

The Retirement Systems of Alabama

**Component Units
of the
State of Alabama**

Comprehensive Annual Financial Report



For the Fiscal Year Ended September 30, 2001

The Retirement Systems of Alabama

Component Units of the State of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2001

The Retirement Systems of Alabama
Consists of:

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

(Each a Component Unit of The State of Alabama)

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

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INTRODUCTORY SECTION



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

Retirement Systems of Alabama



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

Employees'
State State Police Public Judicial
Don Siegelman, Chair
John H. Wilkerson, Jr., Vice Chair

March 1, 2002

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

Dear Board Members:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA) for the fiscal year ended September 30, 2001. The Retirement Systems of Alabama includes the Teachers' Retirement System of Alabama (TRS), the Employees' Retirement System of Alabama (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama Comprehensive Annual Financial Report.

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

Report Contents

The 2001 Comprehensive Annual Financial Report is divided into the following five sections:

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

Administration and Plan History

The 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). In addition to executive management, the TRS, ERS, and JRF share investment management, accounting, and information system services, the costs of which are allocated to the funds on an equitable basis. The TRS was established under the provisions of Act 419 of the Legislature of 1939 to provide benefits to qualified persons employed by State-supported educational institutions. The ERS was established under the provisions of Act 515 of the Legislature of 1945 to provide benefits to State employees, State police, and, on an elective basis, to qualified

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Letter of Transmittal (Continued)

persons of cities, towns, and quasi-public organizations. The JRF was established under the provisions of Act 1163 of the Legislature of 1973 to provide benefits to qualified judges and justices. Additional information regarding the administration and history of each system, including laws establishing each plan and services provided, can be found in the *Financial Section - Notes to Financial Statements* portion of this report.

Financial Information

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

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

Additions to Plan Net Assets - Employer contributions, member contributions, and investment income provide the reserves needed to finance retirement benefits. The following schedule provides summary information regarding additions to plan net assets for fiscal years 2001 and 2000 and a variance analysis of the changes in the components of additions between the two fiscal years.

Variance Analysis of Additions

(Amounts in Millions)

Type of Addition	2001	2000	Variance	% Increase (Decrease)
Employee Contributions	\$ 361.2	\$ 330.2	\$ 31.0	9.4
Employer Contributions	410.0	396.9	13.1	3.3
Investment Income	(1,645.9)	2,094.8	(3,740.7)	(178.6)
Transfers between Systems	3.9	3.5	0.4	11.4
Totals	\$ (870.8)	\$ 2,825.4	\$ (3,696.2)	(130.8)

Investment income decreased due to decreases in the fair value of investments as of September 30, 2001. See the investment section for additional information.

Reductions in Plan Net Assets - The principle purpose of the Systems is to provide retirement, disability, and survivor benefits to qualified members and their beneficiaries. The costs of such programs include benefit payments, refunds of contributions to terminated employees, and the cost of administering the programs. The following schedule provides summary information regarding reductions in plan net assets for fiscal years 2001 and 2000 and a variance analysis of the changes in the components of reductions between the two fiscal years.

Variance Analysis of Reductions

(Amounts in Millions)

<u>Type of Reduction</u>	<u>2001</u>	<u>2000</u>	<u>Variance</u>	<u>% Increase (Decrease)</u>
Retirement Allowance Payments	\$ 1,199.3	\$ 1,073.0	\$ 126.3	11.8
Return of Contributions, Unit Withdrawals, and Death Benefits	60.7	58.9	1.8	3.1
Transfers Between Systems	3.9	3.5	0.4	11.4
Administrative Expense	10.9	9.7	1.2	12.4
Depreciation Expense	1.3	0.5	0.8	160.0
Totals	\$ 1,276.1	\$ 1,145.6	\$ 130.5	11.4

Retirement allowance payments increased primarily due to an increase in the number of retirees and in the amount of the average monthly benefits. Additions of \$(870.8) million (negative additions due to investment losses) less reductions of \$1,276.1 million resulted in a decrease in net assets of approximately \$2,146.9 million during fiscal year 2001.

Plan Financial Condition

The funding objective of the RSA pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time and through investment earnings. Historical information concerning funding progress is presented in the *Required Supplementary Information* - "Schedule of Funding Progress" on page 28.

At the date of the latest actuarial valuations, as presented in the *Notes to the Required Supplementary Information* on page 30, the number of participants in the TRS, ERS, and JRF was 194,316, 111,086, and 619, respectively. The TRS's last valuation was performed as of June 30, 2001. The TRS's funded percentage decreased from 102.5% at June 30, 2000 to 101.4% at June 30, 2001. The ERS's and JRF's last valuations were performed as of September 30, 2000. The ERS's funded percentage decreased from 106.1% at September 30, 1999 to 104.9% at September 30, 2000. The JRF's funded percentage increased from 84.2% at September 30, 1999 to 89.0% at September 30, 2000.

