A scenic view of a golf course. In the foreground, there are lush green fairways and sand traps. A small pond with a waterfall is on the right. In the background, a large clubhouse with multiple gables and a steeple is visible through a line of tall pine trees.

# *The Retirement Systems of Alabama*

## *Component Units of the State of Alabama*

### **Comprehensive Annual Financial Report**

*For the Fiscal Year Ended September 30, 2009*

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# INVESTMENT SECTION

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## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2009

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Dear Members,

I humbly present the following report on investment activity for the fiscal year ended September 30, 2009. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®).

2009 definitely fits the bill as a year of extremes. The first half of the fiscal year made a valiant attempt at blowing up modern portfolio theory. Broad diversification and risk management meant very little as correlation across broad asset classes provided few places to hide. Cash and government securities were the safe harbors, as even a number of money market accounts "broke the buck" as the credit markets froze. The Federal Reserve Board continued to pull out all the stops, lowering the Fed Funds rate from 2% down to 0.25% in an effort to pump liquidity into the system. Numerous quantitative easing measures and stimulus packages put in place in the first quarter of 2009 finally started to stabilize the financial markets. Without a doubt, the U.S. had just experienced the worst financial crisis since the Great Depression.

By the end of February, after dealing with the Madoff scandal, sketchy deals at the largest financial institutions, compensation rip-offs, and bogus ratings from the ratings agencies, disdain for the financial markets was at the crescendo. Hopefully, that negative sentiment and extreme risk aversion are the ingredients for a major market bottom. In March, the equity markets turned as the news became "less bad". Credit spreads tightened, and the capital markets loosened up. Banks were able to raise equity to repay TARP funds, and some strategic merger and acquisition activity began to happen.

No doubt, we are not out of the woods yet. Unemployment and housing continue to deteriorate, with the unemployment rate rising from 6.1% at the beginning of the fiscal year and closing out at 9.8%. Foreclosures are still rising, and the consumer credit issue is going to linger for years, in all likelihood serving as an impediment to the prospect of above trend-line GDP growth.

Expectations for the future vary wildly, which is not surprising given what the economy and financial markets have just experienced. With all the gyrations of the 12 months, we more or less stayed the course, without making any monumental asset allocation decisions. After the considerable rally off of the March lows, we did begin a program to hedge a part of our passive indexes late in our fiscal year. We will continue to ladder into protection if the markets grind higher. We also are evaluating opportunities within the credit market, where there remains a considerable amount of dislocation and possible opportunity. We will continue to demand the best execution from all of our counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama.

#### RSA Performance Summary

As of September 30, 2009, aggregate defined benefit assets under management totaled \$23.6 billion. During fiscal year 2009, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund were (7.94)%, (10.03)%, and 0.69%, respectively.

#### Equities

2009 in terms of the equity market could aptly be described as Jekyll and Hyde. The market seemed to have a split personality, with Mr. Hyde ruling the first six months of the fiscal year, and Dr. Jekyll luckily taking over to finish out. The credit crises that began in earnest the prior year finally peaked in the December quarter as the bailout package was crafted and Wall Street as we knew it was dismantled. The flight to quality was extreme during the first two quarters of the fiscal year, and the flight to risk assets in the second half of the year was exceptional as well. As has been demonstrated through time, equity market sentiment was most dour at the bottom. Market pundits who paraded through the CNBC studios preached the end was nigh upon us, right at the bottom. Luckily, most of them have stuck to their guns. The market likes to climb a wall of worry, and the worries in the market are limitless at the moment. The inflection point in March could well have been that things got "less bad."

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2009

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Not that “less bad” is a great investment theme, but you have to start somewhere. Surprisingly, quarterly earnings started coming in ahead of the ratcheted down expectations of the street. Corporate America, with all the transparency available in the internet age, cut costs to the core, which enabled what revenues that did come in to more easily drop to the bottom line. It is hard to say if earnings are a leading or coincidental indicator, but both the market and earnings revisions began to rise at a rapid clip. By the end of the fiscal year, the market as measured by the S & P 500 had rallied over 58% from the March low.

The RSA came into the fiscal year with a large quality, large cap tilt on the portfolio. On a relative basis, this strategy worked well. As the market rallied into late summer, we began to hedge part of the performance gains seen off the March lows. We will continue to look to hedge a portion of our index exposure, considering the macroeconomic situation is rather tenuous.

In review, the RSA equity allocation began the year at roughly 56%, and closed out fiscal year 2009 at 58% on average across the three funds. Domestic equities accounted for 43% of the fund, and international equities are now 15% of the total. In a reversal of last year's performance order, international stocks as measured by the MSCI EAFE index led with a total return of 3.23%. Large cap again took over leadership vs. smallcap, with the S & P 500 index losing (6.91%) and the S & P Smallcap 600 down (10.62%). The S & P 400 Midcap index outperformed both large and small cap with a return of (3.11%).

For the year, the RSA domestic equity portfolios decreased (6.96%), (6.86%), and (6.43%) for the TRS, ERS, and JRF funds, respectively. International equity returns were in the black for the year, posting returns of 4.14% for TRS, 4.18% for ERS, and 5.07% for JRF. The combined total return for the overall equity portfolios were (4.29%), (4.33%), and (5.09%) for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were (4.23%), 2.89%, and 2.47% for TRS, (4.21%), 2.89%, and 2.43% for ERS, and (4.41%), 1.80%, and 0.78% for JRF, respectively.

#### **Fixed Income**

At the beginning of fiscal year 2009, the nation's financial system seemed to be on the brink of collapse. Treasury Secretary Hank Paulson was forced to step in on the behalf of Fannie Mae and Freddie Mac, a move that wiped out preferred and common shareholders. Lehman Brothers filed for bankruptcy as no deal could be struck between the Federal Reserve, the Treasury Department, and the financial community. In fearing the unknown, John Thain orchestrated the sale of his company Merrill Lynch to Bank of America. Within days, the government essentially nationalized AIG, one of the world's largest insurers, as collateral calls on written default swaps threatened to end its existence. These issues caused corporate securities, financials in particular, to post their worst quarter on record.

In early October, policymakers around the globe lowered short-term interest rates by 50 basis points in a coordinated effort. Chairman Ben Bernanke and the Federal Reserve opted to lower the fed funds rate to 1.00% by the end of the month. At this time, investment grade corporate bonds were trading over 600 basis points versus comparable treasury securities. This marked a catastrophic discount to where they changed hands during the default era of 2002. In addition, high yields spreads eclipsed the 1600 basis point mark. Policymakers at home eventually cut short-term rates to a bare bones range of .25%. Outside of corporates, agency and mortgage-backed securities were not faring much better. Five-year agency spreads ballooned to 160 basis points, while mortgages traded as high as 200 basis points over the 10 year treasury. To the detriment of risk assets, the flight to safety trade produced over a 7% return for government securities over the last two months of the calendar year, driving 30 year treasury yields to approximately 2.50%.

At this point, the Federal Reserve decided to enact a quantitative easing approach in order to provide liquidity and calm investors' nerves with regard to risk. One action taken was the guarantee of financial short-term debt by the Federal Deposit Insurance Corporation. The Federal Reserve also announced that it would purchase \$100 billion in GSE agency debt and \$500 billion in mortgages in the open market. These measures provided easier funding conditions which led to an improvement in credit technicals. With corporate spreads at historic wides, the appetite for new issuance emerged, albeit at huge concessions. As calendar year 2009 rolled in, there was plenty of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2009

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discomfort for sure, but a sense that the government had provided a floor under the financial system. It may have placed a floor under treasury yields as well as a dramatic steepening of the curve began. Spread product finally started to perform ex-financials, which continued to be plagued with concerns regarding future write-downs and the ability to raise capital.

During the Federal Reserve's March meeting, policymakers increased its open market purchases of agency debt and mortgages to \$200 billion and \$1.25 trillion, respectively. In addition, they also announced that they would purchase up to \$300 billion in treasury securities, prompting a 50bp decline in 10 year yields. By the time the extension of these programs was announced, agency and mortgage spreads had collapsed 70 basis points and 125 basis points respectively. The culmination of the action taken by the government led to an appreciation in risk assets, whether it was corporate bonds, emerging markets, or commodities. With the help of upside surprises in second quarter earnings, investment grade securities were able to post an excess return of 14%.

The government bond market has been somewhat volatile over the last half of the fiscal year. Treasury securities have underperformed risk assets as the flight away from safety has hit full stride. The budget situation and the financing of the deficit have also weighed on the market. The government yield curve has reached historically steep levels. While the Fed is willing to say that "economic activity is leveling out", they have remained steadfast that rates will remain low for an "extended period". There is plenty of uncertainty concerning inflation in response to the amount of money being printed. Treasury Inflation Protected Securities are back to pre-Lehman levels after spreads were close to zero at the beginning of the year. And while foreigners have gobbled up approximately half of this year's supply of government securities, it remains to be seen how long they are willing to be a participant given that the country's budget deficit shows no signs of abating. Fiscal year 2010 should be interesting as one constituent (corporations) in the marketplace has met most of its capital needs through heavy issuance, while the other (government) is just getting started.

For fiscal year 2009, the RSA purchased approximately \$1.5 billion in additional securities for the fixed income portfolio. As of September 30, 2009, the RSA's fixed income portfolio had a market value of \$9.7 billion, of which 7.8% was in money market securities. For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 14.12% for the TRS, 14.19%, for the ERS and 14.08% for the JRF. The five-year annualized returns were 6.27% for the TRS and 6.32% for the ERS and 5.78% for the JRF. The ten-year annualized returns were 6.66% for the TRS and 6.61% for the ERS and 4.90% for the JRF.

Sincerely,



Marc Green  
Director of Investments

## **I. Board Objectives**

The Boards of Control, as Trustees of the Teachers' Retirement System and Employees' Retirement System (Systems), have full power, through each System's secretary-treasurer, to invest and reinvest System funds in accordance with the Prudent Person 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.

### *Investment Section*

#### Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2009

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C. Domestic Equity

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

D. International Equity

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

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### **III. Procedures**

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



# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2009

	1 Year	Annualized		
		Last 3 Years	Last 5 Years	Last 10 Years
<b>Total Portfolio</b>				
TRS	-7.94%	-2.91%	2.07%	3.09%
ERS	-10.03%	-3.47%	1.59%	2.67%
JRF	0.69%	-0.57%	3.34%	2.87%
<b>Total Domestic Equity</b>				
TRS	-6.96%	-4.85%	1.64%	1.04%
ERS	-6.86%	-4.82%	1.69%	1.06%
JRF	-6.43%	-4.84%	1.52%	0.65%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	-6.91%	-5.43%	1.02%	-0.15%
Dow Jones Industrial Average	-7.37%	-3.33%	1.85%	1.63%
S&P MidCap 400	-3.11%	-1.39%	4.53%	7.48%
S & P 600 Smallcap	-10.62%	-3.98%	2.83%	7.07%
<b>Total International Equity</b>				
TRS	4.14%	-2.32%	6.98%	3.30%
ERS	4.18%	-2.25%	7.01%	3.31%
JRF	5.07%	n/a	n/a	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	3.23%	-3.60%	6.07%	2.55%
<b>Total Fixed Income and Alternatives</b>				
TRS	-12.12%	-0.70%	1.20%	3.74%
ERS	-15.91%	-1.94%	0.43%	3.21%
JRF	10.42%	5.76%	5.92%	5.18%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	10.98%	6.86%	5.43%	6.45%
Barclays Aggregate	10.56%	6.41%	5.13%	6.30%

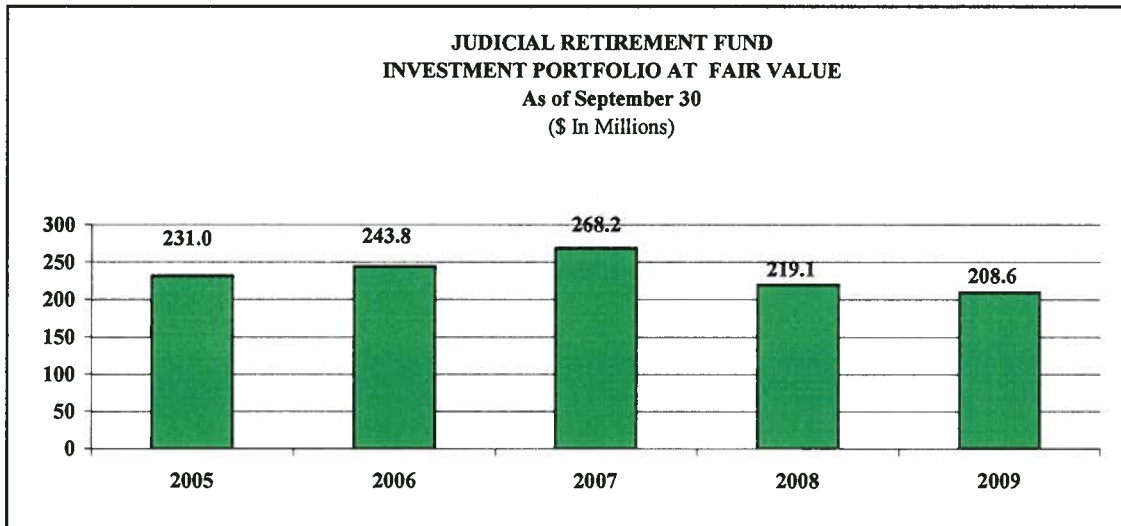
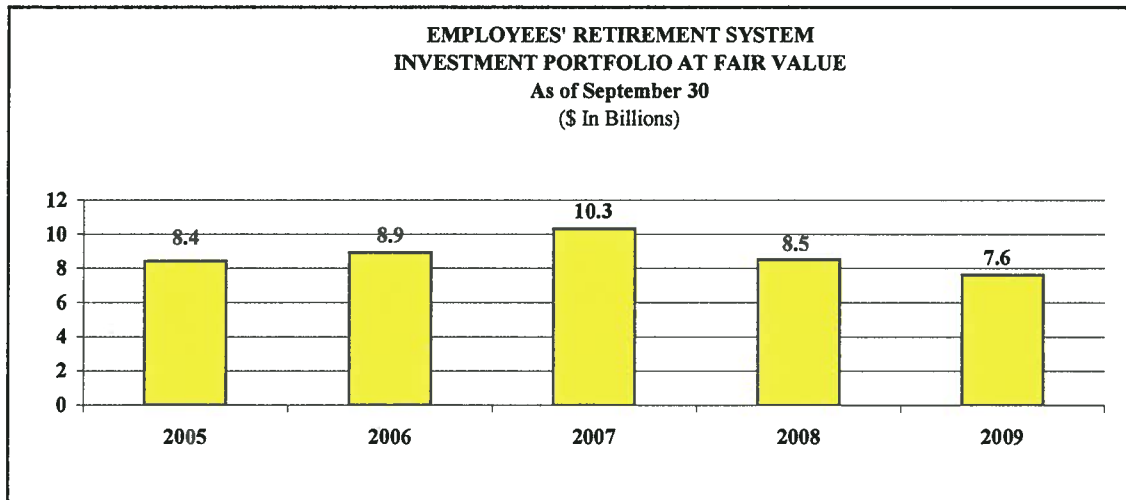
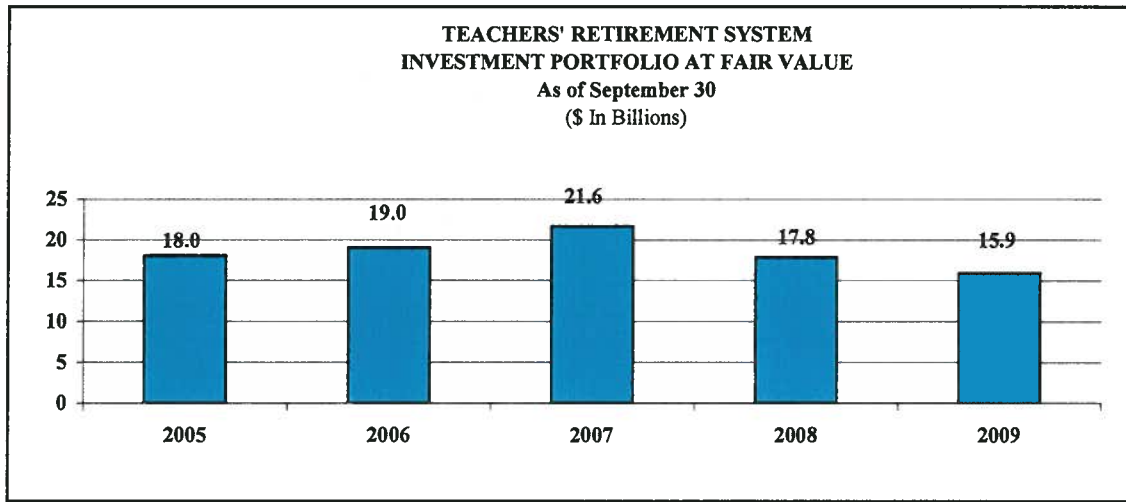
The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®).

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Investment Portfolio at Fair Value

#### Five-Year Comparison

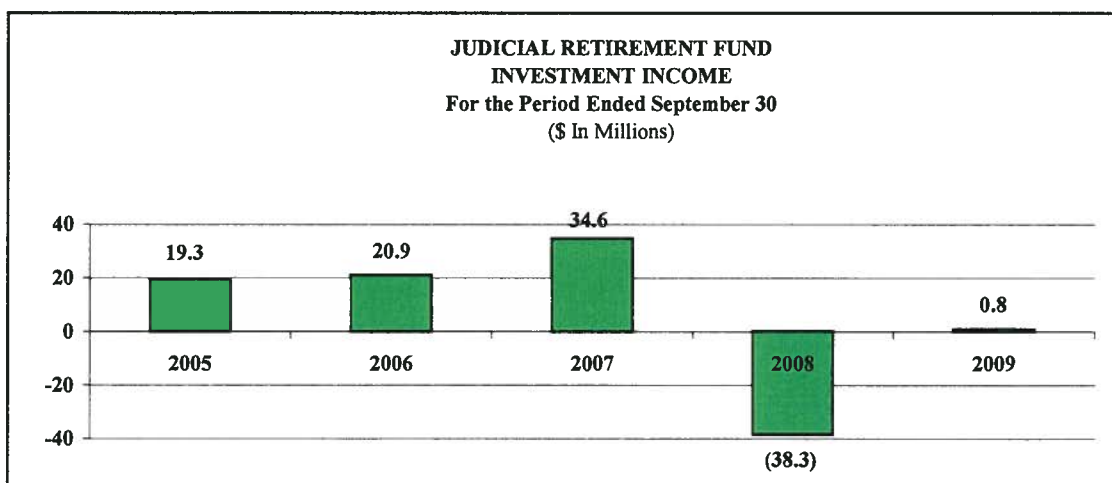
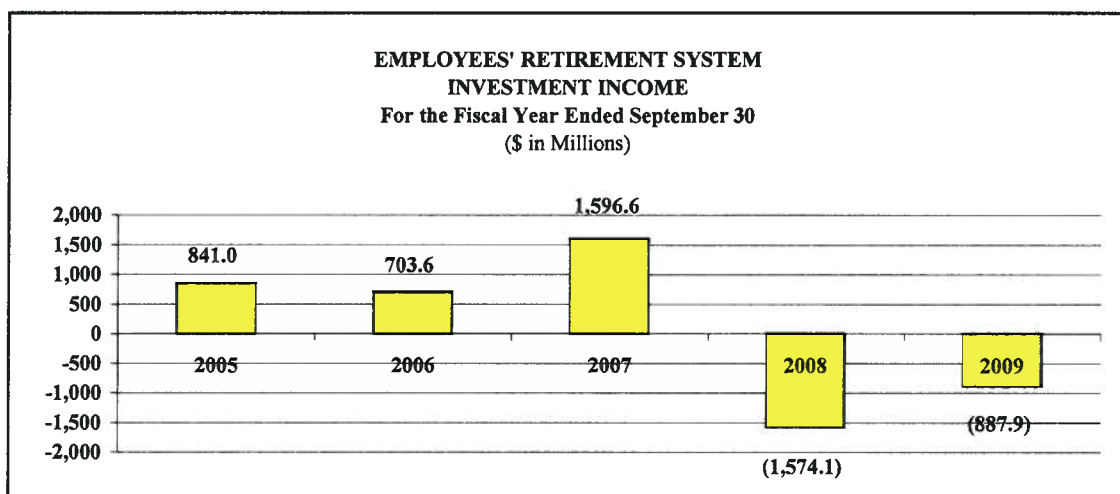
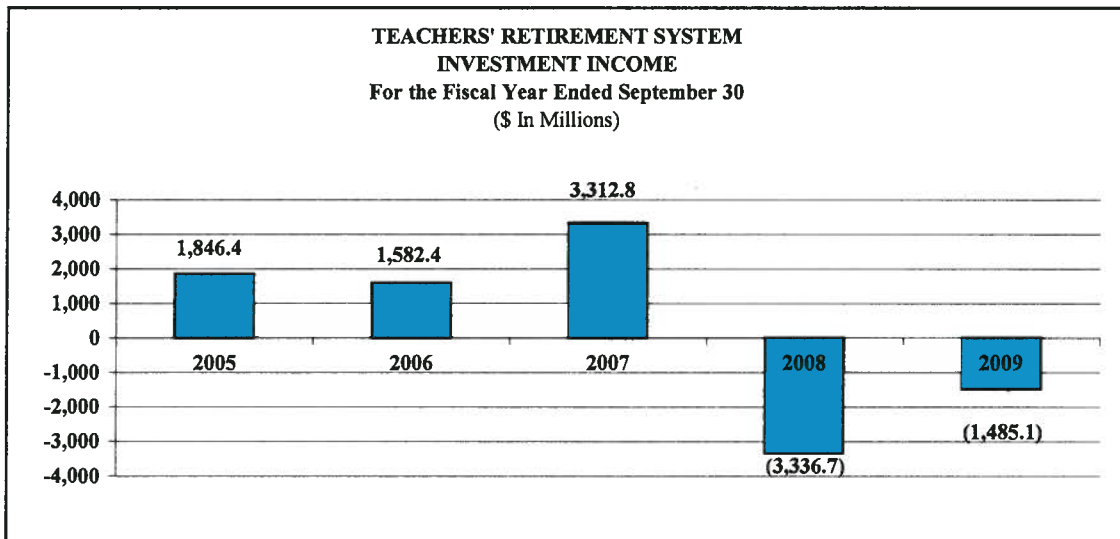


