - Pound Sterling					351,599	225,374
Japan - Yen					319,569	246,699
France - Euro					159,272	89,848
Germany - Euro					133,962	70,741
Switzerland - Franc					102,988	55,093
Netherlands - Euro					57,714	32,885
Italy - Euro					59,252	39,954
Spain - Euro					64,785	33,059
Australia - U.S. Dollar					103,461	45,962
Singapore - U.S. Dollar					15,771	9,721
Belgium - Euro					17,009	10,911
Finland - Euro					30,162	15,396
Hong Kong - U.S. Dollar					32,500	18,584
Sweden - Krona					40,004	19,554
Denmark - Krone					14,048	6,672
Norway - Krone					17,582	8,187
Emerging Markets					92,586	81,250
Other					38,160	25,519
Total International Equities					1,650,424	1,035,409
Total Equities					6,652,526	4,543,359
Real Estate					720,752	453,542
Total Investments					**$ 10,251,279**	**$ 7,889,009**

(Dollar Amounts in Thousands)

INVESTMENTS
JRF

Type of Investment	Maturity in Years at Fair Value: Less Than 1	1-5	6-10	More Than 10	Total Fair Value	Cost
Fixed Maturity						
Domestic						
Commercial Paper	$ 18,996	$ -	$ -	$ -	$ 18,996	$ 18,996
U.S. Government Guaranteed	-	4,389	6,516	-	10,905	10,737
U.S. Agency	-	6,250	9,813	2,387	18,450	18,434
Corporate Bonds	1,088	6,162	12,528	6,077	25,855	26,131
Private Placements	-	2,423	6,277	-	8,700	9,361
GNMAs	-	2	42	3	47	41
CMOs	-	-	107	168	275	272
Money Market Funds	4,884	-	-	-	4,884	4,884
Total Domestic Fixed Maturity	$ 24,968	$ 19,226	$ 35,283	$ 8,635	88,112	88,856
Equities						
Domestic					152,778	78,592
International						
United Kingdom - Pound Sterling					4,869	4,233
Japan - Yen					4,495	4,287
France - Euro					2,172	1,809
Germany - Euro					1,860	1,312
Switzerland - Franc					1,422	1,253
Netherlands - Euro					798	627
Italy - Euro					824	728
Spain - Euro					896	712
Australia - U.S. Dollar					1,446	983
Singapore - U.S. Dollar					224	157
Belgium - Euro					237	227
Finland - Euro					417	253
Hong Kong - U.S. Dollar					428	301
Sweden - Krona					553	416
Denmark - Krone					201	142
Ireland - Euro					152	155
Norway - Krone					248	157
Greece - Euro					159	117
Austria - Euro					129	108
Emerging Markets					3,124	2,750
Other					98	76
Total International Equities					24,752	20,803
Total Equities					177,530	99,395
Real Estate					2,550	892
Total Investments					**$ 268,192**	**$ 189,143**

The following tables provide information as of September 30, 2007, concerning credit risk:

RATINGS OF FIXED MATURITIES
TRS

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	$ 491,201	$ 483,006	8.107
Aaa	825,426	824,209	13.621
AAA (SP)	214	197	0.004
Aa1	22,529	22,209	0.372
Aa2	48,083	48,264	0.794
Aa3	117,481	115,289	1.939
P-1	100,370	100,370	1.656
P-2	655,206	655,206	10.813
A1	139,796	140,530	2.307
A2	89,478	91,096	1.477
A3	124,981	123,773	2.063
Baa1	190,191	161,284	3.139
BBB+ (SP)	26,672	21,898	0.440
Baa2	233,946	228,730	3.861
Baa3	156,632	156,268	2.585
Ba1	66,976	64,421	1.105
Ba2	51,356	50,389	0.848
Ba3	5,182	4,798	0.086
B1	13,769	13,376	0.227
B3	547	528	0.009
‡ Not Rated	2,699,304	2,780,265	44.547
Totals	$ 6,059,340	$ 6,086,106	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.

(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
US Govt Guaranteed Securities	$ 222,280	$ 218,743	7.723
Aaa	374,255	373,244	13.003
Aa1	10,180	10,036	0.354
Aa2	21,890	21,971	0.761
Aa3	50,392	49,688	1.751
A1	63,619	63,961	2.211
A2	41,204	41,953	1.432
P-1	59,319	59,319	2.061
P-2	311,176	311,176	10.812
A3	61,294	59,940	2.130
Baa1	91,106	75,543	3.166
BBB+ (SP)	11,750	9,647	0.408
Baa2	100,631	98,786	3.497
Baa3	71,771	71,519	2.494
Ba1	33,605	32,281	1.168
Ba2	25,069	24,626	0.871
Ba3	2,073	1,919	0.072
B1	6,332	6,198	0.220
B2	225	217	0.008
Caa	96	94	0.003
‡ Not Rated	1,319,734	1,361,247	45.855
Totals	$ 2,878,001	$ 2,892,108	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

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	$ 10,952	$ 10,777	12.430
Aaa	20,461	20,469	23.221
Aa1	531	524	0.603
Aa2	1,045	1,049	1.186
Aa3	2,305	2,291	2.616
A1	3,191	3,207	3.622
A2	2,131	2,162	2.419
P-1	4,884	4,884	5.543
P-2	18,996	18,996	21.558
A3	2,611	2,690	2.963
Baa1	3,702	3,731	4.201
Baa2	3,211	3,288	3.644
Baa3	3,512	3,518	3.986
Ba1	2,532	2,312	2.874
Caa	1,458	1,438	1.655
‡ Not Rated	6,590	7,520	7.479
Totals	$ 88,112	$ 88,856	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.

B. Concentration of Investments

As of September 30, 2007, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 7.7% and 9.2%, respectively, of the TRS and ERS investments. As of September 30, 2007, the ERS owned debt and equity securities in Community News, which represented 5% of 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

(Dollar Amounts in Thousands)

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, 2007, the average term of the loans was 4, 4, and 5 days, respectively 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, 2007, the fair value of the securities on loan was $2,923,901, $1,391,978, and $46,023 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was $3,018,637, $1,437,141 and $47,230 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, 2007. 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, 2007, concerning securities lent:

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

Type of Investment Lent	TRS	ERS	JRF	Totals
For Cash Collateral				
Domestic Fixed Maturities	$ 721,676	$ 327,661	$ 19,201	$ 1,068,538
Domestic Equity	1,037,732	551,520	21,753	1,611,005
International Equity	875,219	398,395	3,350	1,276,964
Total Lent for Cash Collateral	2,634,627	1,277,576	44,304	3,956,507
For Non-cash Collateral				
Domestic Equity	88,658	25,541	907	115,106
International Equity	200,616	88,861	812	290,289
Total Lent for Non-cash Collateral	289,274	114,402	1,719	405,395
Total Securities Lent	**$ 2,923,901**	**$ 1,391,978**	**$ 46,023**	**$ 4,361,902**

Type of Collateral Received				
Cash Collateral - Invested in State Street Quality D Fund	$ 2,717,017	$ 1,317,633	$ 45,430	$ 4,080,080
Non-cash Collateral				
For Lent Domestic Equity Securities				
International Sovereign Debt	5,143	4,067	113	9,323
Letters of Credit	35,075	14,384	637	50,096
U.S. Government & Agency Securities	50,542	7,765	192	58,499
For Lent International Equity Securities				
Letters of Credit	441	2,038	6	2,485
International Sovereign Debt	210,419	90,307	852	301,578
Domestic Fixed Maturities	-	947	-	947
Total Non-cash Collateral	301,620	119,508	1,800	422,928
Total Collateral Received	**$ 3,018,637**	**$ 1,437,141**	**$ 47,230**	**$ 4,503,008**

D. Mortgage-backed Securities

As of September 30, 2007, 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, obligees 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) FUNDED STATUS AND FUNDING 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.

The funded status of each plan as of the latest actuarial valuation is as follows:

FUNDED STATUS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Percentage Funded	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
TRS						
9/30/2006	$ 19,821,133	$ 23,945,100	$ 4,123,967	82.8	$ 5,458,443	75.6
ERS						
9/30/2006	9,287,531	11,457,564	2,170,033	81.1	3,070,146	70.7
JRF						
9/30/2006	260,664	301,592	40,928	86.4	39,185	104.4

The schedules of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

Additional information as of the latest actuarial valuation follows:

ACTUARIAL ASSUMPTIONS

	TRS	ERS	JRF
Valuation date	September 30, 2006	September 30, 2006	September 30, 2006
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected unit credit
Asset valuation method	5-year smoothed market	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	19 years
Actuarial assumptions:			
Investment rate of return ‡	8%	8%	8%
Projected salary increases ‡	5.00%-7.75%	4.61%-7.75%	5%
Cost of living adjustments	None	None	None

‡ Includes inflation at 4.5%.

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. Additionally, a portion of the TRS and ERS employer contributions fund a pre-retirement death benefit. Also, a portion of the TRS employer contributions fund a term-life benefit.

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 2007 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, 2007:

	TRS	ERS
Land	$ 5,776	$ 3,034
Building and Improvements	60,008	31,063
Furniture and Equipment	2,546	1,450
Total Property and Equipment	68,330	35,547
Less Accum Depreciation	(5,532)	(3,503)
Net Property and Equipment	**$ 62,798**	**$ 32,044**

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 establishes the rate each retiree must pay for health insurance coverage with the difference between claims costs and retiree payments funded on a pay as you go basis through the premiums each agency pays for its active employees. During the fiscal year 2007, the estimated portion of health insurance premiums paid and included in administrative expense by the TRS, ERS, and JRF on behalf of retirees was $303, $330, and $17, respectively.

(Dollar Amounts in Thousands)

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:

	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
TRS	2007	$ 739	100
	2006	613	100
	2005	469	100
ERS	2007	558	100
	2006	422	100
	2005	291	100

11) 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 $21,462 during the 2007 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 2007-2008 are 11.75% for the TRS, 10.26% for the ERS - State Employees, 30.42% for the ERS - State Police and 23.23% 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.

(Dollar Amounts in Thousands)

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	Annual Covered Payroll	UAAL as a % of Covered Payroll
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
TRS						
9/30/2006	$19,821,133	$ 23,945,100	$ 4,123,967	82.8	$5,458,443	75.6
9/30/2005	19,248,207	23,027,338	3,779,131	83.6	5,326,408	71.0
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)
ERS						
9/30/2006	9,287,531	11,457,564	2,170,033	81.1	3,070,146	70.7
9/30/2005	8,935,358	10,634,976	1,699,618	84.0	2,982,122	57.0
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)
JRF						
9/30/2006	260,664	301,592	40,928	86.4	39,185	104.4
9/30/2005	256,091	299,664	43,573	85.5	40,144	108.5
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

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
TRS		
9/30/2007	$ 540,847	100
9/30/2006	434,195	100
9/30/2005	347,862	100
9/30/2004	312,474	100
9/30/2003	235,786	100
9/30/2002	265,670	100
ERS		
9/30/2007	277,254	100
9/30/2006	241,750	100
9/30/2005	195,846	100
9/30/2004	170,713	100
9/30/2003	154,218	100
9/30/2002	123,887	100
JRF		
9/30/2007	9,307	100
9/30/2006	8,916	100
9/30/2005	8,943	100
9/30/2004	8,994	100
9/30/2003	8,637	100
9/30/2002	8,222	100

Financial Section

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Personal Services:				
Salaries	$ 4,941	$ 4,656	$ 371	$ 9,968
Employee Fringe Benefits	1,350	1,365	62	2,777
Total Personal Services	6,291	6,021	433	12,745
Professional Services:				
Actuarial	123	218	22	363
Accounting and Auditing	57	47	16	120
Information Technology	58	47	-	105
Education & Training	13	15	-	28
Information & Research	4	2	-	6
Mailing Services	192	122	-	314
Legal Services	1	4	-	5
Personnel Services	41	-	-	41
Other Professional Services and Fees	61	4	-	65
Total Professional Services	550	459	38	1,047
Communications and Travel:				
Telecommunications	22	68	-	90
Internet Access	90	12	-	102
Postage	1,062	610	-	1,672
Travel	88	83	-	171
Total Communications and Travel	1,262	773	-	2,035
Rentals:				
Office Space	495	212	-	707
Equipment Leasing	16	177	-	193
Total Rentals	511	389	-	900
Miscellaneous:				
Supplies	929	125	3	1,057
Maintenance	71	46	-	117
Total Miscellaneous	1,000	171	3	1,174
Total Administrative Expenses	**$ 9,614**	**$ 7,813**	**$ 474**	**$ 17,901**

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Investment Activity				
Investment Management Fees:				
Salaries and Benefits	$ 4,304	$ 3,165	$ -	$ 7,469
Dues and Subscriptions	357	356	-	713
Travel	24	2	-	26
Professional Services:				
Investment Advisor	60	15	-	75
Investment Custodian	128	79	2	209
Real Estate Appraisal	232	108	-	340
Total Investment Activity Expenses	5,105	3,725	2	8,832
Securities Lending Activity				
Securities Lending Borrower Rebates	126,966	54,648	1,832	183,446
Securities Lending Management Fees	1,770	727	18	2,515
Total Securities Lending Activity Expenses	128,736	55,375	1,850	185,961
Total Investment Expenses	**$ 133,841**	**$ 59,100**	**$ 1,852**	**$ 194,793**

Financial Section

Schedule of Professional/Consultant Fees
For the Fiscal Year Ended September 30, 2007

(Amounts in Thousands)

Professional/Consultant	Nature of Service	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Cavanaugh MacDonald	Actuary	$ 123	$ 218	$ 22	$ 363
KPMG	Auditor	57	47	16	120
Covenant Technology Solutions	Information Technology	32	32	-	64
Action in Mailing Inc.	Mail	84	84	-	168
VR Election Services	Mail	97	27	-	124
State Personnel Department	Personnel	41	-	-	41
Fine & Geddie	Consultant	75	-	-	75
Alabama Dept of Finance	Information Technology	19	13	-	32
Various	Other	22	38	-	60
Total Professional/Consultant Fees-Admin Services		**550**	**459**	**38**	**1,047**
Regions Bank	Investment Advisor	60	15	-	75
State Street Bank & Trust Co.	Investment Custodial	128	79	2	209
Houlihan, Lokey, Zukin Fin. Advisors	Real Estate Appraisor	232	108	-	340
Total Professional/Consultant Fees-Investment Services		**420**	**202**	**2**	**624**
Total Professional/Consultant Fees		**$ 970**	**$ 661**	**$ 40**	**$ 1,671**

INVESTMENT SECTION

Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September 30, 2007. The report provides highlights on investments in general as well as specific information on the Retirement System's investment activity for the fiscal year. The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS ®).

