The Retirement Systems of Alabama

Component Units of the State of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2008

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

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

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

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

January 26, 2009

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

Dear Board Members:

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2008. 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. We 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 2008 and 2007. Also, an analysis of significant variances between fiscal years 2008 and 2007 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 41.

At the date of the latest actuarial valuations (9/30/07), the number of participants in the TRS, ERS, and JRF was 227,498, 133,397, and 696, respectively. The TRS's, ERS's, and JRF's last valuations were performed as of September 30, 2007. The TRS's funded percentage decreased from 82.8% at September 30, 2006 to 79.5% at September 30, 2007. The ERS's funded percentage decreased from 81.1% at September 30, 2006 to 79.0% at September 30, 2007. The JRF's funded percentage increased from 86.4% at September 30, 2006 to 83.9% at September 30, 2007.

Investment Activity

Total investments for the RSA decreased in fiscal year 2008, primarily due to decreases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2008 were $17.8 billion, $8.5 billion and $219.1 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2007 of $21.6 billion, $10.3 billion, and $268.2 million, respectively. Total pension fund investments managed by the RSA decreased from $32.1 billion at September 30, 2007 to $26.4 billion at September 30, 2008, a 17.8% decrease.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2008 was $705.6 million, $339.6 million, and $8.2 million, respectively, compared to $719.9 million, $347.3 million, and $8.5 million, respectively, for the fiscal year ended September 30, 2007. The decrease in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2008 was $4.1 billion, $1.9 billion and $46.9 million, respectively, compared to the increase in fair value of investments of $2.6 billion, $1.2 billion, and $26.0 million, respectively, for the fiscal year ended September 30, 2007. 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 2008
Act 2008-555 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 October 1, 2008, and who were receiving a monthly allowance from the ERS prior to October 1, 2008. 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
Carr, Riggs and Ingram, LLC, Certified Public Accountants, issued an unqualified ("clean") opinion on the RSA's financial statements for the fiscal year ended September 30, 2008. The independent auditors' report is located at the front of the financial section of this report.

Highlights and Initiatives
The Renaissance Montgomery Hotel and Spa in downtown Montgomery opened its doors in March. This project includes a 346 room hotel, a restaurant and bar, a European-style spa, a new performing arts theater, an upgrade and expansion of the Convention Center, and a 600-car parking deck. The new RSA Headquarters building was also completed during the fiscal year. The 8-story 280,000 square foot office building houses the RSA and two other state agencies.

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, 2007. 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.

We would like to take this opportunity to express our 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,

Diane E. Scott

Diane E. Scott, 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

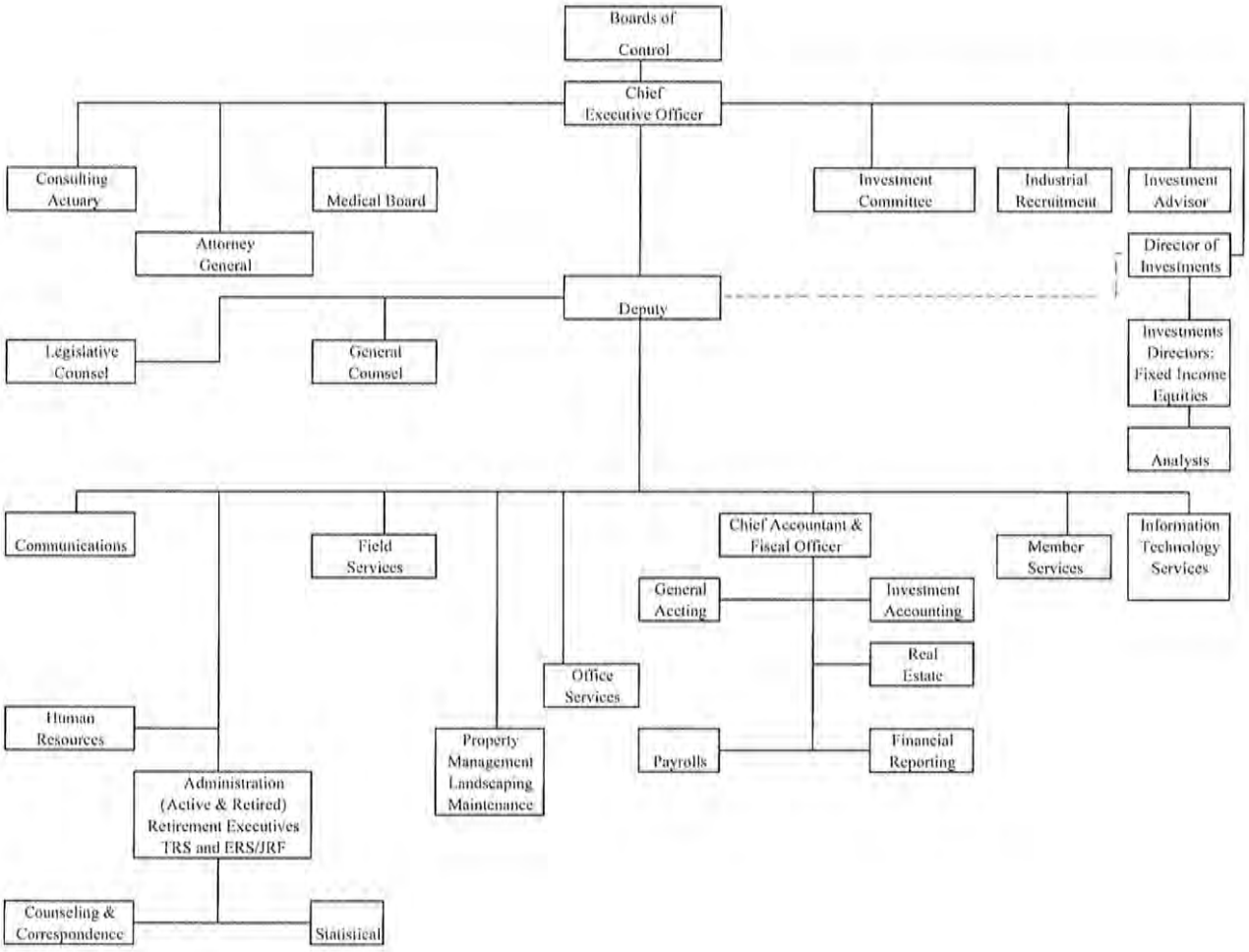
The Retirement Systems of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2007

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


Boards of Control
Chief Executive Officer
Consulting Actuary
Medical Board
Investment Committee
Industrial Recruitment
Investment Advisor
Attorney General
Director of Investments
Deputy
Legislative Counsel
General Counsel
Investments Directors: Fixed Income Equities
Analysts
Communications
Field Services
Chief Accountant & Fiscal Officer
Member Services
Information Technology Services
General Acctng
Investment Accounting
Real Estate
Office Services
Human Resources
Property Management Landscaping Maintenance
Payrolls
Financial Reporting
Administration (Active & Retired) Retirement Executives TRS and ERS/JRF
Counseling & Correspondence
Statistical

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
Mr. John Whaley, Teacher Position
Mr. Luther P. Hallmark, Superintendent Position
Mr. Danny Stallings, 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. Ben Powell, 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, Diane E. Scott, C.P.A.
Director of Information Technology Services, Michael T. Baker
Teachers' Retirement Executive, Donald L. Yancey, M.P.A., J.D.
Employees' & Judicial Retirement Executive, R. Donald Nelson, M.S.
Director of Member Services, Penny Wilson
Director of Field Services, Judy Utley
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, R. 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, Bobby Long, M.B.A, C.F.A.
Equity Analyst, Michael McNair
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., C.F.A.
Equity Analyst, Adam Rogers, M.B.A., C.F.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

Independent Certified Public Accountants, Carr, Riggs, & Ingram, LLC
Regions Bank N.A., Mr. Brian Sullivan, Investment Consultant
State Street Bank and Trust Company, Investment Custodian
Cavanaugh Macdonald Consulting, LLC, 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.
Glenn Yates, M.D.

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FINANCIAL SECTION

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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, 2008, 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 2007 financial statements, which were audited by other auditors who expressed an unqualified opinion on such financial statements in their report dated March 12, 2008.

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 examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2008 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, 2008, 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 40 through 42) 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.

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, 2008, 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 of Comparative Statement of Plan Net Assets
As of September 30, 2008 and 2007
(Amounts in Thousands)

	2008	2007	Variance	% Increase/ (Decrease)
Assets				
Cash	$ 14,289	$ 16,428	$ (2,139)	(13.02)
Receivables	359,673	339,147	20,526	6.05
Investments	26,447,602	32,145,955	(5,698,353)	(17.73)
Invested in Securities Lending Collateral	2,350,847	4,080,080	(1,729,233)	(42.38)
Property and Equipment	156,730	94,842	61,888	65.25
Total Assets	29,329,141	36,676,452	(7,347,311)	(20.03)
Liabilities				
Accounts Payable and Other Liabilites	6,299	5,471	828	15.13
Other Post-employment Benefit Obligations	2,087	-	2,087	-
Securities Lending Collateral	2,350,847	4,080,080	(1,729,233)	(42.38)
Total Liabilities	2,359,233	4,085,551	(1,726,318)	(42.25)
Net Assets	**$ 26,969,908**	**$ 32,590,901**	**$ (5,620,993)**	**(17.25)**

Summary Comparative Statement of Changes in Plan Net Assets
For the Fiscal Years Ended September 30, 2008 and 2007
(Amounts in Thousands)

	2008	2007	Variance	% Increase/ (Decrease)
Additions				
Employee Contributions	$ 516,141	$ 486,422	$ 29,719	6.11
Employer Contributions	1,069,214	827,408	241,806	29.22
Investment Income	(4,949,113)	4,943,969	(9,893,082)	(200.10)
Transfers Between Systems	5,224	5,440	(216)	(3.97)
Total Additions	(3,358,534)	6,263,239	(9,621,773)	(153.62)
Deductions				
Retirement Allowance Payments	2,164,925	2,034,825	130,100	6.39
Return of Contributions, Unit Withdrawals, and Death Benefits	68,787	69,486	(699)	(1.01)
Transfers Between Systems	5,224	5,440	(216)	(3.97)
Administrative Expense	22,634	17,901	4,733	26.44
Depreciation	889	778	111	14.27
Total Deductions	2,262,459	2,128,430	134,029	6.30
Increase in Plan Net Assets	(5,620,993)	4,134,809	(9,755,802)	(235.94)
Net Assets - Beginning of Year	32,590,901	28,456,092	4,134,809	14.53
Net Assets - End of Year	**$ 26,969,908**	**$ 32,590,901**	**$ (5,620,993)**	**(17.25)**

Comparison of Individual Plan Net Assets
As of September 30, 2008 and 2007
(Amounts in Thousands)

	2008	2007	Variance	% Increase/ (Decrease)
TRS	$ 18,100,387	$ 21,918,750	$ (3,818,363)	(17.42)
ERS	8,647,705	10,401,218	(1,753,513)	(16.86)
JRF	221,816	270,933	(49,117)	(18.13)
Totals	**$ 26,969,908**	**$ 32,590,901**	**$ (5,620,993)**	**(17.25)**

Financial Analysis

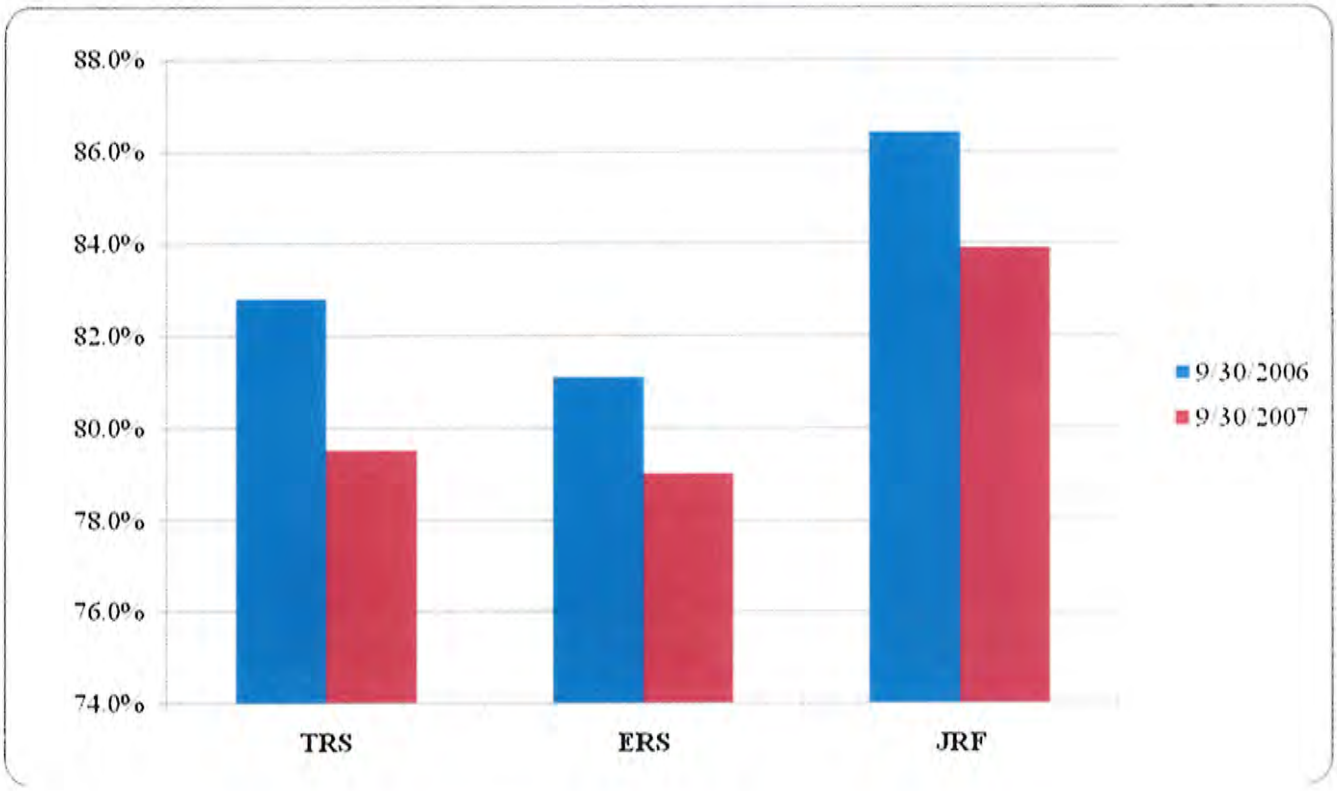
- Employer contributions and receivables increased primarily as a result of increases in employer cost rates and covered payroll. Covered payroll increased due to new units participating in the ERS and salary increases.
- Employee contributions increased as a result of new units participating in the ERS and salary increases.
- Assets and liabilities related to securities lending decreased as a result of decreased securities lending activities.
- Investments and investment income decreased mainly as a result of the downturn in the equity markets. The RSA returns on equity were in line with the overall market returns. The S&P 500 decreased 21.98% in 2008 compared to a return of 16.44% in 2007 and the S&P Midcap 400 decreased 16.68% in 2008 compared to a return of 18.76% in 2007.
- Property and equipment increased mainly due to the completion of a new administrative building.
- Retirement allowance payments increased primarily due to new retirees.
- Administrative expenses increased chiefly due to the implementation of GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.*

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, 2007 and September 30, 2006). The funded ratios decreased slightly in the most recent valuations. As a result of the decline in fair values of investments during fiscal year 2008, the funded ratios in the fiscal year 2008 actuarial valuations will decline resulting in increases to the annual required contributions (ARC) of employers. 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.

FUNDED STATUS



Financial Highlights

- Total assets exceeded total liabilities at September 30, 2008, by $27 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 79.5% for the TRS, 79.0% for the ERS, and 83.9% for the JRF.
- The investment section contains a detailed schedule of investment returns and related benchmarks.