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Investment Income

#### Five-Year Comparison

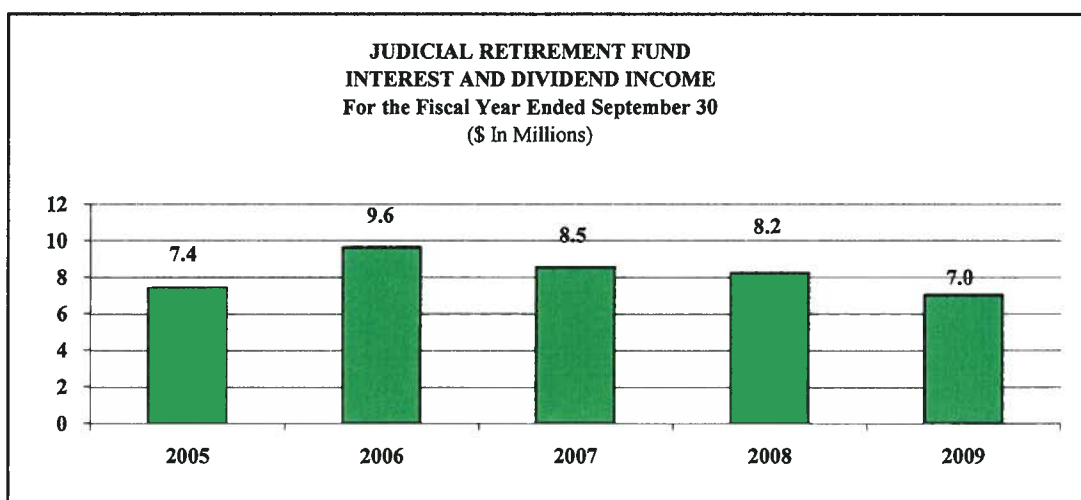
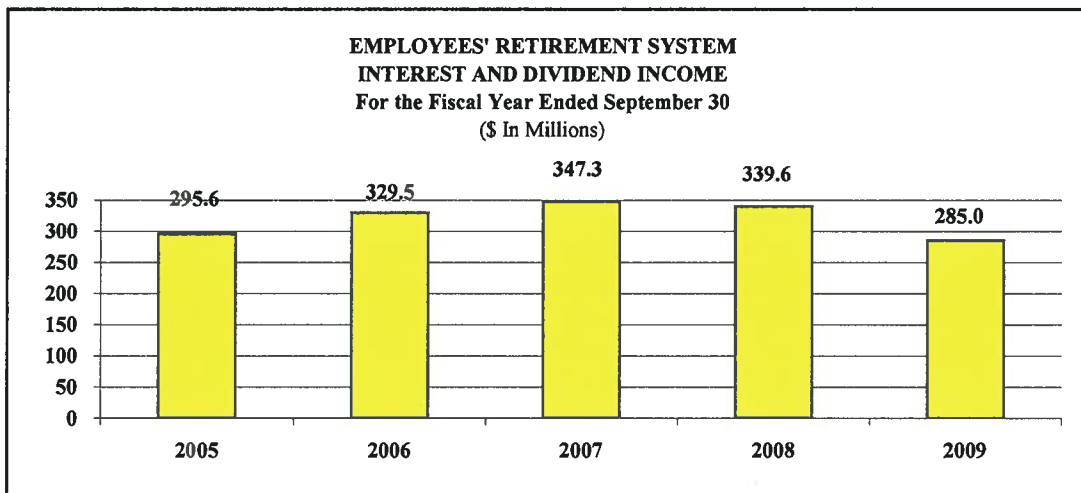
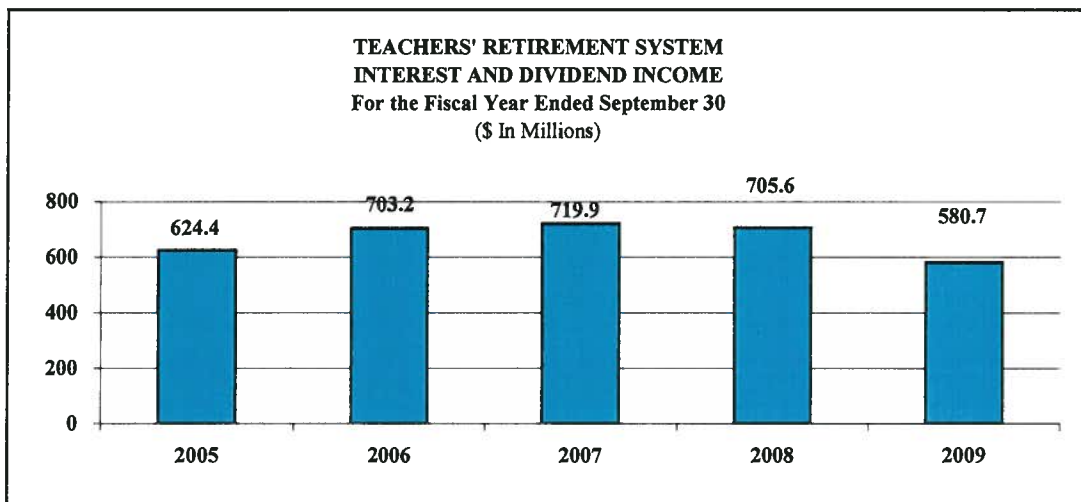


## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Interest and Dividends

#### Five-Year Comparison

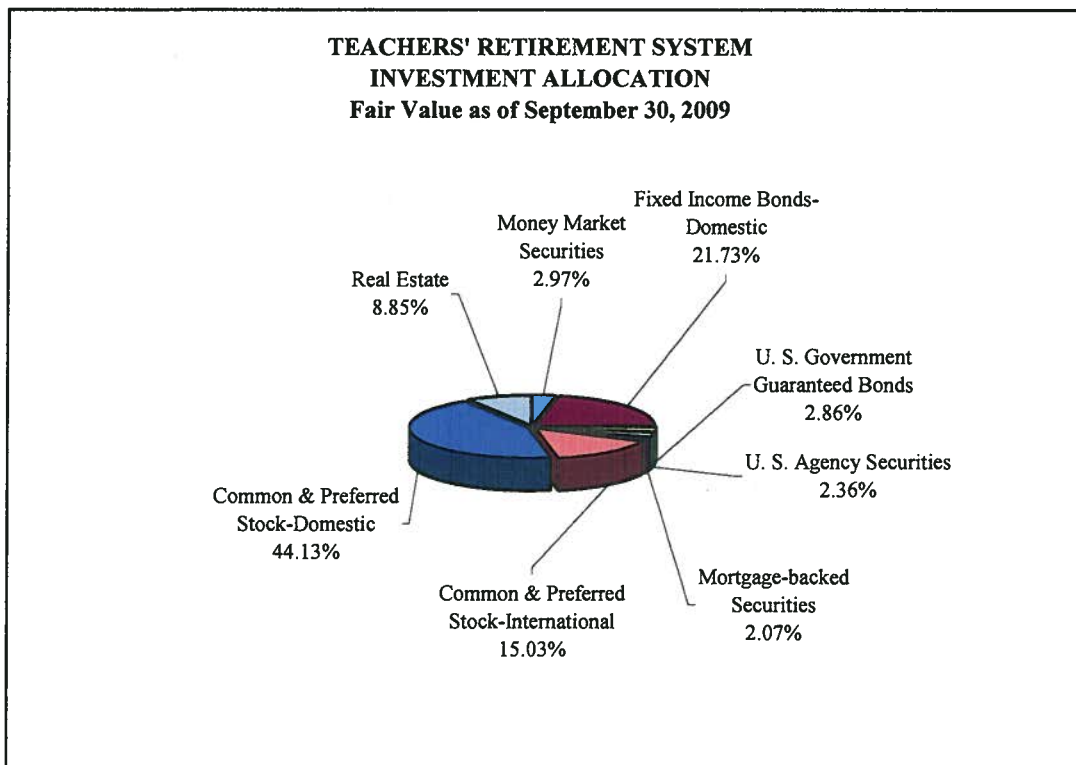


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Teachers' Retirement System

#### Investment Allocation and Summary



**TEACHERS' RETIREMENT SYTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2009**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 471,177	2.97
U.S. Government Guaranteed	453,319	2.86
U.S. Agency Securities	374,948	2.36
Mortgage-backed Securities	328,508	2.07
Fixed Income Bonds		
Domestic	3,447,264	21.73
Common and Preferred Stocks		
Domestic	7,002,023	44.13
International	2,383,873	15.03
Real Estate	1,404,652	8.85
<b>Total Investments</b>	<b>\$ 15,865,764</b>	<b>100.00</b>



## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Teachers' Retirement System

#### Largest Stock and Bond Holdings

#### TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	391	Goldman Sachs Small Cap Equity Linked Notes	\$ 352,273
2)	2,835	Exxon Mobil	194,522
3)	136,000	Credit Suisse Equity S&P 500 Equity Linked Notes	154,414
4)	4,339	Microsoft	112,336
5)	2,336	JP Morgan Chase	102,362
6)	1,615	Johnson & Johnson	98,324
7)	5,845	General Electric	95,974
8)	1,646	Procter & Gamble	95,326
9)	784	IBM	93,797
10)	3,389	AT&T	91,524

#### TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2009

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$1,250,200	Raycom Media, 8% due 9/30/32	\$ 873,869
2)	367,889	National Alabama LP, 8.5% due 12/31/25	367,889
3)	322,320	Community News, 8% due 9/30/32	270,757
4)	104,450	US Treasury Notes, 4.25% due 8/15/15	113,769
5)	83,447	US Treasury Notes, 4% due 2/15/15	89,917
6)	65,042	US Treasury Notes, 4.125% due 5/15/15	70,441
7)	70,000	Alabama River Group, 8.6255 due 10/8/13	69,082
8)	59,259	US Treasury Notes, 4.75% due 5/31/12	64,681
9)	64,320	Wise Metals Tranche D, 10% due 5/5/10	64,320
10)	48,219	Community News SE Media, 8% due 9/30/32	40,505

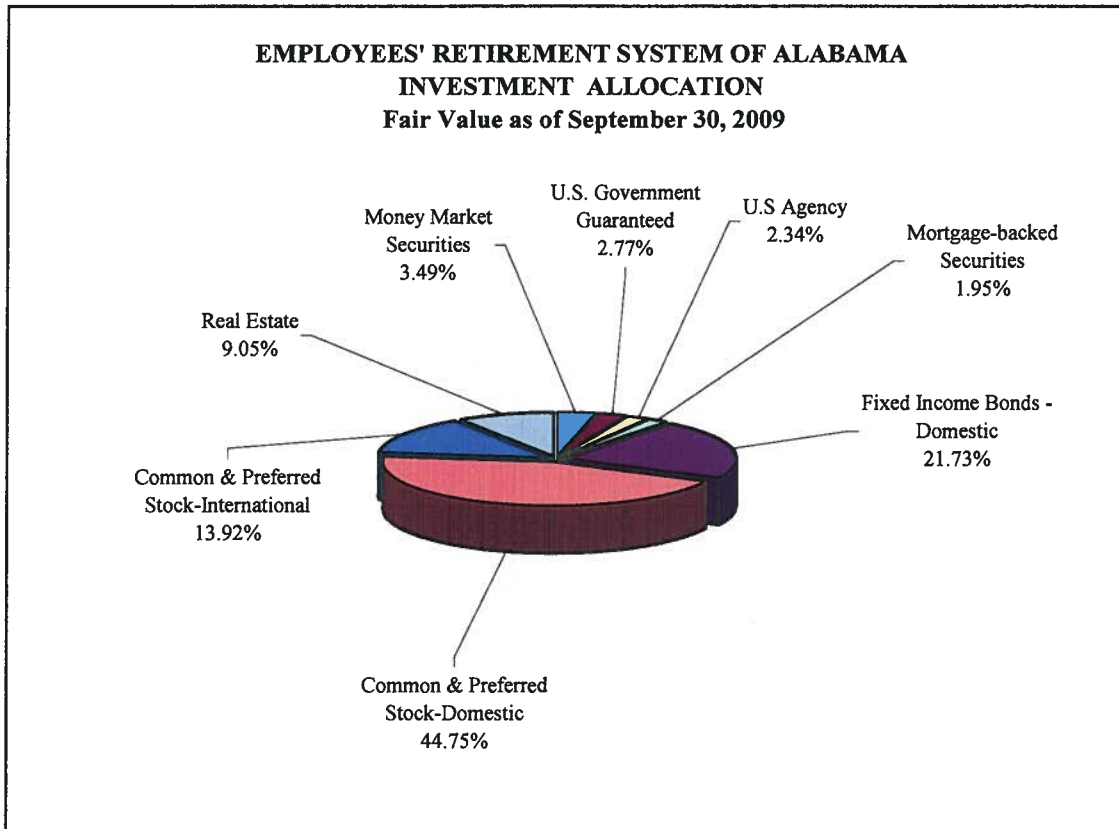
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Employees' Retirement System

#### Investment Allocation and Summary



**EMPLOYEES' RETIREMENT SYSTEM**  
**INVESTMENT SUMMARY AT FAIR VALUE**  
**As of September 30, 2009**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 263,860	3.49
U.S. Government Guaranteed	209,110	2.77
U.S. Agency Securities	176,508	2.34
Mortgage-backed Securities	147,655	1.95
Fixed Income Bonds		
Domestic	1,640,555	21.73
Common and Preferred Stocks		
Domestic	3,378,526	44.75
International	1,050,599	13.92
Real Estate	683,221	9.05
Total Investments	\$ 7,550,034	100.00

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Employees' Retirement System

#### Largest Stock and Bond Holdings

### EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	161	Goldman Sachs Small Cap Equity Linked Notes	\$ 144,876
2)	1,352	Exxon Mobil	92,731
3)	64,000	Credit Suisse Equity S&P 500 Equity Linked Notes	72,666
4)	104	Raycom Media (10 noncumulative)	72,664
5)	2,062	Microsoft	53,392
6)	1,118	JP Morgan & Chase	48,991
7)	770	Johnson & Johnson	46,912
8)	2,769	General Electric	45,462
9)	781	Procter & Gamble	45,240
10)	375	IBM	44,839

### EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2009

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 621,030	Raycom Media, 8% due 9/30/32	\$ 434,090
2)	181,199	National Alabama LP, 8.5% due 12/31/25	181,199
3)	162,853	Community News, 8% due 9/30/32	136,800
4)	47,687	US Treasury Notes, 4.25% due 8/15/15	51,942
5)	38,279	US Treasury Notes, 4% due 2/15/15	41,247
6)	29,902	US Treasury Notes, 4.125 due 5/15/15	32,384
7)	31,680	Wise Metals Tranche D, 10% due 5/5/10	31,680
8)	27,220	US Treasury Notes, 4.75% due 5/31/12	29,710
9)	30,000	Alabama River Group, 8.625% due 10/8/13	29,607
10)	25,519	Community News SE Media, 8% due 9/30/32	21,437

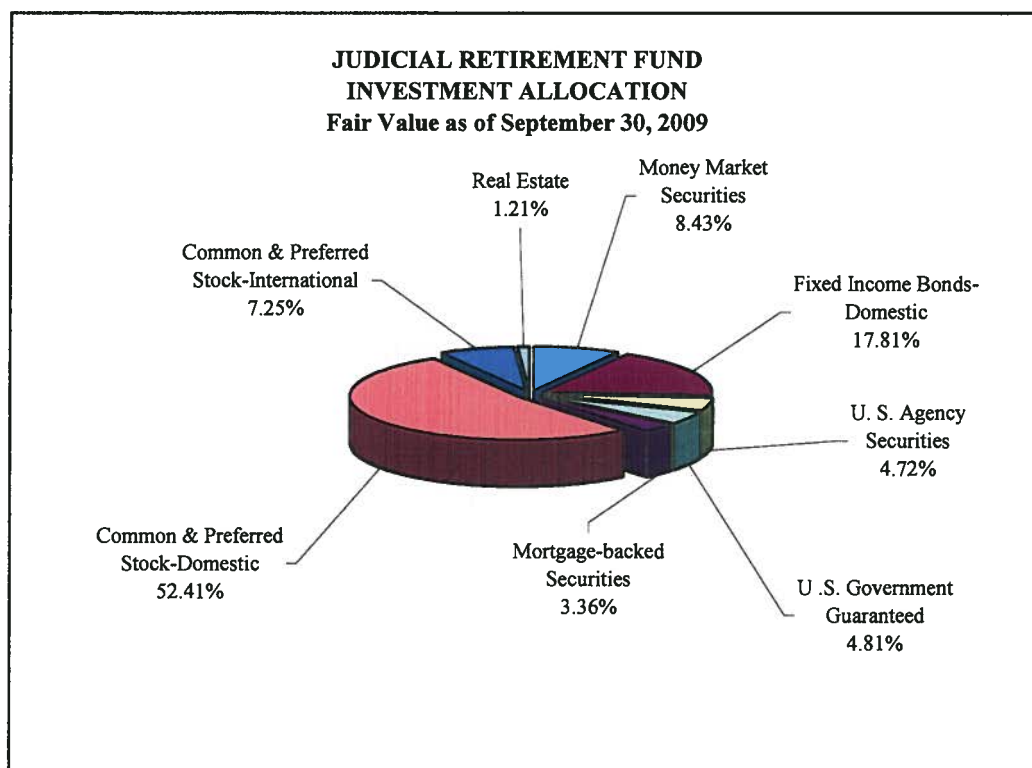
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Judicial Retirement Fund

#### Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2009  
(\$ In Thousands)**

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 17,592	8.43
U.S. Government Guaranteed	10,042	4.81
U.S. Agency Securities	9,836	4.72
Mortgage-backed Securities	7,013	3.36
Fixed Income Bonds, Domestic	37,135	17.81
Common and Preferred Stocks, Domestic	109,305	52.41
Common and Preferred Stocks, International	15,112	7.25
Real Estate	2,530	1.21
<b>Total Investments</b>	<b>\$ 208,565</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

## *Investment Section*

### Judicial Retirement Fund

#### Largest Stock and Bond Holdings

### JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	51	Exxon Mobil	\$ 3,488
2)	4	Goldman Sachs Small Cap Equity Linked Notes	3,173
3)	80	Microsoft	2,063
4)	110	General Electric	1,807
5)	41	JP Morgan Chase & Company	1,781
6)	31	Proctor & Gamble	1,769
7)	29	Johnson & Johnson	1,755
8)	9	Apple	1,720
9)	61	AT&T	1,659
10)	14	IBM	1,647

### JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2009

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 2,504	US Treasury Notes, 4.25% due 8/15/15	\$ 2,727
2)	2,158	US Treasury Notes, 4% due 2/15/15	2,325
3)	2,000	LMB Funding	2,228
4)	1,727	Farmers Mac Guaranteed Notes TR, 5.125% due 4/19/17	1,871
5)	2,044	Community News	1,717
6)	1,480	US Treasury Notes, 4.125% due 5/15/15	1,603
7)	1,588	General Electric Capital, 5.55% due 5/4/20	1,568
8)	1,360	US Treasury Notes, 4.75% due 5/31/12	1,484
9)	1,085	Farmers Mac Guaranteed Notes TR 2006, 5.5% due 7/15/11	1,158
10)	898	Torchmark, 6.375% due 6/15/16	852

A complete list of portfolio holdings is available upon request.



# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Broker Commissions Paid

For the Fiscal Year Ended September 30, 2009

	Stock		Fixed		Total
	Commissions	# of	Commissions	Securities	Commissions
	Per Share	Shares	(000's)	Commissions	(000's)
		(000's)		(000's)	
Banc of America	\$ -	-	\$ -	\$ 220	220
Barclays	0.0425	6,393	\$ 272	\$ -	272
Bear Stearns & Co.	-	-	-	219	219
Benchmark	0.0800	125	10	-	10
Bernstein	0.0127	52,314	664	-	664
Cantor Fitzgerald	-	-	-	157	157
Centennial	0.0515	330	17	-	17
Citigroup	0.0337	19,727	664	129	793
Cowen	0.0251	5,574	140	-	140
Credit Suisse	0.0128	24,377	313	228	541
Deutsche Bank	-	-	-	179	179
Empirical Research	0.0444	2,655	118	-	118
First Discount	0.0494	263	13	-	13
Gardner Rich	0.0485	268	13	-	13
Goldman Sachs & Co.	0.0111	21,735	242	139	381
Howard Weil	0.0433	2,725	118	-	118
Issuer Designated	-	-	-	409	409
ISI	0.0482	12,241	590	-	590
Jeffries	0.0451	8,116	366	-	366
JP Morgan Chase	0.0368	26,574	977	-	977
Keefe Bruyette	0.0379	2,800	106	-	106
KeybanC Capital Markets	-	-	-	38	38
Lazard	0.0389	257	10	-	10
McDonald	0.0495	505	25	-	25
Merrill Lynch, Pierce, Fenner & Smith	0.0330	17,774	586	-	586
Morgan Keegan	0.0499	802	40	-	40
Morgan Stanley Dean Witter	0.0331	22,136	733	70	803
NBC-Falkenburg	0.0500	900	45	-	45
Oppenheimer	0.0419	11,035	462	-	462
Raymond James	0.0497	906	45	235	280
Register/Corts	0.0489	225	11	-	11
Sandler O'Neil	0.0500	3,901	195	-	195
Securities Capital	0.0504	258	13	-	13
Southcoast	0.0493	3,730	184	-	184
Southwest	0.0500	200	10	-	10
Sterne Agee	0.0421	4,468	188	-	188
Strategas	0.0441	2,608	115	-	115
UBS Warburg	0.0504	754	38	-	38
Wells Fargo	0.0426	6,338	270	-	270
<b>Totals</b>		<b>263,014</b>	<b>\$ 7,593</b>	<b>\$ 2,023</b>	<b>\$ 9,616</b>

Average Commission Per Share of Stock = \$ 0.0289

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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, 2009, 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 2008 financial statements and, in our report dated January 27, 2009, we expressed an unqualified opinion on such financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 2009 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, 2009, 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 18 and the schedules of funding progress and employer contributions (pages 43 through 45) 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.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 46 through 48 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Carly Riggs & Ingram, L.L.C.*

January 27, 2010  
Montgomery, Alabama

## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Management's Discussion and Analysis

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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, 2009, 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.