Investment Activity

Total investments for the RSA decreased in fiscal year 2001 primarily due to decreases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2001 were \$15.6 billion, \$7.1 billion and \$220.0 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2000 of \$17.0 billion, \$7.8 billion, and \$250.3 million, respectively. Total pension fund investments managed by the RSA decreased from \$25.0 billion at September 30, 2000 to \$22.9 billion at September 30, 2001, an 8.4% decrease.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2001, was \$769.7 million, \$343.5 million, and \$11.2 million, respectively, compared to \$755.5 million, \$340.2 million, and \$11.0 million, respectively, for the fiscal year ending September 30, 2000. The decrease in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2001, was \$(1,860.2) million, \$(874.4) million and \$(35.4) million, respectively, compared to the increase in fair value of investments of \$659.0 million, \$314.5 million, and \$14.1 million, respectively, for the fiscal year ended September 30, 2000.

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

Legislation Enacted During Fiscal Year 2001

Act 2000-669 provides any firefighter, correctional officer, or law enforcement officer not covered as a state policeman with one year of additional retirement service credit for each five years of employment as a full-time firefighter, correctional officer, or law enforcement officer. The member must be employed as a full-time firefighter and be certified by the Firefighters Personnel Standards and Education Commission or as a full-time law enforcement or corrections officer and be certified by the Alabama Peace Officers Standards and Training Commission. Full-time firefighters, law enforcement officers, or correctional officers shall contribute six percent of his or her earnable compensation. Full-time firefighters, law enforcement officers, and correctional officers at the effective date of this Act may purchase one additional year of retirement service credit for each five years of prior employment for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The Act does not allow a member to retire earlier than he or she would otherwise be eligible. The provisions of this Act become effective January 1, 2001. The deadline for purchasing service credit for prior service is December 31, 2002.

Act 2001-671 allows members of the TRS to accumulate an unlimited number of sick leave days and provides that those sick leave days shall be transferable from one employer to another. The Act limits the number of sick leave days that may be applied as credit for retirement purposes to one day of sick leave per month of employment.

The Federal Tax Relief Act signed in June by President Bush also included the Comprehensive Retirement Security and Pension Reform Act, which provides for more liberal retirement savings and greater portability of pension assets. The provisions of this Act become effective January 1, 2002. One of the provisions of this Act provides for the purchase of allowable service credit (i.e. withdrawn service, military service, out-of-state service, etc.) with funds from tax-sheltered annuities (403b), deferred compensation accounts (457), and IRA's without the member having to pay taxes on the transfer of funds.

Professional Services

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

Initiatives

The Deferred Retirement Option Plan (DROP), a voluntary plan, will become effective in June 2002. The DROP will allow RSA members to contract with the RSA to defer receipt of their retirement allowance and continue in employment for a specific time period. At the end of the DROP participation, the member may withdraw from active service and receive a retirement benefit based on his or her service credit at the time of enrollment in the DROP plus a lump-sum payment of the amount in their DROP account.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its comprehensive annual financial report for the fiscal year ended September 30, 2000. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Letter of Transmittal (Continued)

Acknowledgments

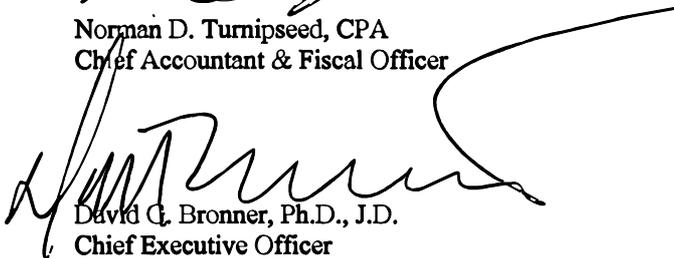
The compilation of this report reflects the combined effort of the staff under the leadership of the Boards of Control. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship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

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

Sincerely,



Norman D. Turnipseed, CPA
Chief Accountant & Fiscal Officer



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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Retirement Systems of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2000

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



Imelda Arave
President

Jeffrey L. Essler
Executive Director

Teachers' Retirement System Board of Control

Ex Officio Members

Chairman, Dr. Paul R. Hubbert, Executive Secretary, AEA
Dr. Henry C. Mabry III, State Finance Director
Lucy Baxley, State Treasurer
Dr. Edward R. Richardson, State Superintendent of Education

Elected Members

Vice-Chairman, Mrs. Sarah Swindle, Retired Teacher Position
Mr. Dwain Hargett, Teacher Position
Dr. Susan Williams Brown, Postsecondary Position
Mrs. Martha Black Handschumacher, Teacher Position
Dr. John R. Key, Superintendent Position
Dr. John Landers, Principal Position
Dr. George L. Layton, Retired Teacher Position
Mrs. Rebecca Lee, Support Personnel Position
Mrs. Peggy K. Lamb, Teacher Position
Mrs. Sharon P. Saxon, Support Personnel Position

Employees' Retirement System Board of Control**

Ex Officio Members

Chairman, Don E. Siegelman, Governor
Dr. Henry C. Mabry III, State Finance Director
Lucy Baxley, State Treasurer
Thomas G. Flowers, State Personnel Director