After four years of decline, volatility in the financial markets has made a strong comeback. The VIX index, a widely used measure of short term volatility, has made a strong upside breakout from the lows posted at the end of 2006. Both the stock and bond markets had wild swings to the upside and downside in the fiscal year. Much of this was due to the commodity inflation that has been driven largely by strong growth in the developing economies. Oil, metals, and most agricultural commodities mounted strong rallies throughout the year. This in turn led to increased fear that the Federal Reserve was behind the curve in containing inflation. At the same time, the housing market continued to unravel, and the subprime mortgage crisis began to unfold at a rapid pace. Almost overnight, the new fear was that the Federal Reserve was not cutting rates fast enough to ward off a credit markets meltdown.

The Federal Reserve did cut rates late in the fiscal year, and this led to a strong rally in the stock and Treasury bond markets. Expectations are for continued short term rate cuts as housing data, credit issues, and profit growth have continued to head in the wrong direction. Hopefully employment growth will continue to hold steady, as the home equity piece of the consumer's balance sheet looks quite shaky. With consumption accounting for 70% of GDP, the financial markets can ill afford a major retrenchment by the consumer.

With GDP growth probably slowing from the 2.6% pace posted last year, we are continuing with our strategy of overweighting large capitalization stocks over mid and small caps. Again, we expect returns next year to be on par with historical patterns. After five years of a bull market, it would not be surprising to see the markets consolidate, or correct, at some point in the year. With profit margins at multiyear highs, earnings growth this year will probably move much closer to GDP growth. Adding in stock repurchases, earnings growth should come in the mid to high single digit range. After having added to equities the past few years, we do not foresee any major asset allocation shifts on the horizon. 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 Performance Summary

As of September 30, 2007, aggregate defined benefit assets under management totaled $32.2 billion. During fiscal year 2007, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund were 17.46%, 17.92%, and 14.27%, respectively. International equities were again one of the best performing asset classes within the portfolio.

Equities

After the dust settled, 2007 proved to be quite a good year for the global stock markets. In the same fashion as the three prior years, the first quarter of the new fiscal year proved to be the most linear in terms of returns. The fireworks started going off in late February, mostly in reaction to news that the Chinese authorities were tightening down on the liquidity in their markets through various measures. After that settled down, the markets were again off to the races. The LBO and private equity craze that had been ongoing for 3 or 4 years continued unabated. Almost on queue, private equity firms began to file IPO's to go public. This more or less marked the top in the merger mania that had been driven by the private equity shops.

At the same time, the housing market continued to unravel, as more and more evidence of loose lending policies evidenced itself. By the middle of August, the subprime lending issues that had been "contained" per the Fed's view earlier in the year, had turned into a full blown crisis. The Fed had to reverse course and immediately cut the discount rate, followed closely by a cut in the Fed Funds rate. After nearly a 10% correction in a matter of weeks,

the markets reversed course and closed out the year near the highs set in early July. The one takeaway that really stood out for 2007 was how quickly investor sentiment could change from exuberant to pessimistic. Volatility looks like it is back in play for some time to come.

There was very little change within the equity portfolio in the 12 months ended September 30. We did add a roughly 1% exposure to emerging markets when those markets became dislocated in February and August. We have continued to favor the larger capitalization stocks, and that strategy again worked as large caps outperformed small caps for the second straight year.

In review, the RSA equity allocation began the year at roughly 62%, and closed out fiscal 2007 at 63% on average across the three funds. Domestic equities account for 48% of the fund, and international equities are now 17% of the total. For the second year in a row, the large capitalization indices beat the smaller caps. The S & P 500 index was up 16.44%, the S & P 400 Midcap index was up 18.76%, and the S & P Smallcap 600 index was up 14.93%. The MSCI EAFE index was up 24.86%, again outperforming the broad domestic equity indices.

For the year, the RSA domestic equity portfolios increased 16.60%, 16.68%, and 16.89% for the TRS, ERS, and JRF funds, respectively. International equity returns fared better, posting 25.43% for TRS and 25.50% for ERS. The combined total return for the overall equity portfolios were 18.44%, 18.84%, and 17.89% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 15.98%, 17.92%, and 7.99% for TRS, 15.95%, 17.89%, and 7.95% for ERS, and 13.84%, 16.06%, and 7.25% for JRF, respectively.

Fixed Income

At the beginning of fiscal year 2007, the Federal Reserve had just ended a tightening cycle that had been active for two years. Prior to this pause, policymakers had lifted the federal funds rate 17 consecutive times with each action constituting 25 basis points. During this time, the Fed's preferred price gauge (core PCE) clocked in at 2.4%, slightly higher than their comfort level of 1-2%. Fed officials subscribe to the notion that as the economy gradually slows, inflation will also drift lower. In the last couple of months of calendar 2006, unemployment was sitting at a five-year low with the ten-year treasury yielding 4.60%. At the October meeting, Chairman Ben Bernanke and the Fed left short-term rates unchanged citing that additional tightening may be necessary and that the risk of inflation was greater than the risk of a slowing economy.

As the end of 2006 drew near, treasury yields rose significantly as any prospect of a near-term rate cut had ceased. In examining the fixed income market, spread product performed very well during this period due to stable credit fundamentals, favorable technicals, and a decline in equity volatility. The Federal Reserve left short-term financing rates steady at both the December and January meetings, marking the fifth consecutive time they had passed on policy change. In late February, investors started to witness what would become commonplace headlines involving sub prime lending. This led to a brief panic within credit markets as volatility showed signs of life and global equity markets fell significantly. This pushed treasury yields lower as risk-averse investors sought safety within government securities. The investment grade and high yield sectors also weakened during this period as growing concerns about mortgage lending began to mount.

At the March meeting, the Federal Open Market Committee (FOMC) made significant changes in the wording of its policy statement. After previously stating that there had been signs of stabilization within the housing market, they concluded that the "adjustment in the housing sector was ongoing". The committee also abandoned the reference to additional firming. This was in response to signs of slower economic and employment growth. While the U.S. economy had clearly slowed and the tightening bias had been removed, we felt that the Federal Reserve would be reluctant to ease in the near-term on concerns that "inflation would fail to moderate as expected". We were correct in our assessment as Chairman Ben Bernanke and the Fed left monetary policy unchanged at both the June and August meetings. However, there were significant developments during this time that would ultimately lead to action.

In mid-June, Bear Stearns announced the collapse of two hedge funds under management due to mortgage defaults of homeowners with poor credit. This in turn, triggered the "flight to quality" trade into the marketplace leading to a dramatic steepening of the yield curve. In its August 7th FOMC statement, policymakers did acknowledge tighter credit conditions for "some households and businesses", but left the current short-term lending rate intact. A few days later, France's largest bank was forced to halt withdrawals from three of its managed funds. This development caused overnight lending rates to soar. In response, the European Central Bank pumped cash into the financial system in order to stabilize the situation. Policy-making bodies around the globe followed suit, including the Federal Reserve. The following week, the nation's largest home lender, Countrywide Financial, had its solvency called into question. The institution was forced to draw down its entire bank credit facility as it and others were unable to raise capital in the unsecured and asset-backed commercial paper market. The lack of liquidity and accessibility within short-term markets produced the best quarterly performance for Treasuries in five years. After failing in its two attempts to calm the market by pumping in liquidity, the Federal Reserve lowered the discount rate 50 basis points to 5.75%. This essentially was a precursor that policymakers would lower the federal funds rate no later than the September meeting. At that meeting the Federal Reserve lowered short-term interest rates by 50 basis points, somewhat of a surprise to the capital markets which for the most part were forecasting only a 25 basis point ease. In the statement, the committee stated its concern that current conditions could ultimately produce an economic downturn. Since the Fed's September action, the economic climate has gotten worse. Equity markets have stumbled, interest rates have fallen, commodity prices have soared, and most importantly, the confidence of the consumer, which is such an integral part of the economy, has dropped. Going forward, we feel that the Federal Reserve will be poised to lower rates further in order to regain confidence within the financial system. Until this occurs, we expect that equities will continue to weaken, spread product will underperform government debt, and that the yield curve will likely steepen further.

For fiscal year 2007, the RSA purchased approximately $1.516 billion in additional securities for the fixed income portfolio. As of September 30, 2007, the RSA's fixed income portfolio had a market value of $11.2 billion, of which 10.3% was in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were 17.66% for the TRS, 18.34% for the ERS and 7.59% for the JRF. The five-year annualized returns were 8.79% for the TRS, 8.90% for the ERS and 5.58% for the JRF. The ten-year annualized returns were 7.16% for the TRS, 7.15% for the ERS and 5.63% for the JRF.

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 50% 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.

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 25% 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 15% 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 10% 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.

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.

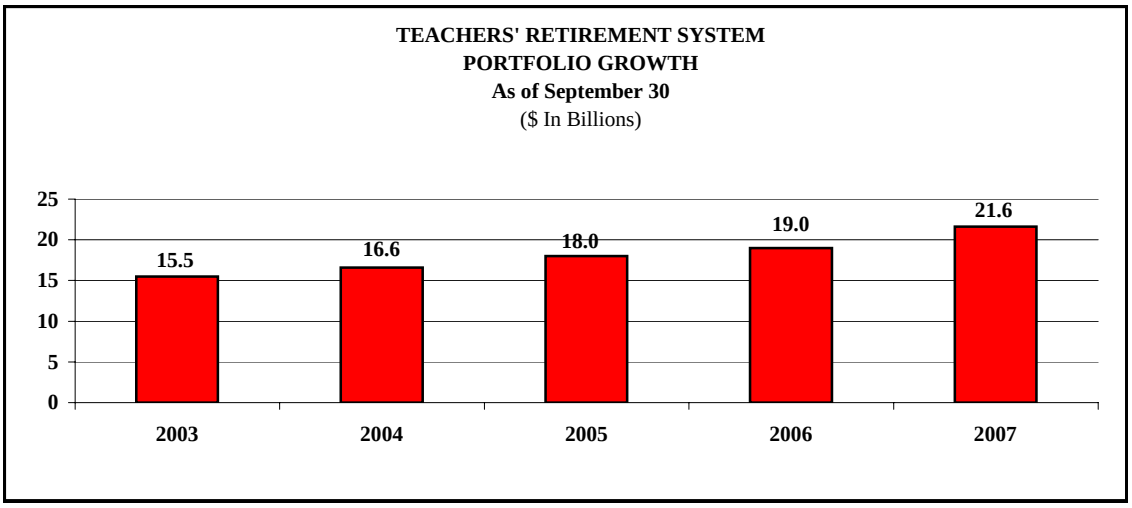
6. An annual survey will be made of all fixed income investments held with emphasis on credit quality. A holding that has been downgraded in rating will be examined as to the reason for the downgrade and a determination should be made as to whether the security should remain in the portfolio.

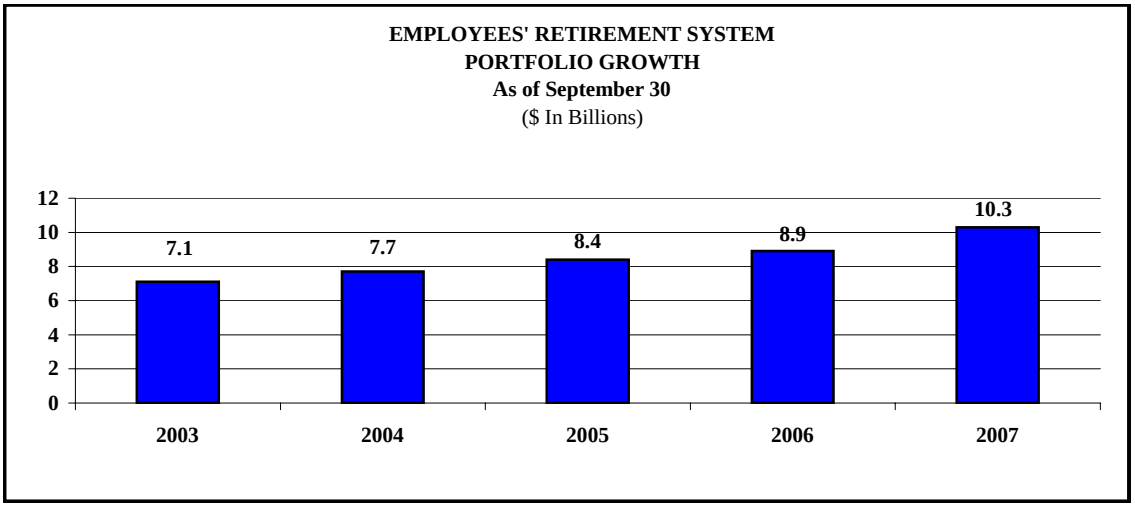
7. The rules of the Securities Exchange Commission, the general policies of the Boards of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The RSA staff will provide the Alabama Ethics Commission with a quarterly report of all purchases and sales of any and all securities for personal accounts occurring within each reported quarter. The staff will abide by the Alabama Ethics Commission Advisory Opinion No. 673.