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

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

#### Comparative Summary Statements

#### Summary Comparative Statement of Plan Net Assets

As of September 30, 2009 and 2008

(Amounts in Thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b><i>Assets</i></b>				
Cash	\$ 14,717	\$ 14,289	\$ 428	3.00
Receivables	243,817	359,673	(115,856)	(32.21)
Investments	23,624,363	26,447,602	(2,823,239)	(10.67)
Invested Securities Lending Collateral	3,445,682	2,350,847	1,094,835	46.57
Property and Equipment	164,405	156,730	7,675	4.90
Total Assets	<u>27,492,984</u>	<u>29,329,141</u>	<u>(1,836,157)</u>	(6.26)
<b><i>Liabilities</i></b>				
Accounts Payable and Other Liabilities	8,346	6,299	2,047	32.50
Investment Purchases Payable	25,381	-	25,381	-
Other Post-employment Benefit Obligations	2,567	2,087	480	23.00
Securities Lending Collateral	3,445,682	2,350,847	1,094,835	46.57
Total Liabilities	<u>3,481,976</u>	<u>2,359,233</u>	<u>1,122,743</u>	47.59
<b><i>Net Assets</i></b>	<u><b>\$ 24,011,008</b></u>	<u><b>\$ 26,969,908</b></u>	<u><b>\$ (2,958,900)</b></u>	<b>(10.97)</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

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

#### Summary Comparative Statement of Changes in Plan Net Assets For the Fiscal Years Ended September 30, 2009 and 2008

(Amounts in Thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>Additions</b>				
Employee Contributions	\$ 532,149	\$ 516,141	\$ 16,008	3.10
Employer Contributions	1,214,983	1,069,214	145,769	13.63
Investment Income	(2,372,249)	(4,949,113)	2,576,864	52.07
Transfers Between Systems	4,539	5,224	(685)	(13.11)
Total Additions	<u>(620,578)</u>	<u>(3,358,534)</u>	<u>2,737,956</u>	81.52
<b>Deductions</b>				
Retirement Allowance Payments	2,231,511	2,164,925	66,586	3.08
Return of Contributions, Unit Withdrawals, and Death Benefits	75,136	68,787	6,349	9.23
Transfers Between Systems	4,539	5,224	(685)	(13.11)
Administrative Expense	20,970	22,634	(1,664)	(7.35)
Depreciation	6,166	889	5,277	593.59
Total Deductions	<u>2,338,322</u>	<u>2,262,459</u>	<u>75,863</u>	3.35
<b>Decrease in Plan Net Assets</b>	<u>(2,958,900)</u>	<u>(5,620,993)</u>	<u>2,662,093</u>	47.36
Net Assets - Beginning of Year	<u>26,969,908</u>	<u>32,590,901</u>	<u>(5,620,993)</u>	(17.25)
<b>Net Assets - End of Year</b>	<u><u>\$ 24,011,008</u></u>	<u><u>\$ 26,969,908</u></u>	<u><u>\$ (2,958,900)</u></u>	(10.97)

#### Comparison of Individual Plan Net Assets As of September 30, 2009 and 2008

(Amounts in Thousands)

	<u>2009</u>	<u>2008</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>TRS</b>	\$ 16,120,988	\$ 18,100,387	\$ (1,979,399)	(10.94)
<b>ERS</b>	7,679,005	8,647,705	(968,700)	(11.20)
<b>JRF</b>	<u>211,015</u>	<u>221,816</u>	<u>(10,801)</u>	(4.87)
<b>Totals</b>	<u><u>\$ 24,011,008</u></u>	<u><u>\$ 26,969,908</u></u>	<u><u>\$ (2,958,900)</u></u>	(10.97)

## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

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

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##### **Financial Analysis**

- Employer contributions increased primarily as a result of increases in employer cost rates.
- Receivables decreased principally because of the decrease in interest receivable. Interest receivable mainly decreased as a result of restructuring some debt securities. The restructuring included new interest rates and accrual schedules.
- Assets and liabilities related to securities lending increased as a result of increased securities lending activities.
- Investments and investment income decreased mainly as a result of the decrease in the fair value of investments. The downturn in the equity markets contributed to the decreases in investments and investment income. The decrease in the fair value of investments was less severe than the decrease experienced in fiscal year 2008.
- Investment purchases payable resulted from a change in policy to recognize investments on a trade date basis instead of the settlement date basis. The change in policy did not result in a material difference in the fair value of investments reported in the financial statements. Also, use of the settlement date basis did not result in material differences relative to the trade date basis in previous years.
- Depreciation expense increased significantly due to depreciation related to the new office building.

##### **Funding Status**

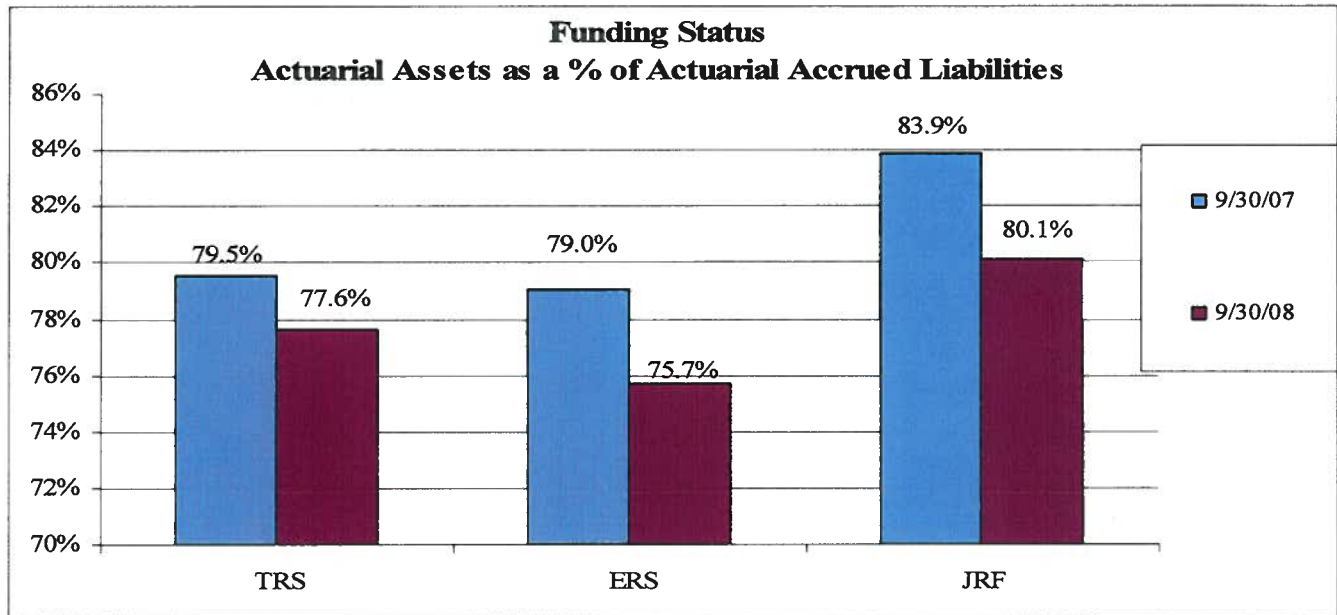
The primary objective of a retirement system is to accumulate sufficient assets to pay benefits to participants when due. The principal sources of assets to fund benefits include investment income and member and employer contributions. A five-year smoothing method is used in actuarially valuing assets 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, 2008 and September 30, 2007). The funded ratios decreased slightly in the most recent valuations. As a result of the decline in fair values of investments during fiscal year 2009, the funded ratios in the fiscal year 2009 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.

## RETIREMENT SYSTEMS OF ALABAMA

### Financial Section

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



#### Financial Highlights

- Net assets held in trust of \$24 billion at 9/30/09 were available 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 77.6% for the TRS, 75.7% for the ERS, and 80.1% for the JRF.
- The investment section contains a detailed schedule of investment returns and related benchmarks.





# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Combining Statement of Plan Net Assets

September 30, 2009 with comparative figures for 2008

(Amounts in Thousands)

	2009			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Assets</b>				
Cash (Note 4)	\$ 6,400	\$ 7,162	\$ 1,155	\$ 14,717
Receivables				
Employee Contributions	25,381	14,640	117	40,138
Employer Contributions	61,263	29,616	351	91,230
Investment Sales Receivable	16,498	8,690	-	25,188
Dividends and Interest	59,047	27,166	1,048	87,261
Total Receivables	162,189	80,112	1,516	243,817
Investments, at Fair Value (Note 5)				
Domestic Equities	7,002,023	3,378,526	109,305	10,489,854
Domestic Fixed Income	4,604,039	2,173,828	64,026	6,841,893
International Equities	2,383,873	1,050,599	15,112	3,449,584
Real Estate	1,404,652	683,221	2,530	2,090,403
Short-term	471,177	263,860	17,592	752,629
Total Investments	15,865,764	7,550,034	208,565	23,624,363
Invested Securities Lending Collateral (Note 5)	2,394,634	1,027,835	23,213	3,445,682
Property and Equipment less Accumulated Depreciation (Note 8)	109,637	54,768	-	164,405
Total Assets	18,538,624	8,719,911	234,449	27,492,984
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	5,151	2,993	202	8,346
Investment Purchases Payable	16,613	8,768	-	25,381
Other Post-employment Benefit Obligations (Note 9)	1,238	1,310	19	2,567
Securities Lending Collateral (Note 5)	2,394,634	1,027,835	23,213	3,445,682
Total Liabilities	2,417,636	1,040,906	23,434	3,481,976
<b>Net Assets Held in Trust for Pension Benefits (Notes 3 &amp; 6)</b>	<b>\$ 16,120,988</b>	<b>\$ 7,679,005</b>	<b>\$ 211,015</b>	<b>\$ 24,011,008</b>

See accompanying Notes to the Financial Statements .

	2008			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Assets</b>				
Cash	\$ 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				
Domestic Equity	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	1,581,944	731,431	37,472	2,350,847
Property and Equipment less Accumulated Depreciation	104,168	52,562	-	156,730
Total Assets	19,687,107	9,382,534	259,500	29,329,141
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	3,735	2,367	197	6,299
Other Post-employment Benefits	1,041	1,031	15	2,087
Securities Lending Collateral	1,581,944	731,431	37,472	2,350,847
Total Liabilities	1,586,720	734,829	37,684	2,359,233
<b>Net Assets Held in Trust for Pension Benefits</b>	<b>\$ 18,100,387</b>	<b>\$ 8,647,705</b>	<b>\$ 221,816</b>	<b>\$ 26,969,908</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2009 with comparative figures for 2008

(Amounts in Thousands)

	2009			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Additions</b>				
Contributions				
Employee	\$ 321,100	\$ 208,446	\$ 2,603	\$ 532,149
Employer	753,518	451,139	10,326	1,214,983
Transfers from Teachers' Retirement System	-	1,767	-	1,767
Transfers from Employees' Retirement System	2,606	-	98	2,704
Transfers from Judicial Retirement Fund	-	68	-	68
Total Contributions	<u>1,077,224</u>	<u>661,420</u>	<u>13,027</u>	<u>1,751,671</u>
Investment Income (Note 5)				
From Investing Activities				
Net Decrease in Fair Value of Investments	(2,083,048)	(1,180,523)	(6,612)	(3,270,183)
Interest and Dividends	<u>580,656</u>	<u>285,022</u>	<u>7,026</u>	<u>872,704</u>
Total Investment Income from Investing Activities	<u>(1,502,392)</u>	<u>(895,501)</u>	<u>414</u>	<u>(2,397,479)</u>
Less: Investment Expenses	<u>5,419</u>	<u>2,651</u>	<u>11</u>	<u>8,081</u>
Net Investment Income from Investing Activities	<u>(1,507,811)</u>	<u>(898,152)</u>	<u>403</u>	<u>(2,405,560)</u>
From Securities Lending Activities				
Securities Lending Income	33,782	15,335	543	49,660
Less Securities Lending Expenses:				
Borrower Rebates	6,685	3,070	119	9,874
Management Fees	<u>4,412</u>	<u>1,994</u>	<u>69</u>	<u>6,475</u>
Total Securities Lending Expenses	<u>11,097</u>	<u>5,064</u>	<u>188</u>	<u>16,349</u>
Net Income from Securities Lending Activities	<u>22,685</u>	<u>10,271</u>	<u>355</u>	<u>33,311</u>
Total Net Investment Income	<u>(1,485,126)</u>	<u>(887,881)</u>	<u>758</u>	<u>(2,372,249)</u>
Total Additions	<u>(407,902)</u>	<u>(226,461)</u>	<u>13,785</u>	<u>(620,578)</u>
<b>Deductions</b>				
Retirement Allowance Payments	1,512,260	695,430	23,821	2,231,511
Return of Contributions and Death Benefits	42,337	32,640	145	75,122
Unit Withdrawals	-	14	-	14
Transfers to Employees' Retirement System	1,767	-	68	1,835
Transfers to Teachers' Retirement System	-	2,606	-	2,606
Transfers to Judicial Retirement Fund	-	98	-	98
Administrative Expenses	11,005	9,413	552	20,970
Depreciation (Note 8)	<u>4,128</u>	<u>2,038</u>	<u>-</u>	<u>6,166</u>
Total Deductions	<u>1,571,497</u>	<u>742,239</u>	<u>24,586</u>	<u>2,338,322</u>
<b>Net Decrease</b>	<u>(1,979,399)</u>	<u>(968,700)</u>	<u>(10,801)</u>	<u>(2,958,900)</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
Beginning of Year	<u>18,100,387</u>	<u>8,647,705</u>	<u>221,816</u>	<u>26,969,908</u>
End of Year	<u>\$ 16,120,988</u>	<u>\$ 7,679,005</u>	<u>\$ 211,015</u>	<u>\$ 24,011,008</u>

See accompanying Notes to the Financial Statements .

2008				
	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Additions</b>				
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	<u>1,056,999</u>	<u>520,993</u>	<u>12,587</u>	<u>1,590,579</u>
Investment Income				
<i>From Investing Activities</i>				
Net Decrease in Fair Value of Investments	(4,057,823)	(1,919,746)	(46,910)	(6,024,479)
Interest and Dividends	<u>705,555</u>	<u>339,578</u>	<u>8,206</u>	<u>1,053,339</u>
Total Investment Income from Investing Activities	(3,352,268)	(1,580,168)	(38,704)	(4,971,140)
Less: Investment Expenses	<u>5,990</u>	<u>3,747</u>	<u>8</u>	<u>9,745</u>
Net Investment Income from Investing Activities	<u>(3,358,258)</u>	<u>(1,583,915)</u>	<u>(38,712)</u>	<u>(4,980,885)</u>
<i>From Securities Lending Activities</i>				
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	<u>4,332</u>	<u>1,988</u>	<u>77</u>	<u>6,397</u>
Total Securities Lending Expenses	<u>62,027</u>	<u>28,637</u>	<u>1,375</u>	<u>92,039</u>
Net Income from Securities Lending Activities	<u>21,561</u>	<u>9,821</u>	<u>390</u>	<u>31,772</u>
Total Net Investment Income	<u>(3,336,697)</u>	<u>(1,574,094)</u>	<u>(38,322)</u>	<u>(4,949,113)</u>
Total Additions	<u>(2,279,698)</u>	<u>(1,053,101)</u>	<u>(25,735)</u>	<u>(3,358,534)</u>
<b>Deductions</b>				
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	<u>578</u>	<u>311</u>	<u>-</u>	<u>889</u>
Total Deductions	<u>1,538,665</u>	<u>700,412</u>	<u>23,382</u>	<u>2,262,459</u>
<b>Net Decrease</b>	<u>(3,818,363)</u>	<u>(1,753,513)</u>	<u>(49,117)</u>	<u>(5,620,993)</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
Beginning of Year	<u>21,918,750</u>	<u>10,401,218</u>	<u>270,933</u>	<u>32,590,901</u>
End of Year	<u>\$ 18,100,387</u>	<u>\$ 8,647,705</u>	<u>\$ 221,816</u>	<u>\$ 26,969,908</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

(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, 2009, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	282	-
Counties	-	65	67
Other Public Entities	-	502	-
Universities	13	-	-
Post-Secondary Institutions	29	-	-
City and County Bds of Education	131	-	-
State Agencies & Other	31	1	1
<b>Totals</b>	<u>204</u>	<u>850</u>	<u>68</u>

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

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Retirees and beneficiaries currently receiving benefits:			
General	66,928	17,973	311
State Police	-	770	-
Employees of Local Employers	-	16,202	-
Deferred Retirement Option Plan (DROP)	5,169	2,184	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	16,791	3,752	52
State Police	-	16	-
Employees of Local Employers	-	7,680	-
Active employees:			
General	141,528	33,341	336
State Police	-	755	-
Employees of Local Employers	-	53,906	-
<b>Totals</b>	<b><u>230,416</u></b>	<b><u>136,579</u></b>	<b><u>699</u></b>

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

The JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed 10 years of credited service and has attained age 70 or (5) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his or her retirement benefit to commence at the end of the term in which the member's seventieth birthday occurs is entitled only to the refund of his or her contributions (except for members with at least 25 years of credited service). The service retirement benefit for circuit, appellate, and probate judges is 75% of the member's salary at the time of separation.

(Dollar Amounts in Thousands)

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. Subsequent events were evaluated by management through the date the financial statements were issued.

### **B. Investments**

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer (CEO) 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**

No new accounting pronouncements were implemented in fiscal year 2009. GASB 53, *Accounting and Financial Reporting for Derivative Instruments* will be implemented in fiscal year 2010.

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## **F. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts on the financial statements. Actual results may differ from these estimates.

### **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



(Dollar Amounts in Thousands)

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 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, 2009, are as follows:

	TRS	ERS	JRF
Annuity Savings	\$ 3,233,664	\$ 1,973,511	\$ 32,533
Pension Accumulation	12,093,632	5,372,845	177,550
Preretirement Death Benefit	25,063	21,045	-
Term Life Insurance	12,635	-	-
Deferred Retirement Option Plan	643,733	252,704	-
Expense	2,624	4,132	932

#### 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*, as amended, 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.

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## 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 and the RSA's policies regarding 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 will be 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 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.

*Financial Section*

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

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(Dollar Amounts in Thousands)

- 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.

The following tables provide information as of September 30, 2009, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS						
TRS						
Type of Investment	Maturity in Years at Fair value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 309,982	\$ -	\$ -	\$ -	\$ 309,982	\$ 309,982
U.S. Government Guaranteed	-	95,662	330,548	27,109	453,319	421,911
U.S. Agency	-	162,264	147,702	64,982	374,948	356,911
Corporate Bonds	112,211	461,512	556,953	286,920	1,417,596	1,373,630
Private Placements	94,805	179,826	80,583	1,674,454	2,029,668	2,491,645
GNMAs	21	595	616	59,892	61,124	57,153
CMOs	-	2,004	447	264,933	267,384	257,793
Money Market Funds	161,195	-	-	-	161,195	161,195
Total Domestic Fixed Maturity	<u>\$ 678,214</u>	<u>\$ 901,863</u>	<u>\$ 1,116,849</u>	<u>\$ 2,378,290</u>	<u>5,075,216</u>	<u>5,430,220</u>
<i>Equities</i>						
Domestic					6,839,463	6,039,274
Private					162,560	342,845
International						
United Kingdom - Pound Sterling					461,452	480,684
Japan - Yen					505,592	556,795
France - Euro					253,972	220,816
Germany - Euro					192,324	160,100
Switzerland - Franc					184,510	130,808
Netherlands - Euro					69,068	63,849
Italy - Euro					85,915	98,170
Spain - Euro					112,133	81,708
Australia - U.S. Dollar					175,406	113,017
Singapore - U.S. Dollar					28,115	23,791
Belgium - Euro					21,818	29,703
Finland - Euro					29,073	31,087
Hong Kong - U.S. Dollar					56,097	45,799
Sweden - Krona					54,218	43,099
Denmark - Krone					22,302	14,757
Portugal - Euro					7,217	8,412
Ireland - Euro					8,304	16,255
Norway - Krone					18,863	12,825
Greece - Euro					14,394	14,315
Austria - Euro					9,155	8,471
New Zealand - Dollar					1,969	2,734
Emerging Markets					71,976	67,000
Total International Equities					2,383,873	2,224,195
Total Equities					9,385,896	8,606,314
Real Estate					1,404,652	1,191,560
Total Investments					\$ 15,865,764	\$ 15,228,094

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

(Dollar Amounts in Thousands)

INVESTMENTS						
ERS						
Type of Investment	Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 169,893	\$ -	\$ -	\$ -	\$ 169,893	\$ 169,893
U.S. Government Guaranteed	-	45,077	151,588	12,445	209,110	194,895
U.S. Agency	-	77,913	68,851	29,744	176,508	167,917
Corporate Bonds	47,106	212,014	253,414	136,085	648,619	627,549
Private Placements	46,731	79,375	37,369	828,461	991,936	1,220,895
GNMAs	4	282	667	25,105	26,058	24,499
CMOs	-	830	141	120,626	121,597	117,317
Money Market Funds	93,967	-	-	-	93,967	93,967
Total Domestic Fixed Maturity	<u>\$ 357,701</u>	<u>\$ 415,491</u>	<u>\$ 512,030</u>	<u>\$ 1,152,466</u>	<u>2,437,688</u>	<u>2,616,932</u>
<i>Equities</i>						
Domestic					3,227,650	2,854,548
Private					150,876	283,698
International						
United Kingdom - Pound Sterling					202,912	210,216
Japan - Yen					222,202	245,348
France - Euro					111,901	96,785
Germany - Euro					84,419	69,969
Switzerland - Franc					80,950	56,611
Netherlands - Euro					30,400	27,517
Italy - Euro					37,833	43,007
Spain - Euro					49,411	35,226
Australia - U.S. Dollar					77,034	49,685
Singapore - U.S. Dollar					12,371	10,437
Belgium - Euro					9,748	13,134
Finland - Euro					12,771	13,829
Hong Kong - U.S. Dollar					24,592	20,147
Sweden - Krona					23,744	18,970
Denmark - Krone					9,788	6,458
Portugal - Euro					3,181	3,688
Ireland - Euro					3,594	7,080
Norway - Krone					8,183	5,662
Greece - Euro					6,319	6,291
Austria - Euro					4,004	3,746
New Zealand - Dollar					865	1,221
Emerging Markets					34,377	32,000
Total International Equities					1,050,599	977,027
Total Equities					4,429,125	4,115,273
Real Estate					683,221	600,541
Total Investments					\$ 7,550,034	\$ 7,332,746

INVESTMENTS						
JRF						
Type of Investment	Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 12,506	\$ -	\$ -	\$ -	\$ 12,506	\$ 12,506
U.S. Government Guaranteed	-	1,485	7,935	622	10,042	9,307
U.S. Agency	-	3,867	4,489	1,480	9,836	9,325
Corporate Bonds	1,393	9,786	13,959	6,065	31,203	30,932
Private Placements	227	3,476	-	2,229	5,932	6,215
GNMAs	-	8	21	809	838	813
CMOs	-	75	47	6,053	6,175	5,961
Money Market Funds	5,086	-	-	-	5,086	5,086
Total Domestic Fixed Maturity	<u>\$ 19,212</u>	<u>\$ 18,697</u>	<u>\$ 26,451</u>	<u>\$ 17,258</u>	<u>81,618</u>	<u>80,145</u>
<i>Equities</i>						
Domestic					109,305	82,309
International						
United Kingdom - Pound Sterling					2,813	3,914
Japan - Yen					3,064	4,168
France - Euro					1,513	1,850
Germany - Euro					1,171	1,260
Switzerland - Franc					1,121	1,238
Netherlands - Euro					421	526
Italy - Euro					523	757
Spain - Euro					684	683
Australia - U.S. Dollar					1,068	993
Singapore - U.S. Dollar					177	163
Belgium - Euro					133	248
Finland - Euro					177	225
Hong Kong - U.S. Dollar					346	336
Sweden - Krona					333	386
Denmark - Krone					127	115
Portugal - Euro					44	54
Ireland - Euro					50	129
Norway - Krone					116	113
Greece - Euro					89	118
Austria - Euro					56	77
New Zealand - Dollar					12	15
Emerging Markets					1,074	1,000
Total International Equities					15,112	18,368
Total Equities					124,417	100,677
Real Estate					2,530	892
Total Investments					\$ 208,565	\$ 181,714

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2009, 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	\$ 514,443	\$ 479,064	10.136
Aaa	639,514	611,843	12.601
Aa2	91,905	89,933	1.811
Aa3	47,043	40,852	0.927
P-1	166,186	166,186	3.274
P-2	304,990	304,990	6.009
A1	181,445	162,068	3.575
A2	213,103	197,661	4.199
A3	204,199	206,958	4.023
A (SP)	5,237	5,055	0.103
Baa1	294,159	265,099	5.796
BBB+ (SP)	25,707	21,898	0.507
Baa2	188,787	182,381	3.720
Baa3	142,870	147,890	2.815
Ba1	44,271	42,002	0.872
Ba2	46,290	56,861	0.912
Ba3	20,522	20,679	0.404
B2	367	355	0.007
B3	11,438	11,820	0.225
‡ Not Rated	1,932,740	2,416,627	38.084
Totals	<u>\$ 5,075,216</u>	<u>\$ 5,430,222</u>	<u>100.000</u>

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

‡ Primarily consists of private placements.