Elected Members

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

Appointed Members

Vice-Chairman, Mr. John H. Wilkerson, Jr.
Lieutenant Rector Johnson
Ms. Donna Mulchahy

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

Staff, Advisors, and Medical Board

David G. Bronner, Ph.D., J.D., Chief Executive Officer
Marcus H. Reynolds, Jr., J.D., Deputy Director

Administrative Staff

Chief Accountant and Fiscal Officer, Norman D. Turnipseed, M.B.A., C.P.A.
Director of Information Technology Services, Peggi L. Douglass, M.B.A.
Teachers' Retirement Executive, Donald L. Yancey, M.P.A., J.D.
Employees' & Judicial Retirement Executive, R. Donald Nelson, M.S.
Legislative Counsel, Lindy J. Leadingham, J.D.
General Counsel, William F. Kelley, Jr., J.D.
General Counsel, William T. Stephens, J.D.
Director of Communications, Michael E. Pegues, M.A.

Investment Staff

Acting Director of Investments, Darren J. Schulz, M.B.A., C.F.A.
Director of Fixed Income, M. Hunter Harrell, M.B.A., J.D., C.F.A.
Director of Equities, R. Marc Green, M.B.A., C.F.A.
Assistant Director of Equities, Steven R. Lambdin, M.B.A., C.P.A.
Assistant Director of Equities, Eric J. Fox, M.B.A., C.F.A.
Assistant Director of Fixed Income/Public Bonds, Julie S. Barranco, M.B.A., C.F.A.
Chief Economist, Lewis R. Gayden, M.B.A.
Equity Analyst, John R. Givens, B.S.
Equity Analyst, G. Allan Carr, B. S.
Fixed Income Analyst, C. Lance Lachney, M.B.A.
Fixed Income Analyst, Joseph G. Walker, B.S.
Cash Management & Operations, Nancy H. Sprayberry
Cash Management & Operations, Cheree S. Pierce

Advisors

Certified Public Accountants, KPMG
AmSouth Bank, N.A., Mr. Brian Sullivan, Investment Consultant
J P Morgan Chase and Company, Investment Custodian
George B. Buck Consulting Actuaries, Mr. Edward A. Macdonald
Attorney General, Mr. Bill Pryor
Chief Examiner, Mr. Ronald L. Jones

Medical Board

Chairman, Neil Stronach, M.D.
A. S. Zdanis, M.D.
Thomas Nickles, M.D.



FINANCIAL SECTION



Financial Center, Suite 1200
Birmingham, AL 35203

Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama and the Judicial Retirement Fund (Retirement Systems of Alabama), component units of the State of Alabama, as of September 30, 2001 and the related statements of changes in plan net assets and the schedules of funding progress and employer contributions (pages 28 - 30) for the year then ended. These financial statements and schedules are the responsibility of the management of the Retirement Systems of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements and schedules 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, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

KPMG LLP

January 11, 2002



KPMG LLP, KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.



RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Plan Net Assets

September 30, 2001 with comparative figures for 2000

(Amounts in Thousands)

	2001			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash - Restricted for Administrative Expenses (Note 4)	\$ 15,561	\$ 5,917	\$ 690	\$ 22,168
Receivables				
Employee Contributions	18,204	8,536	123	26,863
Employer Contributions	23,321	6,916	265	30,502
Dividends and Interest	<u>191,686</u>	<u>86,080</u>	<u>2,236</u>	<u>280,002</u>
Total Receivables	<u>233,211</u>	<u>101,532</u>	<u>2,624</u>	<u>337,367</u>
Investments, at Fair Value (Note 5)				
Domestic Equity Securities	5,585,957	2,846,338	106,937	8,539,232
Domestic Fixed Income Securities	6,945,021	3,073,799	98,562	10,117,382
International Securities	1,182,782	515,283	-	1,698,065
Real Estate	760,284	366,325	1,931	1,128,540
Short-term Investments	<u>1,090,629</u>	<u>326,550</u>	<u>12,524</u>	<u>1,429,703</u>
Total Investments	<u>15,564,673</u>	<u>7,128,295</u>	<u>219,954</u>	<u>22,912,922</u>
Invested Securities Lending Collateral (Notes 4 & 5)	545,288	221,059	5,597	771,944
Property and Equipment less Accumulated Depreciation (Note 8)	<u>2,906</u>	<u>2,289</u>	<u>-</u>	<u>5,195</u>
Total Assets	<u>16,361,639</u>	<u>7,459,092</u>	<u>228,865</u>	<u>24,049,596</u>
Liabilities				
Accounts Payable and Other Liabilities	1,818	1,298	99	3,215
Securities Lending Collateral (Note 5)	<u>545,288</u>	<u>221,059</u>	<u>5,597</u>	<u>771,944</u>
Total Liabilities	<u>547,106</u>	<u>222,357</u>	<u>5,696</u>	<u>775,159</u>
Net Assets Held in Trust for Pension Benefits (Note 3)	<u>\$ 15,814,533</u>	<u>\$ 7,236,735</u>	<u>\$ 223,169</u>	<u>\$ 23,274,437</u>

A "Schedule of Funding Progress" is presented on page 28.