Subsequent Events

Subsequent to September 30, 2008, the financial markets have continued to decline. Accordingly, as of December 31, 2008, the TRS, ERS, and JRF portfolios had declined by approximately 11.11%, 10.69%, and 13.50%, respectively, compared to September 30, 2008.

Financial Section

Combining Statement of Plan Net Assets

September 30, 2008 with comparative figures for 2007

(Amounts in Thousands)

	2008			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash (Note 4)	$ 6,454	$ 6,667	$ 1,168	$ 14,289
Receivables				
Employee Contributions	25,796	15,406	119	41,321
Employer Contributions	60,621	30,299	334	91,254
Dividends and Interest	152,654	73,095	1,349	227,098
Total Receivables	239,071	118,800	1,802	359,673
Investments, at Fair Value (Note 5)				
Domestic Equities	8,096,041	4,042,346	118,731	12,257,118
Domestic Fixed Income	5,173,748	2,450,954	58,304	7,683,006
International Equities	2,496,175	1,104,797	16,761	3,617,733
Real Estate	1,494,190	726,105	2,647	2,222,942
Short-term	495,316	148,872	22,615	666,803
Total Investments	17,755,470	8,473,074	219,058	26,447,602
Invested Securities Lending Collateral (Note 5)	1,581,944	731,431	37,472	2,350,847
Property and Equipment less Accumulated Depreciation (Note 8)	104,168	52,562	-	156,730
Total Assets	19,687,107	9,382,534	259,500	29,329,141
Liabilities				
Accounts Payable and Other Liabilities	3,735	2,367	197	6,299
Other Post-employment Benefit Obligations (Note 9)	1,041	1,031	15	2,087
Securities Lending Collateral (Note 5)	1,581,944	731,431	37,472	2,350,847
Total Liabilities	1,586,720	734,829	37,684	2,359,233
Net Assets Held in Trust for Pension Benefits (Notes 3 & 6)	**$ 18,100,387**	**$ 8,647,705**	**$ 221,816**	**$ 26,969,908**

See accompanying *Notes to the Financial Statements*.

	2007			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash	$ 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				
Domestic Equity	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 Equities	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	2,717,017	1,317,633	45,430	4,080,080
Property and Equipment less Accumulated Depreciation	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	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	**$ 21,918,750**	**$ 10,401,218**	**$ 270,933**	**$ 32,590,901**

Financial Section

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2008 with comparative figures for 2007

(Amounts in Thousands)

	2008			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	$ 323,822	$ 189,785	$ 2,534	$ 516,141
Employer	729,995	329,339	9,880	1,069,214
Transfers from Teachers' Retirement System	-	1,683	-	1,683
Transfers from Employees' Retirement System	3,182	-	173	3,355
Transfers from Judicial Retirement Fund	-	186	-	186
Total Contributions	1,056,999	520,993	12,587	1,590,579
Investment Income (Note 5)				
From Investing Activities				
Net Decrease in Fair Value of Investments	(4,057,823)	(1,919,746)	(46,910)	(6,024,479)
Interest and Dividends	705,555	339,578	8,206	1,053,339
Total Investment Income from Investing Activities	(3,352,268)	(1,580,168)	(38,704)	(4,971,140)
Less: Investment Expenses	5,990	3,747	8	9,745
Net Investment Income from Investing Activities	(3,358,258)	(1,583,915)	(38,712)	(4,980,885)
From Securities Lending Activities				
Securities Lending Income	83,588	38,458	1,765	123,811
Less Securities Lending Expenses:				
Borrower Rebates	57,695	26,649	1,298	85,642
Management Fees	4,332	1,988	77	6,397
Total Securities Lending Expenses	62,027	28,637	1,375	92,039
Net Income from Securities Lending Activities	21,561	9,821	390	31,772
Total Net Investment Income	(3,336,697)	(1,574,094)	(38,322)	(4,949,113)
Total Additions	(2,279,698)	(1,053,101)	(25,735)	(3,358,534)
Deductions				
Retirement Allowance Payments	1,486,871	655,467	22,587	2,164,925
Return of Contributions and Death Benefits	37,317	31,387	83	68,787
Transfers to Employees' Retirement System	1,683	-	186	1,869
Transfers to Teachers' Retirement System	-	3,182	-	3,182
Transfers to Judicial Retirement Fund	-	173	-	173
Administrative Expenses	12,216	9,892	526	22,634
Depreciation (Note 8)	578	311	-	889
Total Deductions	1,538,665	700,412	23,382	2,262,459
Net Decrease	(3,818,363)	(1,753,513)	(49,117)	(5,620,993)
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	21,918,750	10,401,218	270,933	32,590,901
End of Year	**$ 18,100,387**	**$ 8,647,705**	**$ 221,816**	**$ 26,969,908**

See accompanying *Notes to the Financial Statements*.

	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				
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 Net 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	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**

(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, 2008, the number of participating units in each system was as follows:

	TRS	ERS
Cities	-	282
Counties	-	64
Other Public Entities	-	507
Universities	13	-
Post-Secondary Institutions	29	-
City and County Bds of Education	131	-
State Agencies & Other	31	1
Totals	**204**	**854**

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	64,429	17,516	304
State Police	-	747	-
Employees of Local Employers	-	15,550	-
Deferred Retirement Option Plan (DROP)	5,071	2,039	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	16,781	3,700	44
State Police	-	12	-
Employees of Local Employers	-	7,165	-
Active employees:			
General	141,217	33,065	348
State Police	-	730	-
Employees of Local Employers	-	52,873	-
Totals	**227,498**	**133,397**	**696**

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

(Dollar Amounts in Thousands)

members with at least 25 years of credited service). 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 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* 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 Expense fund. The majority of expenses are directly

(Dollar Amounts in Thousands)

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

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, 2008, are as follows:

	TRS	ERS	JRF
Annuity Savings	$ 3,153,859	$ 1,860,095	$ 33,933
Pension Accumulation	14,211,168	6,485,519	186,928
Preretirement Death Benefit	23,357	25,694	-
Term Life Insurance	11,489	-	-
Deferred Retirement Option Plan	593,399	219,685	-
Expense	2,947	4,150	955

4) CASH

Cash consists of deposits held by the State Treasurer in the respective retirement systems' 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. The Systems do not have a formal policy regarding interest rate risks. However, the Systems' 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 securities purchased with securities lending cash collateral.

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, 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.

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2008, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS
TRS

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	$ 421,630	$ -	$ -	$ -	$ 421,630	$ 421,630
U.S. Government Guaranteed	60,642	136,187	302,389	-	499,218	470,037
U.S. Agency	-	258,982	186,648	29,311	474,941	470,150
Corporate Bonds	39,679	503,405	443,242	261,765	1,248,091	1,372,178
Private Placements	25,945	340,040	2,232,587	93,860	2,692,432	3,103,041
GNMAs	59	969	726	41,612	43,366	41,179
CMOs	-	2,371	176	213,153	215,700	216,579
Money Market Funds	73,686	-	-	-	73,686	73,686
Total Domestic Fixed Maturity	$ 621,641	$ 1,241,954	$ 3,165,768	$ 639,701	5,669,064	6,168,480
Equities						
Domestic					7,486,456	6,576,767
Private					609,585	828,513
International						
United Kingdom - Pound Sterling					504,852	498,315
Japan - Yen					516,314	559,147
France - Euro					264,126	225,656
Germany - Euro					214,797	169,088
Switzerland - Franc					182,646	132,238
Netherlands - Euro					59,885	60,101
Italy - Euro					87,546	96,674
Spain - Euro					100,160	79,277
Australia - U.S. Dollar					148,591	113,869
Singapore - U.S. Dollar					27,826	25,769
Belgium - Euro					21,334	29,430
Finland - Euro					33,848	32,818
Hong Kong - U.S. Dollar					48,039	47,314
Sweden - Krona					49,941	45,887
Denmark - Krone					22,657	15,875
Portugal - Euro					6,854	8,723
Ireland - Euro					10,056	17,561
Norway - Krone					20,342	15,324
Greece - Euro					15,036	14,353
Austria - Euro					10,947	13,307
New Zealand - Dollar					1,672	2,734
Emerging Markets					148,706	166,000
Total International Equities					2,496,175	2,369,460
Total Equities					10,592,216	9,774,740
Real Estate					1,494,190	1,129,115
Total Investments					**$ 17,755,470**	**$ 17,072,335**

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	$ 106,802	$ -	$ -	$ -	$ 106,802	$ 106,802
U.S. Government Guaranteed	25,905	64,211	137,338	-	227,454	214,130
U.S. Agency	-	114,545	90,148	13,081	217,774	215,637
Corporate Bonds	18,971	228,131	202,997	122,341	572,440	629,370
Private Placements	12,433	162,861	1,100,848	41,778	1,317,920	1,522,003
GNMAs	24	468	701	16,211	17,404	16,582
CMOs	-	982	-	96,980	97,962	98,430
Money Market Funds	42,070	-	-	-	42,070	42,070
Total Domestic Fixed Maturity	$ 206,205	$ 571,198	$ 1,532,032	$ 290,391	2,599,826	2,845,024
Equities						
Domestic					3,532,144	3,134,745
Private					510,202	642,843
International						
United Kingdom - Pound Sterling					221,835	217,811
Japan - Yen					226,833	246,174
France - Euro					116,422	99,057
Germany - Euro					94,395	73,985
Switzerland - Franc					80,267	57,288
Netherlands - Euro					26,333	25,740
Italy - Euro					38,480	42,305
Spain - Euro					44,021	34,080
Australia - U.S. Dollar					65,295	49,985
Singapore - U.S. Dollar					12,234	11,283
Belgium - Euro					9,377	12,941
Finland - Euro					14,876	14,591
Hong Kong - U.S. Dollar					21,121	20,816
Sweden - Krona					21,945	20,260
Denmark - Krone					9,956	6,955
Portugal - Euro					3,010	3,815
Ireland - Euro					4,417	7,672
Norway - Krone					8,944	6,827
Greece - Euro					6,606	6,311
Austria - Euro					4,806	5,877
New Zealand - Dollar					735	1,221
Emerging Markets					72,889	81,250
Total International Equities					1,104,797	1,046,244
Total Equities					5,147,143	4,823,832
Real Estate					726,105	568,805
Total Investments					**$ 8,473,074**	**$ 8,237,661**

(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	1,819	2,541	6,981	-	11,341	10,637
U.S. Agency	-	3,541	3,270	665	7,476	7,379
Corporate Bonds	1,075	9,288	10,895	5,916	27,174	30,588
Private Placements	-	1,645	4,907	376	6,928	9,782
GNMAs	-	1	36	325	362	357
CMOs	-	89	-	4,934	5,023	5,049
Money Market Funds	3,619	-	-	-	3,619	3,619
Total Domestic Fixed Maturity	$ 25,509	$ 17,105	$ 26,089	$ 12,216	80,919	86,407
Equities						
Domestic					118,731	81,117
International						
United Kingdom - Pound Sterling					3,064	4,039
Japan - Yen					3,174	4,255
France - Euro					1,575	1,906
Germany - Euro					1,307	1,336
Switzerland - Franc					1,111	1,263
Netherlands - Euro					364	482
Italy - Euro					532	748
Spain - Euro					610	673
Australia - U.S. Dollar					904	998
Singapore - U.S. Dollar					168	170
Belgium - Euro					130	249
Finland - Euro					206	237
Hong Kong - U.S. Dollar					286	335
Sweden - Krona					313	420
Denmark - Krone					144	146
Portugal - Euro					42	57
Ireland - Euro					61	141
Norway - Krone					124	131
Greece - Euro					91	116
Austria - Euro					67	107
New Zealand - Dollar					10	15
Emerging Markets					2,478	2,750
Total International Equities					16,761	20,574
Total Equities					135,492	101,691
Real Estate					2,647	892
Total Investments					**$ 219,058**	**$ 188,990**

The following tables provide information as of September 30, 2008, 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	$ 542,584	$ 511,216	9.571
Aaa	750,207	756,371	13.233
AAA (SP)	176	168	0.003
Aa1	30,508	30,726	0.538
Aa2	62,816	65,644	1.108
Aa3	116,382	134,827	2.053
P-1	74,004	74,004	1.305
P-2	421,312	421,312	7.432
A1	139,794	152,694	2.466
A2	118,781	131,851	2.095
A3	170,643	183,140	3.010
Baa1	192,747	189,782	3.400
BBB+ (SP)	26,597	21,898	0.469
Baa2	228,914	244,710	4.038
BBB (SP)	16,271	16,250	0.287
Baa3	137,829	146,528	2.431
Ba1	21,849	22,864	0.385
Ba2	44,081	51,467	0.778
B1	13,460	13,376	0.237
B3	10,352	32,333	0.183
‡ Not Rated	2,549,757	2,967,319	44.978
Totals	$ 5,669,064	$ 6,168,480	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	$ 244,858	$ 230,712	9.418
Aaa	343,002	345,960	13.193
Aa1	13,796	13,898	0.531
Aa2	28,841	30,137	1.109
Aa3	51,142	59,622	1.967
A1	68,483	73,813	2.634
A2	54,033	59,962	2.078
P-1	42,070	42,070	1.618
P-2	106,802	106,802	4.108
A3	77,418	83,139	2.978
Baa1	91,454	88,641	3.518
BBB+ (SP)	11,717	9,647	0.451
Baa2	103,374	110,668	3.976
BBB (SP)	5,757	5,750	0.221
Baa3	60,001	64,153	2.308
Ba1	11,718	12,277	0.451
Ba2	21,016	24,743	0.808
B1	6,190	6,197	0.238
B2	160	155	0.006
B3	5,355	15,723	0.206
Caa1	66	85	0.003
‡ Not Rated	1,252,573	1,460,870	48.180
Totals	$ 2,599,826	$ 2,845,024	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	$ 11,703	$ 10,994	14.463
Aaa	14,192	14,503	17.539
Aa1	712	718	0.880
Aa2	1,422	1,487	1.757
Aa3	2,280	2,744	2.818
A1	2,568	2,981	3.174
A2	3,033	3,377	3.748
P-1	3,619	3,619	4.472
P-2	18,996	18,996	23.475
A3	3,671	3,811	4.537
Baa1	4,548	4,912	5.620
Baa2	4,608	5,059	5.695
BBB (SP)	1,001	1,000	1.237
Baa3	2,163	2,383	2.673
Ba1	1,964	2,067	2.427
B3	73	562	0.090
Caa1	1,007	1,295	1.244
‡ Not Rated	3,359	5,899	4.151
Totals	$ 80,919	$ 86,407	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, 2008, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 10.57% and 12.65%, respectively, of the TRS and 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 (State Street), administers the program. Certain securities from the TRS, ERS, and JRF are loaned to borrowers approved by the Systems for collateral that will be returned for the same type of securities. 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

(Dollar Amounts in Thousands)

value of 102% of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105% of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5% of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall 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 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, 2008, the average term of the loans was 2, 3, and 3 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, 2008, the fair value of the securities on loan was $1,943,850, $905,074, and $40,519 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was $2,027,865, $937,761 and $41,364 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, 2008. 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, 2008, 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	$ 747,939	$ 325,705	$ 19,592	$ 1,093,236
Domestic Equity	517,861	288,951	16,491	823,303
International Equity	272,483	105,114	816	378,413
Total Lent for Cash Collateral	1,538,283	719,770	36,899	2,294,952
For Non-cash Collateral				
Domestic Equity	23,380	10,235	1,742	35,357
International Equity	382,187	175,069	1,878	559,134
Total Lent for Non-cash Collateral	405,567	185,304	3,620	594,491
Total Securities Lent	**$ 1,943,850**	**$ 905,074**	**$ 40,519**	**$ 2,889,443**
Type of Collateral Received				
Cash Collateral - Invested in State Street Quality D Fund	$ 1,581,944	$ 731,431	$ 37,472	$ 2,350,847
Non-cash Collateral				
For Lent Domestic Equity Securities				
Securities Collateral - USD	23,938	11,139	1,790	36,867
Letters of Credit	1,494	26	11	1,531
For Lent International Equity Securities				
Securities Collateral				
Canadian Dollars	592	17	-	609
EURO	769	478	-	1,247
US Dollar	417,783	193,758	2,091	613,632
Letters of Credit	1,345	912	-	2,257
Total Non-cash Collateral	445,921	206,330	3,892	656,143
Total Collateral Received	**$ 2,027,865**	**$ 937,761**	**$ 41,364**	**$ 3,006,990**

D. Mortgage-backed Securities

As of September 30, 2008, 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.