**RATINGS OF FIXED MATURITIES  
ERS**

<b>Moody's Ratings§ (Unless Noted)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a Percent of Total Fixed Maturity Fair Value</b>
US Govt Guaranteed Securities	\$ 235,167	\$ 219,394	9.647
Aaa	296,982	284,084	12.183
Aa2	42,351	41,462	1.737
Aa3	22,052	19,142	0.905
A1	87,370	77,393	3.584
A2	97,978	90,922	4.019
P-1	93,967	93,967	3.855
P-2	169,893	169,893	6.969
A3	92,437	93,795	3.792
A (SP)	2,440	2,355	0.100
Baa1	136,170	122,124	5.586
BBB+ (SP)	11,325	9,647	0.465
Baa2	86,582	83,622	3.552
Baa3	61,185	63,560	2.510
Ba1	20,983	19,744	0.861
Ba2	21,869	27,024	0.897
Ba3	9,358	9,430	0.384
B2	151	146	0.006
B3	5,220	5,394	0.214
Caa2	53	75	0.002
‡ Not Rated	944,155	1,183,759	38.732
Totals	<u>\$ 2,437,688</u>	<u>\$ 2,616,932</u>	<u>100.000</u>

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

‡ Primarily consists of private placements.



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

(Dollar Amounts in Thousands)

#### RATINGS OF FIXED MATURITIES JRF

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	\$ 10,879	\$ 10,120	13.329
Aaa	15,889	15,163	19.468
Aa2	2,452	2,451	3.004
Aa3	763	714	0.935
A1	3,562	3,276	4.364
A2	5,045	4,723	6.181
P-1	5,086	5,086	6.231
P-2	12,506	12,506	15.323
A3	4,110	4,145	5.036
Baa1	7,100	6,771	8.699
Baa2	4,618	4,453	5.658
Baa3	1,287	1,386	1.577
Ba1	3,125	2,895	3.829
Ba2	310	360	0.380
Ba3	469	473	0.575
B3	269	278	0.330
Caa2	812	1,143	0.995
‡ Not Rated	3,336	4,202	4.086
Totals	\$ 81,618	\$ 80,145	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, 2009, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 5.98% and 6.73%, 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

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corporate bonds that are not denominated in United States Dollars (other than those issued in Canada), a value of 102% of the fair value of the loaned securities, or (ii) in the case of loaned securities which are not denominated in United States Dollars or whose primary trading market is not located in the United States (and are not referenced in (i)), a value of 105% of the fair value of the loaned securities, or (iii) in the case of loaned securities comprised of UK gilts, a value of 102.5% of the fair value of the loaned securities, or (iv) in all other cases, such value, not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and 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 90 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be 2.5 years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 18 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, 2009, the average term of the loans was 4, 5, 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, 2009, the fair value of the securities on loan was \$2,445,354, \$1,059,337, and \$23,374 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was \$2,520,474, \$1,091,033 and \$24,046 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, 2009. 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, 2009, concerning securities lent:

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

(Dollar Amounts in Thousands)

#### SECURITIES LENDING - INVESTMENTS LENT AND COLLATERAL RECEIVED

(at Fair Value)

Type of Investment Lent	TRS	ERS	JRF	Totals
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 917,516	\$ 401,429	\$ 9,310	\$ 1,328,255
Domestic Equity	986,510	445,144	11,437	1,443,091
International Equity	422,951	152,922	1,851	577,724
Total Lent for Cash Collateral	2,326,977	999,495	22,598	3,349,070
<i>For Non-cash Collateral</i>				
Domestic Equity	2,888	2,341	295	5,524
International Equity	115,489	57,501	481	173,471
Total Lent for Non-cash Collateral	118,377	59,842	776	178,995
<b>Total Securities Lent</b>	<b>\$ 2,445,354</b>	<b>\$ 1,059,337</b>	<b>\$ 23,374</b>	<b>\$ 3,528,065</b>
<b>Type of Collateral Received</b>				
<i>Cash Collateral - Invested in State Street Quality D Fund</i>	\$ 2,394,634	\$ 1,027,835	\$ 23,213	\$ 3,445,682
<i>Non-cash Collateral</i>				
For Lent Domestic Equity Securities				
Securities Collateral - USD	8,637	6,706	335	15,678
For Lent International Equity Securities				
Securities Collateral				
EURO	22	-	-	22
US Dollar	117,181	56,492	498	174,171
Total Non-cash Collateral	125,840	63,198	833	189,871
<b>Total Collateral Received</b>	<b>\$ 2,520,474</b>	<b>\$ 1,091,033</b>	<b>\$ 24,046</b>	<b>\$ 3,635,553</b>

#### D. Mortgage-backed Securities

As of September 30, 2009, the TRS, ERS, and JRF had investments in mortgage-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

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:

<b>FUNDED STATUS</b>						
<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Percentage Funded (A/B)</b>	<b>Annual Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll ((B-A)/C)</b>
	<b>(A)</b>	<b>(B)</b>	<b>(B-A)</b>			<b>((B-A)/C)</b>
<b>TRS</b>						
9/30/2008	\$ 20,812,477	\$ 26,804,117	\$ 5,991,640	77.6	\$ 6,294,341	95.2
<b>ERS</b>						
9/30/2008	9,905,766	13,078,687	3,172,921	75.7	3,553,330	89.3
<b>JRF</b>						
9/30/2008	259,071	323,428	64,357	80.1	41,167	156.3

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:

<b>ACTUARIAL ASSUMPTIONS</b>			
	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Valuation date	September 30, 2008	September 30, 2008	September 30, 2008
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%.

(Dollar Amounts in Thousands)

**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 2009 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, 2009:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 5,085	\$ 2,535
Building and Improvements	106,930	53,465
Furniture and Equipment	3,537	1,771
Total Property and Equipment	115,552	57,771
Less Accum Depreciation	(5,915)	(3,003)
<b>Net Property and Equipment</b>	<b>\$ 109,637</b>	<b>\$ 54,768</b>

**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

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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

The *Code of Alabama 1975, Section 36-29-7*, authorizes the employer contributions to the plan. Each year, the Legislature sets the appropriation 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 2009 rate set by the State Employees' Insurance Board 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 FY2009 were as follows (the following amounts are not in thousands):

*Required Member Rates*

- Individual Coverage/Non-Medicare Eligible – \$171
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$373
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible – \$292
- Individual Coverage/Medicare Eligible Retired Member – \$0
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$202
- 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 – \$292
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible – \$494
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible – \$413
- Surviving Spouse Medicare Eligible – \$121
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible – \$323
- 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 (amounts in thousands).

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2009

	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2009	\$ 745	29.40
	2008	1,259	17.30
<b>ERS</b>	2009	796	29.10
	2008	1,259	18.10
<b>JRF</b>	2009	11	29.30
	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 (amounts in thousands):

	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2009	\$ 1,215	100
	2008	1,060	100
	2007	739	100
<b>ERS</b>	2009	976	100
	2008	809	100
	2007	558	100

#### 11) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and Mobile 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 and other agreed upon payments (reported as investment income) from leases with state agencies totaled \$24,599,000 during the 2009 fiscal year.

(Dollar Amounts in Thousands)

**1) CONTRIBUTIONS**

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

The employer cost rates for the fiscal year 2009-2010 are 12.51% for the TRS, 11.94% for the ERS - State Employees, 30.57% for the ERS - State Police and 24.20% 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.



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Required Supplementary Information

For the Fiscal Year Ended September 30, 2009

(Dollar Amounts in Thousands)

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

#### SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
<b>TRS</b>						
9/30/2008	\$ 20,812,477	\$ 26,804,117	\$ 5,991,640	77.6	\$ 6,294,341	95.2
** 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
<b>ERS</b>						
9/30/2008	9,905,766	13,078,687	3,172,921	75.7	3,553,330	89.3
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
<b>JRF</b>						
9/30/2008	259,071	323,428	64,357	80.1	41,167	156.3
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

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

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

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**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
<b>TRS</b>		
9/30/2009	\$ 753,518	100
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
<b>ERS</b>		
9/30/2009	451,139	100
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
<b>JRF</b>		
9/30/2009	10,326	100
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

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
<b>Personal Services:</b>				
Salaries	\$ 5,892	\$ 5,424	\$ 418	\$ 11,734
Employee Fringe Benefits	<u>2,065</u>	<u>1,980</u>	<u>89</u>	<u>4,134</u>
Total Personal Services	<u>7,957</u>	<u>7,404</u>	<u>507</u>	<u>15,868</u>
<b>Professional Services:</b>				
Actuarial	98	269	20	387
Accounting and Auditing	49	33	13	95
Information Technology	329	171	-	500
Education & Training	41	27	-	68
Mailing Services	172	102	-	274
Legal Services	-	6	-	6
Personnel Services	64	-	-	64
Other Professional Services and Fees	<u>42</u>	<u>26</u>	<u>-</u>	<u>68</u>
Total Professional Services	<u>795</u>	<u>634</u>	<u>33</u>	<u>1,462</u>
<b>Communications and Travel:</b>				
Telecommunications	68	48	-	116
Internet Access	32	36	-	68
Postage	770	652	-	1,422
Travel	<u>87</u>	<u>54</u>	<u>-</u>	<u>141</u>
Total Communications and Travel	<u>957</u>	<u>790</u>	<u>-</u>	<u>1,747</u>
<b>Rentals:</b>				
Office Space	211	99	10	320
Equipment Leasing	<u>27</u>	<u>33</u>	<u>-</u>	<u>60</u>
Total Rentals	<u>238</u>	<u>132</u>	<u>10</u>	<u>380</u>
<b>Miscellaneous:</b>				
Supplies	1,016	425	2	1,443
Maintenance	<u>42</u>	<u>28</u>	<u>-</u>	<u>70</u>
Total Miscellaneous	<u>1,058</u>	<u>453</u>	<u>2</u>	<u>1,513</u>
<b>Total Administrative Expenses</b>	<u>\$ 11,005</u>	<u>\$ 9,413</u>	<u>\$ 552</u>	<u>\$ 20,970</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
<i>Investment Activity</i>				
<b>Investment Management Fees:</b>				
Salaries and Benefits	\$ 4,276	\$ 1,992	\$ -	\$ 6,268
Dues, Subscriptions and Supplies	423	294	-	717
Travel	14	1	-	15
<b>Professional Services:</b>				
Investment Advisor	60	30	-	90
Investment Custodian	166	66	11	243
Real Estate Appraisal	480	268	-	748
<b>Total Investment Activity Expenses</b>	<u>5,419</u>	<u>2,651</u>	<u>11</u>	<u>8,081</u>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	6,685	3,070	119	9,874
Securities Lending Management Fees	4,412	1,994	69	6,475
Total Securities Lending Activity Expenses	11,097	5,064	188	16,349
<b>Total Investment Expenses</b>	<u>\$ 16,516</u>	<u>\$ 7,715</u>	<u>\$ 199</u>	<u>\$ 24,430</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2009

(Amounts in Thousands)

<u>Professional/Consultant</u>	<u>Nature of Service</u>	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Cavanaugh MacDonald	Actuary	\$ 98	\$ 269	\$ 20	\$ 387
Carr, Riggs & Ingram	Auditor	49	33	13	95
Action in Mailing Inc.	Mail	106	69	-	175
VR Election Services	Mail	49	-	-	49
State Personnel Department	Personnel	64	-	-	64
Fine & Geddie	Consultant	50	-	-	50
Alabama Dept of Finance	Information Technology	18	51	-	69
Auburn Montgomery	Information Technology	289	157	-	446
Various	Other	72	55	-	127
<b>Total Professional/Consultant Fees-Admin Services</b>		<b>795</b>	<b>634</b>	<b>33</b>	<b>1,462</b>
Regions Bank	Investment Advisor	60	30	-	90
State Street Bank & Trust Co.	Investment Custodial	166	66	11	243
Pearson Realty Services	Real Estate Appraisor	168	112	-	280
Houlihan, Lokey, Zukin Fin. Advisors	Investment Appraisor	312	156	-	468
<b>Total Professional/Consultant Fees-Investment Services</b>		<b>706</b>	<b>364</b>	<b>11</b>	<b>1,081</b>
<b>Total Professional/Consultant Fees</b>		<b>\$ 1,501</b>	<b>\$ 998</b>	<b>\$ 44</b>	<b>\$ 2,543</b>

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# INVESTMENT SECTION

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## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2009

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Dear Members,

I humbly present the following report on investment activity for the fiscal year ended September 30, 2009. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®).

2009 definitely fits the bill as a year of extremes. The first half of the fiscal year made a valiant attempt at blowing up modern portfolio theory. Broad diversification and risk management meant very little as correlation across broad asset classes provided few places to hide. Cash and government securities were the safe harbors, as even a number of money market accounts "broke the buck" as the credit markets froze. The Federal Reserve Board continued to pull out all the stops, lowering the Fed Funds rate from 2% down to 0.25% in an effort to pump liquidity into the system. Numerous quantitative easing measures and stimulus packages put in place in the first quarter of 2009 finally started to stabilize the financial markets. Without a doubt, the U.S. had just experienced the worst financial crisis since the Great Depression.

By the end of February, after dealing with the Madoff scandal, sketchy deals at the largest financial institutions, compensation rip-offs, and bogus ratings from the ratings agencies, disdain for the financial markets was at the crescendo. Hopefully, that negative sentiment and extreme risk aversion are the ingredients for a major market bottom. In March, the equity markets turned as the news became "less bad". Credit spreads tightened, and the capital markets loosened up. Banks were able to raise equity to repay TARP funds, and some strategic merger and acquisition activity began to happen.

No doubt, we are not out of the woods yet. Unemployment and housing continue to deteriorate, with the unemployment rate rising from 6.1% at the beginning of the fiscal year and closing out at 9.8%. Foreclosures are still rising, and the consumer credit issue is going to linger for years, in all likelihood serving as an impediment to the prospect of above trend-line GDP growth.

Expectations for the future vary wildly, which is not surprising given what the economy and financial markets have just experienced. With all the gyrations of the 12 months, we more or less stayed the course, without making any monumental asset allocation decisions. After the considerable rally off of the March lows, we did begin a program to hedge a part of our passive indexes late in our fiscal year. We will continue to ladder into protection if the markets grind higher. We also are evaluating opportunities within the credit market, where there remains a considerable amount of dislocation and possible opportunity. We will continue to demand the best execution from all of our counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama.

#### RSA Performance Summary

As of September 30, 2009, aggregate defined benefit assets under management totaled \$23.6 billion. During fiscal year 2009, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and Judicial Retirement Fund were (7.94)%, (10.03)%, and 0.69%, respectively.

#### Equities

2009 in terms of the equity market could aptly be described as Jekyll and Hyde. The market seemed to have a split personality, with Mr. Hyde ruling the first six months of the fiscal year, and Dr. Jekyll luckily taking over to finish out. The credit crises that began in earnest the prior year finally peaked in the December quarter as the bailout package was crafted and Wall Street as we knew it was dismantled. The flight to quality was extreme during the first two quarters of the fiscal year, and the flight to risk assets in the second half of the year was exceptional as well. As has been demonstrated through time, equity market sentiment was most dour at the bottom. Market pundits who paraded through the CNBC studios preached the end was nigh upon us, right at the bottom. Luckily, most of them have stuck to their guns. The market likes to climb a wall of worry, and the worries in the market are limitless at the moment. The inflection point in March could well have been that things got "less bad."

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2009

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Not that “less bad” is a great investment theme, but you have to start somewhere. Surprisingly, quarterly earnings started coming in ahead of the ratcheted down expectations of the street. Corporate America, with all the transparency available in the internet age, cut costs to the core, which enabled what revenues that did come in to more easily drop to the bottom line. It is hard to say if earnings are a leading or coincidental indicator, but both the market and earnings revisions began to rise at a rapid clip. By the end of the fiscal year, the market as measured by the S & P 500 had rallied over 58% from the March low.

The RSA came into the fiscal year with a large quality, large cap tilt on the portfolio. On a relative basis, this strategy worked well. As the market rallied into late summer, we began to hedge part of the performance gains seen off the March lows. We will continue to look to hedge a portion of our index exposure, considering the macroeconomic situation is rather tenuous.

In review, the RSA equity allocation began the year at roughly 56%, and closed out fiscal year 2009 at 58% on average across the three funds. Domestic equities accounted for 43% of the fund, and international equities are now 15% of the total. In a reversal of last year's performance order, international stocks as measured by the MSCI EAFE index led with a total return of 3.23%. Large cap again took over leadership vs. smallcap, with the S & P 500 index losing (6.91%) and the S & P Smallcap 600 down (10.62%). The S & P 400 Midcap index outperformed both large and small cap with a return of (3.11%).

For the year, the RSA domestic equity portfolios decreased (6.96%), (6.86%), and (6.43%) for the TRS, ERS, and JRF funds, respectively. International equity returns were in the black for the year, posting returns of 4.14% for TRS, 4.18% for ERS, and 5.07% for JRF. The combined total return for the overall equity portfolios were (4.29%), (4.33%), and (5.09%) for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were (4.23%), 2.89%, and 2.47% for TRS, (4.21%), 2.89%, and 2.43% for ERS, and (4.41%), 1.80%, and 0.78% for JRF, respectively.

#### **Fixed Income**

At the beginning of fiscal year 2009, the nation's financial system seemed to be on the brink of collapse. Treasury Secretary Hank Paulson was forced to step in on the behalf of Fannie Mae and Freddie Mac, a move that wiped out preferred and common shareholders. Lehman Brothers filed for bankruptcy as no deal could be struck between the Federal Reserve, the Treasury Department, and the financial community. In fearing the unknown, John Thain orchestrated the sale of his company Merrill Lynch to Bank of America. Within days, the government essentially nationalized AIG, one of the world's largest insurers, as collateral calls on written default swaps threatened to end its existence. These issues caused corporate securities, financials in particular, to post their worst quarter on record.

In early October, policymakers around the globe lowered short-term interest rates by 50 basis points in a coordinated effort. Chairman Ben Bernanke and the Federal Reserve opted to lower the fed funds rate to 1.00% by the end of the month. At this time, investment grade corporate bonds were trading over 600 basis points versus comparable treasury securities. This marked a catastrophic discount to where they changed hands during the default era of 2002. In addition, high yields spreads eclipsed the 1600 basis point mark. Policymakers at home eventually cut short-term rates to a bare bones range of .25%. Outside of corporates, agency and mortgage-backed securities were not faring much better. Five-year agency spreads ballooned to 160 basis points, while mortgages traded as high as 200 basis points over the 10 year treasury. To the detriment of risk assets, the flight to safety trade produced over a 7% return for government securities over the last two months of the calendar year, driving 30 year treasury yields to approximately 2.50%.

At this point, the Federal Reserve decided to enact a quantitative easing approach in order to provide liquidity and calm investors' nerves with regard to risk. One action taken was the guarantee of financial short-term debt by the Federal Deposit Insurance Corporation. The Federal Reserve also announced that it would purchase \$100 billion in GSE agency debt and \$500 billion in mortgages in the open market. These measures provided easier funding conditions which led to an improvement in credit technicals. With corporate spreads at historic wides, the appetite for new issuance emerged, albeit at huge concessions. As calendar year 2009 rolled in, there was plenty of



## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2009

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discomfort for sure, but a sense that the government had provided a floor under the financial system. It may have placed a floor under treasury yields as well as a dramatic steepening of the curve began. Spread product finally started to perform ex-financials, which continued to be plagued with concerns regarding future write-downs and the ability to raise capital.

During the Federal Reserve's March meeting, policymakers increased its open market purchases of agency debt and mortgages to \$200 billion and \$1.25 trillion, respectively. In addition, they also announced that they would purchase up to \$300 billion in treasury securities, prompting a 50bp decline in 10 year yields. By the time the extension of these programs was announced, agency and mortgage spreads had collapsed 70 basis points and 125 basis points respectively. The culmination of the action taken by the government led to an appreciation in risk assets, whether it was corporate bonds, emerging markets, or commodities. With the help of upside surprises in second quarter earnings, investment grade securities were able to post an excess return of 14%.

The government bond market has been somewhat volatile over the last half of the fiscal year. Treasury securities have underperformed risk assets as the flight away from safety has hit full stride. The budget situation and the financing of the deficit have also weighed on the market. The government yield curve has reached historically steep levels. While the Fed is willing to say that "economic activity is leveling out", they have remained steadfast that rates will remain low for an "extended period". There is plenty of uncertainty concerning inflation in response to the amount of money being printed. Treasury Inflation Protected Securities are back to pre-Lehman levels after spreads were close to zero at the beginning of the year. And while foreigners have gobbled up approximately half of this year's supply of government securities, it remains to be seen how long they are willing to be a participant given that the country's budget deficit shows no signs of abating. Fiscal year 2010 should be interesting as one constituent (corporations) in the marketplace has met most of its capital needs through heavy issuance, while the other (government) is just getting started.

For fiscal year 2009, the RSA purchased approximately \$1.5 billion in additional securities for the fixed income portfolio. As of September 30, 2009, the RSA's fixed income portfolio had a market value of \$9.7 billion, of which 7.8% was in money market securities. For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 14.12% for the TRS, 14.19%, for the ERS and 14.08% for the JRF. The five-year annualized returns were 6.27% for the TRS and 6.32% for the ERS and 5.78% for the JRF. The ten-year annualized returns were 6.66% for the TRS and 6.61% for the ERS and 4.90% for the JRF.

Sincerely,



Marc Green  
Director of Investments

## **I. Board Objectives**

The Boards of Control, as Trustees of the Teachers' Retirement System and Employees' Retirement System (Systems), have full power, through each System's secretary-treasurer, to invest and reinvest System funds in accordance with the Prudent Person 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.