See accompanying Notes to Financial Statements .

	2000			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash - Restricted for Administrative Expenses	\$ 14,310	\$ 5,198	\$ 680	\$ 20,188
Receivables				
Employee Contributions	18,323	9,766	82	28,171
Employer Contributions	23,492	9,720	198	33,410
Dividends and Interest	<u>217,102</u>	<u>102,494</u>	<u>2,562</u>	<u>322,158</u>
Total Receivables	<u>258,917</u>	<u>121,980</u>	<u>2,842</u>	<u>383,739</u>
Investments, at Fair Value				
Domestic Equity Securities	6,572,578	3,215,205	134,893	9,922,676
Domestic Fixed Income Securities	7,437,429	3,284,697	105,288	10,827,414
International Securities	1,482,213	655,973	-	2,138,186
Real Estate	583,464	284,288	1,391	869,143
Short-term Investments	<u>904,639</u>	<u>352,151</u>	<u>8,746</u>	<u>1,265,536</u>
Total Investments	<u>16,980,323</u>	<u>7,792,314</u>	<u>250,318</u>	<u>25,022,955</u>
Invested Securities Lending Collateral	1,012,015	510,757	7,751	1,530,523
Property and Equipment less				
Accumulated Depreciation	<u>3,734</u>	<u>2,510</u>	<u>-</u>	<u>6,244</u>
Total Assets	<u>18,269,299</u>	<u>8,432,759</u>	<u>261,591</u>	<u>26,963,649</u>
Liabilities				
Accounts Payable and Other Liabilities	8,259	3,417	115	11,791
Securities Lending Collateral	<u>1,012,015</u>	<u>510,757</u>	<u>7,751</u>	<u>1,530,523</u>
Total Liabilities	<u>1,020,274</u>	<u>514,174</u>	<u>7,866</u>	<u>1,542,314</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 17,249,025</u>	<u>\$ 7,918,585</u>	<u>\$ 253,725</u>	<u>\$ 25,421,335</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2001 with comparative figures for 2000

(Amounts in Thousands)

	2001			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Additions				
Contributions				
Employee	\$ 228,088	\$ 130,965	\$ 2,115	\$ 361,168
Employer	279,880	122,483	7,598	409,961
Transfers from Teachers' Retirement System	-	1,207	-	1,207
Transfers from Employees' Retirement System	2,433	-	97	2,530
Transfers from Judicial Retirement Fund	97	66	-	163
Total Contributions	<u>510,498</u>	<u>254,721</u>	<u>9,810</u>	<u>775,029</u>
Investment Income (Note 5)				
From Investing Activities				
Net Decrease in Fair Value of Investments	(1,860,162)	(874,433)	(35,377)	(2,769,972)
Interest and Dividends	769,739	343,517	11,192	1,124,448
Total Investment Income/(Loss) from Investing Activities	(1,090,423)	(530,916)	(24,185)	(1,645,524)
Less: Investment Expense	3,467	1,593	31	5,091
Net Investment Income/(Loss) from Investing Activities	<u>(1,093,890)</u>	<u>(532,509)</u>	<u>(24,216)</u>	<u>(1,650,615)</u>
From Securities Lending Activities				
Securities Lending Income	43,671	20,922	467	65,060
Securities Lending Expenses				
Borrower Rebates	39,692	18,996	443	59,131
Management Fees	795	385	5	1,185
Total Securities Lending Expenses	<u>40,487</u>	<u>19,381</u>	<u>448</u>	<u>60,316</u>
Net Income from Securities Lending Activities	<u>3,184</u>	<u>1,541</u>	<u>19</u>	<u>4,744</u>
Total Investment Income/(Loss)	<u>(1,090,706)</u>	<u>(530,968)</u>	<u>(24,197)</u>	<u>(1,645,871)</u>
Total Additions	<u>(580,208)</u>	<u>(276,247)</u>	<u>(14,387)</u>	<u>(870,842)</u>
Deductions				
Retirement Allowance Payments	811,896	371,715	15,655	1,199,266
Return of Contributions and Death Benefits	34,156	24,906	79	59,141
Unit Withdrawals	-	1,544	-	1,544
Transfers to Employees' Retirement System	1,207	-	66	1,273
Transfers to Teachers' Retirement System	-	2,433	97	2,530
Transfers to Judicial Retirement Fund	-	97	-	97
Administrative Expense	6,023	4,578	272	10,873
Depreciation (Note 8)	1,002	330	-	1,332
Total Deductions	<u>854,284</u>	<u>405,603</u>	<u>16,169</u>	<u>1,276,056</u>
Net Decrease	<u>(1,434,492)</u>	<u>(681,850)</u>	<u>(30,556)</u>	<u>(2,146,898)</u>
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	<u>17,249,025</u>	<u>7,918,585</u>	<u>253,725</u>	<u>25,421,335</u>
End of Year	<u>\$ 15,814,533</u>	<u>\$ 7,236,735</u>	<u>\$ 223,169</u>	<u>\$ 23,274,437</u>

See accompanying Notes to Financial Statements .