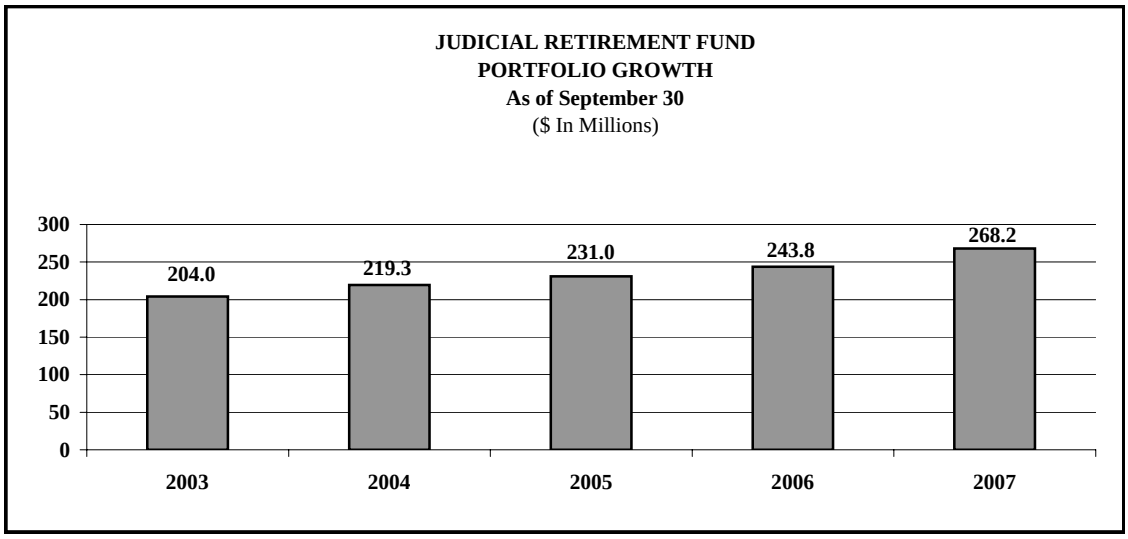
Schedule of Investment Performance
For the Fiscal Year Ended September 30, 2007

		Annualized		
	1 Year	**Last 3 Years**	**Last 5 Years**	**Last 10 Years**
Total Portfolio				
TRS	17.46%	12.46%	12.94%	7.42%
ERS	17.92%	12.35%	12.86%	7.27%
JRF	14.27%	11.08%	11.26%	6.73%
Total Domestic Equity				
TRS	16.60%	13.66%	16.16%	6.42%
ERS	16.68%	13.74%	16.20%	6.45%
JRF	16.89%	13.52%	15.86%	7.16%
Domestic Equity Benchmarks:				
S&P 500	16.44%	13.14%	15.45%	6.57%
Dow Jones Industrial Average	21.67%	13.85%	15.42%	7.87%
S&P MidCap 400	18.76%	15.63%	18.17%	11.60%
S & P 600 Smallcap	14.93%	14.29%	18.73%	9.41%
Total International Equity				
TRS	25.43%	23.55%	23.97%	8.54%
ERS	25.50%	23.54%	23.95%	8.56%
International Equity Benchmarks:				
Morgan Stanley EAFE (Unhedged)	24.86%	23.24%	23.55%	7.97%
Total Fixed Income and Alternatives				
TRS	15.15%	7.66%	7.71%	6.63%
ERS	16.48%	8.07%	7.89%	6.65%
JRF	7.16%	6.49%	5.34%	5.51%
Fixed Income Benchmarks:				
Citigroup Big	5.25%	3.95%	4.23%	6.01%
Lehman Bros. Aggregate	5.14%	3.86%	4.13%	5.97%

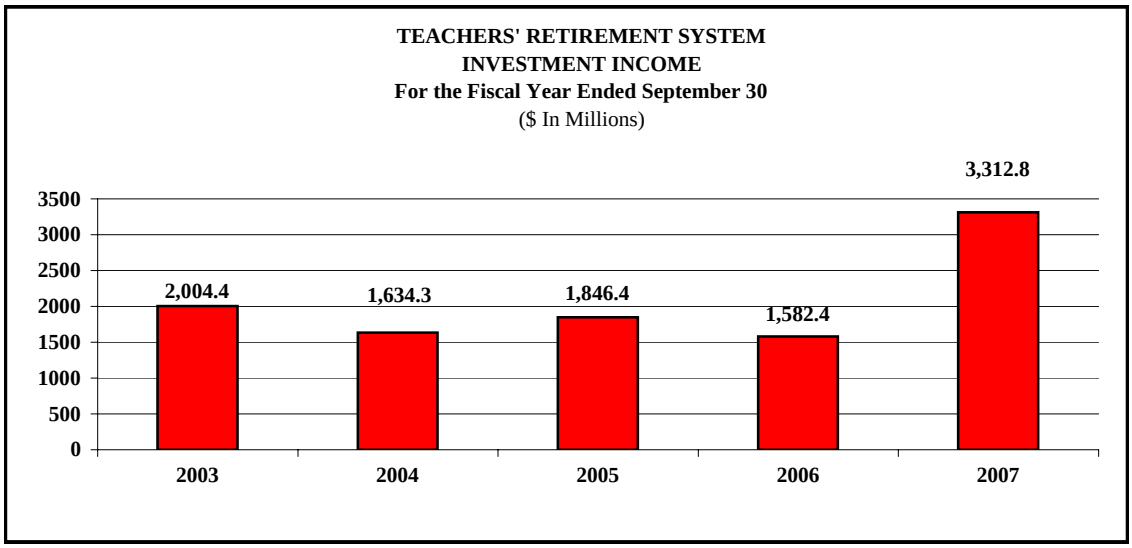
Investment return calculations were prepared using a time-weighted return based on the Global Investment Performance Standards (GIPS ®).

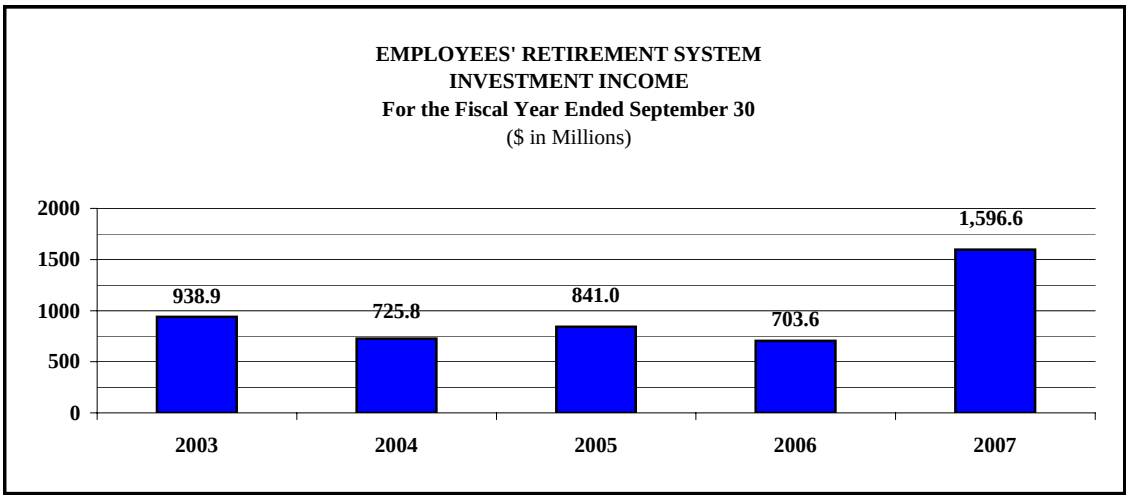

TEACHERS' RETIREMENT SYSTEM
PORTFOLIO GROWTH
As of September 30
($ In Billions)
25
20
15
10
5
0
15.5
16.6
18.0
19.0
21.6
2003
2004
2005
2006
2007

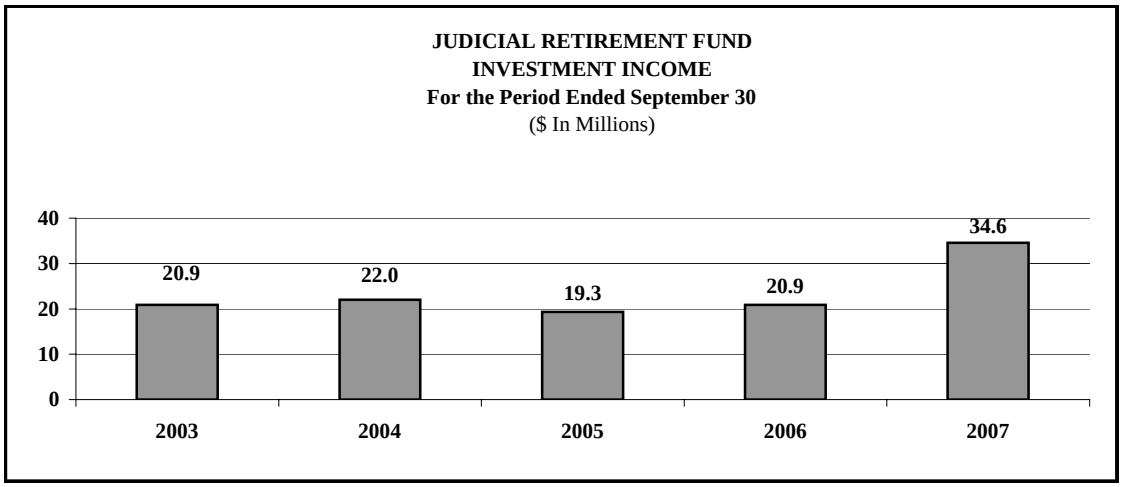

EMPLOYEES' RETIREMENT SYSTEM
PORTFOLIO GROWTH
As of September 30
($ In Billions)
12
10
8
6
4
2
0
7.1
7.7
8.4
8.9
10.3
2003
2004
2005
2006
2007

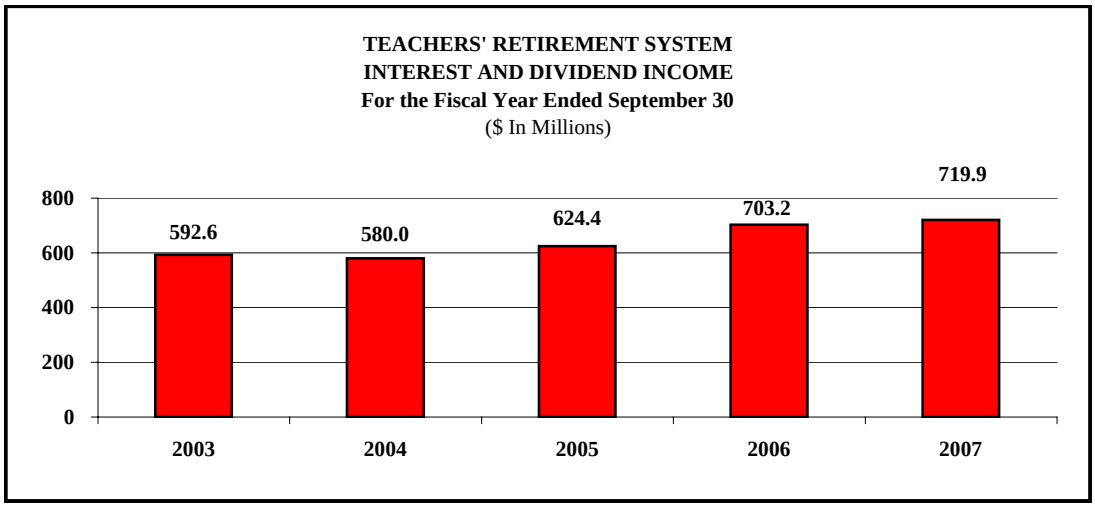

JUDICIAL RETIREMENT FUND
PORTFOLIO GROWTH
As of September 30
($ In Millions)
300
250
200
150
100
50
0
204.0
219.3
231.0
243.8
268.2
2003
2004
2005
2006
2007