*Investment Section*

Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2009

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C. Domestic Equity

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

D. International Equity

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

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### **III. Procedures**

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

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2009

	1 Year	Annualized		
		Last 3 Years	Last 5 Years	Last 10 Years
<b>Total Portfolio</b>				
TRS	-7.94%	-2.91%	2.07%	3.09%
ERS	-10.03%	-3.47%	1.59%	2.67%
JRF	0.69%	-0.57%	3.34%	2.87%
<b>Total Domestic Equity</b>				
TRS	-6.96%	-4.85%	1.64%	1.04%
ERS	-6.86%	-4.82%	1.69%	1.06%
JRF	-6.43%	-4.84%	1.52%	0.65%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	-6.91%	-5.43%	1.02%	-0.15%
Dow Jones Industrial Average	-7.37%	-3.33%	1.85%	1.63%
S&P MidCap 400	-3.11%	-1.39%	4.53%	7.48%
S & P 600 Smallcap	-10.62%	-3.98%	2.83%	7.07%
<b>Total International Equity</b>				
TRS	4.14%	-2.32%	6.98%	3.30%
ERS	4.18%	-2.25%	7.01%	3.31%
JRF	5.07%	n/a	n/a	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	3.23%	-3.60%	6.07%	2.55%
<b>Total Fixed Income and Alternatives</b>				
TRS	-12.12%	-0.70%	1.20%	3.74%
ERS	-15.91%	-1.94%	0.43%	3.21%
JRF	10.42%	5.76%	5.92%	5.18%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	10.98%	6.86%	5.43%	6.45%
Barclays Aggregate	10.56%	6.41%	5.13%	6.30%

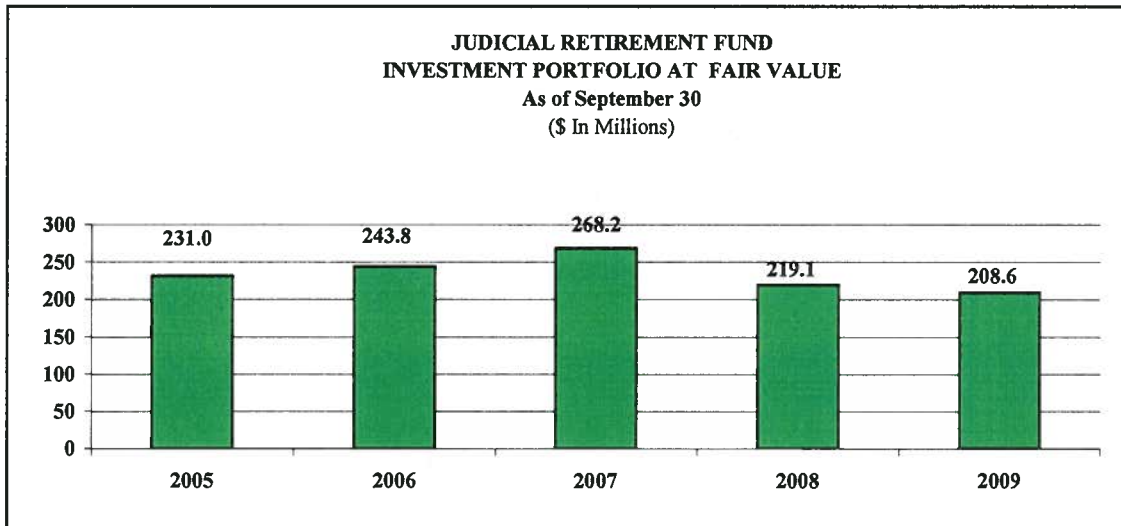
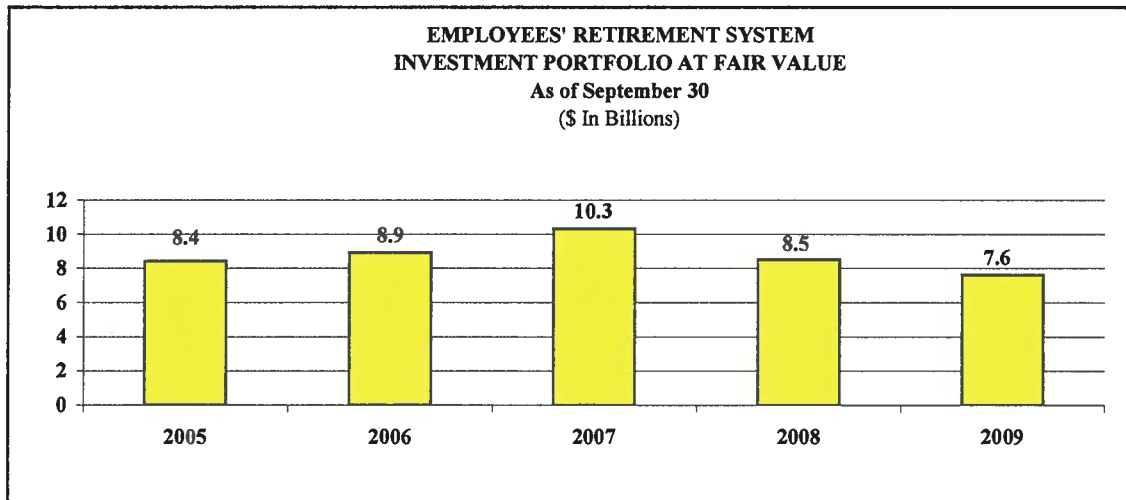
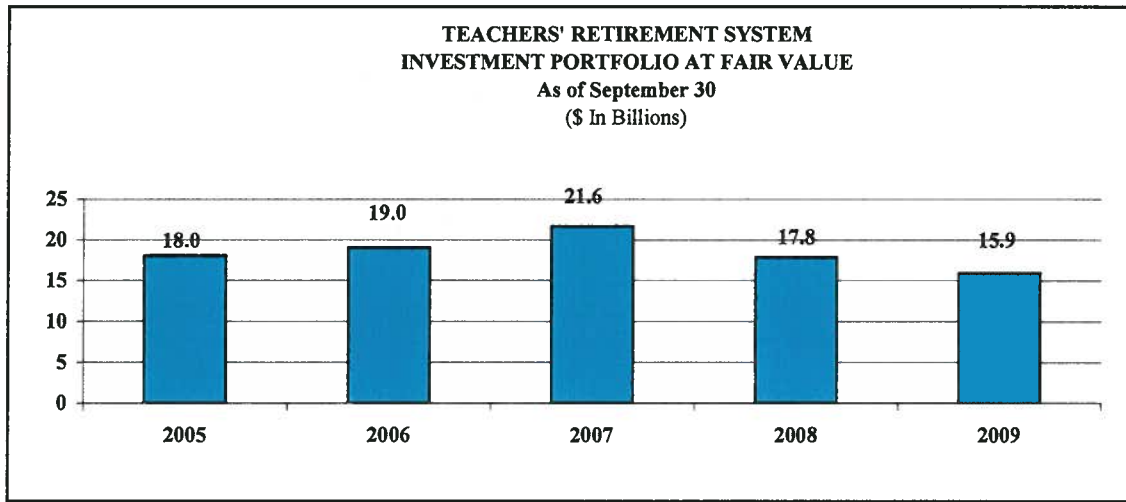
The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®).

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Investment Portfolio at Fair Value

#### Five-Year Comparison

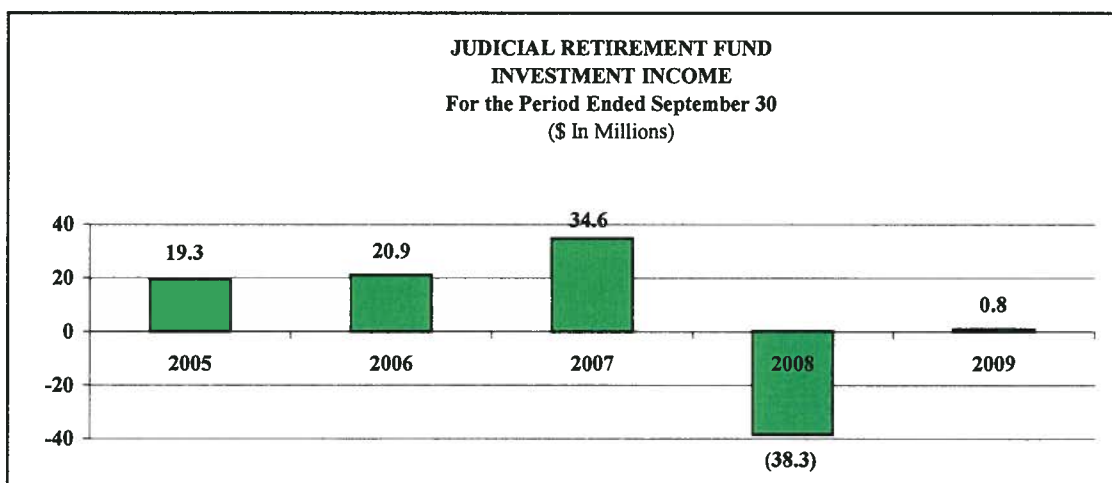
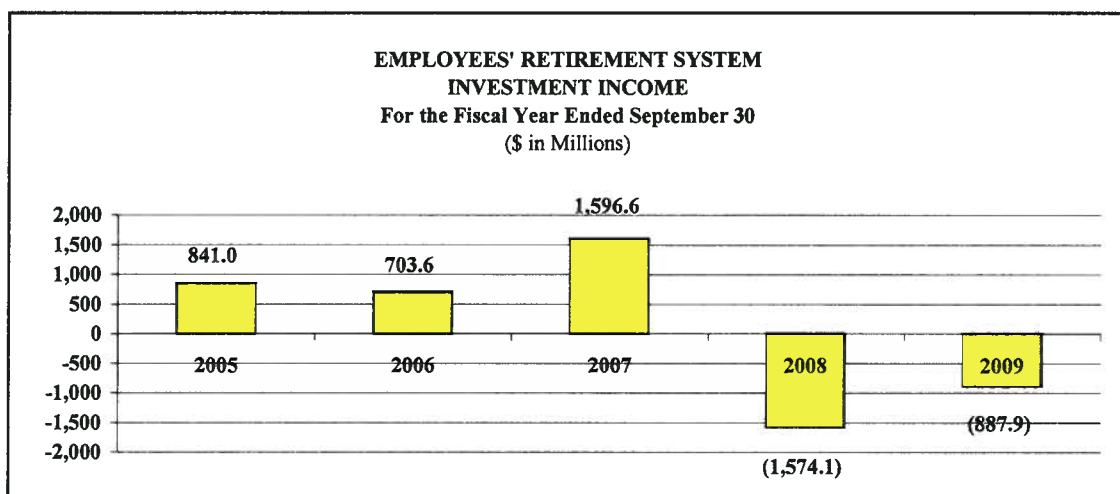
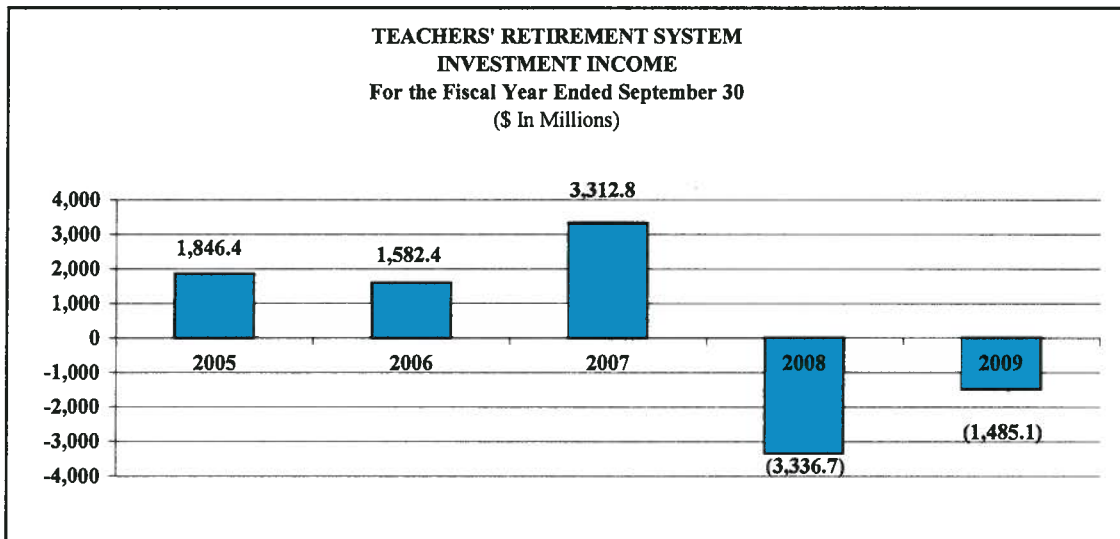


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Investment Income

#### Five-Year Comparison

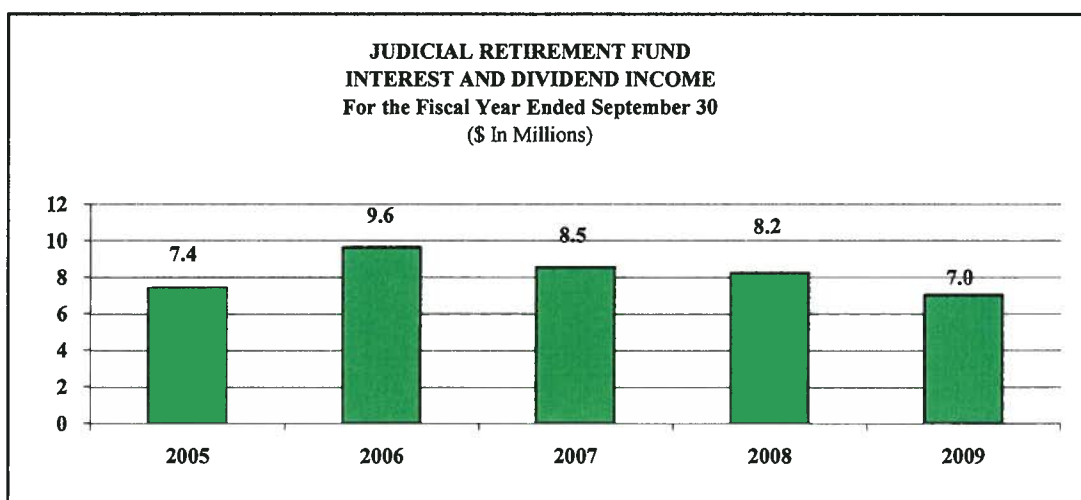
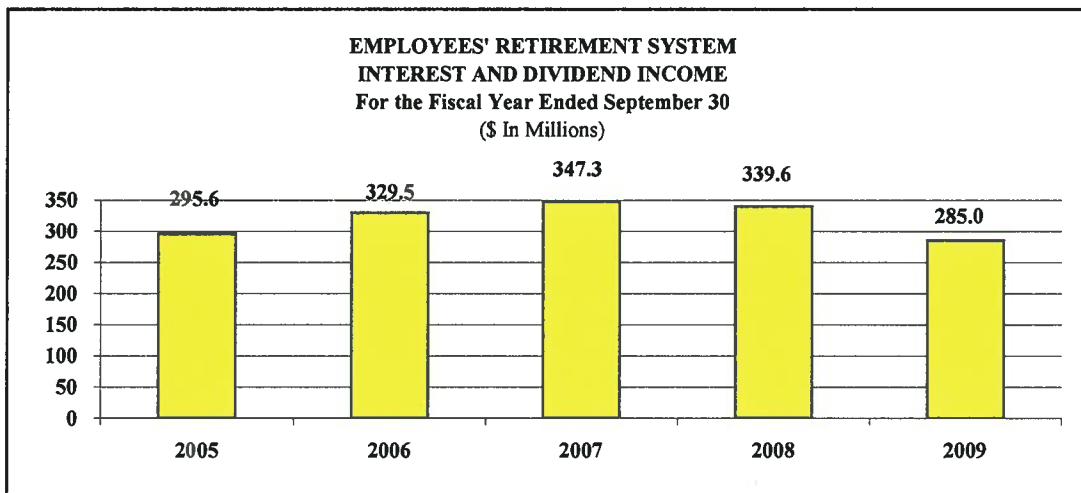
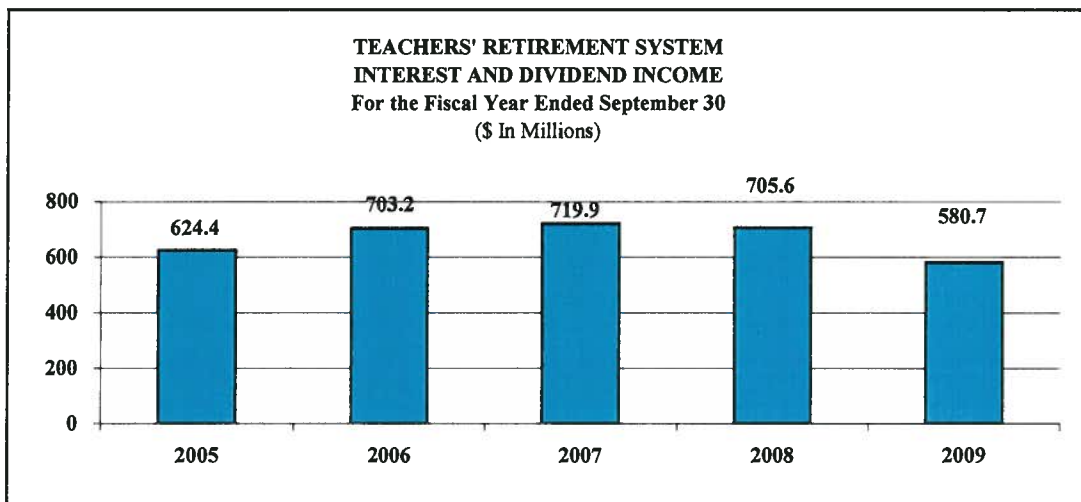


## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Interest and Dividends

#### Five-Year Comparison



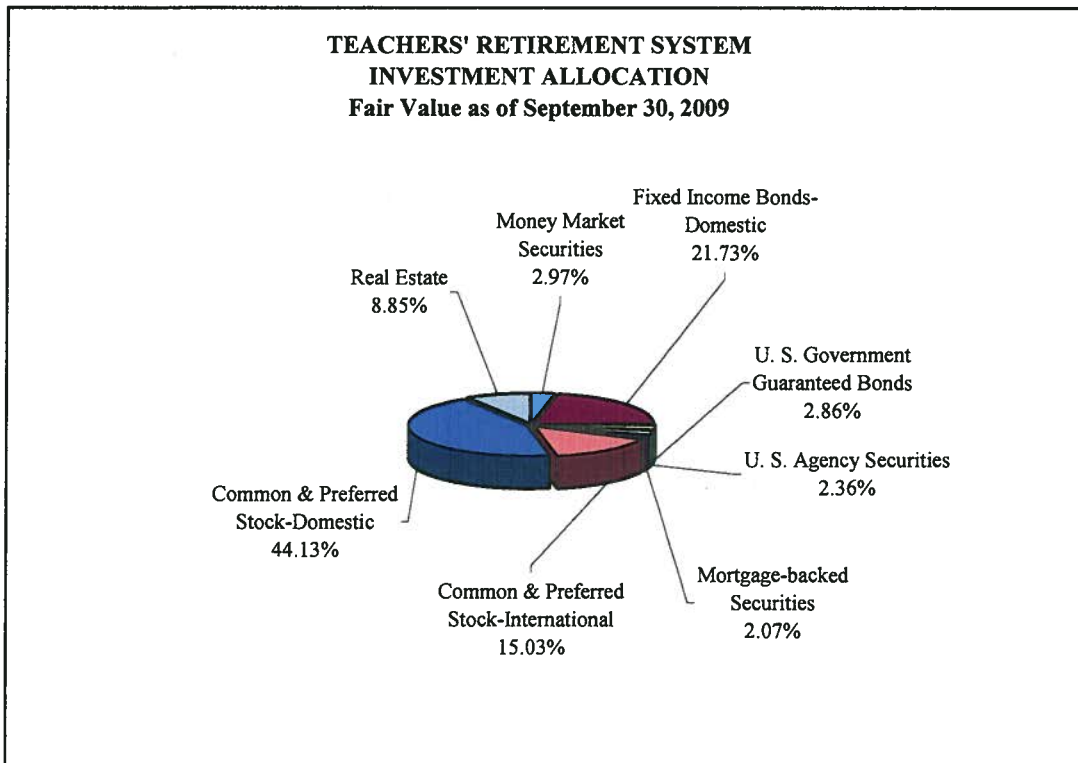


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Teachers' Retirement System

#### Investment Allocation and Summary



**TEACHERS' RETIREMENT SYTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2009**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 471,177	2.97
U.S. Government Guaranteed	453,319	2.86
U.S. Agency Securities	374,948	2.36
Mortgage-backed Securities	328,508	2.07
Fixed Income Bonds		
Domestic	3,447,264	21.73
Common and Preferred Stocks		
Domestic	7,002,023	44.13
International	2,383,873	15.03
Real Estate	1,404,652	8.85
Total Investments	<u>\$ 15,865,764</u>	<u>100.00</u>

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Teachers' Retirement System

#### Largest Stock and Bond Holdings

#### TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	391	Goldman Sachs Small Cap Equity Linked Notes	\$ 352,273
2)	2,835	Exxon Mobil	194,522
3)	136,000	Credit Suisse Equity S&P 500 Equity Linked Notes	154,414
4)	4,339	Microsoft	112,336
5)	2,336	JP Morgan Chase	102,362
6)	1,615	Johnson & Johnson	98,324
7)	5,845	General Electric	95,974
8)	1,646	Procter & Gamble	95,326
9)	784	IBM	93,797
10)	3,389	AT&T	91,524

#### TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2009

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$1,250,200	Raycom Media, 8% due 9/30/32	\$ 873,869
2)	367,889	National Alabama LP, 8.5% due 12/31/25	367,889
3)	322,320	Community News, 8% due 9/30/32	270,757
4)	104,450	US Treasury Notes, 4.25% due 8/15/15	113,769
5)	83,447	US Treasury Notes, 4% due 2/15/15	89,917
6)	65,042	US Treasury Notes, 4.125% due 5/15/15	70,441
7)	70,000	Alabama River Group, 8.6255 due 10/8/13	69,082
8)	59,259	US Treasury Notes, 4.75% due 5/31/12	64,681
9)	64,320	Wise Metals Tranche D, 10% due 5/5/10	64,320
10)	48,219	Community News SE Media, 8% due 9/30/32	40,505