	2000			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	\$ 212,049	\$ 116,598	\$ 1,608	\$ 330,255
Employer	277,180	113,991	5,696	396,867
Transfers from Teachers' Retirement System	-	1,530	4	1,534
Transfers from Employees' Retirement System	1,954	-	31	1,985
Total Contributions	<u>491,183</u>	<u>232,119</u>	<u>7,339</u>	<u>730,641</u>
Investment Income				
<i>From Investing Activities</i>				
Net Increase in Fair Value of Investments	658,975	314,458	14,106	987,539
Interest and Dividends	755,482	340,234	10,970	1,106,686
Total Investment Income from Investing Activities	1,414,457	654,692	25,076	2,094,225
Less: Investment Expense	3,229	1,537	23	4,789
Net Investment Income from Investing Activities	<u>1,411,228</u>	<u>653,155</u>	<u>25,053</u>	<u>2,089,436</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	64,006	36,958	850	101,814
Securities Lending Expenses				
Borrower Rebates	59,807	34,509	816	95,132
Management Fees	859	496	6	1,361
Total Securities Lending Expenses	<u>60,666</u>	<u>35,005</u>	<u>822</u>	<u>96,493</u>
Net Income from Securities Lending Activities	<u>3,340</u>	<u>1,953</u>	<u>28</u>	<u>5,321</u>
Total Investment Income	<u>1,414,568</u>	<u>655,108</u>	<u>25,081</u>	<u>2,094,757</u>
Total Additions	<u>1,905,751</u>	<u>887,227</u>	<u>32,420</u>	<u>2,825,398</u>
Deductions				
Retirement Allowance Payments	720,576	341,145	11,256	1,072,977
Return of Contributions and Death Benefits	33,978	24,864	43	58,885
Transfers to Employees' Retirement System	1,530	-	-	1,530
Transfers to Teachers' Retirement System	-	1,954	-	1,954
Transfers to Judicial Retirement Fund	4	31	-	35
Administrative Expense	5,639	3,811	263	9,713
Depreciation	165	367	-	532
Total Deductions	<u>761,892</u>	<u>372,172</u>	<u>11,562</u>	<u>1,145,626</u>
Net Increase	1,143,859	515,055	20,858	1,679,772
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	<u>16,105,166</u>	<u>7,403,530</u>	<u>232,867</u>	<u>23,741,563</u>
End of Year	<u>\$ 17,249,025</u>	<u>\$ 7,918,585</u>	<u>\$ 253,725</u>	<u>\$ 25,421,335</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to Financial Statements

For the Fiscal Year Ended September 30, 2001

(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). 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, 2001, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	252
Counties	-	64
Other Public Entities	-	434
Universities	13	-
Post-Secondary Institutions	29	-
City and County Bds of Education	128	-
State Agencies & Other	33	1
Totals	<u>203</u>	<u>751</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	48,845	14,587	254
State Police	-	670	-
Employees of Local Employers	-	11,142	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	15,405	2,376	39
State Police	-	14	-
Employees of Local Employers	-	4,604	-
Active employees:			
General	130,066	31,348	326
State Police	-	729	-
Employees of Local Employers	-	45,616	-
Totals	<u>194,316</u>	<u>111,086</u>	<u>619</u>

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

The JRF benefits vest from five to eighteen years. Except for justices or judges who were either

disabled, elected prior to July 30, 1979, or have at least 25 years of credited service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining sixty years of age. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of credited service (regardless of age), (2) completed 12 years of credited service and has attained age 65, (3) completed 15 years of credited service and whose age plus service equals or exceeds 77, (4) completed at least 18 years of credited service or three full terms as a judge or justice and has attained age 65, (5) completed 10 years of credited service and has attained age 70 or (6) been elected prior to July 30, 1979 and has 18 years of service (regardless of age). A member eligible to retire who has not requested his or her retirement benefit to commence at the end of the term in which the member's seventieth birthday occurs is entitled only to the refund of his or her contributions (except for members with at least 25 years of credited service). The service retirement benefit for a member other than a probate judge is equal to 75% of the state-paid salary prescribed by law for the position from which the member retires. If a probate judge is paid on a

(Dollar Amounts in Thousands)

fee basis, the service retirement benefit is equal to 90% of the benefit payable to a circuit judge on the date such judge retires. If a probate judge is paid on a salary basis, the benefit is equal to 75% of the salary upon which such judge contributes immediately prior to retirement.

Covered members of the TRS and ERS (except state police and certified policemen 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, effective January 1, 2001, certified policemen 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 in the period in which employee services are performed. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. The accompanying financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the TRS, ERS, and JRF are considered component units of the State of Alabama and are included in the State's Comprehensive Annual Financial Report.

B. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other

investment vehicles with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use.

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

C. Reclassifications

Certain reclassifications have been made to fiscal year 2000 amounts in order to conform to fiscal year 2001 classifications and descriptions.

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 preretirement 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 TRS, ERS, or JRF 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 preretirement 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. Preretirement Death Benefit

The Preretirement 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 preretirement 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 may elect a survivor allowance in lieu of their benefit. The preretirement 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.

D. Term Life Insurance

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

E. Expense

A portion of the employer contributions and the interest not payable upon member withdrawal is credited to 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. Reserves

The reserves of the RSA are funded to the full extent required by statute. The reserve balances as of September 30, 2001, are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Annuity Savings	\$ 2,609,127	\$ 1,319,603	\$ 21,016
Pension Accumulation	13,161,944	5,892,873	201,500
Preretirement Death Benefit	9,140	13,869	-
Term Life Insurance	7,689	-	-
Expense	23,727	8,101	653

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to Financial Statements

For the Fiscal Year Ended September 30, 2001

(Dollar Amounts in Thousands)

4) CASH

Cash consist of deposits held by the State Treasurer in the respective retirement system's name and is fully insured or collateralized with collateral held by the State Treasurer or the State Treasurer's agent in the name of the State Treasurer.

Securities lending collateral reported on the balance sheet at September 30, 2001, includes uncollateralized cash and cash equivalents that meet the GASB 3 definition of deposits in the amounts of \$194,082, \$116,202, and \$5,597, respectively, for the TRS, ERS, and JRF.

5) INVESTMENTS

A. Investment Credit Risk

The investments of the TRS, ERS, and JRF are summarized in the following tables by type of investment and are categorized based on the level of custodial credit risk. Investments that are insured, registered in the name of the respective retirement system, held by the system, the systems' safekeeping agent in the systems' name, or the State Treasurer in the systems' name are listed in the RSA column. Those investments that are uninsured, unregistered, and held by the broker, dealer, or the respective retirement systems' safekeeping agent, but not in the respective retirement systems' name, are shown in the Agent column. Fair value and cost are shown for each type of investment.

INVESTMENT CREDIT RISK

TRS

	At Fair Value			Cost
	RSA	Agent	Total	
<u>Investments Categorized</u>				
Commercial Paper	\$ -	\$ 928,748	\$ 928,748	\$ 928,748
Repurchase Agreements	-	74,147	74,147	74,147
U.S. Government Guaranteed Bonds	10,587	-	10,587	11,077
U.S. Agency Securities	769,046	49,994	819,040	794,464
Mortgage-backed Securities	475,233	-	475,233	445,763
Domestic Corporate Bonds	2,106,850	-	2,106,850	2,119,362
Domestic Common and Preferred Stocks	5,262,115	-	5,262,115	4,795,058
International Securities	40,461	987,982	1,028,443	1,249,862
Subtotals	\$ 8,664,292	\$ 2,040,871	10,705,163	10,418,481
<u>Investments Not Categorized</u>				
Securities Lent Under Securities Lending for Cash Collateral				
U.S. Government Guaranteed Bonds			20,147	20,751
Domestic Corporate Bonds			54,425	54,752
Domestic Common Stock			323,842	295,020
International Stocks			138,670	169,177
Money Market Fund			338,946	338,946
Conventional Mortgages			127	91
Guaranteed Investment Contracts			50,000	50,000
Private Placements			3,524,275	3,571,936
Real Estate			760,284	456,267
Totals			15,915,879	15,375,421
Less Securities Purchased with Securities Lending Cash Collateral †			(351,206)	(351,206)
Total Investments per Statement of Plan Net Assets			\$ 15,564,673	\$ 15,024,215

† Securities purchased with securities lending cash collateral consist of \$242,106 in commercial paper, \$9,106 in repurchase agreements, and \$49,994 in U.S. Agency Securities all of which are included in the "Agent" column. Also, \$50,000 in guaranteed investment contracts (unclassified) and \$194,082 in cash equivalents (see Note 4) were purchased with securities lending cash collateral. These securities are presented on the Statement of Net Assets as "Invested Securities Lending Collateral" with a corresponding liability.