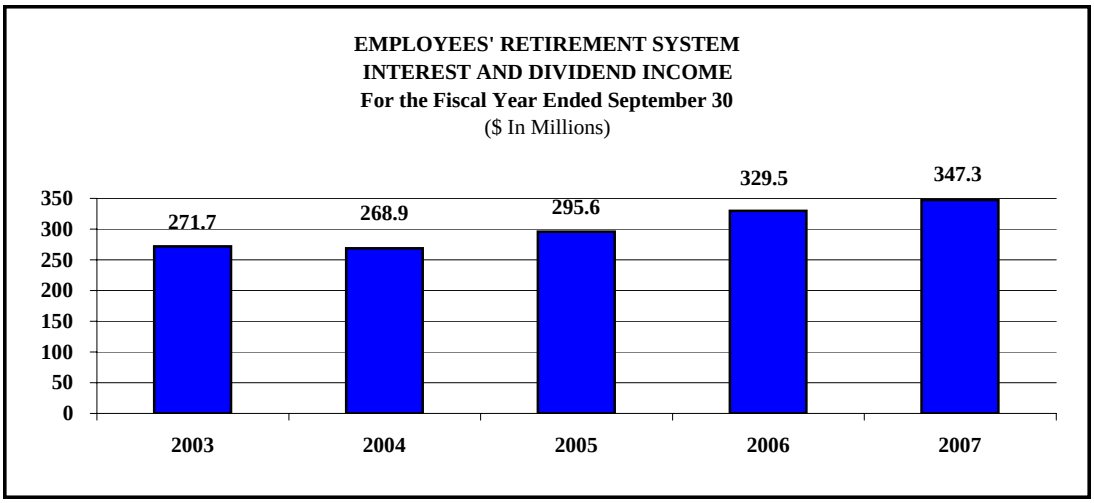
Investment Income
Five-Year Comparison

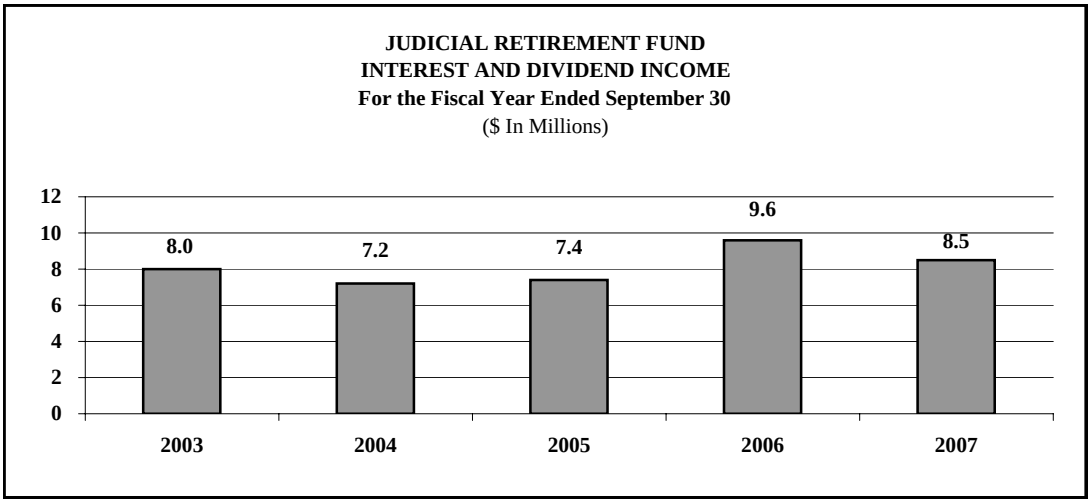




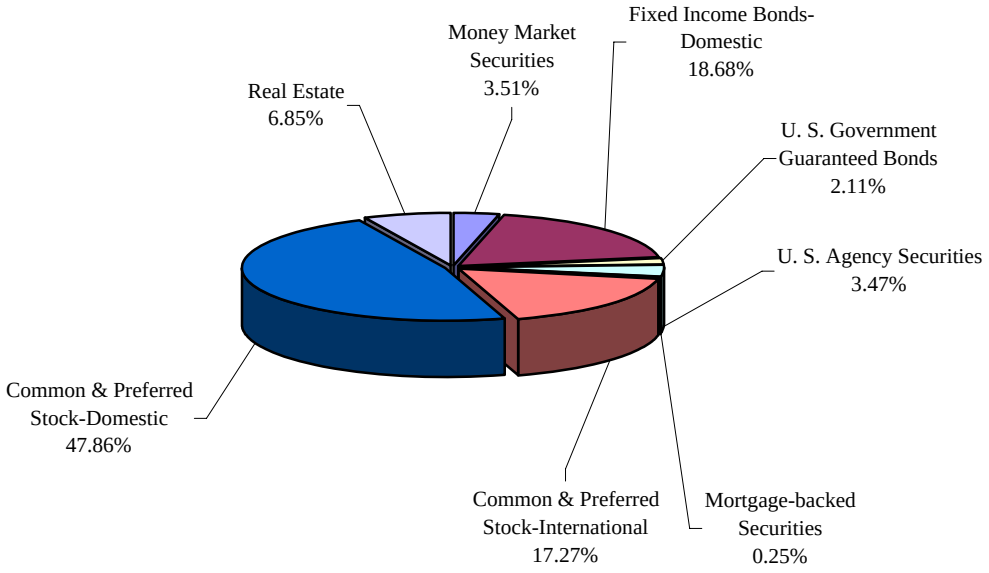



TEACHERS' RETIREMENT SYSTEM
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
800
600
400
200
0
592.6
580.0
624.4
703.2
719.9
2003
2004
2005
2006
2007


EMPLOYEES' RETIREMENT SYSTEM
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
350
300
250
200
150
100
50
0
271.7
268.9
295.6
329.5
347.3
2003
2004
2005
2006
2007


JUDICIAL RETIREMENT FUND
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
12
10
8
6
4
2
0
8.0
7.2
7.4
9.6
8.5
2003
2004
2005
2006
2007

TEACHERS' RETIREMENT SYSTEM
INVESTMENT ALLOCATION
Fair Value as of September 30, 2007



TEACHERS' RETIREMENT SYTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2007

($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 760,169	3.51
U.S. Government Guaranteed (1)	456,103	2.11
U.S. Agency Securities	749,302	3.47
Mortgage-backed Securities	54,760	0.25
Fixed Income Bonds		
Domestic	4,039,006	18.68
Common and Preferred Stocks		
Domestic	10,350,683	47.86
International	3,735,724	17.27
Real Estate	1,480,737	6.85
Total Investments	**$ 21,626,484**	**100.00**

(1) Includes $16,394 in short-term treasuries presented as short-term investments on the Statement of Plan Net Assets.

TEACHERS' RETIREMENT SYSTEM
LARGEST STOCK HOLDINGS
September 30, 2007
(Amounts In Thousands)

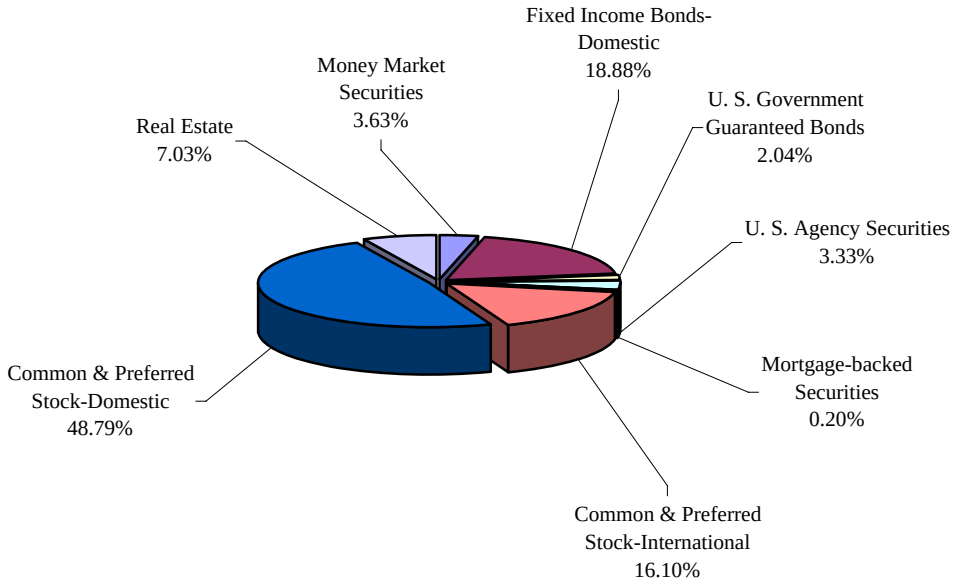
	Shares	Stock	Fair Value
1)	517	Goldman Sachs Equity Linked Notes	$ 584,749
2)	2,997	Exxon Mobil Corp	277,388
3)	5,931	General Electric	245,527
4)	223	Raycom Media	241,071
5)	4,782	Microsoft	140,866
6)	3,010	Citigroup	140,494
7)	2,682	Bank of America	134,812
8)	1,872	Proctor & Gamble	131,696
9)	1,336	Chevron	125,007
10)	1,864	Johnson & Johnson	122,466

TEACHERS' RETIREMENT SYSTEM
LARGEST BOND HOLDINGS
September 30, 2007
($ in Thousands)

	Par	Bonds	Fair Value
1)	$1,308,886	Raycom Media 6.75% due 12/15/16	$ 1,416,546
2)	1,060,823	Community News Tranche D 6.75% due 1/31/17	862,143
3)	137,900	Alabama River Group 8.625% due 10/8/13	137,958
4)	124,894	U.S. Treasury 4.25% due 8/15/15	123,089
5)	83,366	U.S. Treasury 4.00% due 2/15/15	81,113
6)	75,823	U.S Treasury 4.75% due 1/31/12	77,529
7)	64,456	U.S Treasury 4.125% due 5/15/15	63,106
8)	30,000	Acuity Brands 8.375% due 8/1/10	32,332
9)	25,000	IBM 8.375% due 1/31/09	30,468
10)	30,000	U.S Treasury 4.875% due 1/31/09	30,340

A complete list of portfolio holdings is available upon request.

EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
INVESTMENT ALLOCATION
Fair Value as of September 30, 2007



EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2007
($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 371,839	3.63
U.S. Government Guaranteed (1)	209,150	2.04
U.S. Agency Securities	341,313	3.33
Mortgage-backed Securities	20,371	0.20
Fixed Income Bonds		
Domestic	1,935,328	18.88
International	-	-
Common and Preferred Stocks		
Domestic	5,002,102	48.79
International	1,650,424	16.10
Real Estate	720,752	7.03
Total Investments	**$ 10,251,279**	**100.00**

(1) Includes $8,828 in short-term treasuries presented as short-term investments on the Statement of Plan Net Assets.

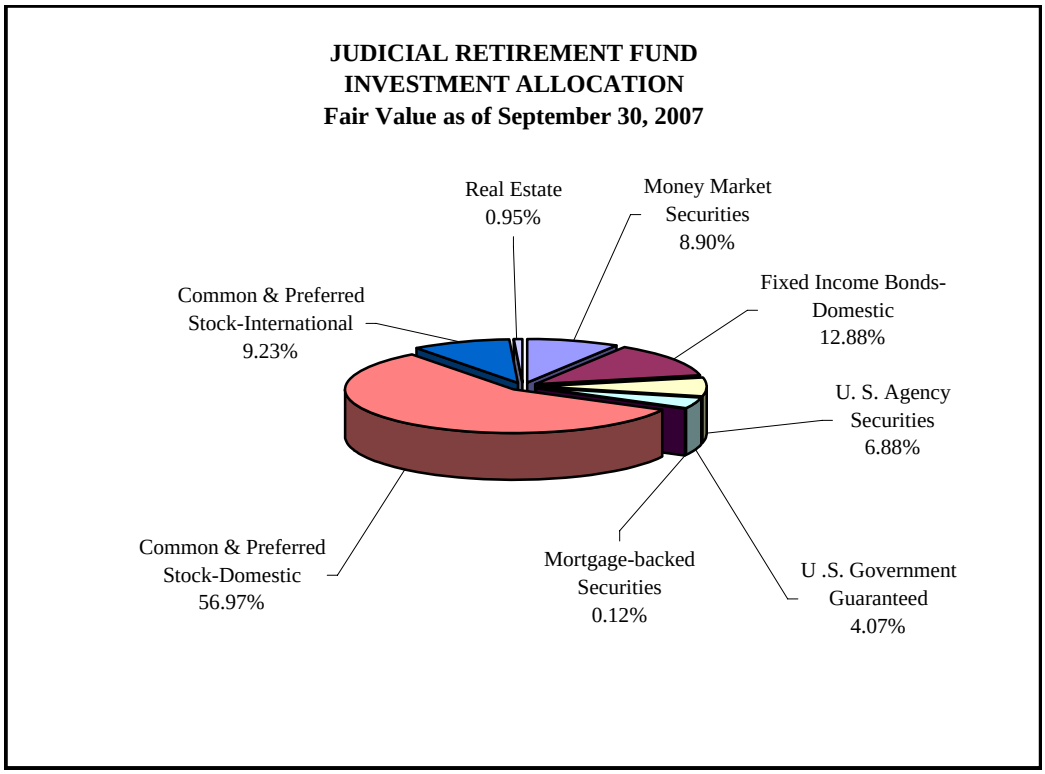
EMPLOYEES' RETIREMENT SYSTEM
LARGEST STOCK HOLDINGS
September 30, 2007
(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	233	Goldman Sachs Equity Linked Notes	$ 263,653
2)	223	Raycom Media	241,071
3)	1,358	Exxon Mobil	125,681
4)	2,697	General Electric	111,644
5)	98	Community News Tranche D	79,897
6)	2,307	Microsoft	67,979
7)	1,392	Citigroup	64,959
8)	1,231	Bank of America	61,870
9)	859	Proctor & Gamble	60,690
10)	899	Johnson & Johnson	59,086

EMPLOYEES' RETIREMENT SYSTEM
LARGEST BOND HOLDINGS
September 30, 2007
($ In Thousands)

	Par	Bonds	Fair Value
1)	$ 651,755	Raycom Media 6.75% due 12/15/16	$ 705,364
2)	532,530	Community News Tranche D 6.75% due 1/31/17	432,793
3)	59,100	Alabama River Group 8.625% due 10/8/13	59,125
4)	59,729	U.S. Treasury 4.25% due 8/15/15	58,866
5)	37,054	U.S. Treasury 4.75% due 1/31/12	37,888
6)	36,594	U.S Treasury 4.00% due 2/15/15	35,605
7)	29,702	U.S. Treasury 4.125% due 5/15/15	29,080
8)	15,000	IBM 8.375% due 11/1/19	18,281
9)	16,500	Farmer Mac GTD NTS Tr 2006 5.50% due 7/15/11	16,983
10)	13,709	General Electric Capital Corp 5.55% due 5/4/20	13,515

A complete list of portfolio holdings is available upon request.



JUDICIAL RETIREMENT FUND
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2007
($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 23,880	8.90
U.S. Government Guaranteed	10,905	4.07
U.S. Agency Securities	18,450	6.88
Mortgage-backed Securities	322	0.12
Fixed Income Bonds, Domestic	34,555	12.88
Common and Preferred Stocks, Domestic	152,778	56.97
Common and Preferred Stocks, International	24,752	9.23
Real Estate	2,550	0.95
Total Investments	**$ 268,192**	**100.00**

JUDICIAL RETIREMENT FUND
LARGEST STOCK HOLDINGS
September 30, 2007
(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	56	Exxon Mobil	$ 5,204
2)	104	General Electric	4,300
3)	62	AT&T	2,616
4)	82	Microsoft	2,408
5)	50	Citigroup	2,353
6)	45	Bank of America	2,261
7)	32	Proctor & Gamble	2,225
8)	62	Cisco	2,044
9)	22	Chevron	2,022
10)	29	Johnson & Johnson	1,928

JUDICIAL RETIREMENT FUND
LARGEST BOND HOLDINGS
September 30, 2007
($ In Thousands)

	Par	Bonds	Fair Value
1)	$ 4,999	Community News Tranche D 6.75% due 1/31/17	$ 4,063
2)	2,000	LMB Funding (PPL Energy) 8.05% 12/21/13	2,214
3)	2,000	Federal National Mortgage Association 5.25% due 12/26/12	1,993
4)	2,000	Federal Home Loan Bank 5.20% due 1/28/13	1,989
5)	1,588	General Electric Capital Corp 5.55% due 5/4/20	1,566
6)	1,438	American Airlines 11% due 5/7/13	1,457
7)	1,412	Federal National Mortgage Association 5.625% due 5/19/11	1,424
8)	1,043	Federal Home Loan Mortgage 4.25% due 3/10/10	1,034
9)	1,000	Allied Capital Corp	1,005
10)	1,000	Federal National Mortgage Association 5.00% due 4/15/13	992

A complete list of portfolio holdings is available upon request.