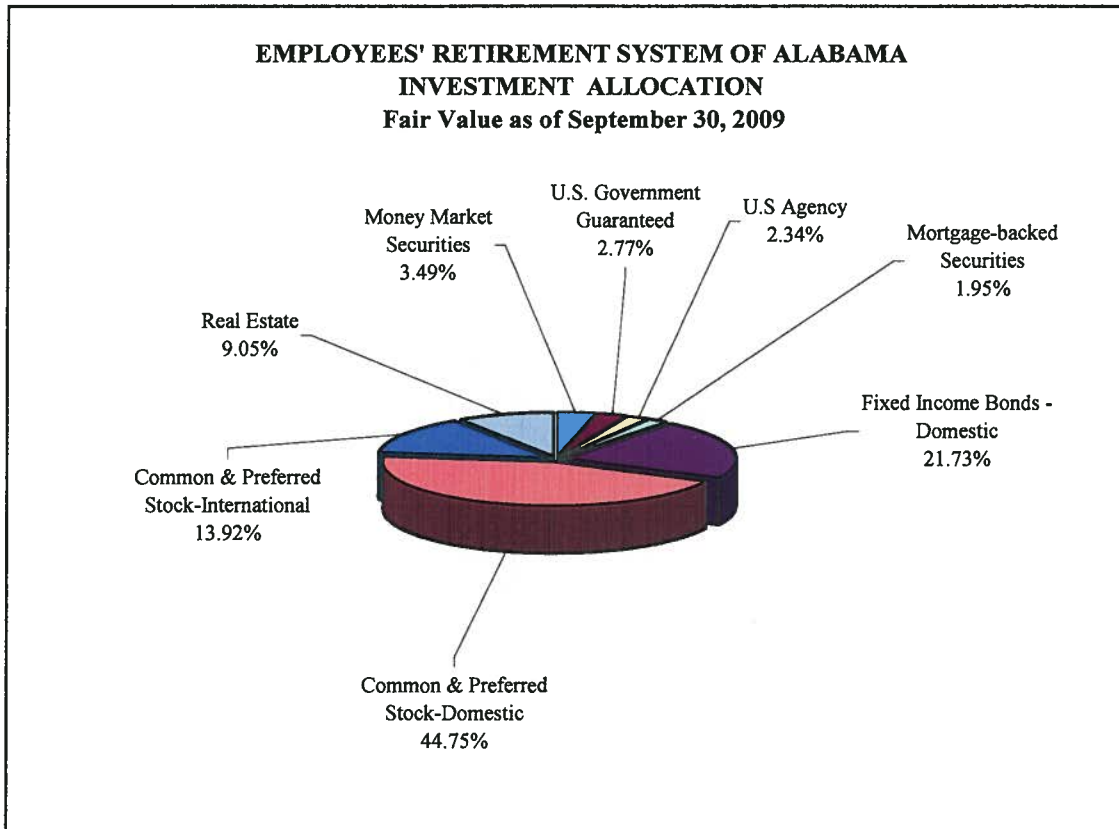
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Employees' Retirement System

#### Investment Allocation and Summary



**EMPLOYEES' RETIREMENT SYSTEM**  
**INVESTMENT SUMMARY AT FAIR VALUE**  
**As of September 30, 2009**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 263,860	3.49
U.S. Government Guaranteed	209,110	2.77
U.S. Agency Securities	176,508	2.34
Mortgage-backed Securities	147,655	1.95
Fixed Income Bonds		
Domestic	1,640,555	21.73
Common and Preferred Stocks		
Domestic	3,378,526	44.75
International	1,050,599	13.92
Real Estate	683,221	9.05
Total Investments	\$ 7,550,034	100.00

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Employees' Retirement System

#### Largest Stock and Bond Holdings

### EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	161	Goldman Sachs Small Cap Equity Linked Notes	\$ 144,876
2)	1,352	Exxon Mobil	92,731
3)	64,000	Credit Suisse Equity S&P 500 Equity Linked Notes	72,666
4)	104	Raycom Media (10 noncumulative)	72,664
5)	2,062	Microsoft	53,392
6)	1,118	JP Morgan & Chase	48,991
7)	770	Johnson & Johnson	46,912
8)	2,769	General Electric	45,462
9)	781	Procter & Gamble	45,240
10)	375	IBM	44,839

### EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2009

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 621,030	Raycom Media, 8% due 9/30/32	\$ 434,090
2)	181,199	National Alabama LP, 8.5% due 12/31/25	181,199
3)	162,853	Community News, 8% due 9/30/32	136,800
4)	47,687	US Treasury Notes, 4.25% due 8/15/15	51,942
5)	38,279	US Treasury Notes, 4% due 2/15/15	41,247
6)	29,902	US Treasury Notes, 4.125 due 5/15/15	32,384
7)	31,680	Wise Metals Tranche D, 10% due 5/5/10	31,680
8)	27,220	US Treasury Notes, 4.75% due 5/31/12	29,710
9)	30,000	Alabama River Group, 8.625% due 10/8/13	29,607
10)	25,519	Community News SE Media, 8% due 9/30/32	21,437

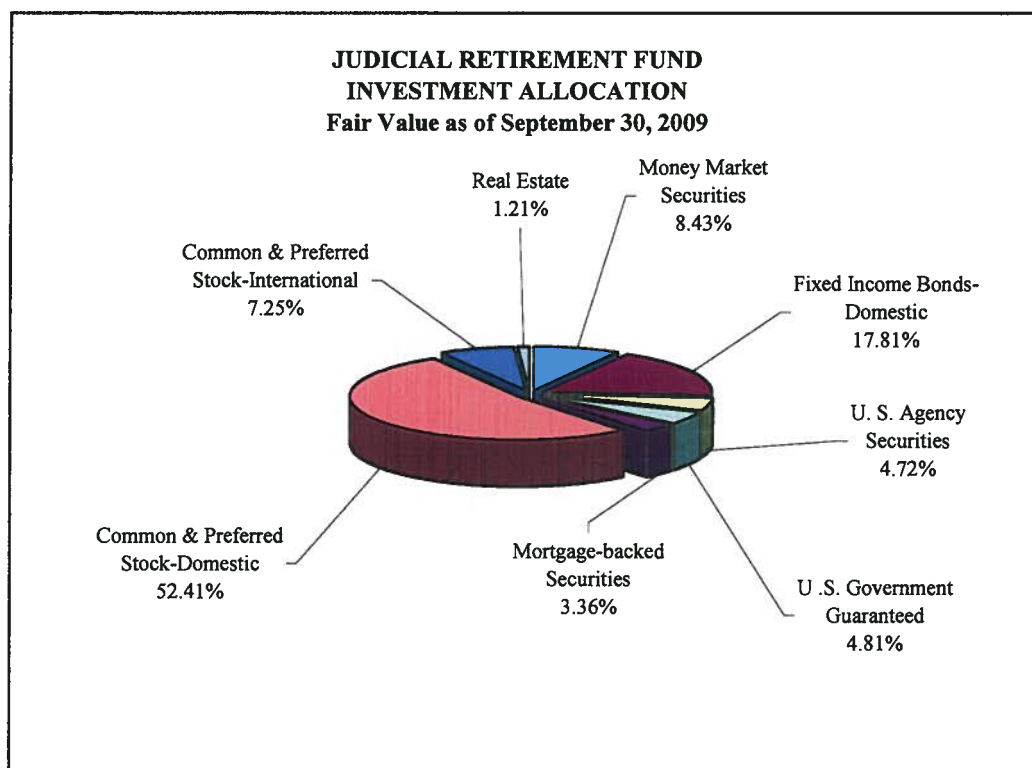
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Judicial Retirement Fund

#### Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2009  
(\$ In Thousands)**

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 17,592	8.43
U.S. Government Guaranteed	10,042	4.81
U.S. Agency Securities	9,836	4.72
Mortgage-backed Securities	7,013	3.36
Fixed Income Bonds, Domestic	37,135	17.81
Common and Preferred Stocks, Domestic	109,305	52.41
Common and Preferred Stocks, International	15,112	7.25
Real Estate	2,530	1.21
<b>Total Investments</b>	<b>\$ 208,565</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Judicial Retirement Fund

#### Largest Stock and Bond Holdings

#### JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2009

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	51	Exxon Mobil	\$ 3,488
2)	4	Goldman Sachs Small Cap Equity Linked Notes	3,173
3)	80	Microsoft	2,063
4)	110	General Electric	1,807
5)	41	JP Morgan Chase & Company	1,781
6)	31	Proctor & Gamble	1,769
7)	29	Johnson & Johnson	1,755
8)	9	Apple	1,720
9)	61	AT&T	1,659
10)	14	IBM	1,647

#### JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2009

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 2,504	US Treasury Notes, 4.25% due 8/15/15	\$ 2,727
2)	2,158	US Treasury Notes, 4% due 2/15/15	2,325
3)	2,000	LMB Funding	2,228
4)	1,727	Farmers Mac Guaranteed Notes TR, 5.125% due 4/19/17	1,871
5)	2,044	Community News	1,717
6)	1,480	US Treasury Notes, 4.125% due 5/15/15	1,603
7)	1,588	General Electric Capital, 5.55% due 5/4/20	1,568
8)	1,360	US Treasury Notes, 4.75% due 5/31/12	1,484
9)	1,085	Farmers Mac Guaranteed Notes TR 2006, 5.5% due 7/15/11	1,158
10)	898	Torchmark, 6.375% due 6/15/16	852

A complete list of portfolio holdings is available upon request.

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Broker Commissions Paid

For the Fiscal Year Ended September 30, 2009

	Stock		Fixed		Total
	Commissions	# of	Commissions	Securities	Commissions
	Per Share	Shares	(000's)	Commissions	(000's)
		(000's)		(000's)	
Banc of America	\$ -	-	\$ -	\$ 220	220
Barclays	0.0425	6,393	\$ 272	\$ -	272
Bear Stearns & Co.	-	-	-	219	219
Benchmark	0.0800	125	10	-	10
Bernstein	0.0127	52,314	664	-	664
Cantor Fitzgerald	-	-	-	157	157
Centennial	0.0515	330	17	-	17
Citigroup	0.0337	19,727	664	129	793
Cowen	0.0251	5,574	140	-	140
Credit Suisse	0.0128	24,377	313	228	541
Deutsche Bank	-	-	-	179	179
Empirical Research	0.0444	2,655	118	-	118
First Discount	0.0494	263	13	-	13
Gardner Rich	0.0485	268	13	-	13
Goldman Sachs & Co.	0.0111	21,735	242	139	381
Howard Weil	0.0433	2,725	118	-	118
Issuer Designated	-	-	-	409	409
ISI	0.0482	12,241	590	-	590
Jeffries	0.0451	8,116	366	-	366
JP Morgan Chase	0.0368	26,574	977	-	977
Keefe Bruyette	0.0379	2,800	106	-	106
KeybanC Capital Markets	-	-	-	38	38
Lazard	0.0389	257	10	-	10
McDonald	0.0495	505	25	-	25
Merrill Lynch, Pierce, Fenner & Smith	0.0330	17,774	586	-	586
Morgan Keegan	0.0499	802	40	-	40
Morgan Stanley Dean Witter	0.0331	22,136	733	70	803
NBC-Falkenburg	0.0500	900	45	-	45
Oppenheimer	0.0419	11,035	462	-	462
Raymond James	0.0497	906	45	235	280
Register/Corts	0.0489	225	11	-	11
Sandler O'Neil	0.0500	3,901	195	-	195
Securities Capital	0.0504	258	13	-	13
Southcoast	0.0493	3,730	184	-	184
Southwest	0.0500	200	10	-	10
Sterne Agee	0.0421	4,468	188	-	188
Strategas	0.0441	2,608	115	-	115
UBS Warburg	0.0504	754	38	-	38
Wells Fargo	0.0426	6,338	270	-	270
<b>Totals</b>		<b>263,014</b>	<b>\$ 7,593</b>	<b>\$ 2,023</b>	<b>\$ 9,616</b>

Average Commission Per Share of Stock = \$ 0.0289

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# ACTUARIAL SECTION

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## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 22, 2009

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, 2008 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, 2008, 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. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 13.38% of payroll for the fiscal year ending September 30, 2011, based on a 20-year amortization period.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.50% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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

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

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June 22, 2009  
Board of Control  
Page 2

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,

A stylized, handwritten signature in blue ink, consisting of several loops and a long horizontal stroke.

Edward A. Macdonald, ASA, FCA, MAAA  
President

A handwritten signature in blue ink, appearing to read 'Cathy Turcot' in a cursive style.

Cathy Turcot  
Principal and Managing Director

EAM/mjn

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods

#### 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:

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

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

<u>Males</u>						
<u>Annual Rate (%)</u>						
<u>Withdrawal (Years of Service)</u>						
<u>Age</u>	<u>Death</u>	<u>Disability</u>	<u>0-4</u>	<u>5-9</u>	<u>10-20</u>	<u>20+</u>
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 (%)						
Age	Death	Disability	Withdrawal (Years of Service)			
			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:

Age	Annual Rate (%) *	
	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:

Age	Annual Rate (%)	
	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

## RETIREMENT SYSTEMS OF ALABAMA

### Actuarial Section

#### Teachers' Retirement System

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

**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:

Age	Annual Rate (%) of Death After			
	Service Retirement		Disability Retirement	
	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
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## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan Provisions (Continued)

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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

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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.



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

#### Supporting Schedules

#### 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
09/30/08	†	141,528	\$ 5,969,302,850	\$ 42,178	6.55
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

† In addition, there are 5,169 employees with annual compensation of \$325,038,414 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

‡ 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.

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

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

Aggregate Accrued Liabilities For								
		(1)	(2)	(3)				
				Active				
		Active	Retirants	Members	% of Accrued			
		Member	and	(Employer	Reported	Liabilities		
Valuation			Beneficiaries	Financed		Covered by Reported Assets		
Date		Contributions		Portions)	Assets	(1)	(2)	(3)
09/30/08		\$ 3,153,859	\$ 14,678,975	\$ 8,971,283	\$ 20,812,477	100	100	33.2
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

‡ 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.

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**

	Retirees Added \$ *		Retirees Removed		Retirees - Year-end *			
Fiscal	Annual		Annual		Annual		% Increase	Average
Year	A llowances		Allowances		Allowances		in Annual	Annual
Ended	Number	(000s)	Number	(000s)	Number	(000s)	Allowances	Allowance
2008	3,271	\$ 64,288	1,170	\$ 17,852	66,157	\$ 1,348,374	3.80	\$ 20,381
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	14.70	17,701

§ 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.

# RETIREMENT SYSTEMS OF ALABAMA

## *Actuarial Section*

### Teachers' Retirement System

#### Supporting Schedules (Continued)

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

**TEACHERS' RETIREMENT SYSTEM**  
**ANALYSIS OF ACTUARIAL GAINS AND LOSSES**  
(Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2007	\$ 5,320,618
Normal Cost for 2008 Plan Year	392,211
Contributions Received During the Year	(706,491)
Interest to Year End	<u>425,650</u>
Expected Unfunded Actuarial Liability as of September 30, 2008	<u>5,431,988</u>
Actuarial Losses During the Year	
From Investments	938,420
From Actuarial Liabilities	<u>(378,768)</u>
Total Actuarial Losses During the Year	<u>559,652</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2008</b>	<b><u>\$ 5,991,640</u></b>





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 22, 2009

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, 2008 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, 2008, 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 12.94% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 32.28% of payroll for the fiscal year ending September 30, 2011. The contribution rates for local employers for the fiscal year beginning October 1, 2010 will be submitted in a separate report and will not include the impact of any employer-elected benefit improvements after September 30, 2008.

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,

A blue ink signature of Edward A. Macdonald, consisting of stylized, flowing cursive letters.

Edward A. Macdonald, ASA, FCA, MAAA  
President

A blue ink signature of Cathy Turcot, featuring a stylized 'C' and 'T' with a checkmark-like flourish at the end.

Cathy Turcot  
Principal and Managing Director

EAM/CT:kc

## RETIREMENT SYSTEMS OF ALABAMA

### Actuarial Section

#### Employees' Retirement System

#### Summary of Actuarial Assumptions and Methods

### 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:

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

**Separations 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 (%)								
Age	Death		Disability		Withdrawal (Years of Service)			
	Male	Female	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				
Age	Death		Disability	Withdrawal §
	Male	Female		
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 (%)								
Age	Death		Disability		Withdrawal (Years of Service)			
	Male	Female	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



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued)

**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				
Age	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
	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

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Local Employers with No DROP Coverage				
Annual Rate (%) of Service Retirement				
Age	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
	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 Section*

### Employees' Retirement System

#### Actuarial Cost Method and Summary of Plan Provisions

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### **Actuarial Cost Method**

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

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

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

#### **Definitions**

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

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

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

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

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

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

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

##### **Service Retirement Allowance**

###### **Condition for Allowance**

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service (except for 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	<p>Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Disability Retirement Allowance	
Condition for Allowance	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	<p>Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of the member's creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Benefits Payable on Separation of Service	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	<p>In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). *</p> <p>In the event of the death of a member with more than one year of service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member retirement contributions were made for the previous fiscal year (October 1 – September 30). *</p>

# RETIREMENT SYSTEMS OF ALABAMA

## *Actuarial Section*

### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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:

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	<p>-Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.</p> <p>-Age 52 to 56 – bonus service of 4 years.</p> <p>-Age 52 or less (disability retirement only) – bonus service of 4 years.</p> <p>-Age 52 or less with 25 or more years of service – bonus service of 4 years.</p>
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	<p>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.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Benefits Payable 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	<p>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). *</p> <p>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). *</p>

# RETIREMENT SYSTEMS OF ALABAMA

## *Actuarial Section*

### Employees' Retirement System

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

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In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit 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
09/30/08 *	*	88,002	\$ 3,369,696,707	\$ 38,291	4.71
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	γ	82,830	2,808,823,045	33,911	4.94
09/30/04 φ	φ	81,249	2,625,617,551	32,316	1.18
09/30/03 §	§	82,304	2,628,626,363	31,938	3.12

\* In addition, there are 2,184 members with compensation of \$130,111,885 who are currently participating in DROP. Employers of the Retirement System contribute on this payroll.

‡ 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.

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

### EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA SOLVENCY TEST

(\$ in Thousands)

Aggregate Accrued Liabilities For							
Valuation Date	(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)
09/30/08 ‡	\$ 1,860,095	\$ 6,275,136	\$ 4,943,455	\$ 9,905,766	100	100	35.8
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

‡ 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.



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System Supporting Schedules (Continued)

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	Annual		Annual		Annual		% Increase	Average
Year	Allowances		Allowances		Allowances		in Annual	Annual
Ended	Number	(000s)	Number	(000s)	Number	(000s)	Allowances	Allowance
2008	1,905	\$ 39,401	942	\$ 14,689	34,664	\$ 619,196	4.91	\$ 17,863
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	23.30	14,890

§ 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 (Amounts in Thousands)

	Amount
Unfunded Actuarial Liability as of September 30, 2007	\$ 2,599,445
Normal Cost for 2008 Plan Year	155,197
Contributions Received During the Year	(312,567)
Interest to Year End	207,956
Expected Unfunded Actuarial Liability as of September 30, 2008	2,650,031
Actuarial Losses During the Year	
From Investments	429,394
From Actuarial Liabilities	93,496
Total Actuarial Losses During the Year	522,890
Actual Unfunded Actuarial Liability as of September 30, 2008	\$ 3,172,921





## Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 22, 2009

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, 2008 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, 2008, 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 26.68% of payroll for the fiscal year ending September 30, 2011.

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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June 22, 2009  
Board of Control  
Page 2

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,

A blue ink signature of Edward A. Macdonald, consisting of a stylized 'E' followed by a long horizontal stroke.

Edward A. Macdonald, ASA, FCA, MAAA  
President

A blue ink signature of Cathy Turcot, written in a cursive style.

Cathy Turcot  
Principal and Managing Director

EAM:bdm

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

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

### 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:

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

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## Summary of Plan Provisions as Interpreted for Valuation Purposes

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

### Membership

Any justice of the Supreme Court, judge of the Court of Civil Appeals, judge of the Court of Criminal Appeals, judge of the Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury 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.

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

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

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- (b) For circuit and appellate judges who assumed office on or after July 30, 1979, 75% of the member's salary at the time of separation from service.
- (c) For 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 appellate 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**

<u>Valuation Date</u>	<u>Number</u>	<u>Annual † Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase (Decrease) in Average Pay</u>
09/30/08	336	\$ 41,167,248	\$ 122,522	3.19
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

† 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)

<u>Aggregate Accrued Liabilities For</u>					<u>Portion (%) of Accrued Liabilities Covered by Reported Assets</u>		
<u>Valuation Date</u>	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active Members (Employer Financed Portion)</u>	<u>Reported Assets</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
09/30/08	\$ 32,585	\$ 203,062	\$ 87,781	\$ 259,071	100	100	26.7
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

§ Reflect additional allowance payable under Act 2006-510.

\* Reflects COLA granted under Act 2005-316.



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Judicial Retirement Fund

#### Supporting Schedules (Continued)

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

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

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase in Annual Allowances	Average Annual Allowance
	Annual		Annual		Annual			
	Allowances		Allowances		Allowances			
	Number	(000s)	Number	(000s)	Number	(000s)		
2008	12	\$ 1,076	6	\$ 392	312	\$ 22,651	2.78	\$ 72,599
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	62.78	65,228

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

#### JUDICIAL RETIREMENT FUND ANALYSIS OF ACTUARIAL GAINS AND LOSSES (Amounts in Thousands)

	Amount
Unfunded Actuarial Liability as of September 30, 2007	\$ 50,752
Normal Cost for 2008 Plan Year	6,163
Contributions Received During the Year	(9,340)
Interest to Year End	4,060
Expected Unfunded Actuarial Liability as of September 30, 2008	51,635
Actuarial Losses During the Year	
From Investments	16,089
From Actuarial Liabilities	(3,367)
Total Actuarial Losses During the Year	12,722
Actual Unfunded Actuarial Liability as of September 30, 2008	\$ 64,357

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# STATISTICAL SECTION

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The statistical section of the comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the Retirement Systems' overall financial health.

## **Financial Trends**

These schedules contain trend information to help the reader understand how the Retirement Systems' financial performance has changed over time.

- Additions by Source-Ten Year History - page 102
- Deductions by Type-Ten Year History – page 103
- Benefit by Type-Ten Year History – page 104
- Ten Year History of Additions, Reductions, and Changes in Net Assets – page 114

## **Retirees and Beneficiaries**

These schedules provide information concerning the retirees and beneficiaries receiving benefits

- Retired Members by Type of Benefit – page 105
- Ten Year History of Average Monthly Benefit Payments – page 108

## **Participating Units**

These schedules provide information concerning units participating in the Employees' Retirement System.

- Largest Employers-Ten Year History – page 112
- Local Participating Employers – page 120

*Statistical Section*

## Additions by Source

## Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM**  
**ADDITIONS BY SOURCE**

<u>Fiscal Year</u>	<u>Member Contributions \$</u>	<u>Employer Contributions</u>		<u>Investment Income</u>	<u>Total</u>
		<u>Amount</u>	<u>Employer Rate (%)</u>		
2009	\$ 323,706	\$ 753,518	12.07	\$ (1,485,126)	\$ (407,902)
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

**EMPLOYEES' RETIREMENT SYSTEM**  
**ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions					Investment Income	Total
		Amount	Employer Rate (%)					
			State					
			Regular	Law	Local			
2009	\$ 210,281	\$ 451,139	11.37	30.48	*	\$ (887,881)	\$ (226,461)	
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	

**JUDICIAL RETIREMENT FUND**  
**ADDITIONS BY SOURCE**

<u>Fiscal Year</u>	<u>Member Contributions \$</u>	<u>Employer Contributions</u>		<u>Investment Income</u>	<u>Total</u>
		<u>Amount</u>	<u>Employer Rate (%)</u>		
2009	\$ 2,701	\$ 10,326	23.05	\$ 758	\$ 13,785
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

§ Includes transfers from other systems.