**INVESTMENT CREDIT RISK
ERS**

	<u>At Fair Value</u>			<u>Cost</u>
	<u>RSA</u>	<u>Agent</u>	<u>Total</u>	
<u>Investments Categorized</u>				
Commercial Paper	\$ -	\$ 189,942	\$ 189,942	\$ 189,942
Repurchase Agreements	-	27,219	27,219	27,219
U.S. Government Guaranteed Bonds	5,294	-	5,294	5,545
U.S. Agency Securities	262,517	-	262,517	255,072
Mortgage-backed Securities	181,352	-	181,352	170,093
Domestic Corporate Bonds	978,029	-	978,029	974,125
Domestic Common and Preferred Stocks	2,718,706	-	2,718,706	2,501,706
International Securities	17,552	430,859	448,411	535,935
	<u>\$ 4,163,450</u>	<u>\$ 648,020</u>	4,811,470	4,659,637
<u>Investments Not Categorized</u>				
Securities Lent Under Securities Lending for Cash Collateral				
U.S. Government Guaranteed Bonds			10,073	10,375
Domestic Corporate Bonds			20,209	20,007
Domestic Common Stock			127,632	116,145
International Stocks			59,498	71,398
Money Market Fund			189,246	189,246
Guaranteed Investment Contracts			25,000	25,000
Conventional Mortgages			63	45
Private Placements			1,623,636	1,643,437
Real Estate			366,325	227,474
			<u>7,233,152</u>	<u>6,962,764</u>
			Less Securities Purchased with Securities Lending Collateral †	(104,857)
			<u>\$ 7,128,295</u>	<u>\$ 6,857,907</u>
Total Investments per Statement of Plan Net Assets				

† Securities purchased with securities lending cash collateral consist of \$75,000 in commercial paper and \$4,857 in repurchase agreements which are included in the "Agent" column. Also, \$25,000 in guaranteed investment contracts (unclassified) and \$116,202 in cash equivalents (see Note 4) were purchased with securities lending cash collateral. These securities are presented on the Statement of Net Assets as "Invested Securities Lending Collateral" with a corresponding liability.

RETIREMENT SYSTEMS OF ALABAMA

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(Dollar Amounts in Thousands)

INVESTMENT CREDIT RISK

JRF

	At Fair Value			Cost
	RSA	Agent	Total	
<u>Investments Categorized</u>				
Commercial Paper	\$ -	\$ 12,524	\$ 12,524	\$ 12,524
U.S. Agency Securities	4,634	-	4,634	4,485
Mortgage-backed Securities	1,877	-	1,877	1,745
Domestic Corporate Bonds	63,832	-	63,832	63,590
Domestic Common and Preferred Stocks	101,372	-	101,372	69,696
Subtotals	<u>\$ 171,715</u>	<u>\$ 12,524</u>	184,239	152,040
<u>Investments Not Categorized</u>				
Securities Lent Under Securities Lending for Cash Collateral				
Domestic Common Stock			5,566	3,785
Private Placements			28,218	27,715
Real Estate			1,931	892
Totals			<u>219,954</u>	<u>184,432</u>
Less Securities Purchased with Securities Lending Cash Collateral †			-	-
Total Investments per Statement of Net Assets			<u>\$ 219,954</u>	<u>\$ 184,432</u>

† Cash equivalents (see Note 4) in the amount of \$5,597 were purchased with securities lending cash collateral. These securities are presented on the Statement of Net Assets as "Invested Securities Lending Collateral" with a corresponding liability.

B. Concentration of Investments

As of September 30, 2001, the TRS and ERS owned debt and equity securities of Raycom Media Corporation, which represented approximately 9.7% and 12.5%, respectively, of the net assets held in trust for pension benefits. Also, the TRS and ERS owned debt and equity securities of Community News Corporation, which represented approximately 6.6% and 7.9%, respectively, of the net assets held in trust for pension benefits. As of September 30, 2001, the JRF owned debt securities of United Air Lines, which represented 5.3% of the net assets held in trust for pension benefits.

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, J P Morgan Chase and Company, administers the program. Certain securities from the TRS, ERS, and JRF are loaned to

borrowers approved by the Systems. Approved borrowers of securities provide acceptable collateral in the form of cash, U.S. Treasury securities, or U.S. Government Agency securities. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. At the inception of each loan, collateral must be provided in the amount of 105% and 102% of the fair value of the loaned securities for international and U. S. equity securities, respectively. Subsequently, collateral for each loan is allowed to fluctuate between the initial required percentage and 100% of the fair value of the loaned securities. If the fair value of the collateral falls below 100% of the fair value of the loaned securities, additional collateral is required to restore the collateralized amount to the initial required collateralization. All collateral remains in the exclusive possession of the Systems' custodial agent who is responsible for marking the collateral to market each day and ensuring that the loaned securities are properly collateralized at all times.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Therefore, securities lent that are collateralized by other securities are categorized in the investment credit risk table (table) based on how the collateral received is held. The securities received as collateral are not categorized since these securities cannot be sold or pledged without borrower default.

Cash collateral is invested in a dedicated short-term investment fund in the respective systems' name using investment guidelines provided by the TRS, ERS, and JRF.

As a result, the securities purchased with cash collateral are categorized in the investment credit risk tables based on how they are held. The securities lent are included in the investment credit risk tables in the "Investments Not Classified" section of the table. As of September 30, 2001, the cash collateral investments had a weighted-average maturity of eleven days for the TRS, nine days for the ERS, and three days for the JRF. Also, the average term of the loans was three days for the TRS, ERS, and JRF. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2001, the fair value of the securities on loan was \$553,969 for the TRS, \$224,693 for the ERS, and \$5,566 for the JRF. The fair value of the collateral pledged by the borrowers was \$562,638 for the TRS, \$228,450 for the ERS, and \$5,597 for the JRF. Since the amounts owed by the TRS, ERS, and JRF to borrowers exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2001. 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.