Investment Section

Broker Commissions Paid

For the Fiscal Year Ended September 30, 2007

	Stock			Fixed	
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	Total Commissions (000's)
AG Edwards	$ 0.0499	5,106	$ 255	$ -	$ 255
Banc of America	-	-	-	189	189
Bear Stearns & Co.	0.0306	17,243	527	85	612
Bernstein	0.0495	16,534	818	-	818
Centennial	0.0500	300	15	-	15
CIBC	0.0769	13	1	-	1
Citigroup	0.0412	19,747	813	427	1,240
Credit Suisse First Boston Corp.	0.0415	12,445	516	160	676
Deutsche Bank	0.0170	5,404	92	82	174
Empirical Research	0.0495	2,647	131	-	131
First Discount	0.0489	225	11	-	11
Gardner Rich	0.0500	300	15	-	15
Goldman Sachs & Co.	0.0181	7,733	140	176	316
Howard Weil & Co.	0.0502	2,510	126	-	126
Issuer Designated	-	-	-	175	175
ISI	0.0491	6,320	310	-	310
J. P. Morgan Chase	0.0373	18,116	676	239	915
Keefe Bruyette	0.0501	2,694	135	-	135
Keybane Capital Markets	-	-	-	109	109
Lazard Capital	0.0497	725	36	-	36
Lehman Brothers, Inc.	0.0404	17,559	709	334	1,043
Matrix	0.0500	960	48	-	48
Maxim	0.0533	75	4	-	4
McDonald & Company	0.0514	350	18	-	18
Merrill Lynch, Pierce, Fenner & Smith	0.0234	23,959	560	274	834
Morgan Keegan	0.0500	1,200	60	2	62
Morgan Stanley Dean Witter	0.0208	30,315	630	275	905
NBC	0.0500	1,100	55	-	55
Ned Davis	0.0390	743	29	-	29
Oppenheimer	0.0500	4,678	234	-	234
Raymond James	0.0500	1,099	55	209	264
Register/Corts-Register	0.0489	225	11	-	11
Sandler O'Neil	0.0500	4,639	232	-	232
Securities Capital	0.0495	303	15	-	15
Southcoast	0.0501	2,157	108	-	108
Southwest	0.0500	260	13	-	13
Sterne Agee	0.0499	2,105	105	4	109
UBS Warburg	0.0503	775	39	162	201
Wachovia	0.0500	1,500	75	2	77
Totals		**212,064**	**$ 7,617**	**$ 2,904**	**$ 10,521**

Average Commission Per Share of Stock = $ 0.0359

ACTUARIAL SECTION

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

August 22, 2007

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, 2006 in accordance with Section 367(15) 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, 2006, 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. Since the previous valuation, the assumed rates of withdrawal, disability, retirement and mortality have been revised to reflect the results of the experience investigation for the five-year period ending September 30, 2005. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 12.07% of payroll for the fiscal year ending September 30, 2009, based on a 20-year funding period. The increase in the contribution rate from 11.06% to 12.07% of payroll is primarily due to a recognition of asset losses and the cost of the assumption changes.

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 4.50% 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.

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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,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM/CT:mjn

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 21, 2007.

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:

Age	Annual Rate (%)
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:

Males						
	Annual Rate (%)					
			Withdrawal (Years of Service)			
Age	Death	Disability	0-4	5-9	10-20	20+
20	0.05	0.05	30.00			
25	0.07	0.06	16.50	12.00		
30	0.08	0.07	15.00	5.50	5.50	
35	0.09	0.13	15.00	5.50	3.00	
40	0.11	0.20	14.50	5.50	3.00	1.25
45	0.16	0.21	14.50	5.25	3.00	1.00
50	0.26	0.64	12.00	4.50	3.00	1.00
55	0.44	1.20	11.50	4.00	2.25	1.00
60	0.80		10.00	4.00		
65	1.45		10.00	6.00		
69	2.17		10.00	6.00		

Females						
	Annual Rate (%)					
			Withdrawal (Years of Service)			
Age	Death	Disability	0-4	5-9	10-20	20+
20	0.03	0.10	30.00			
25	0.03	0.10	14.50	8.00		
30	0.04	0.10	14.50	6.00	4.00	
35	0.05	0.15	13.50	6.00	3.50	
40	0.08	0.16	12.00	4.50	2.50	1.50
45	0.10	0.37	11.50	3.75	2.50	0.75
50	0.16	0.70	11.00	3.75	2.50	0.75
55	0.26	1.10	10.50	3.75	2.50	0.75
60	0.51		11.00	4.50		
65	0.97		14.00	6.00		
69	1.37		14.00	6.00		

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

For members first eligible for unreduced benefits upon attaining 25 years of service but before age 65, rates are as follows:

	Annual Rate (%) *	
Age	Male	Female
45	30.0	30.0
50	15.0	16.0
55	48.0	53.0
60	40.0	49.0
62	50.0	55.0

*Retirement rates increase by 7% in year when member first becomes eligible for unreduced service retirement on or after age 50 but before age 60.

For members first eligible for unreduced benefits before attaining 25 years of service and all members age 65 and over, the rates are as follows:

	Annual Rate (%)	
Age	Male	Female
60	13.0	22.0
62	30.0	30.0
65	34.0	35.0
67	26.0	27.0
69	25.0	26.0
70	25.0	26.0
72	26.0	25.0
75	100.0	100.0

Deaths after Retirement: Rates of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward 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:

	Annual Rate (%) of Death After			
	Service Retirement		Disability Retirement	
Age	Male	Female	Male	Female
40	0.11	0.08	3.32	2.60
45	0.16	0.10	3.49	2.43
50	0.26	0.16	3.76	2.50
55	0.44	0.26	4.20	2.67
60	0.80	0.51	4.88	2.95
65	1.45	0.97	5.95	3.39
70	2.37	1.50	7.63	4.08
75	3.72	2.53	10.22	5.16
80	6.20	4.40	14.17	6.85
85	9.72	7.53	20.09	9.47
90	15.29	12.88	28.67	13.46

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.

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 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). *

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 payable from the pre-retirement death benefit fund 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.
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 the retirement benefit calculated 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
09/30/06	φ	138,613	$ 5,108,187,755	$ 36,852	5.20
09/30/05	£	135,126	4,733,415,807	35,030	2.73
09/30/04	*	131,814	4,494,548,521	34,098	(1.48)
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

φ In addition, there are 5,375 employees with annual compensation of $350,255,378 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

£ In addition, there were 4,839 employees with annual compensation of $291,497,474 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

* In addition, there are 4,468 employees with annual compensation of $252,128,959 who are currently 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.

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

TEACHERS' RETIREMENT SYSTEM
SOLVENCY TEST
($ in Thousands)

Valuation Date		Aggregate Accrued Liabilities For (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portions)	Reported Assets	% of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
09/30/06	#	$ 2,943,588	$ 13,408,294	$ 7,593,218	$ 19,821,133	100	100	45.7
09/30/05	†	2,856,983	12,998,138	7,172,217	19,248,207	100	100	47.3
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

† Reflects pay increase payable under Act 2005-174 and additional allowance payable under Act 2006-310.

* 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.

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

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

Fiscal Year Ended	Retirees Added § * Number	Annual Allowances (000s)	Retirees Removed Number	Annual Allowances (000s)	Retirees - Year-end * Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2006	3,168	$ 65,235	1,188	$ 17,672	61,706	$ 1,163,614	8.09	$ 18,857
2005	4,423	83,973	1,419	20,712	59,726	1,076,506	6.24	18,024
2004	3,610	67,418	1,298	17,303	56,722	1,013,245	5.20	17,863
2003	3,782	68,233	1,275	16,923	54,410	963,130	8.59	17,701
2002	3,550	64,509	1,294	17,244	51,903	886,969	5.63	17,089
2001	3,225	58,581	1,280	16,935	49,647	839,704	9.41	16,913

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.
* Does not include active DROP participants.

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

TEACHERS' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2006

	Amount
Underfunded Actuarial Liability as of September 30, 2005	$ 3,779,130,771
Normal Cost for 2006 Plan Year	302,404,715
Contributions Received During the Year	(413,975,448)
Interest to Year End	297,867,632
Expected Underfunded Actuarial Liability as of September 30, 2006	3,965,427,670
Actuarial Losses During the Year	
From Investments	383,233,486
From Actuarial Liabilities	(224,694,457)
Total Actuarial Losses During the Year	158,539,029
Actual Unfunded Actuarial Liability as of September 30, 2006	**$ 4,123,966,699**

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August 31, 2007

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, 2006 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, 2006, 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. Since the previous valuation, the assumed rates of withdrawal, disability, retirement and mortality have been revised to reflect the results of the experience investigation for the five-year period ending fiscal year September 30, 2005.

On the basis of this 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 11.37% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 30.48% of payroll for the fiscal year ending September 30, 2009. The increases in the contribution rates since the previous valuation are primarily due to the recognition of asset losses and the cost of the assumption changes. The contribution rates for local employers for the fiscal year beginning October 1, 2008 will be submitted in a separate report and will include the impact of all employer-elected benefit improvements through September 30, 2007.

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 smoothed market 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 within a 20-year period for State Employees and State policemen, 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.

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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,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM/CT:kc

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005 submitted to and adopted by the Board on May 30, 2007.

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:

Age	Annual Rate (%)
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 Before Service Retirement: Representative values of the assumed annual rates of death, disability, and withdrawal, are shown in the following tables:

State and Local Employees with DROP Coverage
Annual Rate (%)

	Death		Disability		Withdrawal (Years of Service)			
					Male		Female	
Age	Male	Female	Male	Female	0-4	5+	0-4	5+
20	0.06	0.03	0.05	0.08	35.00		37.00	
25	0.08	0.03	0.08	0.09	19.50	10.00	22.50	12.00
30	0.08	0.04	0.10	0.12	17.00	8.00	18.50	10.00
35	0.09	0.06	0.12	0.24	16.00	6.00	18.00	7.50
40	0.14	0.08	0.32	0.38	16.00	4.50	15.00	5.00
45	0.21	0.11	0.60	0.58	14.00	3.50	13.00	4.00
50	0.36	0.17	1.00	0.98	13.00	2.50	13.00	3.50
55	0.63	0.29	1.65	1.50	11.50	2.50	14.00	3.00
60	1.15	0.58			12.00	3.00	12.00	3.00
62	1.45	0.76			13.20	4.20	12.20	4.60
65	1.99	1.08			15.00	6.00	12.50	7.00
69	2.85	1.50			15.00	6.00	12.50	7.00

State Policemen

	Annual Rate (%) of			
	Death			
Age	Male	Female	Disability	Withdrawal §
20	0.06	0.03	0.08	2.00
25	0.08	0.03	0.10	2.00
30	0.08	0.04	0.14	2.00
35	0.09	0.06	0.22	2.00
40	0.14	0.08	0.34	2.00
45	0.21	0.11	0.46	2.00
50	0.36	0.17	0.60	
55	0.63	0.29		
60	1.15	0.58		
62	1.45	0.76		
65	1.99	1.08		

§ A rate of 3.50% is assumed during the first four years of employment.

Local Employers with No DROP Coverage
Annual Rate (%)

					Withdrawal (Years of Service)			
	Death		Disability		Male		Female	
Age	Male	Female	Male	Female	0-4	5+	0-4	5+
20	0.06	0.03	0.06	0.06	26.00		37.00	
25	0.08	0.03	0.08	0.13	21.00	11.00	30.00	15.00
30	0.08	0.04	0.11	0.19	19.00	8.50	25.00	12.00
35	0.09	0.06	0.13	0.25	17.00	6.50	22.00	9.50
40	0.14	0.08	0.20	0.28	16.00	4.50	19.00	7.50
45	0.21	0.11	0.42	0.36	15.00	4.25	18.00	6.50
50	0.36	0.17	0.77	0.43	13.00	4.00	17.00	6.00
55	0.63	0.29	1.41	0.82	13.00	4.25	16.00	6.00
60	1.15	0.58			13.00	5.00	16.00	5.50
62	1.45	0.76			15.00	6.20	16.00	7.30
65	1.99	1.08			18.00	8.00	16.00	10.00
69	2.85	1.50			18.00	8.00	16.00	10.00

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

State and Local Employers with DROP Coverage				
	Annual Rate (%) of Service Retirement			
	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
Age	**Male §**	**Female †**	**Male**	**Female**
45	15.00	15.00		
50	10.00	10.00		
55	48.00	51.00		
60	42.00	48.00	16.00	22.00
62	56.00	58.00	32.00	31.00
64	28.00	50.00	25.00	24.00
65			36.00	36.00
70			27.00	30.00
72			23.00	30.00
75			100.00	100.00

§ Rates are increased by 12% in year when member attains 25 years of service.
† Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 or older.

State Policemen		
	Annual Rate (%) of Service Retirement	
Age	**< 25 Years**	**25+ Years**
40		19.00
45		19.00
50		18.00
55	20.00	65.00
60	20.00	100.00
62	20.00	100.00
65	100.00	100.00

Local Employers with No DROP Coverage				
	Annual Rate (%) of Service Retirement			
	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
Age	Male §	Female †	Male	Female
45	15.00	17.00		
50	12.00	16.00		
55	16.00	23.00		
60	19.00	30.00	7.50	18.00
62	49.00	34.00	31.00	28.00
64	28.00	26.00	14.00	15.00
65			28.00	29.00
70			20.00	17.00
72			20.00	24.00
75			100.00	100.00

§ Rates are increased by 12% in year when member attains 25 years of service.

† Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 or older.

Death after Retirement: The rate of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward three years for males and set forward two years 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.

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 employees of 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.
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 the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. 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).
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 and becomes permanently incapacitated for duty before reaching eligibility for service retirement.
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 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. 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 on Separation of Service	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.
Benefits Payable upon Death 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 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). * 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). *

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 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 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 the period, the member may withdraw from active service and receive the retirement benefit based the retirement benefit calculated 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:

-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 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 the retirement benefit calculated 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.

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
09/30/06	†	84,482	$ 2,952,186,813	$ 34,945	3.05
09/30/05	γ	82,830	2,808,823,045	33,911	4.94
09/30/04	φ	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

† In addition, there are 1,905 members with compensation of $115,812,311 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

γ In addition, there are 1,753 members with compensation of $95,585,173 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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				Portion (%) of Accrued Liabilities Covered by Reported Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
09/30/06 γ	$ 1,705,372	$ 5,540,766	$ 4,211,426	$ 9,287,531	100	100	48.5
09/30/05 †	1,616,410	5,076,621	3,941,945	8,935,568	100	100	56.9
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

γ Reflects changes in actuarial assumptions.