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

(Dollar Amounts in Thousands)

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 (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded/ (Overfunded) AAL (UAAL) (B-A)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
TRS						
9/30/2007	$ 20,650,916	$ 25,971,534	$ 5,320,618	79.5	$ 6,310,616	84.3
ERS						
9/30/2007	9,770,897	12,370,342	2,599,445	79.0	3,389,156	76.7
JRF						
9/30/2007	265,189	315,941	50,752	83.9	41,318	122.8

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, 2007	September 30, 2007	September 30, 2007
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	20 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 2008 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, 2008:

	TRS	ERS
Land	$ 5,776	$ 3,034
Building and Improvements	101,092	51,605
Furniture and Equipment	3,149	1,576
Total Property and Equipment	110,017	56,215
Less Accum Depreciation	(5,849)	(3,653)
Net Property and Equipment	**$ 104,168**	**$ 52,562**

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) administered by the State Employees' Health Insurance Board (Board). The State Employees' Insurance Fund (SEIF) was established in 1965 under the provisions of Act 833 of the Legislature to provide health insurance benefits for employees and retired employees of the State of Alabama. In addition, The *Code of Alabama, Section 36-36-1*, established the Alabama Retired State Employees' Health Care Trust (Trust) for the purpose of accumulating assets to fund retiree benefits. The Trust is a single-employer plan. The Trust issues financial statements that may be obtained by writing to:

State Employees' Insurance Board
P.O. Box 304900
Montgomery, AL 36130

(Dollar Amounts in Thousands)

The *Code of Alabama 1975, Section 36-29-7*, authorizes the employer contributions to the plan. Each year, the Legislature sets the premium rate in the annual appropriation bill required to be paid by employers on behalf of each active member. A portion of the premium is used to assist in funding retiree benefits. The fiscal year 2008 rate was $775 per active member per month.

The *Code of Alabama, Section 36-29-19.7* authorizes the retiree contributions to the plan. Required monthly contribution rates for FY2008 were as follows:

Required Member Rates
-Individual Coverage/Non-Medicare Eligible – $167
-Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – $365
-Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible – $288
-Individual Coverage/Medicare Eligible Retired Member – $0
-Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – $198
-Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible – $121
-For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

Surviving Spouse Rates
-Surviving Spouse Non-Medicare Eligible – $288
-Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible – $486
-Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible – $409
-Surviving Spouse Medicare Eligible – $121
-Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible – $319
-Surviving Spouse Medicare Eligible and Dependent Medicare Eligible – $242

RSA employees participate in the State Employees' Health Insurance Plan, which is a single employer health insurance plan for the State of Alabama. 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. The following table details the annual required contributions and the percentage contributed. Information will be presented prospectively until the required three year disclosure is met.

	Fiscal Year Ended	Annual Required Contributions	Percentage Contributed
TRS	2008	$ 1,259	17.30
ERS	2008	1,259	18.10
JRF	2008	18	18.30

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	2008	$ 1,060	100
	2007	739	100
	2006	613	100
ERS	2008	809	100
	2007	558	100
	2006	422	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 2028. Rental payments (reported as investment income) from leases with state agencies totaled $22,787 during the 2008 fiscal year.

12) SUBSEQUENT EVENTS

Subsequent to September 30, 2008, the financial markets continued to decline. Accordingly, as of December 31, 2008, the TRS, ERS, and JRF portfolios had declined by approximately 11.11%, 10.69%, and 13.50%, respectively, compared to September 30, 2008.

(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 2008-2009 are 12.07% for the TRS, 11.88% for the ERS - State Employees, 30.99% 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.

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

SCHEDULE OF FUNDING PROGRESS

	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded/ (Overfunded) AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
TRS							
**	9/30/2007	$ 20,650,916	$ 25,971,534	$ 5,320,618	79.5	$ 6,310,616	84.3
	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
ERS							
	9/30/2007	9,770,897	12,370,342	2,599,445	79.0	3,389,156	76.7
	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
JRF							
	9/30/2007	265,189	315,941	50,752	83.9	41,318	122.8
	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

** Covered payroll includes the pay increase granted by Act 2007 -296.

* Covered payroll includes the pay increase granted by Act 2005 -174.

† Covered payroll includes estimated salary increases granted to members of the Fund under Act 99-427.

(Dollar Amounts in Thousands)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

	Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
TRS			
	9/30/2008	$ 729,995	100
	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
ERS			
	9/30/2008	329,339	100
	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
JRF			
	9/30/2008	9,880	100
	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

Schedule of Administrative Expenses
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Personal Services:				
Salaries	$ 5,652	$ 5,179	$ 385	$ 11,216
Employee Fringe Benefits	2,661	2,647	89	5,397
Total Personal Services	8,313	7,826	474	16,613
Professional Services:				
Actuarial	98	210	20	328
Accounting and Auditing	52	34	17	103
Information Technology	169	38	-	207
Education & Training	62	10	-	72
Mailing Services	215	86	-	301
Legal Services	-	6	-	6
Personnel Services	64	-	-	64
Other Professional Services and Fees	167	89	5	261
Total Professional Services	827	473	42	1,342
Communications and Travel:				
Telecommunications	143	152	-	295
Internet Access	33	30	-	63
Postage	1,052	561	-	1,613
Travel	103	75	-	178
Total Communications and Travel	1,331	818	-	2,149
Rentals:				
Office Space	617	248	10	875
Equipment Leasing	112	63	-	175
Total Rentals	729	311	10	1,050
Miscellaneous:				
Supplies	898	408	-	1,306
Maintenance	118	56	-	174
Total Miscellaneous	1,016	464	-	1,480
Total Administrative Expenses	**$ 12,216**	**$ 9,892**	**$ 526**	**$ 22,634**

Schedule of Investment Expenses
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Investment Activity				
Investment Management Fees:				
Salaries and Benefits	$ 4,967	$ 3,170	$ -	$ 8,137
Dues, Subscriptions and Rentals	319	209	-	528
Travel	13	8	-	21
Professional Services:				
Investment Advisor	60	30	-	90
Investment Custodian	141	98	8	247
Real Estate Appraisal	490	232	-	722
Total Investment Activity Expenses	5,990	3,747	8	9,745
Securities Lending Activity				
Securities Lending Borrower Rebates	57,695	26,649	1,298	85,642
Securities Lending Management Fees	4,332	1,988	77	6,397
Total Securities Lending Activity Expenses	62,027	28,637	1,375	92,039
Total Investment Expenses	**$ 68,017**	**$ 32,384**	**$ 1,383**	**$ 101,784**

Financial Section

Schedule of Professional/Consultant Fees
For the Fiscal Year Ended September 30, 2008

(Amounts in Thousands)

Professional/Consultant	Nature of Service	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Cavanaugh MacDonald	Actuary	$ 87	$ 168	$ 20	$ 275
KPMG	Auditor	64	25	17	106
Carr, Riggs & Ingram	Auditor	18	9	-	27
Action in Mailing Inc.	Mail	96	70	-	166
VR Election Services	Mail	104	-	-	104
State Personnel Department	Personnel	64	-	-	64
Fine & Geddie	Consultant	50	-	-	50
Alabama Dept of Finance	Information Technology	16	15	-	31
Auburn Montgomery	Information Technology	188	18	-	206
University of Alabama	Information Technology	27	13	-	40
Admiral Movers	Moving	65	40	4	109
Various	Other	48	115	1	164
Total Professional/Consultant Fees-Admin Services		**827**	**473**	**42**	**1,342**
Regions Bank	Investment Advisor	60	30	-	90
State Street Bank & Trust Co.	Investment Custodial	141	98	8	247
Pearson Realty Services	Real Estate Appraisor	160	67	-	227
Houlihan, Lokey, Zukin Fin. Advisors	Real Estate Appraisor	330	165	-	495
Total Professional/Consultant Fees-Investment Services		**691**	**360**	**8**	**1,059**
Total Professional/Consultant Fees		**$ 1,518**	**$ 833**	**$ 50**	**$ 2,401**

ALABAMA
TENNESSEE
MISSISSIPPI
GEORGIA
FLORIDA
GREAT SEAL

INVESTMENT SECTION

Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September 30, 2008. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year.

After a good five-year run in the capital markets, fiscal year 2008 shoved the thrusters in reverse at full throttle. The housing slowdown that started in earnest a couple of years ago evolved into a crisis and then meltdown mode. Add a healthy dose of financial leverage with a plummeting asset and multi-market financial contagion is the result.

Early in the new fiscal year, the foundation was starting to crack. The write-downs the banks said were over were actually accelerating. The market was still somewhat accommodating at that point as tens of billions of dollars were raised to prop up the deteriorating balance sheets of most banks. At about the same time, the Federal Reserve had a revelation and announced they were cutting the Fed Funds rate. Throughout the spring and summer, the Fed continued to pump money into the financial system through a laundry list of "facilities." In late summer Freddie Mac and Fannie Mae were more or less bought by the government, leaving little to no value to common and preferred shareholders, with the latter surprising many investors.

Getting close to the end of the fiscal year is when the bad got ugly. Merrill Lynch is forced to sell itself to Bank of America. Lehman Brothers scrambles to find a buyer, but there are no takers. On September 15, Lehman Brothers declares bankruptcy. This is followed by the AIG debacle, and the credit markets basically freezing up. Some money market funds break the "buck," and credit spreads gap out to record wides.

At the same time, the global markets were unraveling as well. The decoupling theme that had been the mantra the past few years is thrown out the window. In a nutshell, the fiscal year closed out with more economic and financial uncertainty than most anyone other than those who lived through the Great Depression can remember.

Hopefully, the global concerted effort to infuse liquidity back into the market will work in the near future. The RSA was relatively inactive in that we did not add to equities, as the allocation as a percent of assets declined throughout the year. We do not foresee making any big shifts in the coming couple of quarters. With investor and consumer confidence at record lows, it could take some time for them to retest the waters. We will continue to demand the best execution from all of our financial counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama.

RSA Performance Summary

As of September 30, 2008, aggregate defined benefit assets under management totaled $26.672 billion. During fiscal year 2008, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund were (15.36)%, (15.21)%, and (14.58)%, respectively.

Equities

As you would suspect, making a high nine days into the New Year is not a good thing. Basically from the beginning, fiscal year 2008 was on a slippery slope. The subprime debacle was beginning to manifest itself in ways even the bears had not foreseen. The ultimate result for the stock market was a slow bleed of negative earnings estimate revisions and multiple compressions. In between we saw a rescue of Bear Stearns, Lehman filing for bankruptcy, and the government basically nationalizing the largest insurance company in the U.S. We also learned that the various central banks of the world were more or less asleep at the switch. The less volatile world that we had grown accustomed to also dissolved, as evidenced by the Vix index. The Vix, which is a measure of short term volatility, started the New Year at 18 and closed out the year at 39. The volatility was not limited to just stocks, but nearly every other asset class, both hard and financial. In a nutshell, there was nowhere to hide, with the exception of cash and treasuries.

For the year, the RSA domestic equity portfolios decreased -20.61%, -20.67%, and -21.20% for the TRS, ERS, and JRF funds, respectively. International equity returns fared worse, posting declines of -28.65% for TRS, -28.57% for ERS, and -26.84% for JRF. The combined total return for the overall equity portfolios were -22.77%, -22.69%, and -21.94% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 1.04%, 6.96%, and 5.52% for TRS, 1.03%, 6.94%, and 5.49% for ERS, and 0.53%, 5.70%, and 3.78% for JRF, respectively.

Fixed Income

At the beginning of fiscal year 2008, the Federal Reserve had just lowered the discount rate to 5.75% after two failed attempts to calm financial markets by pumping in liquidity. The discount window is a backup facility for banks and depository institutions in the overnight funds market provided by the Federal Reserve. The move was executed in response to a global credit crunch that had temporarily caused overnight lending rates to soar. At its scheduled September meeting, policymakers lowered the federal funds rate by 50 basis points, stating that the "tightening of credit conditions has the potential to intensify the housing correction and to restrain economic growth". With the economic climate getting worse and consumer confidence shaken, the Federal Reserve opted to lower short-term interest rates once again at the end of October bringing the bank lending rate to 4.50%. Thomas Hoenig, the Federal Reserve Bank of Kansas City President, cast the only dissenting vote.

During this time, the Treasury yield curve steepened dramatically as expectations began to rise regarding future rate cuts. While governing bodies felt the "expansion would likely slow in the near term", the housing recession had yet to filter down into the employment numbers. The "flight to quality" was quite evident in November with Treasuries posting over a 3% return. The Fed lowered rates at the December FOMC meeting as concerns about credit availability and the sizable losses at financial institutions took center stage. Many of the issues concerning bank balance sheets and counterparty risk were continuing evidence of the deterioration of mortgage-related assets. The one bright spot was the ability to raise capital through preferred equity offerings and the infusion of cash from sovereign wealth funds.

As the new calendar year rolled in, economic activity began to sharply decelerate with a noticeable deterioration in the labor market. Headline inflation numbers had also ramped up considerably due to the rapid rise in energy prices. Things finally came to a head in mid January. Standard & Poor's placed Ambac, a municipal bond guarantor that also insures mortgage-related structured products, on negative watch. The prospect of downgrades and the deterioration in the condition of other municipal insurers shook the market as these actions could lead to massive write-downs at large financial institutions. Seeing international markets get bludgeoned and recognizing the crisis of confidence, the Federal Reserve lowered the federal funds rate by 75 basis points before the equity market opened. Policymakers wasted little time with a follow-up 50 basis point move at its scheduled January meeting one week later. Dallas Fed President Richard Fisher, the resident hawk of the committee, cast the only dissenting vote on concern that inflation expectations could become unanchored.

In March, the Federal Reserve announced an expansion to its securities lending program by introducing a new Term Securities Lending Facility (TSLF). The program actually gives non-bank dealers access to the same kind of collateral awarded to banks under the Term Auction Facility (TAF). In order to "promote liquidity" and "foster the functioning" of financial markets, the Fed is essentially taking the opposite side of the prevailing market trade at the moment, which is to sell mortgage-backed securities and buy Treasuries. Unfortunately for Bear Stearns, the auctions for the facility did not come in time. The firm which had been labeled as the originator of the sub-prime crisis last summer had run into major funding problems. As many broker-dealers use the repo market to finance its inventory and positions, no partners were willing to accept the counterparty risk associated with the firm. Trading partners began making margin calls, resulting in a dramatic loss of cash reserves. With no options available, the firm agreed to be purchased by JP Morgan with funding assistance provided by the Federal Reserve. The Fed also established the Primary Dealer Credit Facility (PDCF), which would allow discount window borrowing for primary dealers. Policymakers actually invoked a clause within the Federal Reserve Act to waive the prohibition on loans to non-bank institutions. At the end of March, short-term interest rates were lowered by 75 basis points to 2.25%, a 300 basis point reversal from six months earlier.

In early spring, investors witnessed a gradual improvement in credit spreads, with the cost to insure a basket of investment-grade securities falling considerably. With the expectation that the Federal Reserve would be on hold after its 25 basis point cut in April, Treasury yields rose dramatically and the curve flattened. Fixed income investors began to focus on the prospect of higher inflation as oil and commodities touched new highs. However, sentiment quickly reversed course as the CRB (commodities index) fell approximately 13% in July, its worse showing in nearly three decades. This abrupt movement was in response to the slowdown in economic growth here and abroad.