\* Local agency rates differ for each participating agency.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Deductions by Type

#### Ten-Year History

(Amounts in Thousands)

### TEACHERS' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution	Service Transfers	Administrative Expenses	Other	Total
		Refunds & Death Benefits				
2009	\$ 1,512,260	\$ 42,337	\$ 1,767	\$ 11,005	\$ 4,128	\$ 1,571,497
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

### EMPLOYEES' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution	Unit Withdrawals &	Administrative Expenses	Other	Total
		Refunds & Death Benefits	Service Transfers			
2009	\$ 695,430	\$ 32,640	\$ 2,718	\$ 9,413	\$ 2,038	\$ 742,239
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

### JUDICIAL RETIREMENT FUND DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution	Service Transfers	Administrative Expenses	Other	Total
		Refunds & Death Benefits				
2009	\$ 23,821	\$ 145	\$ 68	\$ 552	\$ -	\$ 24,586
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

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Benefits by Type

#### Ten-Year History

(Amounts in Thousands)

### TEACHERS' RETIREMENT SYSTEM BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability	Death Benefits & Refunds	
	Retirants	Survivors	Benefits	Death	Resignation
2009	\$ 1,419,727	\$ 46,085	\$ 46,448	\$ 12,293	\$ 30,044
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

### EMPLOYEES' RETIREMENT SYSTEM BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability	Death Benefits & Refunds	
	Retirants	Survivors	Benefits	Death	Resignation
2009	\$ 621,519	\$ 32,167	\$ 41,744	\$ 9,032	\$ 23,608
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

### JUDICIAL RETIREMENT FUND BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability	Death Benefits & Refunds	
	Retirants	Survivors	Benefits	Death	Resignation
2009	\$ 19,856	\$ 3,589	\$ 376	\$ -	\$ 145
2008	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

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2008

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,095	669	299	127	219	274	293	307	2
251 - 500	8,085	6,068	792	1,225	2,454	3,527	1,128	969	7
501 - 750	6,889	5,548	562	779	2,029	3,091	960	802	7
751 - 1,000	5,466	4,456	437	573	1,440	2,478	790	752	6
1,001 - 1,250	4,738	3,958	299	481	1,116	2,153	802	663	4
1,251 - 1,500	4,841	4,176	267	398	1,110	2,124	938	668	1
1,501 - 1,750	6,295	5,834	182	279	1,189	2,976	1,301	827	2
1,751 - 2,000	7,858	7,547	139	172	1,390	4,096	1,347	1,020	5
2,001 - 2,250	6,924	6,737	109	78	1,165	3,731	1,128	896	4
2,251 - 2,500	5,294	5,174	71	49	869	2,942	821	657	5
2,501 - 2,750	3,539	3,448	54	37	589	1,882	599	467	2
2,751 - 3,000	2,530	2,460	53	17	414	1,256	500	358	2
3,001 - 3,250	1,922	1,880	36	6	296	929	402	290	5
3,251 - 3,500	1,484	1,454	28	2	222	684	335	242	1
3,501 - 3,750	1,148	1,122	23	3	180	566	243	156	3
3,751 - 4,000	861	839	20	2	133	409	179	135	5
4,001 - 4,250	742	729	11	2	114	355	152	120	1
4,251 - 4,500	529	520	9	-	77	238	120	91	3
4,501 - 4,750	420	414	6	-	60	184	96	79	1
4,751 - 5,000	299	292	7	-	44	134	71	48	2
Over 5,000	1,138	1,107	26	5	152	418	306	247	15
<b>Totals <sup>3</sup></b>	<b>72,097</b>	<b>64,432</b>	<b>3,430</b>	<b>4,235</b>	<b>15,262</b>	<b>34,447</b>	<b>12,511</b>	<b>9,794</b>	<b>83</b>

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

A - Service

B - Survivor benefit

C - Disability

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

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

#### <sup>3</sup> This includes 5,169 DROP

participants as of September 30, 2008.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2008

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	447	194	224	29	87	67	71	206	16
251 - 500	3,701	2,148	1,166	387	927	920	780	1,041	33
501 - 750	4,783	3,291	706	786	1,556	1,603	713	835	76
751 - 1,000	4,258	3,027	414	817	1,367	1,597	543	664	87
1,001 - 1,250	4,405	3,577	285	543	1,153	1,828	628	661	135
1,251 - 1,500	3,760	3,251	183	326	899	1,610	583	581	87
1,501 - 1,750	3,292	2,970	123	199	732	1,377	541	559	83
1,751 - 2,000	2,811	2,634	72	105	589	1,288	390	499	45
2,001 - 2,250	2,230	2,130	36	64	485	984	329	391	41
2,251 - 2,500	1,744	1,664	40	40	355	768	263	313	45
2,501 - 2,750	1,322	1,278	16	28	263	594	197	246	22
2,751 - 3,000	1,045	1,002	29	14	192	458	155	219	21
3,001 - 3,250	782	762	18	2	169	358	94	149	12
3,251 - 3,500	572	563	4	5	116	269	74	104	9
3,501 - 3,750	474	469	3	2	95	216	61	98	4
3,751 - 4,000	313	308	2	3	59	149	32	67	6
4,001 - 4,250	267	263	4	-	48	130	29	54	6
4,251 - 4,500	203	201	1	1	36	94	26	44	3
4,501 - 4,750	169	168	1	-	38	79	14	35	3
4,751 - 5,000	138	136	2	-	35	53	10	35	5
Over 5,000	413	410	2	1	102	176	38	91	6
<b>Totals <sup>3</sup></b>	<b>37,129</b>	<b>30,446</b>	<b>3,331</b>	<b>3,352</b>	<b>9,303</b>	<b>14,618</b>	<b>5,571</b>	<b>6,892</b>	<b>745</b>

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

A - Service

B - Survivor benefit

C - Disability

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

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

<sup>3</sup> Includes 2,184 DROP participants as of September 30, 2008.

Does not include 49 members entitled to deferred benefits, but not currently in receipt.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

#### Retired Members by Type of Benefit as of September 30, 2008

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	6	-	5	1	1	5
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	4	-	4	-	-	4
1,501 - 1,750	4	-	4	-	-	4
1,751 - 2,000	10	1	9	-	-	10
2,001 - 2,250	4	-	4	-	-	4
2,251 - 2,500	3	1	2	-	-	3
2,501 - 2,750	3	1	2	-	1	2
2,751 - 3,000	5	1	3	1	2	3
3,001 - 3,250	12	4	8	-	2	10
3,251 - 3,500	23	2	21	-	-	23
3,501 - 3,750	27	3	24	-	2	25
3,751 - 4,000	5	3	1	1	2	3
4,001 - 4,250	8	7	1	-	3	5
4,251 - 4,500	7	7	-	-	2	5
4,501 - 4,750	11	5	4	2	3	8
4,751 - 5,000	8	5	3	-	-	8
Over 5,000	160	158	-	2	32	128
<b>Totals</b>	<b>311</b>	<b>199</b>	<b>105</b>	<b>7</b>	<b>50</b>	<b>261</b>

#### † Type of Retirement

A - Service

B - Survivor benefit

C - Disability



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2008</b>					
Average monthly benefit	\$ 687	\$ 1,063	\$ 1,463	\$ 2,124	\$ 3,010
Average final average salary	\$ 34,769	\$ 38,493	\$ 41,345	\$ 50,504	\$ 57,764
Number of active retirants	699	504	443	1,538	843
<b>2007</b>					
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
<b>2006</b>					
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
<b>2005</b>					
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
<b>2004*</b>					
Average monthly benefit	\$ 601	\$ 918	\$ 1,325	\$ 2,058	\$ 2,961
Average final average salary	\$ 28,825	\$ 32,049	\$ 35,474	\$ 46,274	\$ 54,194
Number of active retirants	742	591	498	2,964	1,476
<b>2003**</b>					
Average monthly benefit	\$ 535	\$ 798	\$ 1,133	\$ 1,905	\$ 2,984
Average final average salary	\$ 27,372	\$ 28,531	\$ 31,559	\$ 44,478	\$ 56,593
Number of active retirants	569	424	437	2,420	1,464
<b>2002**</b>					
Average monthly benefit	\$ 563	\$ 791	\$ 1,090	\$ 1,795	\$ 2,657
Average final average salary	\$ 28,942	\$ 28,971	\$ 30,725	\$ 41,721	\$ 50,034
Number of active retirants	564	416	412	1,973	1,236
<b>2001**</b>					
Average monthly benefit	\$ 502	\$ 777	\$ 1,092	\$ 1,788	\$ 2,819
Average final average salary	\$ 26,015	\$ 27,774	\$ 30,013	\$ 40,681	\$ 50,689
Number of active retirants	552	386	431	1,455	843
<b>2000**</b>					
Average monthly benefit	\$ 465	\$ 756	\$ 1,036	\$ 1,698	\$ 2,387
Average final average salary	\$ 24,661	\$ 27,450	\$ 28,961	\$ 39,249	\$ 44,226
Number of active retirants	564	433	452	1,370	814
<b>1999**</b>					
Average monthly benefit	\$ 484	\$ 726	\$ 980	\$ 1,723	\$ 2,528
Average final average salary	\$ 24,412	\$ 24,802	\$ 26,105	\$ 38,510	\$ 44,668
Number of active retirants	553	381	557	1,427	805

\*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.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2008</b>					
Average monthly benefit	\$ 1,443	\$ 1,389	\$ 1,765	\$ 1,982	\$ 2,767
Average final average salary	\$ 43,159	\$ 42,731	\$ 44,673	\$ 47,099	\$ 53,152
Number of active retirants	566	346	262	670	322
<b>2007</b>					
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
<b>2006</b>					
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
<b>2005</b>					
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
<b>2004</b>					
Average monthly benefit	\$ 1,406	\$ 1,176	\$ 1,472	\$ 1,834	\$ 2,761
Average final average salary	\$ 38,630	\$ 36,939	\$ 38,336	\$ 41,807	\$ 51,146
Number of active retirants	734	320	263	846	343
<b>2003</b>					
Average monthly benefit	\$ 1,195	\$ 1,079	\$ 1,285	\$ 1,849	\$ 2,749
Average final average salary	\$ 36,391	\$ 35,075	\$ 34,952	\$ 43,008	\$ 52,337
Number of active retirants	552	251	240	684	296
<b>2002</b>					
Average monthly benefit	\$ 1,107	\$ 1,023	\$ 1,346	\$ 1,665	\$ 2,725
Average final average salary	\$ 33,936	\$ 32,913	\$ 36,895	\$ 38,739	\$ 51,237
Number of active retirants	511	268	224	626	311
<b>2001</b>					
Average monthly benefit	\$ 979	\$ 935	\$ 1,224	\$ 1,630	\$ 2,359
Average final average salary	\$ 32,428	\$ 30,796	\$ 33,257	\$ 37,763	\$ 44,275
Number of active retirants	490	214	192	306	100
<b>2000</b>					
Average monthly benefit	\$ 873	\$ 973	\$ 1,343	\$ 1,636	\$ 2,399
Average final average salary	\$ 30,434	\$ 30,488	\$ 34,121	\$ 37,312	\$ 44,483
Number of active retirants	450	241	231	525	110
<b>1999</b>					
Average monthly benefit	\$ 731	\$ 899	\$ 1,173	\$ 1,455	\$ 2,249
Average final average salary	\$ 28,201	\$ 29,501	\$ 29,572	\$ 34,234	\$ 42,655
Number of active retirants	362	206	192	287	40

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
<b>2008</b>					
Average monthly benefit	\$ 7,189	\$ 5,741	\$ 9,054	\$ 8,993	\$ -
Number of active retirants	3	2	1	4	-
<b>2007</b>					
Average monthly benefit	\$ 6,761	\$ 8,167	\$ 7,786	\$ 6,486	\$ 7,507
Number of active retirants	5	9	6	6	11
<b>2006</b>					
Average monthly benefit	\$ 7,824	\$ 8,223	\$ 7,642	\$ -	\$ -
Number of active retirants	2	1	5	-	-
<b>2005</b>					
Average monthly benefit	\$ 8,611	\$ 8,990	\$ 10,434	\$ 8,040	\$ 12,454
Number of active retirants	1	3	3	3	1
<b>2004</b>					
Average monthly benefit	\$ 1,568	\$ -	\$ 6,367	\$ 8,696	\$ -
Number of active retirants	1	-	3	3	-
<b>2003</b>					
Average monthly benefit	\$ 5,778	\$ 8,339	\$ 8,726	\$ 6,594	\$ -
Number of active retirants	2	4	4	4	-
<b>2002</b>					
Average monthly benefit	\$ 7,840	\$ 7,446	\$ 8,711	\$ 8,430	\$ -
Number of active retirants	1	3	1	2	-
<b>2001</b>					
Average monthly benefit	\$ 6,565	\$ 7,751	\$ 7,068	\$ 11,877	\$ -
Number of active retirants	10	5	8	1	-
<b>2000</b>					
Average monthly benefit	\$ 5,717	\$ -	\$ -	\$ -	\$ -
Number of active retirants	1	-	-	-	-
<b>1999</b>					
Average monthly benefit	\$ 4,144	\$ 5,285	\$ 6,127	\$ 7,809	\$ -
Number of active retirants	4	2	6	1	-



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Largest Employers

#### Ten-Year History

Units	2008	2007	2006	2005
1) Unit	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	35,767	35,566	34,429	33,756
% of Total Active Members	39.53%	40.03%	39.63%	39.87%
2) Unit	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,293	2,185	2,188	2,174
% of Total Active Members	2.53%	2.46%	2.52%	2.57%
3) Unit	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	1,664	1,614	1,589	1,626
% of Total Active Members	1.84%	1.82%	1.83%	1.92%
4) Unit	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
# of Active Members	1,337	1,288	1,278	1,272
% of Total Active Members	1.48%	1.45%	1.47%	1.50%
5) Unit	Madison County	Madison County	Madison County	Madison County
# of Active Members	1,102	1,068	1,073	1,071
% of Total Active Members	1.22%	1.20%	1.24%	1.26%
6) Unit	Hellen Keller Hosp	Dothan, City of	Dothan, City of	Dothan, City of
# of Active Members	1,023	962	955	923
% of Total Active Members	1.13%	1.08%	1.10%	1.09%
7) Unit	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp
# of Active Members	972	893	817	816
% of Total Active Members	1.07%	1.01%	0.94%	0.96%
8) Unit	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of
# of Active Members	710	710	695	680
% of Total Active Members	0.78%	0.78%	0.80%	0.80%
9) Unit	*Altapointe Health	Hoover, City of	Hoover, City of	Hoover, City of
# of Active Members	674	636	633	616
% of Total Active Members	0.74%	0.72%	0.73%	0.73%
10) Unit	Baldwin County	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB
# of Active Members	655	631	704	713
% of Total Active Members	0.72%	0.70%	0.78%	0.79%
Total # of Active Members	90,472	88,849	86,874	84,674

\* Formerly Mobile-Wash MHB

Source: Retirement Systems of Alabama records

2004	2003	2002	2001	2000	1999
State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
33,741	34,659	34,526	32,722	31,348	30,690
40.80%	41.54%	42.10%	41.15%	40.75%	41.57%
Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
2,050	2,124	2,251	2,221	2,155	2,124
2.48%	2.55%	2.74%	2.79%	2.80%	2.88%
Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
1,622	1,658	1,627	1,604	1,624	1,574
1.96%	1.99%	1.98%	2.02%	2.11%	2.13%
Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
1,297	1,334	1,388	1,396	1,382	1,290
1.57%	1.60%	1.69%	1.76%	1.80%	1.75%
Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
1,055	1,035	963	1,014	942	893
1.28%	1.24%	1.17%	1.28%	1.22%	1.21%
Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp	Thomas Hospital	Thomas Hospital	Thomas Hospital
785	766	746	877	805	751
0.95%	0.92%	0.91%	1.10%	1.05%	1.02%
Tuscaloosa, City of	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health	Jefferson Co Health
684	668	698	700	679	712
0.83%	0.80%	0.85%	0.88%	0.88%	0.96%
Jefferson Co Health	Tuscaloosa, City of	Baldwin County	Baldwin County	Baldwin County	Baldwin County
599	655	640	650	643	598
0.72%	0.79%	0.78%	0.82%	0.84%	0.81%
Gadsden, City of	Gadsden, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Helen Keller Hosp
587	613	634	631	612	583
0.71%	0.73%	0.77%	0.79%	0.80%	0.79%
Mobile-Wash MHB	Hoover, City of	Bessemer, City of	Helen Keller Hosp	Helen Keller Hosp	Bessemer, City of
611	602	595	610	579	532
0.74%	0.72%	0.73%	0.77%	0.75%	0.72%
82,708	83,429	82,016	79,526	76,935	73,822

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

(Amounts in Thousands)

	2009	2008	2007	2006	2005
<b>Additions</b>					
Contributions					
Employee	\$ 321,100	\$ 323,822	\$ 302,272	\$ 278,220	\$ 260,149
Employer	753,518	729,995	540,847	434,195	347,862
Transfers from Employees' Retirement System	2,606	3,182	2,814	3,235	2,707
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	<u>1,077,224</u>	<u>1,056,999</u>	<u>845,933</u>	<u>715,650</u>	<u>610,718</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(2,083,048)	(4,057,823)	2,589,858	878,743	1,221,059
Interest and Dividends	<u>580,656</u>	<u>705,555</u>	<u>719,910</u>	<u>703,189</u>	<u>624,397</u>
Total Investment Income from Investing Activities	<u>(1,502,392)</u>	<u>(3,352,268)</u>	<u>3,309,768</u>	<u>1,581,932</u>	<u>1,845,456</u>
Less: Investment Expenses	<u>5,419</u>	<u>5,990</u>	<u>5,105</u>	<u>4,947</u>	<u>4,278</u>
Net Investment Income from Investing Activities	<u>(1,507,811)</u>	<u>(3,358,258)</u>	<u>3,304,663</u>	<u>1,576,985</u>	<u>1,841,178</u>
From Securities Lending Activities					
Securities Lending Income	33,782	83,588	136,869	84,052	40,399
Less Securities Lending Expenses:					
Borrower Rebates	6,685	57,695	126,966	77,407	33,559
Management Fees	<u>4,412</u>	<u>4,332</u>	<u>1,770</u>	<u>1,271</u>	<u>1,620</u>
Total Securities Lending Expenses	<u>11,097</u>	<u>62,027</u>	<u>128,736</u>	<u>78,678</u>	<u>35,179</u>
Net Income from Securities Lending Activities	<u>22,685</u>	<u>21,561</u>	<u>8,133</u>	<u>5,374</u>	<u>5,220</u>
Total Investment Income	<u>(1,485,126)</u>	<u>(3,336,697)</u>	<u>3,312,796</u>	<u>1,582,359</u>	<u>1,846,398</u>
Total Additions	<u>(407,902)</u>	<u>(2,279,698)</u>	<u>4,158,729</u>	<u>2,298,009</u>	<u>2,457,116</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,512,260	1,486,871	1,397,808	1,207,251	1,092,723
Return of Contributions and Death Benefits	42,337	37,317	37,474	36,683	36,350
Transfers to Employees' Retirement System	1,767	1,683	2,406	2,982	1,829
Transfers to Judicial Retirement Fund	-	-	-	26	-
Administrative Expenses	11,005	12,216	9,614	11,325	10,372
Depreciation	<u>4,128</u>	<u>578</u>	<u>480</u>	<u>462</u>	<u>468</u>
Total Deductions	<u>1,571,497</u>	<u>1,538,665</u>	<u>1,447,782</u>	<u>1,258,729</u>	<u>1,141,742</u>
<b>Net Increase/(Decrease)</b>	<u>(1,979,399)</u>	<u>(3,818,363)</u>	<u>2,710,947</u>	<u>1,039,280</u>	<u>1,315,374</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>18,100,387</u>	<u>21,918,750</u>	<u>19,207,803</u>	<u>18,168,523</u>	<u>16,853,149</u>
End of Year	<u>\$ 16,120,988</u>	<u>\$ 18,100,387</u>	<u>\$ 21,918,750</u>	<u>\$ 19,207,803</u>	<u>\$ 18,168,523</u>

	2004	2003	2002	2001	2000
<b>Additions</b>					
Contributions					
Employee	\$ 251,714	\$ 249,996	\$ 233,789	\$ 228,088	\$ 212,049
Employer	312,474	235,786	265,670	279,880	277,180
Transfers from Employees' Retirement System	2,146	2,022	1,937	2,433	1,954
Transfers from Judicial Retirement Fund	-	-	-	97	-
Total Contributions	<u>566,334</u>	<u>487,804</u>	<u>501,396</u>	<u>510,498</u>	<u>491,183</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,055,525	1,412,887	(1,915,592)	(1,860,162)	658,975
Interest and Dividends	<u>580,000</u>	<u>592,645</u>	<u>672,200</u>	<u>769,739</u>	<u>755,482</u>
Total Investment Income from Investing Activities	1,635,525	2,005,532	(1,243,392)	(1,090,423)	1,414,457
Less: Investment Expenses	<u>4,079</u>	<u>4,432</u>	<u>4,592</u>	<u>3,467</u>	<u>3,229</u>
Net Investment Income from Investing Activities	<u>1,631,446</u>	<u>2,001,100</u>	<u>(1,247,984)</u>	<u>(1,093,890)</u>	<u>1,411,228</u>
From Securities Lending Activities					
Securities Lending Income	10,704	14,215	16,473	43,671	64,006
Less Securities Lending Expenses:					
Borrower Rebates	7,206	10,052	12,462	39,692	59,807
Management Fees	<u>630</u>	<u>832</u>	<u>784</u>	<u>795</u>	<u>859</u>
Total Securities Lending Expenses	<u>7,836</u>	<u>10,884</u>	<u>13,246</u>	<u>40,487</u>	<u>60,666</u>
Net Income from Securities Lending Activities	<u>2,868</u>	<u>3,331</u>	<u>3,227</u>	<u>3,184</u>	<u>3,340</u>
Total Investment Income	<u>1,634,314</u>	<u>2,004,431</u>	<u>(1,244,757)</u>	<u>(1,090,706)</u>	<u>1,414,568</u>
Total Additions	<u>2,200,648</u>	<u>2,492,235</u>	<u>(743,361)</u>	<u>(580,208)</u>	<u>1,905,751</u>
<b>Deductions</b>					
Retirement Allowance Payments	987,761	932,687	858,383	811,896	720,576
Return of Contributions and Death Benefits	35,983	32,084	35,510	34,156	33,978
Transfers to Employees' Retirement System	1,575	2,418	2,091	1,207	1,530
Transfers to Judicial Retirement Fund	-	-	-	-	4
Administrative Expenses	7,361	7,011	6,845	6,023	5,639
Depreciation	<u>439</u>	<u>367</u>	<u>391</u>	<u>1,002</u>	<u>165</u>
Total Deductions	<u>1,033,119</u>	<u>974,567</u>	<u>903,220</u>	<u>854,284</u>	<u>761,892</u>
Net Increase/(Decrease)	1,167,529	1,517,668	(1,646,581)	(1,434,492)	1,143,859
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	<u>15,685,620</u>	<u>14,167,952</u>	<u>15,814,533</u>	<u>17,249,025</u>	<u>16,105,166</u>
End of Year	<u>\$ 16,853,149</u>	<u>\$ 15,685,620</u>	<u>\$ 14,167,952</u>	<u>\$ 15,814,533</u>	<u>\$ 17,249,025</u>