† Reflects pay increases payable under Act 2005-316 and Act 2006-231 and COLA granted October 1, 2006 under Act 2006-510.

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

	Retirees Added § *		Retirees Removed		Retirees - Year-end *			
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2006	1,998	$ 39,636	883	$ 10,511	32,629	$ 534,682	9.23	$ 16,387
2005	2,362	42,823	857	9,975	31,514	489,491	7.19	15,532
2004	2,015	35,634	926	9,624	30,009	456,643	6.04	15,217
2003	1,702	29,850	709	7,634	28,920	430,633	8.10	14,890
2002	1,678	28,346	760	7,511	27,927	398,383	5.52	14,265
2001	1,458	23,939	803	9,527	27,009	377,548	8.10	13,979

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.
* Does not include active DROP participants.

Note that fiscal year 2005 was the first year DROP participants completed DROP participation and entered regular retirement.

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

EMPLOYEES' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2006

	Amount
Underfunded Actuarial Liability as of September 30, 2005	$ 1,699,617,688
Normal Cost for 2006 Plan Year	139,179,517
Contributions Received During the Year	(246,192,889)
Interest to Year End	131,688,880
Expected Underfunded Actuarial Liability as of September 30, 2006	1,724,293,196
Actuarial Losses During the Year	
From Investments	175,740,999
From Actuarial Liabilities	269,998,577
Total Actuarial Losses During the Year	445,739,576
Actual Unfunded Actuarial Liability as of September 30, 2006	**$ 2,170,032,772**

ALABAMA
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The experience and dedication you deserve

September 5, 2007

Board of Control
Alabama Judicial Retirement Fund
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2006 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, 2006, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). Data regarding the membership of the Fund for use as a basis of the valuation was furnished by the Retirement Fund office. While not verifying the data at source, the actuary performed tests for consistency and reasonability. On the basis of this valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 23.05% of payroll for the fiscal year ending September 30, 2009. The contribution remains at the same level as the previous actuarial valuation.

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. Five-year smoothed market 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 within a 19-year period, on the assumption that payroll will increase by 4.50% 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.

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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 Fund 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,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:sh

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected by the prior actuarial firm 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:

	Annual Rate (%) of		
	Death		
Age	**Male**	**Female**	**Disability**
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.

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 became a member of the JRF if the member was holding office on the effective date of the Act and elected to come under its provisions. Any such justice or judge elected or appointed to the office after the effective date of the Act or any district or probate judge elected or appointed to office after October 10, 1975 or October 1, 1976, respectively, automatically becomes a member. 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

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:

-Completed 12 years of credited service and attained age 65, or
-Completed at least 15 years of credited service and attained age 60, and whose age plus service equals or exceeds 77
-Completed 10 years of credited service and attained age 70
-Completed 25 years of service or 24 years of service provided the member purchases one year of service prior to retirement, regardless of age.

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.

(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 district judges, 75% of the position's salary immediately prior to retirement.

(d) For probate judges, 75% of the member's salary at the time of separation from service.

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

Valuation Date	Number	Annual † Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
09/30/06	332	$ 39,184,897	$ 118,027	(0.04)
09/30/05	340	40,144,335	118,072	(0.56)
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

† 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)

	Aggregate Accrued Liabilities For				Portion (%) of Accrued Liabilities Covered by Reported Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
09/30/06	$ 31,569	$ 180,555	$ 89,468	$ 260,664	100	100	54.3
09/30/05 §	29,027	183,797	86,840	256,092	100	100	49.8
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

§ Reflect additional allowance payable under Act 2006-510.

* Reflects COLA granted under Act 2005-316.

† Reflects change in post retirement mortality.

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

JUDICIAL RETIEEMENT FUND
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

	Retirees Added		Retirees Removed		Retirees - Year-end			
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2006	9	$ 753	10	$ 399	273	$ 18,911	2.66	$ 69,271
2005	10	967	8	408	274	18,421	3.13	67,230
2004	7	551	11	692	272	17,862	(0.78)	65,669
2003	14	1,172	7	747	276	18,003	2.42	65,228
2002	8	682	10	590	269	17,578	9.81	65,346
2001	25	2,088	6	263	271	16,007	44.73	59,066

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

JUDICIAL RETIREMENT FUND
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2006

	Amount
Unfunded Actuarial Liability as of September 30, 2005	$ 43,572,642
Normal Cost for 2006 Plan Year	5,717,076
Contributions Received During the Year	(8,374,279)
Interest to Year End	3,379,523
Expected Unfunded Actuarial Liability as of September 30, 2006	44,294,962
Actuarial (Gains)/Losses During the Year	
From Investments	7,645,572
From Actuarial Liabilities	(11,012,922)
Total Actuarial (Gains)/Losses During the Year	(3,367,350)
Actual Unfunded Actuarial Liability as of September 30, 2006	**$ 40,927,612**

STATISTICAL SECTION

Statistical Section
Additions by Source
Ten-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions §	Employer Contributions: Amount	Employer Contributions: Employer Rate (%)	Investment Income	Total
2007	$ 305,086	$ 540,847	9.36	$ 3,312,796	$ 4,158,729
2006	281,455	434,195	8.17	1,582,359	2,298,009
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

EMPLOYEES' RETIREMENT SYSTEM
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions §	Employer Contributions: Amount	Employer Rate (%): State Regular	Employer Rate (%): State Law	Employer Rate (%): Local	Investment Income	Total
2007	$ 184,140	$ 277,254	7.78	24.12	*	$ 1,596,592	$ 2,057,986
2006	187,126	241,750	6.77	21.36	*	703,604	1,132,480
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

JUDICIAL RETIREMENT FUND
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions §	Employer Contributions: Amount	Employer Contributions: Employer Rate (%)	Investment Income	Total
2007	$ 2,636	$ 9,307	22.50	$ 34,581	$ 46,524
2006	2,497	8,916	21.93	20,851	32,264
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

§ Includes transfers from other systems.

* Local agency rates differ for each participating agency.

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Service Transfers	Administrative Expenses	Other	Total
2007	$ 1,397,808	$ 37,474	$ 2,406	$ 9,614	$ 480	$ 1,447,782
2006	1,207,251	36,683	3,008	11,325	462	1,258,729
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

EMPLOYEES' RETIREMENT SYSTEM
DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Unit Withdrawals & Service Transfers	Administrative Expenses	Other	Total
2007	$ 615,661	$ 31,829	$ 3,034	$ 7,813	$ 298	$ 658,635
2006	551,793	31,780	3,368	7,850	337	595,128
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

JUDICIAL RETIREMENT FUND
DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Service Transfers	Administrative Expenses	Other	Total
2007	$ 21,356	$ 183	$ -	$ 474	$ -	$ 22,013
2006	18,777	45	-	432	-	19,254
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

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2007	$ 1,313,092	$ 40,432	$ 44,284	$ 11,695	$ 25,779
2006	1,131,936	35,228	40,087	10,523	26,160
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

EMPLOYEES' RETIREMENT SYSTEM
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2007	$ 548,425	$ 28,595	$ 38,641	$ 7,779	$ 24,050
2006	490,553	25,729	35,511	7,158	24,622
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

JUDICIAL RETIREMENT FUND
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2007	$ 17,918	$ 3,093	$ 345	$ -	$ 183
2006	15,367	3,093	317	-	45
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

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2006

Amount of Monthly Benefit	Number of Retirants	Type of Retirement [1]			Option Selected [2]				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
$ 1 - 250	906	549	251	106	173	227	243	261	2
251 - 500	7,805	5,873	790	1,142	2,379	3,434	1,028	957	7
501 - 750	6,432	5,190	537	705	1,903	2,964	801	761	3
751 - 1,000	5,123	4,163	417	543	1,394	2,329	690	704	6
1,001 - 1,250	4,394	3,672	275	447	1,077	2,050	664	599	4
1,251 - 1,500	4,601	3,981	240	380	1,119	2,045	814	621	2
1,501 - 1,750	6,031	5,601	167	263	1,186	2,913	1,139	790	3
1,751 - 2,000	7,338	7,054	116	168	1,340	3,937	1,131	926	4
2,001 - 2,250	6,333	6,171	85	77	1,084	3,539	900	805	5
2,251 - 2,500	4,787	4,685	58	44	796	2,733	656	596	6
2,501 - 2,750	3,099	3,011	51	37	520	1,684	483	409	3
2,751 - 3,000	2,271	2,210	43	18	396	1,134	411	328	2
3,001 - 3,250	1,742	1,711	26	5	267	855	337	278	5
3,251 - 3,500	1,301	1,280	19	2	201	633	263	203	1
3,501 - 3,750	1,067	1,046	19	2	175	527	216	146	3
3,751 - 4,000	791	772	17	2	129	389	145	122	6
4,001 - 4,250	643	632	9	2	108	305	125	104	1
4,251 - 4,500	489	482	7	-	69	227	102	88	3
4,501 - 4,750	379	372	7	-	56	171	74	76	2
4,751 - 5,000	260	254	6	-	37	127	56	38	2
Over 5,000	976	952	20	4	131	375	242	215	13
Totals [3]	**66,768**	**59,661**	**3,160**	**3,947**	**14,540**	**32,598**	**10,520**	**9,027**	**83**

[1] Type of Retirement
A - Service
B - Survivor benefit
C - Disability

[2] Option
Maximum - Life Annuity
Opt-1 - Cash Refund
Opt-2 - 100% Joint Survivorship
Opt-3 - 50% Joint Survivorship
Opt-4 - Other

[3] This includes 5,375 DROP participants as of September 30, 2006.

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2006

Amount of Monthly Benefit	Number of Retirants	Type of Retirement [1]			Option Selected [2]				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
$ 1 - 250	475	208	233	34	98	71	76	213	17
251 - 500	3,756	2,168	1,209	379	903	929	803	1,087	34
501 - 750	4,736	3,286	678	772	1,560	1,587	675	841	73
751 - 1,000	4,146	2,959	385	802	1,313	1,590	495	648	100
1,001 - 1,250	4,180	3,415	227	538	1,132	1,776	522	614	136
1,251 - 1,500	3,494	3,044	160	290	830	1,518	504	545	97
1,501 - 1,750	3,008	2,723	109	176	667	1,287	458	509	87
1,751 - 2,000	2,527	2,376	57	94	569	1,164	297	447	50
2,001 - 2,250	1,926	1,835	31	60	425	894	240	325	42
2,251 - 2,500	1,482	1,422	29	31	301	661	202	271	47
2,501 - 2,750	1,100	1,066	15	19	225	494	148	211	22
2,751 - 3,000	855	820	20	15	174	372	113	178	18
3,001 - 3,250	665	647	15	3	147	301	66	139	12
3,251 - 3,500	488	482	4	2	110	228	55	86	9
3,501 - 3,750	390	387	1	2	76	191	46	75	2
3,751 - 4,000	263	259	2	2	51	121	26	58	7
4,001 - 4,250	224	220	3	1	42	113	20	43	6
4,251 - 4,500	171	170	-	1	26	82	19	40	4
4,501 - 4,750	146	145	1	-	35	68	12	30	1
4,751 - 5,000	123	121	2	-	31	47	8	32	5
Over 5,000	343	341	2	-	89	151	23	75	5
Totals [3]	**34,498**	**28,094**	**3,183**	**3,221**	**8,804**	**13,645**	**4,808**	**6,467**	**774**

[1] Type of Retirement

A - Service
B - Survivor benefit
C - Disability

[2] Option

Maximum - Life Annuity
Opt-1 - Cash Refund
Opt-2 - 100% Joint Survivorship
Opt-3 - 50% Joint Survivorship
Opt-4 - Other

[3] Includes 1,905 DROP participants as of September 30, 2006.

Does not include 52 members entitled to deferred benefits, but not currently in receipt.

Statistical Section
Judicial Retirement Fund
Retired Members by Type of Benefit as of September 30, 2006

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	4	1	3	-	-	4
751 - 1,000	7	-	6	1	1	6
1,001 - 1,250	5	1	4	-	1	4
1,251 - 1,500	2	-	2	-	-	2
1,501 - 1,750	3	-	3	-	-	3
1,751 - 2,000	8	1	7	-	1	7
2,001 - 2,250	4	-	4	-	-	4
2,251 - 2,500	1	1	-	-	1	-
2,501 - 2,750	3	1	2	-	1	2
2,751 - 3,000	4	1	2	1	2	2
3,001 - 3,250	18	3	15	-	2	16
3,251 - 3,500	36	2	34	-	-	36
3,501 - 3,750	6	5	1	-	2	4
3,751 - 4,000	4	3	-	1	2	2
4,001 - 4,250	7	5	1	1	1	6
4,251 - 4,500	9	7	2	-	1	8
4,501 - 4,750	11	4	5	2	2	9
4,751 - 5,000	2	2	-	-	-	2
Over 5,000	137	136	-	1	7	130
Totals	**273**	**173**	**93**	**7**	**24**	**249**

† Type of Retirement
A - Service
B - Survivor benefit
C - Disability

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**
2006					
Average monthly benefit	$ 634	$ 982	$ 1,349	$ 1,917	$ 2,839
Average final average salary	$ 31,362	$ 34,986	$ 38,264	$ 45,351	$ 54,489
Number of active retirants	498	372	339	1,763	860
2005					
Average monthly benefit	$ 594	$ 960	$ 1,389	$ 1,995	$ 2,783
Average final average salary	$ 28,010	$ 32,773	$ 36,774	$ 44,703	$ 51,621
Number of active retirants	728	624	443	2,003	894
2004*					
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
2003**					
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
2002**					
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
2001**					
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
2000**					
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
1999**					
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
1998**					
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
1997**					
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

*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.