September 2008 was one month that few will forget. In early September, Treasury Secretary Hank Paulson stepped in to prevent a collapse of Fannie Mae and Freddie Mac. The government seized control of the mortgage-finance companies wiping out preferred and common shareholders along the way. The two represent over 40% ($5 trillion) of the mortgage market. Within a week, Lehman Brothers was forced to file for bankruptcy as a viable solution could not be reached to save the firm. The following day, the Federal Reserve left rates unchanged once again, however they did acknowledge that "strains in financial markets have increased significantly and labor markets have weakened further". The Fed was also forced to throw an $85 billion lifeline to AIG, one of the world's largest insurers. As this all played out, global credit markets came to a halt. Corporate securities in the month of September underperformed their government-backed brethren by 700 basis points. Most of the decline in value came from the financial sector due to the situations involving Lehman and AIG. We feel that governing bodies will continue to create programs in order to free up liquidity to combat the hoarding of cash due to counterparty risks. We also believe that the Federal Reserve will likely continue down the path of reducing interest rates in the near term as consumer spending weakens and inflation fears subside.

For fiscal year 2008, the RSA purchased approximately $2.1 billion in additional securities for the fixed income portfolio. As of September 30, 2008, the RSA's fixed income portfolio had a market value of $10.6 billion, of which 6.3% was in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were -1.84% for the TRS, -2.01% for the ERS, and -1.39% for the JRF. The five-year annualized returns were 6.34% for the TRS, 6.33% for the ERS, and 5.16% for the JRF. The ten-year annualized returns were 6.02% for the TRS, 5.96% for the ERS, and 4.37% for the JRF.

Throughout the year, various attempts were made to rejuvenate the economy. Tax rebates were distributed, but increasing gas prices sucked up whatever money that wasn't used to pay down credit card debt. The Federal Reserve and the Treasury enacted a consortium of acronyms to halt the credit crisis and to provide liquidity to a market that had for all intensive purposes shut down. A crisis of confidence is a suitable description of how investors and consumers finished out the year. No matter what actions were taken to rebuild confidence, the glass was seen as half empty.

The above was applicable for the Retirement Systems as well. There was very little change to the equity portfolio in the 12 months ended September 30. As the uncertainty in the economy and markets continued to grow, the RSA made no allocation shift toward equities. As a result, the weighting of stocks as a percent of the overall funds shrunk 7% during the fiscal year.

In review, the RSA equity allocation began the year at roughly 63%, and closed out fiscal 2008 at 56% on average across the three funds. Domestic equities account for 42% of the fund, and international equities are now 14% of the total. For the first time in three years, small-cap stocks outperformed large-caps by a wide margin. The S & P 500 index was down -21.98%, the S & P 400 Midcap index was down -16.68%, and the S & P Smallcap 600 index was down -13.83%. The MSCI EAFE index was the laggard, down -30.50% for the twelve month period.

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.

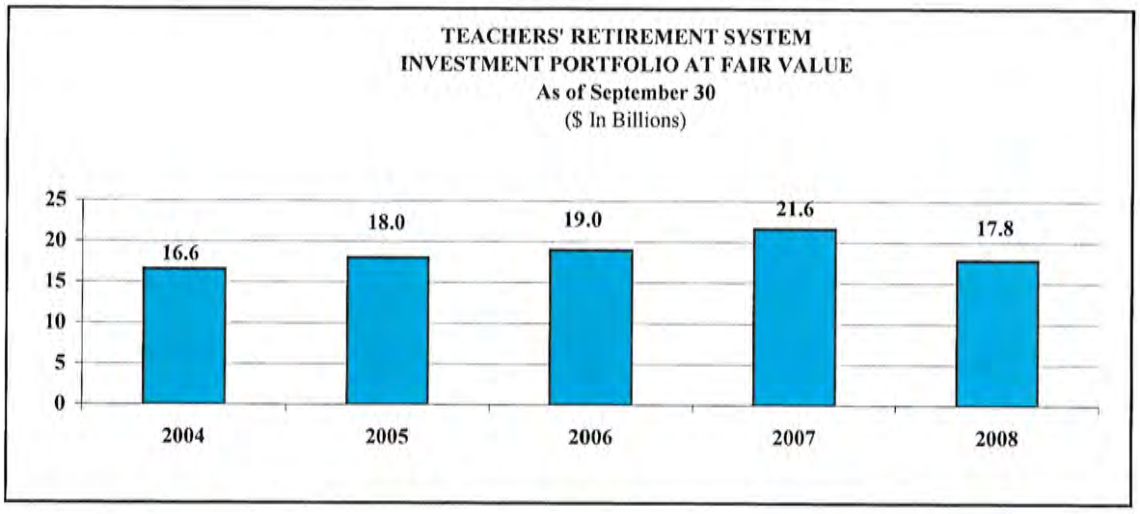
6. An annual survey will be made of all fixed income investments held with emphasis on credit quality. A holding that has been downgraded in rating will be examined as to the reason for the downgrade and a determination should be made as to whether the security should remain in the portfolio.

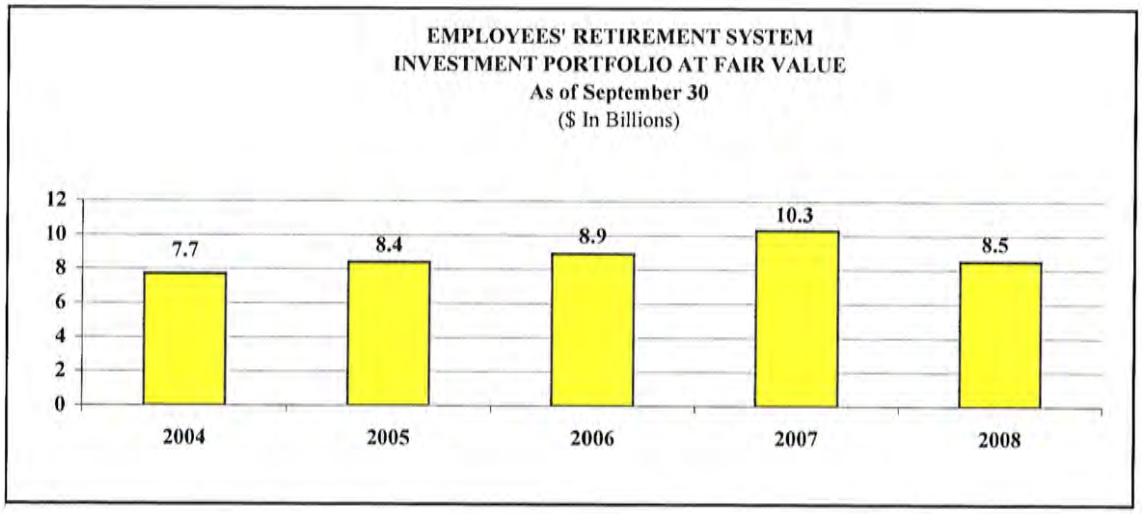
7. The rules of the Securities Exchange Commission, the general policies of the Boards of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The RSA staff will provide the Alabama Ethics Commission with a quarterly report of all purchases and sales of any and all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

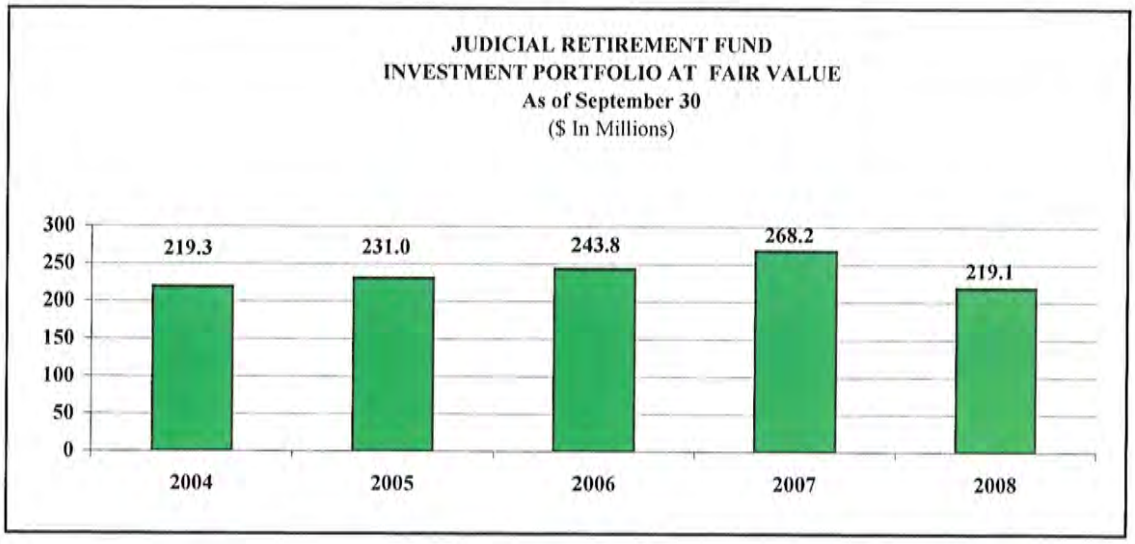
Schedule of Investment Performance
For the Fiscal Year Ended September 30, 2008

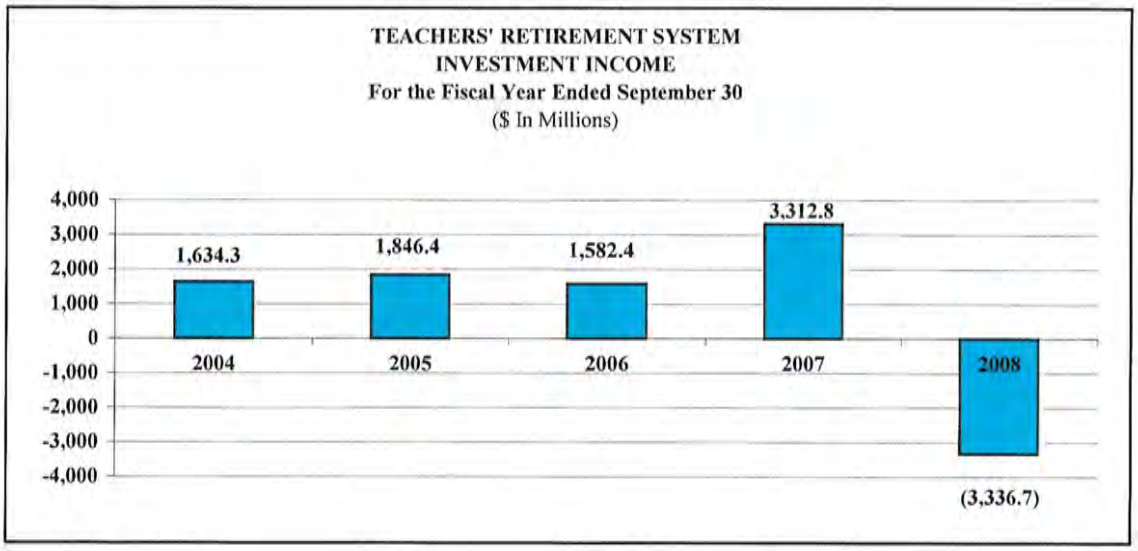
		Annualized		
	1 Year	**Last 3 Years**	**Last 5 Years**	**Last 10 Years**
Total Portfolio				
TRS	-15.36%	2.66%	5.91%	5.20%
ERS	-15.21%	2.71%	5.76%	5.02%
JRF	-14.58%	2.13%	5.44%	4.08%
Total Domestic Equity				
TRS	-20.61%	0.69%	5.98%	4.29%
ERS	-20.67%	0.68%	5.99%	4.32%
JRF	-21.20%	0.56%	5.72%	3.79%
Domestic Equity Benchmarks:				
S&P 500	-21.98%	0.22%	5.17%	3.06%
Dow Jones Industrial Average	-19.84%	3.33%	5.60%	5.46%
S&P MidCap 400	-16.68%	1.78%	8.65%	10.30%
S & P 600 Smallcap	-13.83%	2.00%	9.89%	10.05%
Total International Equity				
TRS	-28.65%	2.22%	10.53%	5.78%
ERS	-28.57%	2.25%	10.52%	5.81%
JRF	-26.84%	n/a	n/a	n/a
International Equity Benchmarks:				
Morgan Stanley EAFE (Unhedged)	-30.50%	1.12%	9.69%	5.02%
Total Fixed Income and Alternatives				
TRS	-3.23%	4.94%	4.98%	5.34%
ERS	-3.74%	5.07%	4.96%	5.28%
JRF	-0.04%	4.69%	5.20%	4.39%
Fixed Income Benchmarks:				
Citigroup Big	4.48%	4.48%	4.03%	5.32%
Lehman Bros. Aggregate	3.65%	4.15%	3.78%	5.20%

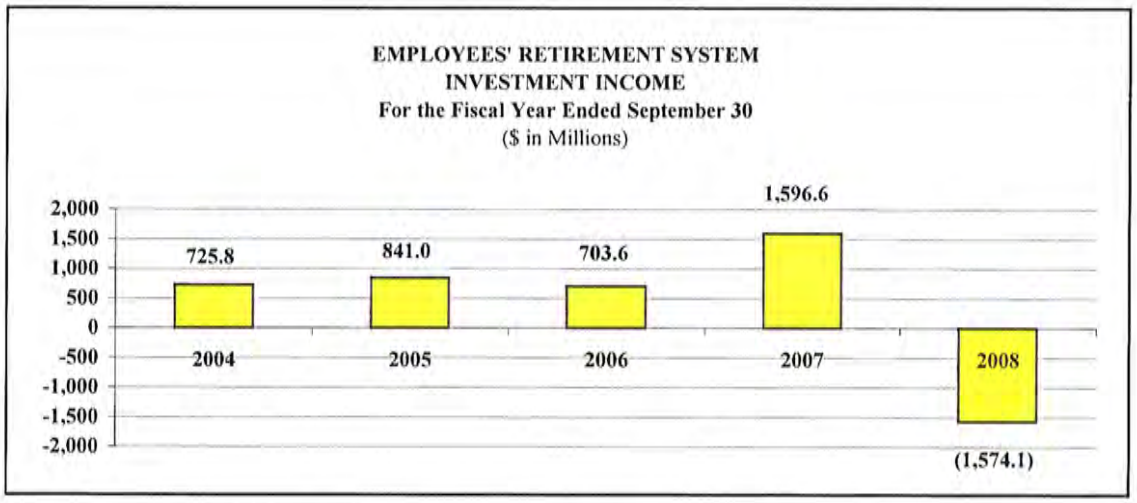
Investment Portfolio at Fair Value
Five-Year Comparison