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

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

(Amounts in Thousands)

	2009	2008	2007	2006	2005
<b>Additions</b>					
Contributions					
Employee	\$ 208,446	\$ 189,785	\$ 181,734	\$ 184,144	\$ 158,128
Employer	451,139	329,339	277,254	241,750	195,846
Transfers from Teachers' Retirement System	1,767	1,683	2,406	2,982	1,829
Transfers from Judicial Retirement Fund	68	186	-	-	356
Total Contributions	661,420	520,993	461,394	428,876	356,159
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(1,180,523)	(1,919,746)	1,249,495	375,025	545,826
Interest and Dividends	285,022	339,578	347,272	329,459	295,631
Total Investment Income from Investing Activities	(895,501)	(1,580,168)	1,596,767	704,484	841,457
Less: Investment Expenses	2,651	3,747	3,725	3,216	2,652
Net Investment Income from Investing Activities	(898,152)	(1,583,915)	1,593,042	701,268	838,805
From Securities Lending Activities					
Securities Lending Income	15,335	38,458	58,925	35,407	17,604
Less Securities Lending Expenses:					
Borrower Rebates	3,070	26,649	54,648	32,567	14,948
Management Fees	1,994	1,988	727	504	448
Total Securities Lending Expenses	5,064	28,637	55,375	33,071	15,396
Net Income from Securities Lending Activities	10,271	9,821	3,550	2,336	2,208
Total Investment Income	(887,881)	(1,574,094)	1,596,592	703,604	841,013
Total Additions	(226,461)	(1,053,101)	2,057,986	1,132,480	1,197,172
<b>Deductions</b>					
Retirement Allowance Payments	695,430	655,467	615,661	551,793	487,348
Return of Contributions and Death Benefits	32,640	31,387	31,829	31,780	30,960
Unit Withdrawals	14	-	-	-	-
Transfers to Teachers' Retirement System	2,606	3,182	2,814	3,235	2,707
Transfers to Judicial Retirement Fund	98	173	220	133	48
Administrative Expenses	9,413	9,892	7,813	7,850	6,898
Depreciation	2,038	311	298	337	294
Total Deductions	742,239	700,412	658,635	595,128	528,255
Net Increase/(Decrease)	(968,700)	(1,753,513)	1,399,351	537,352	668,917
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	8,647,705	10,401,218	9,001,867	8,464,515	7,795,598
End of Year	\$ 7,679,005	\$ 8,647,705	\$ 10,401,218	\$ 9,001,867	\$ 8,464,515

	2004	2003	2002	2001	2000
<b>Additions</b>					
Contributions					
Employee	\$ 166,973	\$ 159,763	\$ 149,130	\$ 130,965	\$ 116,598
Employer	170,713	154,218	123,887	122,483	113,991
Transfers from Teachers' Retirement System	1,575	2,418	2,091	1,207	1,530
Transfers from Judicial Retirement Fund	-	103	-	66	-
Total Contributions	<u>339,261</u>	<u>316,502</u>	<u>275,108</u>	<u>254,721</u>	<u>232,119</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	457,981	668,539	(953,188)	(874,433)	314,458
Interest and Dividends	<u>268,876</u>	<u>271,698</u>	<u>297,845</u>	<u>343,517</u>	<u>340,234</u>
Total Investment Income from Investing Activities	726,857	940,237	(655,343)	(530,916)	654,692
Less: Investment Expenses	<u>2,390</u>	<u>2,380</u>	<u>2,331</u>	<u>1,593</u>	<u>1,537</u>
Net Investment Income from Investing Activities	<u>724,467</u>	<u>937,857</u>	<u>(657,674)</u>	<u>(532,509)</u>	<u>653,155</u>
From Securities Lending Activities					
Securities Lending Income	4,892	3,461	5,741	20,922	36,958
Less Securities Lending Expenses:					
Borrower Rebates	3,318	2,131	4,094	18,996	34,509
Management Fees	<u>283</u>	<u>266</u>	<u>333</u>	<u>385</u>	<u>496</u>
Total Securities Lending Expenses	<u>3,601</u>	<u>2,397</u>	<u>4,427</u>	<u>19,381</u>	<u>35,005</u>
Net Income from Securities Lending Activities	<u>1,291</u>	<u>1,064</u>	<u>1,314</u>	<u>1,541</u>	<u>1,953</u>
Total Investment Income	<u>725,758</u>	<u>938,921</u>	<u>(656,360)</u>	<u>(530,968)</u>	<u>655,108</u>
Total Additions	<u>1,065,019</u>	<u>1,255,423</u>	<u>(381,252)</u>	<u>(276,247)</u>	<u>887,227</u>
<b>Deductions</b>					
Retirement Allowance Payments	448,658	423,027	389,856	371,715	341,145
Return of Contributions and Death Benefits	31,406	25,056	24,965	24,906	24,864
Unit Withdrawals	3,798	820	8,388	1,544	-
Transfers to Teachers' Retirement System	2,146	2,022	1,937	2,433	1,954
Transfers to Judicial Retirement Fund	64	-	85	97	31
Administrative Expenses	5,892	5,843	5,582	4,578	3,811
Depreciation	<u>269</u>	<u>278</u>	<u>235</u>	<u>330</u>	<u>367</u>
Total Deductions	<u>492,233</u>	<u>457,046</u>	<u>431,048</u>	<u>405,603</u>	<u>372,172</u>
<b>Net Increase/(Decrease)</b>	<u>572,786</u>	<u>798,377</u>	<u>(812,300)</u>	<u>(681,850)</u>	<u>515,055</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>7,222,812</u>	<u>6,424,435</u>	<u>7,236,735</u>	<u>7,918,585</u>	<u>7,403,530</u>
End of Year	<u>\$ 7,795,598</u>	<u>\$ 7,222,812</u>	<u>\$ 6,424,435</u>	<u>\$ 7,236,735</u>	<u>\$ 7,918,585</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

(Amounts in Thousands)

	2009	2008	2007	2006	2005
<b>Additions</b>					
Contributions					
Employee	\$ 2,603	\$ 2,534	\$ 2,416	\$ 2,338	\$ 2,350
Employer	10,326	9,880	9,307	8,916	8,943
Transfers from Teachers' Retirement System	-	-	-	26	-
Transfers from Employees' Retirement System	98	173	220	133	48
Total Contributions	13,027	12,587	11,943	11,413	11,341
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(6,612)	(46,910)	25,988	11,215	11,877
Interest and Dividends	7,026	8,206	8,500	9,598	7,420
Total Investment Income from Investing Activities	414	(38,704)	34,488	20,813	19,297
Less: Investment Expenses	11	8	2	2	2
Net Investment Income from Investing Activities	403	(38,712)	34,486	20,811	19,295
From Securities Lending Activities					
Securities Lending Income	543	1,765	1,945	908	422
Less Securities Lending Expenses:					
Borrower Rebates	119	1,298	1,832	861	362
Management Fees	69	77	18	7	8
Total Securities Lending Expenses	188	1,375	1,850	868	370
Net Income from Securities Lending Activities	355	390	95	40	52
Total Investment Income	758	(38,322)	34,581	20,851	19,347
Total Additions	13,785	(25,735)	46,524	32,264	30,688
<b>Deductions</b>					
Retirement Allowance Payments	23,821	22,587	21,356	18,777	18,201
Return of Contributions and Death Benefits	145	83	183	45	51
Transfers to Employees' Retirement System	68	186	-	-	356
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	552	526	474	432	381
Total Deductions	24,586	23,382	22,013	19,254	18,989
Net Increase/(Decrease)	(10,801)	(49,117)	24,511	13,010	11,699
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	221,816	270,933	246,422	233,412	221,713
End of Year	\$ 211,015	\$ 221,816	\$ 270,933	\$ 246,422	\$ 233,412

	2004	2003	2002	2001	2000
<b>Additions</b>					
Contributions					
Employee	\$ 2,370	\$ 2,342	\$ 2,271	\$ 2,115	\$ 1,608
Employer	8,994	8,637	8,222	7,598	5,696
Transfers from Teachers' Retirement System	-	-	-	-	4
Transfers from Employees' Retirement System	64	-	85	97	31
Total Contributions	<u>11,428</u>	<u>10,979</u>	<u>10,578</u>	<u>9,810</u>	<u>7,339</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	14,736	12,905	(33,036)	(35,377)	14,106
Interest and Dividends	7,218	7,969	9,777	11,192	10,970
Total Investment Income from Investing Activities	21,954	20,874	(23,259)	(24,185)	25,076
Less: Investment Expenses	12	28	85	31	23
Net Investment Income from Investing Activities	<u>21,942</u>	<u>20,846</u>	<u>(23,344)</u>	<u>(24,216)</u>	<u>25,053</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	109	61	88	467	850
Less Securities Lending Expenses:					
Borrower Rebates	83	50	75	443	816
Management Fees	4	2	2	5	6
Total Securities Lending Expenses	<u>87</u>	<u>52</u>	<u>77</u>	<u>448</u>	<u>822</u>
Net Income from Securities Lending Activities	<u>22</u>	<u>9</u>	<u>11</u>	<u>19</u>	<u>28</u>
Total Investment Income	<u>21,964</u>	<u>20,855</u>	<u>(23,333)</u>	<u>(24,197)</u>	<u>25,081</u>
Total Additions	<u>33,392</u>	<u>31,834</u>	<u>(12,755)</u>	<u>(14,387)</u>	<u>32,420</u>
<b>Deductions</b>					
Retirement Allowance Payments	17,903	17,964	16,770	15,655	11,256
Return of Contributions and Death Benefits	103	83	29	79	43
Transfers to Employees' Retirement System	-	103	-	66	-
Transfers to Teachers' Retirement System	-	-	-	97	-
Administrative Expenses	<u>344</u>	<u>322</u>	<u>306</u>	<u>272</u>	<u>263</u>
Total Deductions	<u>18,350</u>	<u>18,472</u>	<u>17,105</u>	<u>16,169</u>	<u>11,562</u>
<b>Net Increase/(Decrease)</b>	<u>15,042</u>	<u>13,362</u>	<u>(29,860)</u>	<u>(30,556)</u>	<u>20,858</u>
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	206,671	193,309	223,169	253,725	232,867
End of Year	<u>\$ 221,713</u>	<u>\$ 206,671</u>	<u>\$ 193,309</u>	<u>\$ 223,169</u>	<u>\$ 253,725</u>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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Bear Creek Water Works Board	Cahaba Valley Fire & Emergency Medical Rescue District
Beatrice, Town of	Calera, City of
Beauregard Water & Fire Protection Authority	Calhoun County 911 District
Berry, Town of	Calhoun County Commission
Bessemer, City of	Calhoun County Water & Fire Protection Authority
Bibb County Commissioners Court	Calhoun/Cleburne Mental Health Board
Bibb County Emergency Management Communication District	Calhoun County Community Punishment and Corrections Authority
Big Will's Water Authority	Calhoun County Economic Development Council
Billingsley, Town of	Camden, City of
Birmingham Racing Commission	Camp Hill, City of
Birmingham Regional Planning Commission	Carbon Hill Utilities Board
Black Warrior Solid Waste Disposal Authority	Carbon Hill, City of
Blount County Communication District	Carl Elliot Regional Library
Blount County Commissioners Court	Carroll's Creek Water Authority
Blount Count Water Authority	Carrollton, Town of
Blountsville Utility Board	Castleberry, Town of
Blountsville, Town of	Cedar Bluff, Town of
Boaz Water & Sewer Commissioners Board	Cedar Bluff Utilities Board and Solid Water Authority
Boaz, City of	Center Point, City of
Boldo Water & Fire Protection Authority	Center Point Fire District
Boston Housing Authority	Central Alabama Aging Consortium
Brantley Housing Authority	Central Alabama Regional Planning & Development Commission
Brent Housing Authority	Central Alabama Youth Services
Brent, City of	Central Elmore Water Authority
Brewton Housing Authority	Central Talladega County Water District
Brewton, City of	Centre Water Works & Sewer Board
Bridgeport Housing Authority	Centre, City of
Bridgeport Utilities Board	Centreville, City of
Bridgeport, City of	Chambers County Commissioners Court
Brilliant, Town of	Chambers County Emergency Management Communications District
Brookwood, Town of	Chambers County Library Board
Brundidge, City of	Chatom, City of
Buhl-Elrod-Holman Water Authority	Cheaha Regional Library
Bullock County Commissioners Court	Cheaha Regional Mental Health-Mental Retardation Board
Butler County Commissioners Court	Chelsea
Butler County Emergency Communication District	Cherokee County Commission
Butler, City of	
Cahaba Center for Mental Health & Mental Retardation	

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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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



## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Excel, Town of	Georgiana, City of
Fairfield, City of	Georgiana Housing Authority
Fairhope Public Library	Georgiana Water Works and Sewer Board
Fairhope, City of	Geraldine, Town of
Falkville, Town of	Gilbertown Utilities Board
Fayette County Commission	Gilbertown, Town of
Fayette County E911 District	Glencoe, City of
Fayette Gas Board	Goodwater, City of
Fayette Housing Authority	Gordo, City of
Fayette Water Works Board	Grant, Town of
Fayette County Water Coordination & Fire Protection Authority	Graysville Public Library
Fayette, City of	Graysville, City of
Fayetteville Water Authority	Greater Etowah Mental Retardation 310 Board
Five Star Water Authority	Greene County Ambulance Service
Flomaton, Town of	Greene County Commission
Florence Housing Authority	Greene County Economic & Industrial Development Board
Florence/Lauderdale Tourism Board	Greene County E-911 Communications District
Foley Utilities Board	Greene County Hospital
Foley, City of	Greene County Housing Authority
Forestdale Fire District	Greene County Racing Commission
Fort Deposit Water Works & Sewer Board	Greenhill Water & Fire Protection Authority
Fort Deposit, Town of	Greensboro Housing Authority
Fort Payne Housing Authority	Greensboro, City of
Fort Payne Improvement Authority	Greenville Water Works & Sewer Board
Fort Payne Water Works Board	Greenville, City of
Fort Payne, City of	Grove Hill, City of
Fosters-Ralph Water Authority	Guin, City of
Franklin County Commission	Guin Housing Authority
Franklin County Soil and Water Conservation	Guin Water & Sewer Board
Franklin County Water Service Authority	Gulf Shores, City of
Fultondale, Town of	Gulf Shores Utilities Board
Fyffe, Town of	Guntersville Electric Board
Gadsden Water & Sewer Board	Guntersville Housing Authority
Gadsden, City of	Guntersville Water & Sewer Board
Garden City, Town of	Guntersville, City of
Gardendale, City of	Gurley, Town of
Geneva County Court of Commissioners	Hackleburg, Town of
Geneva County E-911 Board, Inc.	Hackleburg Housing Authority
Geneva Water Works & Sewer Board	Hackleburg Water Board
Geneva, City of	

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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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

##### Local Participating Employers

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Jasper Water Works & Sewer Board	Littleville, Town of
Jasper, City of	Livingston Housing Authority
Jefferson County Department of Health	Livingston, City of
Jefferson/Blount/St. Clair Mental Health Authority	Loachapoka Water Authority
Jemison, Town of	Locust Fork, Town of
John Paul Jones Hospital	Lowndes County Board of Revenue
Killen, City of	Loxley, City of
Kinsey, Town of	Luverne Housing Authority
Lafayette, City of	Luverne, City of
Lamar County Commission	Lynn, Town of
Lamar County Communications District	Macon County Commission
Lamar County Gas District	Macon County Racing Commission
Lamar County Water & Fire Protection Authority	Madison County Commissioners Court
Lanett, City of	Madison County Communications District
Lauderdale County Commission	Madison County Mental Retardation Board
Lauderdale County Community Corrections & Punishment Authority	Madison Water & Wastewater Board
Lauderdale County Regional Library System	Madison, City of
Lawrence County Commission	Magnolia Springs, Town of
Lawrence/Colbert Counties Gas District	Malvern, Town of
Lee County Commissioners Court	Maplesville Waterworks & Gas Board
Lee County Emergency Communications District	Maplesville, City of
Lee/Russell Council of Governments	Marengo County Commission
Leeds Housing Authority	Marengo County Economic & Industrial Development Authority
Leeds, City of	Marengo County Emergency Communications District
Leeds Water Works Board	Marengo Nursing Home
Leesburg, Town of	Margaret, Town of
Leighton, Town of	Marion County Board of Revenue
Leighton Water and Sewer Board	Marion County Emergency Communications District
Level Plains, Town of	Marion County Public Water Authority
Lexington, Town of	Marion Housing Authority
Limestone County Board of Revenue	Marion, City of
Limestone County Water Authority	Marshall County Commission on Government and Finance
Lincoln, City of	Marshall County Community Punishment and Corrections Authority
Linden, City of	Marshall County Emergency Telephone Service Board
Lineville Housing Authority	Marshall County Gas District
Lineville Water & Sewer Board	Marshall County Soil & Water Conservation District
Lineville, City of	

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Marshall-Jackson Mental Retardation Authority  
McAdory Area Fire District  
McIntosh, Town of  
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 Commission

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  
Nauvoo, 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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

##### Local Participating Employers

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Northeast Alabama Water, Sewer & Fire Protection District	Perry County Commissioners Court
Northeast Morgan County Water Authority	Perry County Water Authority
Northport Housing Authority	Phenix City, City of
Northport, City of	Phil Campbell Housing Authority
Northwest Alabama Council of Local Governments	Phil Campbell Water Works Board
Northwest Alabama Mental Health Center	Phil Campbell, Town of
Northwest Alabama Regional Airport	Pickens County Commission
Northwest Regional Library	Pickens County Cooperative Library
Notasulga, Town of	Pickens County E-911 Board
Oak Grove, Town of	Pickens County Water Authority
Oakman Waterworks	Piedmont Housing Authority
Oakman, Town of	Piedmont, City of
Odenville Utilities Board	Pike County Commissioners Court
Odenville, Town of	Pike County Communications District
Ohatchee, Town of	Pike County Soil & Water Conservation District
Oneonta Housing Authority	Pike County Water Authority
Oneonta Utilities	Pine Bluff Water Authority
Oneonta, City of	Pine Hill, Town of
Opelika Housing Authority	Pine Level Water & Fire Protection Authority
Opelika Utilities Board	Pisgah, Town of
Opelika, City of	Pleasant Grove, City of
Opp Utilities Board	Prattville Housing Authority
Opp, City of	Prattville Water Works Board
Orange Beach Water, Sewer & Fire Protection Authority	Prattville, City of
Orange Beach, Town of	Priceville, Town of
Owens Cross Roads	Prichard Housing Authority
Oxford, City of	Quint-Mar Water & Fire Protection Authority
Ozark Utilities Board	Ragland, Town of
Ozark, City of	Ragland Water Works Board
Ozark/Dale E-911	Rainbow City Gas, Water & Sewer Board
Parrish Water Works and Sewer Board	Rainbow City, City of
Pelham, City of	Rainsville, City of
Pell City Housing Authority	Randolph County Commissioners Court
Pell City, City of	Randolph County E-911
Pennington, City of	Red Bay Housing Authority
Pennington Utilities Board	Red Bay Water & Gas Board
Perry County Capital Improvement Cooperative District	Red Bay, City of
	Reform Housing Authority

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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  
Roanoke Health Care Authority  
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  
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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

##### Local Participating Employers

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Southwest Alabama Water Authority	Tallapoosa County Emergency Management Communications District
Spanish Fort, City of	Tallassee, City of
Spectracare	Tarrant City Electric System
Springville, Town of	Tarrant City, City of
St. Clair County Commissioners Court	Tarrant Housing Authority
St. Clair County Industrial Development Board	Taylor, Town of
St. Clair Regional Library	Tennessee Valley Exhibit Commission
St. Clair County Soil & Water Conservation District	Thomaston, Town of
St. Florian, Town of	Thomasville, City of
Star-Mindingall Water & Fire Prot Auth	Thorsby, Town of
Steele, Town of	Top of Alabama Regional Council of Governments
Stevenson Housing Authority	Town Creek, Town of
Stevenson Utilities Board	Triana, City of
Stevenson, City of	Tri-County Mental Retardation-Development Disability Board
Stewartville Water Authority	Trinity, Town of
Sulligent, City of	Troy, City of
Sulligent Housing Authority	Trussville Utilities Board
Sumiton Housing Authority	Trussville, City of
Sumiton Water Works Board	Turnerville Water and Fire Protection District
Sumiton, City of	Tuscaloosa, City of
Summerdale, Town of	Tuscaloosa County Board of Revenue
Sumter County Board of Commissioners	Tuscaloosa Housing Authority
Sumter County Industrial Development Authority	Tuscaloosa County Industrial Dev Auth
Sumter County Soil & Water Cons District	Tuscaloosa County Park and Recreation Board
Sumter County Water Authority	Tuscaloosa County Parking & Transit Authority
Sylacauga Recreation Authority	Tuscaloosa County Public Defenders Office
Sylacauga Utilities Board	Tuscaloosa County Soil & Water Conservation District
Sylacauga, City of	Tuscaloosa County Special Tax Board
Sylvan Springs, Town of	Tuscaloosa Public Library
Sylvania, Town of	Tuscumbia, City of
Talladega County Board of Revenue	Tuskegee, City of
Talladega County Emergency Management Communications District	Tuskegee Utilities
Talladega County Soil & Water Conservation District	Union Grove Utilities Board
Talladega Water & Sewer Board	Union Springs Utilities Board
Talladega, City of	Union Springs, City of
Tallapoosa County Court of Commissioners	Uniontown Housing Authority

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Uniontown Utilities Board	Wilcox County Commission
Uniontown, City of	Wilcox County Gas District
USS Alabama Battleship Commission	Wilsonville, Town of
Valley Head, Town of	Wilton, Town of
Valley Head Water Works Board	Winfield Water Works Board
Valley Housing Authority	Winfield, City of
Valley, City of	Winston County Commission
Vance, Town of	Winston County E-911 Communications District
Vernon Housing Authority	Winston County Soil and Water Conservation District
Vernon, City of	Woodstock, Town of
Vestavia Hills, City of	York Housing Authority
Vincent, City of	York, City of
Von Braun Civic Center	
Walker County Commission	
Walker County E911 District	
Walker County Housing Authority	
Walker County Mental Retardation Board	
Walker County Soil & Water Conservation District	
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	





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