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**
2006					
Average monthly benefit	$ 1,285	$ 1,095	$ 1,558	$ 1,779	$ 2,543
Average final average salary	$ 39,200	$ 36,950	$ 41,455	$ 43,714	$ 48,532
Number of active retirants	508	281	204	878	349
2005					
Average monthly benefit	$ 1,271	$ 1,008	$ 1,482	$ 1,848	$ 2,592
Average final average salary	$ 38,257	$ 34,812	$ 38,980	$ 43,707	$ 49,007
Number of active retirants	621	379	280	1,151	307
2004					
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
2003					
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
2002					
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
2001					
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
2000					
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
1999					
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
1998					
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
1997					
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

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**	**30+**
2006					
Average monthly benefit	$ 7,824	$ 8,223	$ 7,642	$ -	$ -
Number of active retirants	2	1	5	-	-
2005					
Average monthly benefit	$ 8,611	$ 8,990	$ 10,434	$ 8,040	$ 12,454
Number of active retirants	1	3	3	3	1
2004					
Average monthly benefit	$ 1,568	$ -	$ 6,367	$ 8,696	$ -
Number of active retirants	1	-	3	3	-
2003					
Average monthly benefit	$ 5,778	$ 8,339	$ 8,726	$ 6,594	$ -
Number of active retirants	2	4	4	4	-
2002					
Average monthly benefit	$ 7,840	$ 7,446	$ 8,711	$ 8,430	$ -
Number of active retirants	1	3	1	2	-
2001					
Average monthly benefit	$ 6,565	$ 7,751	$ 7,068	$ 11,877	$ -
Number of active retirants	10	5	8	1	-
2000					
Average monthly benefit	$ 5,717	$ -	$ -	$ -	$ -
Number of active retirants	1	-	-	-	-
1999					
Average monthly benefit	$ 4,144	$ 5,285	$ 6,127	$ 7,809	$ -
Number of active retirants	4	2	6	1	-
1998					
Average monthly benefit	$ -	$ 4,894	$ 4,100	$ -	$ -
Number of active retirants	-	1	8	-	-
1997					
Average monthly benefit	$ 7,231	$ 4,282	$ 5,822	$ -	$ -
Number of active retirants	2	4	5	-	-

ALABAMA
TENNESSEE
MISSISSIPPI
GEORGIA
FLORIDA
GREAT SEAL

Statistical Section
Employees' Retirement System
Largest Employers
Ten-Year History

Units	2006	2005	2004	2003
1) Unit	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	34,429	33,756	33,741	34,659
% of Total Active Members	39.63%	39.87%	40.80%	41.54%
2) Unit	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,188	2,174	2,050	2,124
% of Total Active Members	2.52%	2.57%	2.48%	2.55%
3) Unit	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	1,589	1,626	1,622	1,658
% of Total Active Members	1.83%	1.92%	1.96%	1.99%
4) Unit	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
# of Active Members	1,278	1,272	1,297	1,334
% of Total Active Members	1.47%	1.50%	1.57%	1.60%
5) Unit	Madison County	Madison County	Madison County	Madison County
# of Active Members	1,073	1,071	1,055	1,035
% of Total Active Members	1.24%	1.26%	1.28%	1.24%
6) Unit	Dothan, City of	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp
# of Active Members	955	923	785	766
% of Total Active Members	1.10%	1.09%	0.95%	0.92%
7) Unit	Helen Keller Hosp	Helen Keller Hosp	Tuscaloosa, City of	Jefferson Co Health
# of Active Members	817	816	684	668
% of Total Active Members	0.94%	0.96%	0.83%	0.80%
8) Unit	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB	Tuscaloosa, City of
# of Active Members	704	713	611	655
% of Total Active Members		0.84%	0.74%	0.79%
9) Unit	Tuscaloosa, City of	Tuscaloosa, City of	Jefferson Co Health	Gadsden, City of
# of Active Members	695	680	599	613
% of Total Active Members	0.80%	0.80%	0.72%	0.73%
10) Unit	Hoover, City of	Hoover, City of	Gadsden, City of	Hoover, City of
# of Active Members	633	616	587	602
% of Total Active Members	0.73%	0.73%	0.71%	0.72%
Total # of Active Members	86,874	84,674	82,708	83,429

Source: Retirement Systems of Alabama records

2002	2001	2000	1999	1998	1997
State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
34,526	32,722	31,348	30,690	31,238	34,015
42.10%	41.15%	40.75%	41.57%	42.09%	45.03%
Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
2,251	2,221	2,155	2,124	2,028	2,041
2.74%	2.79%	2.80%	2.88%	2.73%	2.70%
Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
1,627	1,604	1,624	1,574	1,578	1,512
1.98%	2.02%	2.11%	2.13%	2.13%	2.00%
Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
1,388	1,396	1,382	1,290	1,301	1,260
1.69%	1.76%	1.80%	1.75%	1.75%	1.67%
Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
963	1,014	942	893	886	871
1.17%	1.28%	1.22%	1.21%	1.19%	1.15%
Helen Keller Hosp	Thomas Hospital	Thomas Hospital	Thomas Hospital	Jefferson Co Health	Jefferson Co Health
746	877	805	751	785	848
0.91%	1.10%	1.05%	1.02%	1.06%	1.12%
Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Thomas Hospital	Helen Keller Hosp
698	700	679	712	675	609
0.85%	0.88%	0.88%	0.96%	0.91%	0.81%
Baldwin County	Baldwin County	Baldwin County	Baldwin County	Helen Keller Hosp	Thomas Hospital
640	650	643	598	629	591
0.78%	0.82%	0.84%	0.81%	0.85%	0.78%
Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Helen Keller Hosp	Baldwin County	Baldwin County
634	631	612	583	581	546
0.77%	0.79%	0.80%	0.79%	0.78%	0.72%
Bessemer, City of	Helen Keller Hosp	Helen Keller Hosp	Bessemer, City of	Bessemer, City of	Bessemer, City of
595	610	579	532	541	523
0.73%	0.77%	0.75%	0.72%	0.73%	0.69%
82,016	79,526	76,935	73,822	74,214	75,536

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2007	2006	2005	2004	2003
Additions					
Contributions					
Employee	$ 302,272	$ 278,220	$ 260,149	$ 251,714	$ 249,996
Employer	540,847	434,195	347,862	312,474	235,786
Transfers from Employees' Retirement System	2,814	3,235	2,707	2,146	2,022
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	845,933	715,650	610,718	566,334	487,804
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	2,589,858	878,743	1,221,059	1,055,525	1,412,887
Interest and Dividends	719,910	703,189	624,397	580,000	592,645
Total Investment Income from Investing Activities	3,309,768	1,581,932	1,845,456	1,635,525	2,005,532
Less: Investment Expenses	5,105	4,947	4,278	4,079	4,432
Net Investment Income from Investing Activities	3,304,663	1,576,985	1,841,178	1,631,446	2,001,100
From Securities Lending Activities					
Securities Lending Income	136,869	84,052	40,399	10,704	14,215
Less Securities Lending Expenses:					
Borrower Rebates	126,966	77,407	33,559	7,206	10,052
Management Fees	1,770	1,271	1,620	630	832
Total Securities Lending Expenses	128,736	78,678	35,179	7,836	10,884
Net Income from Securities Lending Activities	8,133	5,374	5,220	2,868	3,331
Total Investment Income	3,312,796	1,582,359	1,846,398	1,634,314	2,004,431
Total Additions	4,158,729	2,298,009	2,457,116	2,200,648	2,492,235
Deductions					
Retirement Allowance Payments	1,397,808	1,207,251	1,092,723	987,761	932,687
Return of Contributions and Death Benefits	37,474	36,683	36,350	35,983	32,084
Transfers to Employees' Retirement System	2,406	2,982	1,829	1,575	2,418
Transfers to Judicial Retirement Fund	-	26	-	-	-
Administrative Expenses	9,614	11,325	10,372	7,361	7,011
Depreciation	480	462	468	439	367
Total Deductions	1,447,782	1,258,729	1,141,742	1,033,119	974,567
Net Increase/(Decrease)	2,710,947	1,039,280	1,315,374	1,167,529	1,517,668
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	19,207,803	18,168,523	16,853,149	15,685,620	14,167,952
End of Year	**$ 21,918,750**	**$ 19,207,803**	**$ 18,168,523**	**$ 16,853,149**	**$ 15,685,620**

	2002	2001	2000	1999	1998
Additions					
Contributions					
Employee	$ 233,789	$ 228,088	$ 212,049	$ 215,531	$ 198,025
Employer	265,670	279,880	277,180	166,100	358,088
Transfers from Employees' Retirement System	1,937	2,433	1,954	1,674	1,755
Transfers from Judicial Retirement Fund	-	97	-	-	-
Total Contributions	501,396	510,498	491,183	383,305	557,868
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(1,915,592)	(1,860,162)	658,975	1,130,761	(107,404)
Interest and Dividends	672,200	769,739	755,482	702,131	673,445
Total Investment Income from Investing Activities	(1,243,392)	(1,090,423)	1,414,457	1,832,892	566,041
Less: Investment Expenses	4,592	3,467	3,229	3,038	2,806
Net Investment Income from Investing Activities	(1,247,984)	(1,093,890)	1,411,228	1,829,854	563,235
From Securities Lending Activities					
Securities Lending Income	16,473	43,671	64,006	377	14,251
Less Securities Lending Expenses:					
Borrower Rebates	12,462	39,692	59,807	338	12,662
Management Fees	784	795	859	10	493
Total Securities Lending Expenses	13,246	40,487	60,666	348	13,155
Net Income from Securities Lending Activities	3,227	3,184	3,340	29	1,096
Total Investment Income	(1,244,757)	(1,090,706)	1,414,568	1,829,883	564,331
Total Additions	(743,361)	(580,208)	1,905,751	2,213,188	1,122,199
Deductions					
Retirement Allowance Payments	858,383	811,896	720,576	678,740	576,463
Return of Contributions and Death Benefits	35,510	34,156	33,978	31,307	32,636
Transfers to Employees' Retirement System	2,091	1,207	1,530	1,781	1,116
Transfers to Judicial Retirement Fund	-	-	4	19	-
Administrative Expenses	6,845	6,023	5,639	6,563	7,142
Depreciation	391	1,002	165	737	481
Total Deductions	903,220	854,284	761,892	719,147	617,838
Net Increase/(Decrease)	(1,646,581)	(1,434,492)	1,143,859	1,494,041	504,361
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	15,814,533	17,249,025	16,105,166	14,611,125	14,106,764
End of Year	**$ 14,167,952**	**$ 15,814,533**	**$ 17,249,025**	**$ 16,105,166**	**$ 14,611,125**

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2007	2006	2005	2004	2003
Additions					
Contributions					
Employee	$ 181,734	$ 184,144	$ 158,128	$ 166,973	$ 159,763
Employer	277,254	241,750	195,846	170,713	154,218
Transfers from Teachers' Retirement System	2,406	2,982	1,829	1,575	2,418
Transfers from Judicial Retirement Fund	-	-	356	-	103
Total Contributions	461,394	428,876	356,159	339,261	316,502
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,249,495	375,025	545,826	457,981	668,539
Interest and Dividends	347,272	329,459	295,631	268,876	271,698
Total Investment Income from Investing Activities	1,596,767	704,484	841,457	726,857	940,237
Less: Investment Expenses	3,725	3,216	2,652	2,390	2,380
Net Investment Income from Investing Activities	1,593,042	701,268	838,805	724,467	937,857
From Securities Lending Activities					
Securities Lending Income	58,925	35,407	17,604	4,892	3,461
Less Securities Lending Expenses:					
Borrower Rebates	54,648	32,567	14,948	3,318	2,131
Management Fees	727	504	448	283	266
Total Securities Lending Expenses	55,375	33,071	15,396	3,601	2,397
Net Income from Securities Lending Activities	3,550	2,336	2,208	1,291	1,064
Total Investment Income	1,596,592	703,604	841,013	725,758	938,921
Total Additions	2,057,986	1,132,480	1,197,172	1,065,019	1,255,423
Deductions					
Retirement Allowance Payments	615,661	551,793	487,348	448,658	423,027
Return of Contributions and Death Benefits	31,829	31,780	30,960	31,406	25,056
Unit Withdrawals	-	-	-	3,798	820
Transfers to Teachers' Retirement System	2,814	3,235	2,707	2,146	2,022
Transfers to Judicial Retirement Fund	220	133	48	64	-
Administrative Expenses	7,813	7,850	6,898	5,892	5,843
Depreciation	298	337	294	269	278
Total Deductions	658,635	595,128	528,255	492,233	457,046
Net Increase/(Decrease)	1,399,351	537,352	668,917	572,786	798,377
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	9,001,867	8,464,515	7,795,598	7,222,812	6,424,435
End of Year	**$ 10,401,218**	**$ 9,001,867**	**$ 8,464,515**	**$ 7,795,598**	**$ 7,222,812**

	2002	2001	2000	1999	1998
Additions					
Contributions					
Employee	$ 149,130	$ 130,965	$ 116,598	$ 110,998	$ 107,216
Employer	123,887	122,483	113,991	97,373	157,246
Transfers from Teachers' Retirement System	2,091	1,207	1,530	1,781	1,116
Transfers from Judicial Retirement Fund	-	66	-	-	145
Total Contributions	275,108	254,721	232,119	210,152	265,723
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(953,188)	(874,433)	314,458	535,674	(53,662)
Interest and Dividends	297,845	343,517	340,234	323,062	308,932
Total Investment Income from Investing Activities	(655,343)	(530,916)	654,692	858,736	255,270
Less: Investment Expenses	2,331	1,593	1,537	1,367	1,432
Net Investment Income from Investing Activities	(657,674)	(532,509)	653,155	857,369	253,838
From Securities Lending Activities					
Securities Lending Income	5,741	20,922	36,958	151	6,780
Less Securities Lending Expenses:					
Borrower Rebates	4,094	18,996	34,509	139	6,067
Management Fees	333	385	496	3	221
Total Securities Lending Expenses	4,427	19,381	35,005	142	6,288
Net Income from Securities Lending Activities	1,314	1,541	1,953	9	492
Total Investment Income	(656,360)	(530,968)	655,108	857,378	254,330
Total Additions	(381,252)	(276,247)	887,227	1,067,530	520,053
Deductions					
Retirement Allowance Payments	389,856	371,715	341,145	330,231	270,469
Return of Contributions and Death Benefits	24,965	24,906	24,864	25,291	26,031
Unit Withdrawals	8,388	1,544	-	-	-
Transfers to Teachers' Retirement System	1,937	2,433	1,954	1,674	1,755
Transfers to Judicial Retirement Fund	85	97	31	-	2
Administrative Expenses	5,582	4,578	3,811	4,812	4,921
Depreciation	235	330	367	333	285
Total Deductions	431,048	405,603	372,172	362,341	303,463
Net Increase/(Decrease)	(812,300)	(681,850)	515,055	705,189	216,590
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	7,236,735	7,918,585	7,403,530	6,698,341	6,481,751
End of Year	**$ 6,424,435**	**$ 7,236,735**	**$ 7,918,585**	**$ 7,403,530**	**$ 6,698,341**