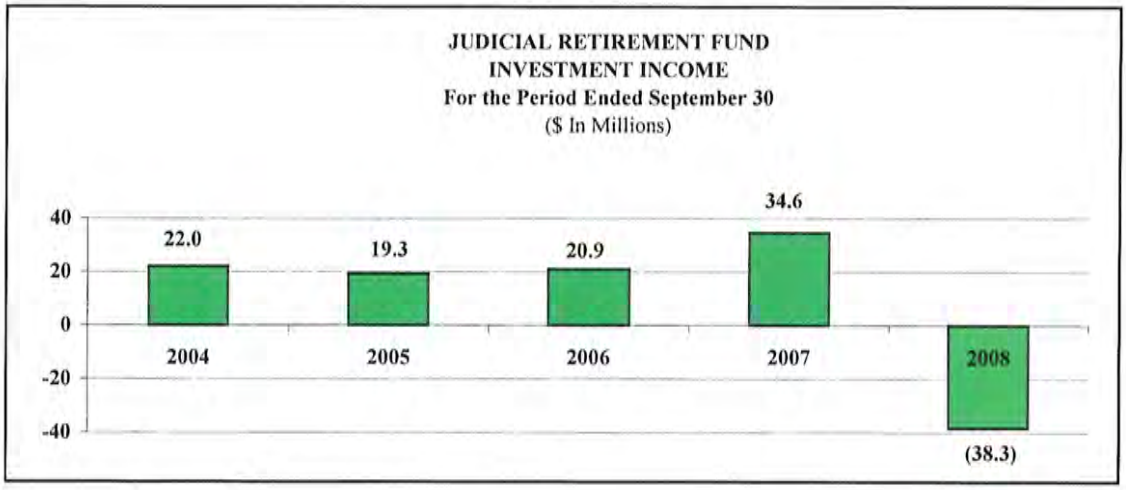


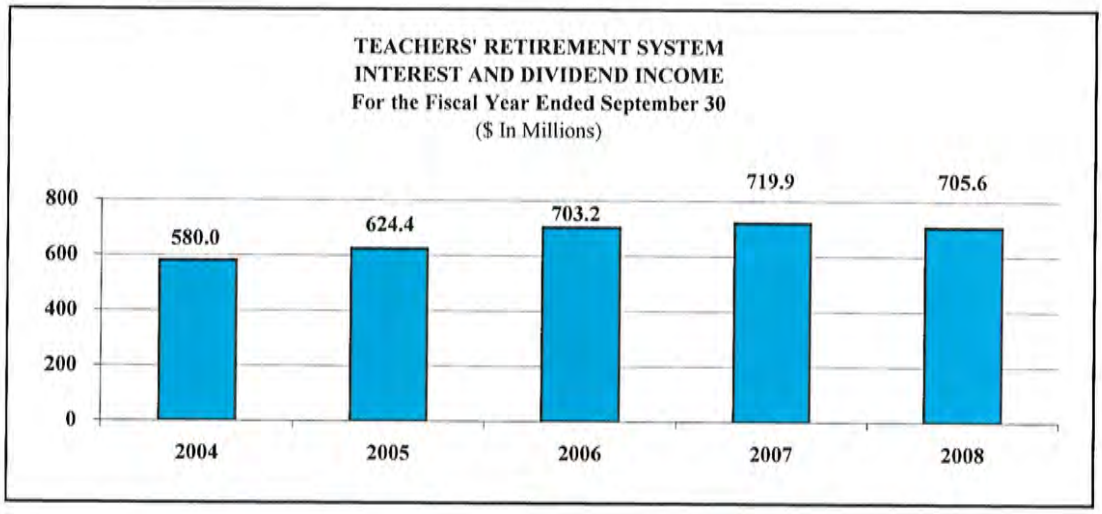


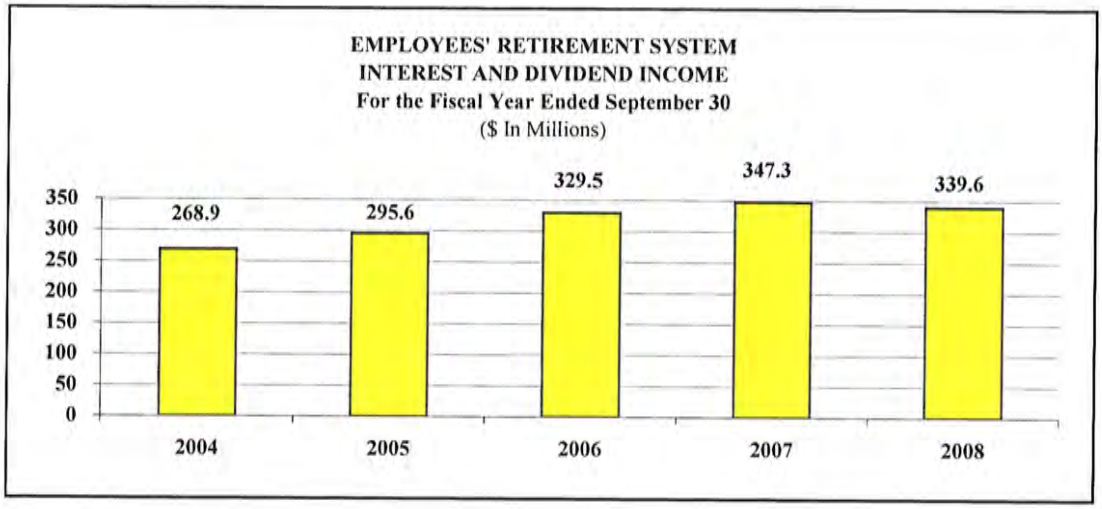


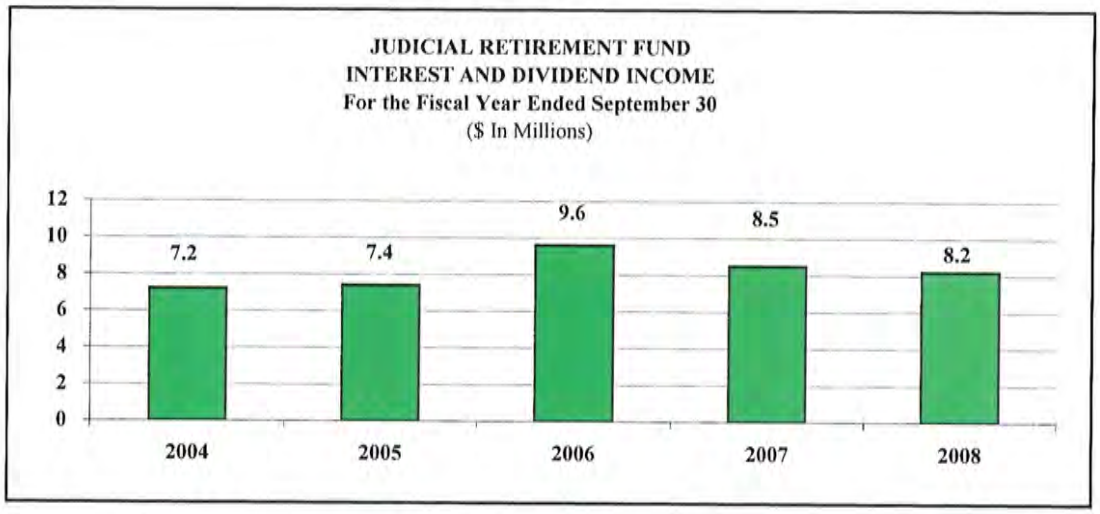

TEACHERS' RETIREMENT SYSTEM
INVESTMENT INCOME
For the Fiscal Year Ended September 30
($ In Millions)
4,000
3,000
2,000
1,000
0
-1,000
-2,000
-3,000
-4,000
1,634.3
1,846.4
1,582.4
3,312.8
(3,336.7)
2004
2005
2006
2007
2008


EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT INCOME
For the Fiscal Year Ended September 30
($ in Millions)
2,000
1,500
1,000
500
0
-500
-1,000
-1,500
-2,000
725.8
841.0
703.6
1,596.6
(1,574.1)
2004
2005
2006
2007
2008

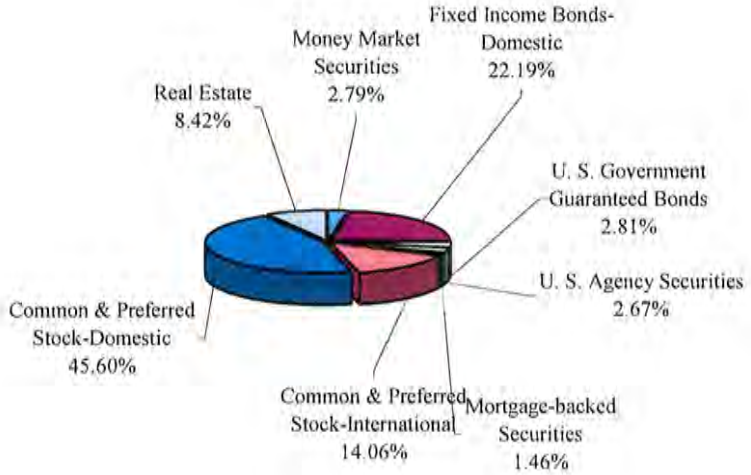

JUDICIAL RETIREMENT FUND
INVESTMENT INCOME
For the Period Ended September 30
($ In Millions)
40
20
0
-20
-40
22.0
19.3
20.9
34.6
(38.3)
2004
2005
2006
2007
2008


TEACHERS' RETIREMENT SYSTEM
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
800
600
400
200
0
580.0
624.4
703.2
719.9
705.6
2004
2005
2006
2007
2008


EMPLOYEES' RETIREMENT SYSTEM
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
350
300
250
200
150
100
50
0
268.9
295.6
329.5
347.3
339.6
2004
2005
2006
2007
2008


JUDICIAL RETIREMENT FUND
INTEREST AND DIVIDEND INCOME
For the Fiscal Year Ended September 30
($ In Millions)
12
10
8
6
4
2
0
7.2
7.4
9.6
8.5
8.2
2004
2005
2006
2007
2008

TEACHERS' RETIREMENT SYSTEM
INVESTMENT ALLOCATION
Fair Value as of September 30, 2008



TEACHERS' RETIREMENT SYTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2008
($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 495,316	2.79
U.S. Government Guaranteed	499,218	2.81
U.S. Agency Securities	474,941	2.67
Mortgage-backed Securities	259,066	1.46
Fixed Income Bonds		
Domestic	3,940,523	22.19
Common and Preferred Stocks		
Domestic	8,096,041	45.60
International	2,496,175	14.06
Real Estate	1,494,190	8.42
Total Investments	**$ 17,755,470**	**100.00**

TEACHERS' RETIREMENT SYSTEM
LARGEST STOCK HOLDINGS
September 30, 2008
(Amounts In Thousands)

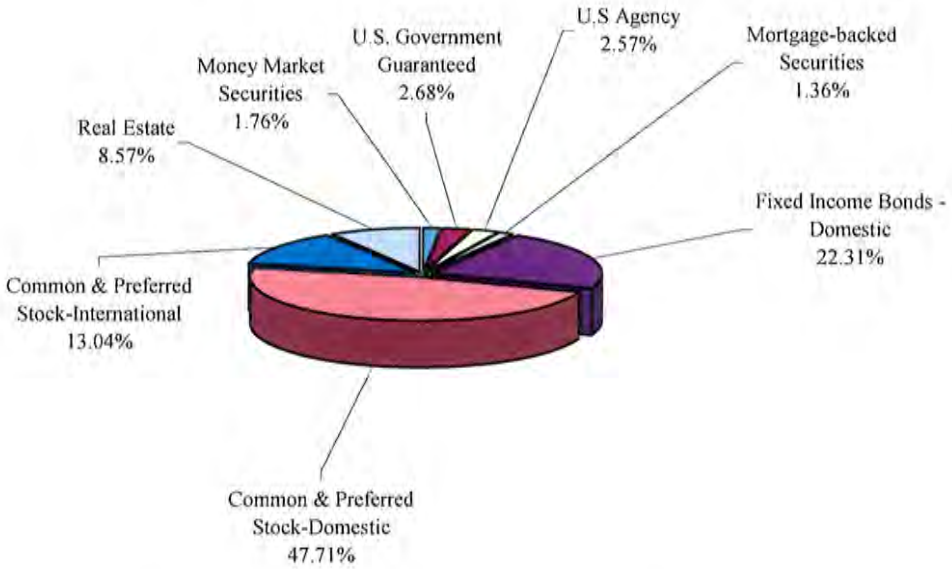
	Shares	Stock	Fair Value
1)	391	Goldman Sachs Small Cap Equity Linked Notes	$ 390,672
2)	283	Raycom Media	276,880
3)	2,949	Exxon Mobil	228,991
4)	413	Community News	220,301
5)	207	Goldman Sachs S&P 500 Equity Linked Notes	186,362
6)	172	Credit Suisse Medium Term Equity Linked Notes	148,780
7)	5,527	General Electric	140,938
8)	4,627	Microsoft	123,484
9)	1,730	Proctor and Gamble	120,534
10)	1,704	Johnson & Johnson	118,022

TEACHERS' RETIREMENT SYSTEM
LARGEST BOND HOLDINGS
September 30, 2008
($ in Thousands)

	Par	Bonds	Fair Value
1)	$1,631,136	Raycom Media 6.75% due 12/15/16	$ 1,597,684
2)	760,095	Community News 6.75% due 1/31/17	405,171
3)	178,315	National Alabama LP 8.5% due 10/9/10	178,315
4)	124,894	U.S. Treasury 4.25% due 8/15/15	132,098
5)	100,100	Alabama River Group 8.625% due 10/8/13	100,736
6)	83,366	U.S. Treasury 4.00% due 2/15/15	87,477
7)	64,456	U.S. Treasury 4.125% due 5/5/15	67,953
8)	51,525	U.S. Treasury 4.75% due 5/31/12	55,363
9)	49,943	U.S. Treasury 2.125 due 4/3/10	50,181
10)	45,199	Point Clear Partners LLC 8.50% due 12/12/15	45,199

A complete list of portfolio holdings is available upon request.

EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
INVESTMENT ALLOCATION
Fair Value as of September 30, 2008



EMPLOYEES' RETIREMENT SYSTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2008
($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 148,872	1.76
U.S. Government Guaranteed	227,454	2.68
U.S. Agency Securities	217,774	2.57
Mortgage-backed Securities	115,366	1.36
Fixed Income Bonds		
Domestic	1,890,360	22.31
Common and Preferred Stocks		
Domestic	4,042,346	47.71
International	1,104,797	13.04
Real Estate	726,105	8.57
Total Investments	**$ 8,473,074**	**100.00**

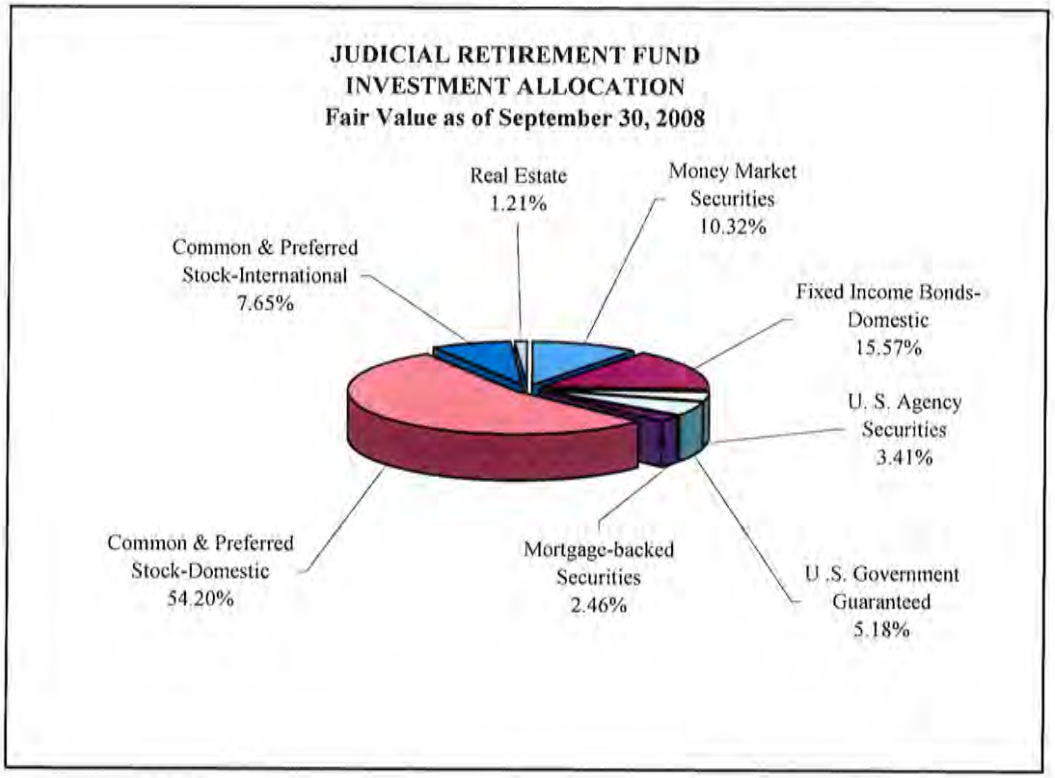
EMPLOYEES' RETIREMENT SYSTEM
LARGEST STOCK HOLDINGS
September 30, 2008
(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	283	Raycom Media	$ 276,880
2)	161	Goldman Sachs Small Cap Equity Linked Notes	160,667
3)	253	Community News	134,922
4)	1,408	Exxon Mobil	109,373
5)	93	Goldman Sachs S&P 500 Equity Linked Notes	83,728
6)	78	Credit Suisse Medium Term Equity Linked Notes	67,470
7)	2,641	General Electric	67,337
8)	2,303	ACON Signal	66,858
9)	2,222	Microsoft	59,311
10)	828	Proctor and Gamble	67,699

EMPLOYEES' RETIREMENT SYSTEM
LARGEST BOND HOLDINGS
September 30, 2008
($ In Thousands)

	Par	Bonds	Fair Value
1)	$ 810,476	Raycom Media 6.75% due 12/15/16	$ 793,854
2)	384,386	Community News 6.75% due 1/31/17	204,898
3)	87,827	National Alabama LP	87,827
4)	59,729	U.S. Treasury 4.25% due 8/15/15	63,174
5)	42,900	Alabama River Group 8.625% due 10/8/13	43,172
6)	36,594	U.S. Treasury 4.00% due 2/15/15	38,398
7)	29,702	U.S. Treasury 4.125% due 5/15/15	31,313
8)	23,837	U.S. Treasury 4.75% due 5/31/12	25,613
9)	23,288	U.S. Treasury 2.125% due 4/30/10	23,399
10)	22,262	Point Clear Partners LLC	22,262

A complete list of portfolio holdings is available upon request.