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	2007	2006	2005	2004	2003
Additions					
Contributions					
Employee	$ 2,416	$ 2,338	$ 2,350	$ 2,370	$ 2,342
Employer	9,307	8,916	8,943	8,994	8,637
Transfers from Teachers' Retirement System	-	26	-	-	-
Transfers from Employees' Retirement System	220	133	48	64	-
Total Contributions	11,943	11,413	11,341	11,428	10,979
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	25,988	11,215	11,877	14,736	12,905
Interest and Dividends	8,500	9,598	7,420	7,218	7,969
Total Investment Income from Investing Activities	34,488	20,813	19,297	21,954	20,874
Less: Investment Expenses	2	2	2	12	28
Net Investment Income from Investing Activities	34,486	20,811	19,295	21,942	20,846
From Securities Lending Activities					
Securities Lending Income	1,945	908	422	109	61
Less Securities Lending Expenses:					
Borrower Rebates	1,832	861	362	83	50
Management Fees	18	7	8	4	2
Total Securities Lending Expenses	1,850	868	370	87	52
Net Income from Securities Lending Activities	95	40	52	22	9
Total Investment Income	34,581	20,851	19,347	21,964	20,855
Total Additions	46,524	32,264	30,688	33,392	31,834
Deductions					
Retirement Allowance Payments	21,356	18,777	18,201	17,903	17,964
Return of Contributions and Death Benefits	183	45	51	103	83
Transfers to Employees' Retirement System	-	-	356	-	103
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	474	432	381	344	322
Total Deductions	22,013	19,254	18,989	18,350	18,472
Net Increase/(Decrease)	24,511	13,010	11,699	15,042	13,362
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	246,422	233,412	221,713	206,671	193,309
End of Year	**$ 270,933**	**$ 246,422**	**$ 233,412**	**$ 221,713**	**$ 206,671**

	2002	2001	2000	1999	1998
Additions					
Contributions					
Employee	$ 2,271	$ 2,115	$ 1,608	$ 1,575	$ 1,465
Employer	8,222	7,598	5,696	2,870	5,417
Transfers from Teachers' Retirement System	-	-	4	19	-
Transfers from Employees' Retirement System	85	97	31	-	2
Total Contributions	10,578	9,810	7,339	4,464	6,884
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(33,036)	(35,377)	14,106	16,856	6,402
Interest and Dividends	9,777	11,192	10,970	10,968	10,995
Total Investment Income from Investing Activities	(23,259)	(24,185)	25,076	27,824	17,397
Less: Investment Expenses	85	31	23	24	19
Net Investment Income from Investing Activities	(23,344)	(24,216)	25,053	27,800	17,378
From Securities Lending Activities					
Securities Lending Income	88	467	850	-	-
Less Securities Lending Expenses:					
Borrower Rebates	75	443	816	-	-
Management Fees	2	5	6	-	-
Total Securities Lending Expenses	77	448	822	-	-
Net Income from Securities Lending Activities	11	19	28	-	-
Total Investment Income	(23,333)	(24,197)	25,081	27,800	17,378
Total Additions	(12,755)	(14,387)	32,420	32,264	24,262
Deductions					
Retirement Allowance Payments	16,770	15,655	11,256	11,150	10,035
Return of Contributions and Death Benefits	29	79	43	101	155
Transfers to Employees' Retirement System	-	66	-	-	145
Transfers to Teachers' Retirement System	-	97	-	-	-
Administrative Expenses	306	272	263	226	245
Total Deductions	17,105	16,169	11,562	11,477	10,580
Net Increase/(Decrease)	(29,860)	(30,556)	20,858	20,787	13,682
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	223,169	253,725	232,867	212,080	198,398
End of Year	**$ 193,309**	**$ 223,169**	**$ 253,725**	**$ 232,867**	**$ 212,080**

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

Bibb County Emergency Management Communication District
Big Will's Water Authority
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
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
Cedar Bluff Utilities Board and Solid Water Authority
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
Chelsea
Cherokee County Commission
Cherokee County Water and Sewer Authority
Cherokee Water Works & Gas Board
Cherokee, Town of
Chickasaw Housing Authority
Chickasaw Utilities Board

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

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

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

Hamilton, City of
Hamilton Housing Authority
Hanceville, City of
Hanceville Waterworks & Sewer Board
Harpersville, Town of
Hartford, City of
Hartford Housing Authority
Hartselle Utilities Board
Hartselle, City of
Harvest-Monrovia Water & Fire Protection Authority
Hayden, Town of
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
Hillsboro, Town of
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
Huguley Water and Fire Protection Authority
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, 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 Communications District
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
Lawrence/Colbert Counties Gas District
Lee County Commissioners Court
Lee County Emergency Communications District
Lee/Russell Council of Governments
Leeds Housing Authority
Leeds, City of
Leeds Water Works Board
Leesburg, Town of
Leighton, Town of
Leighton Water and Sewer Board
Level Plains, Town of
Lexington, Town of
Limestone County Board of Revenue
Limestone County Water Authority
Lincoln, City of
Linden, City of
Lineville Housing Authority
Lineville Water & Sewer Board
Lineville, City of
Littleville, Town of
Livingston Housing Authority
Livingston, City of
Loachapoka Water Authority
Locust Fork, Town of
Lowndes County Board of Revenue
Loxley, City of
Luverne Housing Authority
Luverne, City of
Macon County Commission
Macon County Racing Commission
Madison County Commissioners Court
Madison County Communications District
Madison County Mental Retardation Board
Madison Water & Wastewater Board
Madison, City of
Magnolia Springs, Town of
Malvern, Town of
Maplesville Waterworks & Gas Board
Maplesville, City of
Marengo County Commission
Marengo County Emergency Communications District
Marengo Nursing Home
Marion County Board of Revenue
Marion County Emergency Communications District
Marion County Public Water Authority
Marion Housing Authority
Marion, City of
Marshall County Commission on Government and Finance
Marshall County Emergency Telephone Service Board
Marshall County Gas District
Marshall County Soil & Water Conservation District
Marshall-Jackson Mental Retardation Authority
McAdory Area Fire District
Mental Health Center of North Central Alabama
Mental Health Dev Disabilities Board
Mental Health/Mental Retardation Board of Bibb, Pickens, and Tuscaloosa Counties
Mentone, Town of
Mentone Water Works Board
Middle Alabama Area Agency on Aging
Midfield Library Board
Midfield, City of
Midway, Town of
Mildred B. Harrison Library

Millbrook, City of
Millport Housing Authority
Millport, Town of
Mobile Airport Authority
Mobile County Commission
Mobile County Communications District
Mobile County Emergency Management Agency
Mobile County Health Department
Mobile County Housing Authority
Mobile County Law Enforcement & Firefighters Pension Fund
Mobile County Personnel Board
Mobile County Racing Commission
Mobile County Water, Sewer & Fire Protection Authority
Mobile Public Library
Mobile Water Service System
Mobile, City of
Monroe County Commission
Monroeville Housing Authority
Monroeville Water Board
Monroeville, City of
Montevallo, City of
Montevallo Water Works and Sewer Board
Montgomery Area Mental Health Authority
Montgomery County Soil & Water Conservation District
Montgomery Water Works Board
Moody, City of
Morgan County Commission
Morgan County Emergency Management Communications District
Morgan County Soil & Water Conservation District
Moulton Housing Authority
Moulton, City of
Moundville, City of
Mountain Brook Library Board
Mountain Brook Park & Recreation Board
Mountain Brook, City of
Mt. Vernon, Town of
Munford, Town of
Munford Water Authority
Muscle Shoals Electric Board
Muscle Shoals Utilities Board
Muscle Shoals, City of
Myrtlewood, Town of
Nectar, Town of
New Hope, Town of
New London Water, Sewer & Fire Protection Authority
New Site, Town of
North Alabama Gas District
North Baldwin Utilities
North Central Alabama Mental Retardation Authority
North Central Alabama Regional Council of Governments
North Dallas County Water Authority
North Jackson County Water & Fire Protection Authority
North Marshall Utilities Board
North Shelby County Fire and Emergency Medical District
North Shelby County Library
Northeast Alabama Mental Retardation-Development Disability Authority
Northeast Alabama Water, Sewer & Fire Protection District
Northeast Morgan County Water Authority
Northport Housing Authority
Northport, City of
Northwest Alabama Council of Local Governments
Northwest Alabama Mental Health Center
Northwest Alabama Regional Airport
Northwest Regional Library
Notasulga, Town of
Oak Grove, Town of
Oakman Waterworks
Oakman, Town of
Odenville Utilities Board
Odenville, Town of
Ohatchee, Town of

Oneonta Utilities
Oneonta, City of
Opelika Housing Authority
Opelika Utilities Board
Opelika, City of
Opp Utilities Board
Opp, City of
Orange Beach Water, Sewer & Fire Protection Authority
Orange Beach, Town of
Owens Cross Roads
Oxford, City of
Ozark Utilities Board
Ozark, City of
Ozark/Dale E-911
Parrish Water Works and Sewer Board
Pelham, City of
Pell City Housing Authority
Pell City, City of
Pennington, City of
Pennington Utilities Board
Perry County Capital Improvement Cooperative District
Perry County Commissioners Court
Perry County Water 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
Pickens County E-911 Board
Pickens County Water Authority
Piedmont Housing Authority
Piedmont, City of
Pike County Commissioners Court
Pike County Communications District
Pike County Soil & Water Conservation District
Pike County Water Authority
Pine Bluff Water Authority
Pine Hill, Town of
Pine Level Water & Fire Protection Authority
Pisgah, Town of
Pleasant Grove, City of
Prattville Housing Authority
Prattville Water Works Board
Prattville, City of
Priceville, Town of
Prichard Housing Authority
Quint-Mar Water & Fire Protection Authority
Ragland, Town of
Ragland Water Works Board
Rainbow City Gas, Water & Sewer Board
Rainbow City, City of
Rainsville, City of
Randolph County Commissioners Court
Randolph County E-911
Red Bay Housing Authority
Red Bay Water & Gas Board
Red Bay, City of
Reform Housing Authority
Reform, City of
Regional Housing Authority of Lawrence, Cullman, and Morgan Counties
Rehobeth, City of
Remlap/Pine Mountain Water Authority
Riverbend Center for Mental Health
Riverside, Town of
Roanoke Utilities Board
Roanoke, City of
Robertsdale, City of
Rocky Ridge Fire District
Rogersville Water Works & Sewer Board
Rogersville, Town of
Russell County Commissioners Court
Russell County Emergency Communications District
Russell County Soil & Water Conservation District
Russell County Utilities Board

Russellville Electric Board
Russellville Gas Board
Russellville Water Works Board
Russellville, City of
Rutledge, Town of
Sand Mountain Water Authority
Sand Springs Water Authority
Saraland Water Service
Saraland, City of
Sardis City Water Board
Sardis City, City of
Satsuma Water Works Board
Satsuma, City of
Scottsboro Electric Power Board
Scottsboro Housing Authority
Scottsboro Public Library
Scottsboro Public Park & Recreation Board
Scottsboro Water Works, Sewer & Gas Board
Scottsboro, City of
Section, Town of
Section Water Works Board
Selma Housing Authority
Selma Water Works & Sewer Board
Selma, City of
Sheffield Power, Water & Gas Department
Sheffield, City of
Shelby County Board of Revenue
Shelby County Economic and Industrial Development Authority
Shelby County Soil Conservation District
Shelby County Community Corrections
Shelby County Emergency Management Communications District
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
Skyline, 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
Southeast Alabama Youth Services
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 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
Sylvan Springs, Town 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
Trussville Utilities Board
Trussville, City of
Turnerville Water and Fire Protection District
Tuscaloosa, City of
Tuscaloosa County Board of Revenue
Tuscaloosa County Industrial Dev Auth
Tuscaloosa County Park and Recreation Board
Tuscaloosa County Parking & Transit Authority
Tuscaloosa County Public Defenders Office
Tuscaloosa County Soil & Water Conservation District
Tuscaloosa County Special Tax Board
Tuscaloosa Public Library
Tuscumbia, City of
Tuskegee, City of
Tuskegee Utilities
Union Grove Utilities Board
Union Springs Utilities Board
Union Springs, City of
Uniontown Housing Authority
Uniontown Utilities Board
Uniontown, City of
USS Alabama Battleship Commission
Valley Head, Town of
Valley Head Water Works Board
Valley Housing Authority
Valley, City of
Vance, Town of
Vernon Housing Authority
Vernon, City of
Vestavia Hills, City of
Vincent, 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
Wall Street Water Authority
Walnut Hill Water Authority
Warrior River Water & Fire Protection Authority
Warrior, City of
Washington County Commissioners Court

Washington County E-911 District

Washington County Soil & Water Conservation District

Weaver, City of

Webb, Town of

Wedowee, City of

Wedowee Water, Sewer, and Gas Board

West Alabama Regional Commission

West Autauga Water Authority

West Etowah County Water Authority

West Jefferson, Town of

West Lauderdale County Water & Fire Protection Authority

West Morgan/East Lawrence Water and Sewer Authority

Westover Water & Fire Protection Authority

Wetumpka, City of

Wetumpka Water & Sewer Board

Wilcox County Commission

Wilcox County Gas District

Wilsonville, Town of

Winfield Water Works Board

Winfield, City of

Winston County Commission

Winston County E-911 Communications District

Winston County Soil and Water Conservation District

Woodstock, Town of

York Housing Authority

York, City of