JUDICIAL RETIREMENT FUND
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2008
($ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	$ 22,615	10.32
U.S. Government Guaranteed	11,341	5.18
U.S. Agency Securities	7,476	3.41
Mortgage-backed Securities	5,385	2.46
Fixed Income Bonds, Domestic	34,102	15.57
Common and Preferred Stocks, Domestic	118,731	54.20
Common and Preferred Stocks, International	16,761	7.65
Real Estate	2,647	1.21
Total Investments	**$ 219,058**	**100.00**

JUDICIAL RETIREMENT FUND
LARGEST STOCK HOLDINGS
September 30, 2008
(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	55	Exxon Mobil	$ 4,258
2)	4	Goldman Sachs Small Cap Equity Linked Notes	3,519
3)	103	General Electric	2,616
4)	32	Proctor and Gamble	2,202
5)	82	Microsoft	2,196
6)	29	Johnson & Johnson	2,015
7)	38	JP Morgan Chase & Co	1,776
8)	21	Chevron	1,758
9)	62	AT&T	1,730
10)	14	IBM	1,662

JUDICIAL RETIREMENT FUND
LARGEST BOND HOLDINGS
September 30, 2008
($ In Thousands)

	Par	Bonds	Fair Value
1)	$ 3,082	U.S. Treasury 4.25% due 8/15/15	$ 3,260
2)	4,988	Community News	2,625
3)	2,158	U.S. Treasury 4.00% due 2/15/15	2,264
4)	2,000	LMB Funding 8.05% due 12/21/13	1,898
5)	1,412	Federal National Mortgage Association 5.625% due 5/19/11	1,433
6)	1,225	U.S. Treasury 4.75% due 5/31/12	1,316
7)	1,588	General Electric Capital Corporation 5.55% due 5/4/20	1,289
8)	1,200	U.S. Treasury 4.125% due 5/15/15	1,265
9)	1,219	U.S. Treasury 2.125% due 2010	1,225
10)	1,295	American Airlines 11.00% due 5/7/13	1,007

A complete list of portfolio holdings is available upon request.

Investment Section

Broker Commissions Paid

For the Fiscal Year Ended September 30, 2008

	Stock			Fixed	
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	Total Commissions (000's)
Banc of America	$ -		$ -	$ 186	186
Bear Stearns & Co.	0.0480	5,102	245	117	362
Benchmark	0.0490	102	5	-	5
Bernstein	0.0267	35,832	955	-	955
Centennial	0.0500	400	20	-	20
Citigroup	0.0373	23,527	878	304	1,182
Credit Suisse First Boston Corp.	0.0372	12,217	454	116	570
Deutsche Bank	-	-	-	90	90
Empirical Research	0.0501	3,695	185	-	185
First Discount	0.0500	320	16	-	16
Gardner Rich	0.0494	385	19	-	19
Goldman Sachs & Co.	0.0063	40,121	254	141	395
Issuer Designated	-	-	-	239	239
ISI	0.0500	7,795	390	-	390
Jeffries	0.0469	5,440	255	-	255
JP Morgan Chase	0.0390	22,766	889	30	919
Keefe Bruyette	0.0499	2,848	142	-	142
KeybanC Capital Markets	0.0508	551	28	38	66
Lazard Capital	0.0500	720	36	-	36
Lehman Brothers, Inc.	0.0460	17,376	799	446	1,245
Merrill Lynch, Pierce, Fenner & Smith	0.0435	19,227	836	309	1,145
Morgan Keegan	0.0496	1,170	58	1	59
Morgan Stanley Dean Witter	0.0459	22,160	1,017	213	1,230
NBC	0.0500	1,200	60	-	60
Oppenheimer	0.0471	6,132	289	-	289
Raymond James	0.0504	1,150	58	237	295
Register/Corts-Register	0.0500	300	15	-	15
Sandler O'Neil	0.0499	4,625	231	-	231
Securities Capital	0.0505	475	24	-	24
Southcoast	0.0496	3,283	163	-	163
Southwest	0.0500	300	15	-	15
Sterne Agee	0.0502	2,451	123	2	125
UBS Warburg	0.0494	809	40	67	107
Wachovia	0.0475	6,772	322	-	322
Totals		**249,251**	**$ 8,821**	**$ 2,536**	**$ 11,357**

Average Commission Per Share of Stock = $ 0.0354

ACTUARIAL SECTION

Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

July 31, 2008

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, 2007 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, 2007, to recommend rates of State contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the pay increase granted to active members effective October 1, 2007 under Act 2007-296. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 12.51% of payroll for the fiscal year ending September 30, 2010, based on a 20-year amortization period. The increase in the contribution rate from 12.07% to 12.51% of payroll is primarily due to the impact of Act 2007-296.

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.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com

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

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:bdm

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 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
09/30/07	‡	141,217	$ 5,589,726,297	$ 39,583	7.41
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

‡ In addition, there are 5,071 employees with annual compensation of $308,045,402 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

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		Aggegate 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)
09/30/07	‡	$ 3,038,296	$ 14,048,525	$ 8,884,713	$ 20,650,916	100	100	40.1
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

‡ Reflects pay increase payable under Act 2007-296.

Reflects changes in actuarial assumptions.

† 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.

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
2007	3,679	$ 78,490	1,329	$ 19,755	64,056	$ 1,299,028	11.64	$ 20,280
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

§ 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, 2007

		Amount
Unfunded Actuarial Liability as of September 30, 2006	$	4,123,966,699
Normal Cost for 2007 Plan Year		346,164,582
Contributions Received During the Year		(519,246,873)
Interest to Year End		329,917,336
Expected Underfunded Actuarial Liability as of September 30, 2007		4,280,801,744
Actuarial Losses During the Year		
From Investments		20,931,941
From Actuarial Liabilities		1,018,884,552
Total Actuarial Losses During the Year		1,039,816,493
Actual Unfunded Actuarial Liability as of September 30, 2007	**$**	**5,320,618,237**

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July 31, 2008

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, 2007 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, 2007, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the pay increases granted to active State employees under Act 2007-297.

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 11.94% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 30.57% of payroll for the fiscal year ending September 30, 2010. The increases in the contribution rates since the previous valuation are primarily due to the impact of Act 2007-297. The contribution rates for local employers for the fiscal year beginning October 1, 2009 will be submitted in a separate report and will not include the impact of any employer-elected benefit improvements after 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.

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

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
09/30/07	‡	86,668	$ 3,169,432,161	$ 36,570	4.65
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

‡ In addition, there are 2,039 members with compensation of $118,877,383 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

† 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

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

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

Valuation Date	Aggregate Accrued Liabilities For (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active (Employer Financed Portion)	Reported Assets	Portion (%) of Accrued Liabilities Covered by Assets (1)	(2)	(3)
09/30/07 ‡	$ 1,777,331	$ 5,911,861	$ 4,681,149	$ 9,770,897	100	100	44.5
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

‡ Reflects pay increases payable under Act 2007-297.

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.

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
2007	1,997	$ 39,636	925	$ 12,075	33,701	$ 590,203	10.38	$ 17,513
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	14.06	14,265

§ 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, 2007

	Amount
Unfunded Actuarial Liabiltiy as of September 30, 2006	$ 2,170,032,772
Normal Cost for 2007 Plan Year	146,222,054
Contributions Received During the Year	(266,966,342)
Interest to Year End	168,772,850
Expected Underfunded Actuarial Liability as of September 30, 2007	2,218,061,334
Actuarial Losses During the Year	
From Investments	(2,604,407)
From Actuarial Liabilities	383,987,402
Total Actuarial Losses During the Year	381,382,995
Total Unfunded Actuarial Liability as of September 30, 2007	**$ 2,599,444,329**

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July 31, 2008

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, 2007 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, 2007, 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 24.20% of payroll for the fiscal year ending September 30, 2010.

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 20-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.

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

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:bdm

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 based on the assumed valuation rate of return.

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
09/30/07	348	$ 41,318,229	$ 118,731	0.60
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

† 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)

	Aggegate 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)
09/30/07	$ 30,286	$ 202,835	$ 82,820	$ 265,189	100	100	38.7
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

§ Reflect additional allowance payable under Act 2006-510.

* Reflects COLA granted under Act 2005-316.

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

JUDICIAL RETIREMENT 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
2007	35	$ 2,978	2	$ 146	306	$ 22,038	16.54	$ 72,020
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	58.93	65,346

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

JUDICIAL RETIREMENT FUND
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2007

	Amount
Unfunded Actuarial Liability as of September 30, 2006	$ 40,927,612
Normal Cost for 2007 Plan Year	5,937,996
Contributions Received During the Year	(8,766,726)
Interest to Year End	3,274,209
Expected Unfunded Actuarial Liability as of September 30, 2007	41,373,091
Actuarial Losses During the Year	
From Investments	4,576,434
From Actuarial Liabilites	4,802,638
Total Actuarial Losses During the Year	9,379,072
Actual Unfunded Actuarial Liability as of September 30, 2007	**$ 50,752,163**

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
2008	$ 327,004	$ 729,995	11.75	$ (3,336,697)	$ (2,279,698)
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

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
2008	$ 191,654	$ 329,339	10.26	30.42	*	$ (1,574,094)	$ (1,053,101)
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

JUDICIAL RETIREMENT FUND
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions §	Employer Contributions: Amount	Employer Contributions: Employer Rate (%)	Investment Income	Total
2008	$ 2,707	$ 9,880	23.05	$ (38,322)	$ (25,735)
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

§ 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
2008	$ 1,486,871	$ 37,317	$ 1,683	$ 12,216	$ 578	$ 1,538,665
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

EMPLOYEES' RETIREMENT SYSTEM
DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Unit Withdrawals & Service Transfers	Administrative Expenses	Other	Total
2008	$ 655,467	$ 31,387	$ 3,355	$ 9,892	$ 311	$ 700,412
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

JUDICIAL RETIREMENT FUND
DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Service Transfers	Administrative Expenses	Other	Total
2008	$ 22,587	$ 83	$ 186	$ 526	$ -	$ 23,382
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

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2008	$ 1,395,060	$ 44,628	$ 47,183	$ 12,007	$ 25,310
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

EMPLOYEES' RETIREMENT SYSTEM
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2008	$ 584,391	$ 30,827	$ 40,249	$ 9,188	$ 22,199
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

JUDICIAL RETIREMENT FUND
BENEFITS BY TYPE

Fiscal	Age & Service Benefits		Disability	Death Benefits & Refunds	
Year	Retirants	Survivors	Benefits	Death	Resignation
2007	$ 18,807	$ 3,387	$ 393	$ -	$ 83
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

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2007

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	1,019	617	281	121	198	258	273	288	2
251 - 500	7,933	5,952	789	1,192	2,412	3,468	1,091	955	7
501 - 750	6,643	5,366	537	740	1,964	3,020	879	775	5
751 - 1,000	5,287	4,311	421	555	1,416	2,406	741	718	6
1,001 - 1,250	4,598	3,830	291	477	1,102	2,116	741	635	4
1,251 - 1,500	4,734	4,089	253	392	1,118	2,094	876	645	1
1,501 - 1,750	6,213	5,766	175	272	1,192	2,977	1,232	810	2
1,751 - 2,000	7,651	7,356	130	165	1,365	4,046	1,250	985	5
2,001 - 2,250	6,643	6,472	92	79	1,125	3,645	1,011	857	5
2,251 - 2,500	5,023	4,917	61	45	836	2,832	720	628	7
2,501 - 2,750	3,309	3,219	52	38	549	1,787	534	437	2
2,751 - 3,000	2,377	2,312	47	18	408	1,181	455	331	2
3,001 - 3,250	1,832	1,795	32	5	279	899	372	277	5
3,251 - 3,500	1,386	1,363	21	2	208	657	298	222	1
3,501 - 3,750	1,105	1,083	19	3	176	550	226	150	3
3,751 - 4,000	831	811	18	2	132	402	164	127	6
4,001 - 4,250	691	680	9	2	115	329	136	110	1
4,251 - 4,500	508	500	8	-	73	229	112	91	3
4,501 - 4,750	392	385	7	-	56	176	83	75	2
4,751 - 5,000	278	271	7	-	42	130	61	43	2
Over 5,000	1,047	1,017	25	5	139	396	268	229	15
Totals [3]	**69,500**	**62,112**	**3,275**	**4,113**	**14,905**	**33,598**	**11,523**	**9,388**	**86**

[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 5,071 DROP participants as of September 30, 2007.

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2007

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	969	201	736	32	92	70	230	558	19
251 - 500	3,464	2,162	919	383	914	928	713	874	35
501 - 750	4,666	3,300	581	785	1,566	1,594	683	747	76
751 - 1,000	4,155	3,006	344	805	1,351	1,588	502	619	95
1,001 - 1,250	4,240	3,472	229	539	1,134	1,784	557	630	135
1,251 - 1,500	3,601	3,162	136	303	870	1,569	520	552	90
1,501 - 1,750	3,156	2,866	102	188	711	1,321	499	543	82
1,751 - 2,000	2,664	2,507	53	104	584	1,232	339	464	45
2,001 - 2,250	2,110	2,020	29	61	469	946	286	364	45
2,251 - 2,500	1,587	1,522	30	35	325	705	227	287	43
2,501 - 2,750	1,231	1,191	15	25	245	542	180	240	24
2,751 - 3,000	953	919	19	15	182	420	132	199	20
3,001 - 3,250	722	705	15	2	162	331	76	141	12
3,251 - 3,500	532	524	4	4	113	250	64	96	9
3,501 - 3,750	426	422	3	1	82	200	54	86	4
3,751 - 4,000	287	283	1	3	51	138	25	66	7
4,001 - 4,250	241	238	3	-	48	119	24	45	5
4,251 - 4,500	183	181	1	1	31	86	20	42	4
4,501 - 4,750	158	157	1	-	36	73	14	33	2
4,751 - 5,000	134	132	2	-	33	54	9	33	5
Over 5,000	373	371	2	-	96	162	29	81	5
Totals [3]	**35,852**	**29,341**	**3,225**	**3,286**	**9,095**	**14,112**	**5,183**	**6,700**	**762**

[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 2,039 DROP participants as of September 30, 2007.

Does not include 51 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, 2007

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
$ 1 - 250	1	-	1	-	-	1
251 - 500	2	-	2	-	-	2
501 - 750	4	1	3	-	-	4
751 - 1,000	7	-	6	1	1	6
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	3	-	3	-	-	3
1,501 - 1,750	4	-	4	-	-	4
1,751 - 2,000	9	1	8	-	-	9
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	11	3	8	-	2	9
3,251 - 3,500	22	2	20	-	-	22
3,501 - 3,750	27	4	23	-	2	25
3,751 - 4,000	5	3	1	1	2	3
4,001 - 4,250	7	7	-	-	3	4
4,251 - 4,500	8	7	1	-	2	6
4,501 - 4,750	10	5	3	2	3	7
4,751 - 5,000	8	4	4	-	-	8
Over 5,000	160	158	-	2	34	126
Totals	**304**	**198**	**99**	**7**	**53**	**251**

† 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
2007					
Average monthly benefit	$ 650	$ 1,044	$ 1,490	$ 2,001	$ 2,791
Average final average salary	$ 32,988	$ 37,638	$ 42,325	$ 47,239	$ 53,602
Number of active retirants	589	533	407	1,539	798
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

*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
2007					
Average monthly benefit	$ 1,331	$ 1,288	$ 1,592	$ 1,975	$ 2,650
Average final average salary	$ 40,544	$ 41,247	$ 43,439	$ 46,209	$ 51,484
Number of active retirants	601	318	230	761	334
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

Statistical Section

Judicial Retirement Fund

Six-Year History of Average Monthly Benefit Payments as of September 30

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
2007					
Average monthly benefit	$ 6,761	$ 8,167	$ 7,786	$ 6,486	$ 7,507
Number of active retirants	5	9	6	6	11
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	$ -	$ -

ALABAMA
TENNESSEE
MISSISSIPPI
GEORGIA
FLORIDA
GREAT SEAL

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

Units	2007	2006	2005	2004
1) Unit	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	35,566	34,429	33,756	33,741
% of Total Active Members	40.03%	39.63%	39.87%	40.80%
2) Unit	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,185	2,188	2,174	2,050
% of Total Active Members	2.46%	2.52%	2.57%	2.48%
3) Unit	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	1,614	1,589	1,626	1,622
% of Total Active Members	1.82%	1.83%	1.92%	1.96%
4) Unit	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
# of Active Members	1,288	1,278	1,272	1,297
% of Total Active Members	1.45%	1.47%	1.50%	1.57%
5) Unit	Madison County	Madison County	Madison County	Madison County
# of Active Members	1,068	1,073	1,071	1,055
% of Total Active Members	1.20%	1.24%	1.26%	1.28%
6) Unit	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hosp
# of Active Members	962	955	923	785
% of Total Active Members	1.08%	1.10%	1.09%	0.95%
7) Unit	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp	Tuscaloosa, City of
# of Active Members	893	817	816	684
% of Total Active Members	1.01%	0.94%	0.96%	0.83%
8) Unit	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Jefferson Co Health
# of Active Members	710	695	680	599
% of Total Active Members	0.80%	0.80%	0.80%	0.72%
9) Unit	Hoover, City of	Hoover, City of	Hoover, City of	Gadsden, City of
# of Active Members	636	633	616	587
% of Total Active Members	0.72%	0.73%	0.73%	0.71%
10) Unit	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB
# of Active Members	631	704	713	611
% of Total Active Members	0.71%	0.79%	0.80%	0.69%
Total # of Active Members	88,849	86,874	84,674	82,708

Source: Retirement Systems of Alabama records

2003	2002	2001	2000	1999	1998
State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
34,659	34,526	32,722	31,348	30,690	31,238
41.54%	42.10%	41.15%	40.75%	41.57%	42.09%
Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
2,124	2,251	2,221	2,155	2,124	2,028
2.55%	2.74%	2.79%	2.80%	2.88%	2.73%
Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
1,658	1,627	1,604	1,624	1,574	1,578
1.99%	1.98%	2.02%	2.11%	2.13%	2.13%
Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
1,334	1,388	1,396	1,382	1,290	1,301
1.60%	1.69%	1.76%	1.80%	1.75%	1.75%
Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
1,035	963	1,014	942	893	886
1.24%	1.17%	1.28%	1.22%	1.21%	1.19%
Helen Keller Hosp	Helen Keller Hosp	Thomas Hospital	Thomas Hospital	Thomas Hospital	Jefferson Co Health
766	746	877	805	751	785
0.92%	0.91%	1.10%	1.05%	1.02%	1.06%
Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Thomas Hospital
668	698	700	679	712	675
0.80%	0.85%	0.88%	0.88%	0.96%	0.91%
Tuscaloosa, City of	Baldwin County	Baldwin County	Baldwin County	Baldwin County	Helen Keller Hosp
655	640	650	643	598	629
0.79%	0.78%	0.82%	0.84%	0.81%	0.85%
Gadsden, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Helen Keller Hosp	Baldwin County
613	634	631	612	583	581
0.73%	0.77%	0.79%	0.80%	0.79%	0.78%
Hoover, City of	Bessemer, City of	Helen Keller Hosp	Helen Keller Hosp	Bessemer, City of	Bessemer, City of
602	595	610	579	532	541
0.72%	0.73%	0.77%	0.75%	0.72%	0.73%
83,429	82,016	79,526	76,935	73,822	74,214

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Additions					
Contributions					
Employee	$ 323,822	$ 302,272	$ 278,220	$ 260,149	$ 251,714
Employer	729,995	540,847	434,195	347,862	312,474
Transfers from Employees' Retirement System	3,182	2,814	3,235	2,707	2,146
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	1,056,999	845,933	715,650	610,718	566,334
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(4,057,823)	2,589,858	878,743	1,221,059	1,055,525
Interest and Dividends	705,555	719,910	703,189	624,397	580,000
Total Investment Income from Investing Activities	(3,352,268)	3,309,768	1,581,932	1,845,456	1,635,525
Less: Investment Expenses	5,990	5,105	4,947	4,278	4,079
Net Investment Income from Investing Activities	(3,358,258)	3,304,663	1,576,985	1,841,178	1,631,446
From Securities Lending Activities					
Securities Lending Income	83,588	136,869	84,052	40,399	10,704
Less Securities Lending Expenses:					
Borrower Rebates	57,695	126,966	77,407	33,559	7,206
Management Fees	4,332	1,770	1,271	1,620	630
Total Securities Lending Expenses	62,027	128,736	78,678	35,179	7,836
Net Income from Securities Lending Activities	21,561	8,133	5,374	5,220	2,868
Total Investment Income	(3,336,697)	3,312,796	1,582,359	1,846,398	1,634,314
Total Additions	(2,279,698)	4,158,729	2,298,009	2,457,116	2,200,648
Deductions					
Retirement Allowance Payments	1,486,871	1,397,808	1,207,251	1,092,723	987,761
Return of Contributions and Death Benefits	37,317	37,474	36,683	36,350	35,983
Transfers to Employees' Retirement System	1,683	2,406	2,982	1,829	1,575
Transfers to Judicial Retirement Fund	-	-	26	-	-
Administrative Expenses	12,216	9,614	11,325	10,372	7,361
Depreciation	578	480	462	468	439
Total Deductions	1,538,665	1,447,782	1,258,729	1,141,742	1,033,119
Net Increase/(Decrease)	(3,818,363)	2,710,947	1,039,280	1,315,374	1,167,529
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	21,918,750	19,207,803	18,168,523	16,853,149	15,685,620
End of Year	**$ 18,100,387**	**$ 21,918,750**	**$ 19,207,803**	**$ 18,168,523**	**$ 16,853,149**

	2003	2002	2001	2000	1999
Additions					
Contributions					
Employee	$ 249,996	$ 233,789	$ 228,088	$ 212,049	$ 215,531
Employer	235,786	265,670	279,880	277,180	166,100
Transfers from Employees' Retirement System	2,022	1,937	2,433	1,954	1,674
Transfers from Judicial Retirement Fund	-	-	97	-	-
Total Contributions	487,804	501,396	510,498	491,183	383,305
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,412,887	(1,915,592)	(1,860,162)	658,975	1,130,761
Interest and Dividends	592,645	672,200	769,739	755,482	702,131
Total Investment Income from Investing Activities	2,005,532	(1,243,392)	(1,090,423)	1,414,457	1,832,892
Less: Investment Expenses	4,432	4,592	3,467	3,229	3,038
Net Investment Income from Investing Activities	2,001,100	(1,247,984)	(1,093,890)	1,411,228	1,829,854
From Securities Lending Activities					
Securities Lending Income	14,215	16,473	43,671	64,006	377
Less Securities Lending Expenses:					
Borrower Rebates	10,052	12,462	39,692	59,807	338
Management Fees	832	784	795	859	10
Total Securities Lending Expenses	10,884	13,246	40,487	60,666	348
Net Income from Securities Lending Activities	3,331	3,227	3,184	3,340	29
Total Investment Income	2,004,431	(1,244,757)	(1,090,706)	1,414,568	1,829,883
Total Additions	2,492,235	(743,361)	(580,208)	1,905,751	2,213,188
Deductions					
Retirement Allowance Payments	932,687	858,383	811,896	720,576	678,740
Return of Contributions and Death Benefits	32,084	35,510	34,156	33,978	31,307
Transfers to Employees' Retirement System	2,418	2,091	1,207	1,530	1,781
Transfers to Judicial Retirement Fund	-	-	-	4	19
Administrative Expenses	7,011	6,845	6,023	5,639	6,563
Depreciation	367	391	1,002	165	737
Total Deductions	974,567	903,220	854,284	761,892	719,147
Net Increase/(Decrease)	1,517,668	(1,646,581)	(1,434,492)	1,143,859	1,494,041
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	14,167,952	15,814,533	17,249,025	16,105,166	14,611,125
End of Year	**$ 15,685,620**	**$ 14,167,952**	**$ 15,814,533**	**$ 17,249,025**	**$ 16,105,166**

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Additions					
Contributions					
Employee	$ 189,785	$ 181,734	$ 184,144	$ 158,128	$ 166,973
Employer	329,339	277,254	241,750	195,846	170,713
Transfers from Teachers' Retirement System	1,683	2,406	2,982	1,829	1,575
Transfers from Judicial Retirement Fund	186	-	-	356	-
Total Contributions	520,993	461,394	428,876	356,159	339,261
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(1,919,746)	1,249,495	375,025	545,826	457,981
Interest and Dividends	339,578	347,272	329,459	295,631	268,876
Total Investment Income from Investing Activities	(1,580,168)	1,596,767	704,484	841,457	726,857
Less: Investment Expenses	3,747	3,725	3,216	2,652	2,390
Net Investment Income from Investing Activities	(1,583,915)	1,593,042	701,268	838,805	724,467
From Securities Lending Activities					
Securities Lending Income	38,458	58,925	35,407	17,604	4,892
Less Securities Lending Expenses:					
Borrower Rebates	26,649	54,648	32,567	14,948	3,318
Management Fees	1,988	727	504	448	283
Total Securities Lending Expenses	28,637	55,375	33,071	15,396	3,601
Net Income from Securities Lending Activities	9,821	3,550	2,336	2,208	1,291
Total Investment Income	(1,574,094)	1,596,592	703,604	841,013	725,758
Total Additions	(1,053,101)	2,057,986	1,132,480	1,197,172	1,065,019
Deductions					
Retirement Allowance Payments	655,467	615,661	551,793	487,348	448,658
Return of Contributions and Death Benefits	31,387	31,829	31,780	30,960	31,406
Unit Withdrawals	-	-	-	-	3,798
Transfers to Teachers' Retirement System	3,182	2,814	3,235	2,707	2,146
Transfers to Judicial Retirement Fund	173	220	133	48	64
Administrative Expenses	9,892	7,813	7,850	6,898	5,892
Depreciation	311	298	337	294	269
Total Deductions	700,412	658,635	595,128	528,255	492,233
Net Increase/(Decrease)	(1,753,513)	1,399,351	537,352	668,917	572,786
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	10,401,218	9,001,867	8,464,515	7,795,598	7,222,812
End of Year	**$ 8,647,705**	**$ 10,401,218**	**$ 9,001,867**	**$ 8,464,515**	**$ 7,795,598**

	2003	2002	2001	2000	1999
Additions					
Contributions					
Employee	$ 159,763	$ 149,130	$ 130,965	$ 116,598	$ 110,998
Employer	154,218	123,887	122,483	113,991	97,373
Transfers from Teachers' Retirement System	2,418	2,091	1,207	1,530	1,781
Transfers from Judicial Retirement Fund	103	-	66	-	-
Total Contributions	316,502	275,108	254,721	232,119	210,152
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	668,539	(953,188)	(874,433)	314,458	535,674
Interest and Dividends	271,698	297,845	343,517	340,234	323,062
Total Investment Income from Investing Activities	940,237	(655,343)	(530,916)	654,692	858,736
Less: Investment Expenses	2,380	2,331	1,593	1,537	1,367
Net Investment Income from Investing Activities	937,857	(657,674)	(532,509)	653,155	857,369
From Securities Lending Activities					
Securities Lending Income	3,461	5,741	20,922	36,958	151
Less Securities Lending Expenses:					
Borrower Rebates	2,131	4,094	18,996	34,509	139
Management Fees	266	333	385	496	3
Total Securities Lending Expenses	2,397	4,427	19,381	35,005	142
Net Income from Securities Lending Activities	1,064	1,314	1,541	1,953	9
Total Investment Income	938,921	(656,360)	(530,968)	655,108	857,378
Total Additions	1,255,423	(381,252)	(276,247)	887,227	1,067,530
Deductions					
Retirement Allowance Payments	423,027	389,856	371,715	341,145	330,231
Return of Contributions and Death Benefits	25,056	24,965	24,906	24,864	25,291
Unit Withdrawals	820	8,388	1,544	-	-
Transfers to Teachers' Retirement System	2,022	1,937	2,433	1,954	1,674
Transfers to Judicial Retirement Fund	-	85	97	31	-
Administrative Expenses	5,843	5,582	4,578	3,811	4,812
Depreciation	278	235	330	367	333
Total Deductions	457,046	431,048	405,603	372,172	362,341
Net Increase/(Decrease)	798,377	(812,300)	(681,850)	515,055	705,189
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	6,424,435	7,236,735	7,918,585	7,403,530	6,698,341
End of Year	**$ 7,222,812**	**$ 6,424,435**	**$ 7,236,735**	**$ 7,918,585**	**$ 7,403,530**

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

Units	2007	2006	2005	2004
1) Unit	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	35,566	34,429	33,756	33,741
% of Total Active Members	40.03%	39.63%	39.87%	40.80%
2) Unit	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,185	2,188	2,174	2,050
% of Total Active Members	2.46%	2.52%	2.57%	2.48%
3) Unit	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	1,614	1,589	1,626	1,622
% of Total Active Members	1.82%	1.83%	1.92%	1.96%
4) Unit	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
# of Active Members	1,288	1,278	1,272	1,297
% of Total Active Members	1.45%	1.47%	1.50%	1.57%
5) Unit	Madison County	Madison County	Madison County	Madison County
# of Active Members	1,068	1,073	1,071	1,055
% of Total Active Members	1.20%	1.24%	1.26%	1.28%
6) Unit	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hosp
# of Active Members	962	955	923	785
% of Total Active Members	1.08%	1.10%	1.09%	0.95%
7) Unit	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp	Tuscaloosa, City of
# of Active Members	893	817	816	684
% of Total Active Members	1.01%	0.94%	0.96%	0.83%
8) Unit	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Jefferson Co Health
# of Active Members	710	695	680	599
% of Total Active Members	0.80%	0.80%	0.80%	0.72%
9) Unit	Hoover, City of	Hoover, City of	Hoover, City of	Gadsden, City of
# of Active Members	636	633	616	587
% of Total Active Members	0.72%	0.73%	0.73%	0.71%
10) Unit	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB
# of Active Members	631	704	713	611
% of Total Active Members	0.71%	0.79%	0.80%	0.69%
Total # of Active Members	88,849	86,874	84,674	82,708

Source: Retirement Systems of Alabama records

2003	2002	2001	2000	1999	1998
State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
34,659	34,526	32,722	31,348	30,690	31,238
41.54%	42.10%	41.15%	40.75%	41.57%	42.09%
Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
2,124	2,251	2,221	2,155	2,124	2,028
2.55%	2.74%	2.79%	2.80%	2.88%	2.73%
Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
1,658	1,627	1,604	1,624	1,574	1,578
1.99%	1.98%	2.02%	2.11%	2.13%	2.13%
Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
1,334	1,388	1,396	1,382	1,290	1,301
1.60%	1.69%	1.76%	1.80%	1.75%	1.75%
Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
1,035	963	1,014	942	893	886
1.24%	1.17%	1.28%	1.22%	1.21%	1.19%
Helen Keller Hosp	Helen Keller Hosp	Thomas Hospital	Thomas Hospital	Thomas Hospital	Jefferson Co Health
766	746	877	805	751	785
0.92%	0.91%	1.10%	1.05%	1.02%	1.06%
Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Thomas Hospital
668	698	700	679	712	675
0.80%	0.85%	0.88%	0.88%	0.96%	0.91%
Tuscaloosa, City of	Baldwin County	Baldwin County	Baldwin County	Baldwin County	Helen Keller Hosp
655	640	650	643	598	629
0.79%	0.78%	0.82%	0.84%	0.81%	0.85%
Gadsden, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Helen Keller Hosp	Baldwin County
613	634	631	612	583	581
0.73%	0.77%	0.79%	0.80%	0.79%	0.78%
Hoover, City of	Bessemer, City of	Helen Keller Hosp	Helen Keller Hosp	Bessemer, City of	Bessemer, City of
602	595	610	579	532	541
0.72%	0.73%	0.77%	0.75%	0.72%	0.73%
83,429	82,016	79,526	76,935	73,822	74,214

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Additions					
Contributions					
Employee	$ 323,822	$ 302,272	$ 278,220	$ 260,149	$ 251,714
Employer	729,995	540,847	434,195	347,862	312,474
Transfers from Employees' Retirement System	3,182	2,814	3,235	2,707	2,146
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	1,056,999	845,933	715,650	610,718	566,334
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(4,057,823)	2,589,858	878,743	1,221,059	1,055,525
Interest and Dividends	705,555	719,910	703,189	624,397	580,000
Total Investment Income from Investing Activities	(3,352,268)	3,309,768	1,581,932	1,845,456	1,635,525
Less: Investment Expenses	5,990	5,105	4,947	4,278	4,079
Net Investment Income from Investing Activities	(3,358,258)	3,304,663	1,576,985	1,841,178	1,631,446
From Securities Lending Activities					
Securities Lending Income	83,588	136,869	84,052	40,399	10,704
Less Securities Lending Expenses:					
Borrower Rebates	57,695	126,966	77,407	33,559	7,206
Management Fees	4,332	1,770	1,271	1,620	630
Total Securities Lending Expenses	62,027	128,736	78,678	35,179	7,836
Net Income from Securities Lending Activities	21,561	8,133	5,374	5,220	2,868
Total Investment Income	(3,336,697)	3,312,796	1,582,359	1,846,398	1,634,314
Total Additions	(2,279,698)	4,158,729	2,298,009	2,457,116	2,200,648
Deductions					
Retirement Allowance Payments	1,486,871	1,397,808	1,207,251	1,092,723	987,761
Return of Contributions and Death Benefits	37,317	37,474	36,683	36,350	35,983
Transfers to Employees' Retirement System	1,683	2,406	2,982	1,829	1,575
Transfers to Judicial Retirement Fund	-	-	26	-	-
Administrative Expenses	12,216	9,614	11,325	10,372	7,361
Depreciation	578	480	462	468	439
Total Deductions	1,538,665	1,447,782	1,258,729	1,141,742	1,033,119
Net Increase/(Decrease)	(3,818,363)	2,710,947	1,039,280	1,315,374	1,167,529
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	21,918,750	19,207,803	18,168,523	16,853,149	15,685,620
End of Year	**$ 18,100,387**	**$ 21,918,750**	**$ 19,207,803**	**$ 18,168,523**	**$ 16,853,149**

	2003	2002	2001	2000	1999
Additions					
Contributions					
Employee	$ 249,996	$ 233,789	$ 228,088	$ 212,049	$ 215,531
Employer	235,786	265,670	279,880	277,180	166,100
Transfers from Employees' Retirement System	2,022	1,937	2,433	1,954	1,674
Transfers from Judicial Retirement Fund	-	-	97	-	-
Total Contributions	487,804	501,396	510,498	491,183	383,305
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,412,887	(1,915,592)	(1,860,162)	658,975	1,130,761
Interest and Dividends	592,645	672,200	769,739	755,482	702,131
Total Investment Income from Investing Activities	2,005,532	(1,243,392)	(1,090,423)	1,414,457	1,832,892
Less: Investment Expenses	4,432	4,592	3,467	3,229	3,038
Net Investment Income from Investing Activities	2,001,100	(1,247,984)	(1,093,890)	1,411,228	1,829,854
From Securities Lending Activities					
Securities Lending Income	14,215	16,473	43,671	64,006	377
Less Securities Lending Expenses:					
Borrower Rebates	10,052	12,462	39,692	59,807	338
Management Fees	832	784	795	859	10
Total Securities Lending Expenses	10,884	13,246	40,487	60,666	348
Net Income from Securities Lending Activities	3,331	3,227	3,184	3,340	29
Total Investment Income	2,004,431	(1,244,757)	(1,090,706)	1,414,568	1,829,883
Total Additions	2,492,235	(743,361)	(580,208)	1,905,751	2,213,188
Deductions					
Retirement Allowance Payments	932,687	858,383	811,896	720,576	678,740
Return of Contributions and Death Benefits	32,084	35,510	34,156	33,978	31,307
Transfers to Employees' Retirement System	2,418	2,091	1,207	1,530	1,781
Transfers to Judicial Retirement Fund	-	-	-	4	19
Administrative Expenses	7,011	6,845	6,023	5,639	6,563
Depreciation	367	391	1,002	165	737
Total Deductions	974,567	903,220	854,284	761,892	719,147
Net Increase/(Decrease)	1,517,668	(1,646,581)	(1,434,492)	1,143,859	1,494,041
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	14,167,952	15,814,533	17,249,025	16,105,166	14,611,125
End of Year	**$ 15,685,620**	**$ 14,167,952**	**$ 15,814,533**	**$ 17,249,025**	**$ 16,105,166**

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Additions					
Contributions					
Employee	$ 189,785	$ 181,734	$ 184,144	$ 158,128	$ 166,973
Employer	329,339	277,254	241,750	195,846	170,713
Transfers from Teachers' Retirement System	1,683	2,406	2,982	1,829	1,575
Transfers from Judicial Retirement Fund	186	-	-	356	-
Total Contributions	520,993	461,394	428,876	356,159	339,261
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(1,919,746)	1,249,495	375,025	545,826	457,981
Interest and Dividends	339,578	347,272	329,459	295,631	268,876
Total Investment Income from Investing Activities	(1,580,168)	1,596,767	704,484	841,457	726,857
Less: Investment Expenses	3,747	3,725	3,216	2,652	2,390
Net Investment Income from Investing Activities	(1,583,915)	1,593,042	701,268	838,805	724,467
From Securities Lending Activities					
Securities Lending Income	38,458	58,925	35,407	17,604	4,892
Less Securities Lending Expenses:					
Borrower Rebates	26,649	54,648	32,567	14,948	3,318
Management Fees	1,988	727	504	448	283
Total Securities Lending Expenses	28,637	55,375	33,071	15,396	3,601
Net Income from Securities Lending Activities	9,821	3,550	2,336	2,208	1,291
Total Investment Income	(1,574,094)	1,596,592	703,604	841,013	725,758
Total Additions	(1,053,101)	2,057,986	1,132,480	1,197,172	1,065,019
Deductions					
Retirement Allowance Payments	655,467	615,661	551,793	487,348	448,658
Return of Contributions and Death Benefits	31,387	31,829	31,780	30,960	31,406
Unit Withdrawals	-	-	-	-	3,798
Transfers to Teachers' Retirement System	3,182	2,814	3,235	2,707	2,146
Transfers to Judicial Retirement Fund	173	220	133	48	64
Administrative Expenses	9,892	7,813	7,850	6,898	5,892
Depreciation	311	298	337	294	269
Total Deductions	700,412	658,635	595,128	528,255	492,233
Net Increase/(Decrease)	(1,753,513)	1,399,351	537,352	668,917	572,786
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	10,401,218	9,001,867	8,464,515	7,795,598	7,222,812
End of Year	**$ 8,647,705**	**$ 10,401,218**	**$ 9,001,867**	**$ 8,464,515**	**$ 7,795,598**

	2003	2002	2001	2000	1999
Additions					
Contributions					
Employee	$ 159,763	$ 149,130	$ 130,965	$ 116,598	$ 110,998
Employer	154,218	123,887	122,483	113,991	97,373
Transfers from Teachers' Retirement System	2,418	2,091	1,207	1,530	1,781
Transfers from Judicial Retirement Fund	103	-	66	-	-
Total Contributions	316,502	275,108	254,721	232,119	210,152
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	668,539	(953,188)	(874,433)	314,458	535,674
Interest and Dividends	271,698	297,845	343,517	340,234	323,062
Total Investment Income from Investing Activities	940,237	(655,343)	(530,916)	654,692	858,736
Less: Investment Expenses	2,380	2,331	1,593	1,537	1,367
Net Investment Income from Investing Activities	937,857	(657,674)	(532,509)	653,155	857,369
From Securities Lending Activities					
Securities Lending Income	3,461	5,741	20,922	36,958	151
Less Securities Lending Expenses:					
Borrower Rebates	2,131	4,094	18,996	34,509	139
Management Fees	266	333	385	496	3
Total Securities Lending Expenses	2,397	4,427	19,381	35,005	142
Net Income from Securities Lending Activities	1,064	1,314	1,541	1,953	9
Total Investment Income	938,921	(656,360)	(530,968)	655,108	857,378
Total Additions	1,255,423	(381,252)	(276,247)	887,227	1,067,530
Deductions					
Retirement Allowance Payments	423,027	389,856	371,715	341,145	330,231
Return of Contributions and Death Benefits	25,056	24,965	24,906	24,864	25,291
Unit Withdrawals	820	8,388	1,544	-	-
Transfers to Teachers' Retirement System	2,022	1,937	2,433	1,954	1,674
Transfers to Judicial Retirement Fund	-	85	97	31	-
Administrative Expenses	5,843	5,582	4,578	3,811	4,812
Depreciation	278	235	330	367	333
Total Deductions	457,046	431,048	405,603	372,172	362,341
Net Increase/(Decrease)	798,377	(812,300)	(681,850)	515,055	705,189
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	6,424,435	7,236,735	7,918,585	7,403,530	6,698,341
End of Year	**$ 7,222,812**	**$ 6,424,435**	**$ 7,236,735**	**$ 7,918,585**	**$ 7,403,530**

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	2008	2007	2006	2005	2004
Additions					
Contributions					
Employee	$ 2,534	$ 2,416	$ 2,338	$ 2,350	$ 2,370
Employer	9,880	9,307	8,916	8,943	8,994
Transfers from Teachers' Retirement System	-	-	26	-	-
Transfers from Employees' Retirement System	173	220	133	48	64
Total Contributions	12,587	11,943	11,413	11,341	11,428
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(46,910)	25,988	11,215	11,877	14,736
Interest and Dividends	8,206	8,500	9,598	7,420	7,218
Total Investment Income from Investing Activities	(38,704)	34,488	20,813	19,297	21,954
Less: Investment Expenses	8	2	2	2	12
Net Investment Income from Investing Activities	(38,712)	34,486	20,811	19,295	21,942
From Securities Lending Activities					
Securities Lending Income	1,765	1,945	908	422	109
Less Securities Lending Expenses:					
Borrower Rebates	1,298	1,832	861	362	83
Management Fees	77	18	7	8	4
Total Securities Lending Expenses	1,375	1,850	868	370	87
Net Income from Securities Lending Activities	390	95	40	52	22
Total Investment Income	(38,322)	34,581	20,851	19,347	21,964
Total Additions	(25,735)	46,524	32,264	30,688	33,392
Deductions					
Retirement Allowance Payments	22,587	21,356	18,777	18,201	17,903
Return of Contributions and Death Benefits	83	183	45	51	103
Transfers to Employees' Retirement System	186	-	-	356	-
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	526	474	432	381	344
Total Deductions	23,382	22,013	19,254	18,989	18,350
Net Increase/(Decrease)	(49,117)	24,511	13,010	11,699	15,042
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	270,933	246,422	233,412	221,713	206,671
End of Year	**$ 221,816**	**$ 270,933**	**$ 246,422**	**$ 233,412**	**$ 221,713**

	2003	2002	2001	2000	1999
Additions					
Contributions					
Employee	$ 2,342	$ 2,271	$ 2,115	$ 1,608	$ 1,575
Employer	8,637	8,222	7,598	5,696	2,870
Transfers from Teachers' Retirement System	-	-	-	4	19
Transfers from Employees' Retirement System	-	85	97	31	-
Total Contributions	10,979	10,578	9,810	7,339	4,464
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	12,905	(33,036)	(35,377)	14,106	16,856
Interest and Dividends	7,969	9,777	11,192	10,970	10,968
Total Investment Income from Investing Activities	20,874	(23,259)	(24,185)	25,076	27,824
Less: Investment Expenses	28	85	31	23	24
Net Investment Income from Investing Activities	20,846	(23,344)	(24,216)	25,053	27,800
From Securities Lending Activities					
Securities Lending Income	61	88	467	850	-
Less Securities Lending Expenses:					
Borrower Rebates	50	75	443	816	-
Management Fees	2	2	5	6	-
Total Securities Lending Expenses	52	77	448	822	-
Net Income from Securities Lending Activities	9	11	19	28	-
Total Investment Income	20,855	(23,333)	(24,197)	25,081	27,800
Total Additions	31,834	(12,755)	(14,387)	32,420	32,264
Deductions					
Retirement Allowance Payments	17,964	16,770	15,655	11,256	11,150
Return of Contributions and Death Benefits	83	29	79	43	101
Transfers to Employees' Retirement System	103	-	66	-	-
Transfers to Teachers' Retirement System	-	-	97	-	-
Administrative Expenses	322	306	272	263	226
Total Deductions	18,472	17,105	16,169	11,562	11,477
Net Increase/(Decrease)	13,362	(29,860)	(30,556)	20,858	20,787
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	193,309	223,169	253,725	232,867	212,080
End of Year	**$ 206,671**	**$ 193,309**	**$ 223,169**	**$ 253,725**	**$ 232,867**

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
AltaPointe Health Systems
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
Ashford Housing Authority
Ashland Housing Authority
Ashland, City of
Ashland Water Works and Sewer Board
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
Athens Utilities Board
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

Beatrice, 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
Clarke 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
Covington County Water Authority
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
Dekalb/Jackson Water Supply District Board
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
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
Lynn, Town 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
Margaret, Town of
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 Community Punishment and Corrections Authority
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 Housing Authority
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 Housing Authority
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
Smith Station, City 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
South Marengo County Water & Fire Protection 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
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
Sylvania, 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 Housing Authority
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
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