D. Mortgage-backed Securities

The Systems periodically invest in mortgage-backed securities to improve yield and adjust the duration of the Systems' fixed income portfolio. These securities are subject to change in value due to changes in

interest rates. Credit risk (the risk that counterparty might be unable to meet its obligations) results from the same considerations as other counterparty risk assumed by the Systems.

6) FUNDING STATUS AND PROGRESS

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

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

7) CONTRIBUTIONS REQUIRED AND MADE

The actuary has computed, as of the date of the latest available actuarial valuation (June 30, 2001, for the TRS and September 30, 2000, for the ERS and JRF), 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 utilized 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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to Financial Statements

For the Fiscal Year Ended September 30, 2001

(Dollar Amounts in Thousands)

contribution, and a portion to finance administrative costs.

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

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

The 2001 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, 2001:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 691	\$ 499
Building and Improvements	4,678	3,405
Furniture and Equipment	<u>2,353</u>	<u>1,263</u>
Total Property and Equip	7,722	5,167
Less Accum Dep	<u>(4,816)</u>	<u>(2,878)</u>
Net Property and Equip	<u>\$ 2,906</u>	<u>\$ 2,289</u>

9) OTHER POSTEMPLOYMENT BENEFITS

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

The SEHIP provides postretirement health care benefits, in accordance with State statute, to all TRS, ERS, and JRF employees who retire with a retirement benefit payable from the TRS, ERS, or JRF. The SEHIP provides a fixed amount equal to the Medicare eligible premium (presently one hundred ten dollars per month) for each retiree. Those retirees who are not Medicare eligible must pay the difference to maintain the insurance. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the premiums each agency pays for its active employees. The estimated portion of health insurance premiums paid and included in administrative expense by the TRS, ERS, and JRF on behalf of retirees was \$68, \$46, and \$1, respectively, during 2001.

10) TREND INFORMATION

The schedules of funding progress and employer contributions are required by GASB Statement No. 25 to present six consecutive fiscal years of information at a minimum. However, for the transition period, the required schedules should include information for the current year and as many of the five prior years that information according to the parameters is available. As such, all information for each year that is available is presented in the Required Supplementary Information section.

11) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2005. Rental payments (reported as investment income) from leases with state agencies totaled \$11,629 during the 2001 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 fiscal year 2001 - 2002 are 5.96% for the TRS, 3.95% for the ERS - State Employees, 9.24% for the ERS - State Police and 21.19% 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 provides one indication of the respective retirement systems' 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 greater this percentage, the stronger the respective retirement system. Trends in the unfunded actuarial accrued liability and the annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll 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 smaller this percentage, the stronger the respective retirement system.

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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information
For the Fiscal Year Ended September 30, 2001

(Dollar Amounts in Thousands)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded/ (Overfunded) AAL (UAAL) (B-A)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
TRS						
06/30/2001	\$ 17,475,298	\$ 17,238,616	\$ (236,682)	101.4	\$ 4,305,080	(5.5)
06/30/2000	16,703,929	16,291,462	(412,467)	102.5	4,131,904	(10.0)
06/30/1999	15,642,066	15,568,192	(73,874)	100.5	3,964,112	(1.9)
06/30/1998	14,533,824	14,601,426	67,602	99.5	3,937,739	1.7
06/30/1997	13,360,127	12,733,538	(626,589)	104.9	3,484,763	(18.0)
06/30/1996	10,516,407	11,844,747	1,328,340	88.8	3,335,775	39.8
ERS						
09/30/2000	7,769,122	7,403,968	(365,154)	104.9	2,278,637	(16.0)
09/30/1999	7,302,046	6,884,355	(417,691)	106.1	2,159,608	(19.3)
09/30/1998	6,888,446	6,564,079	(324,367)	104.9	2,061,104	(15.7)
09/30/1997	6,463,795	5,818,097	(645,698)	111.1	1,970,922	(32.8)
09/30/1996	4,932,927	5,271,063	338,136	93.6	1,876,525	18.0
JRF						
09/30/2000	239,023	268,598	29,575	89.0	40,325	73.3
09/30/1999	221,926	263,491	41,565	84.2	40,499	102.6
09/30/1998	210,116	246,177	36,061	85.4	39,060	92.3
09/30/1997	198,014	190,572	(7,442)	103.9	30,742	(24.2)
09/30/1996	146,001	152,676	6,675	95.6	24,455	27.3

Note that years prior to 1996 are not presented for the ERS, or JRF because information that meets the parameters of GASB Statement Number 25 is unavailable.

See Notes to the Required Supplementary Information .

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Fiscal Year</u> <u>Ended</u>	<u>Annual Required</u> <u>Contribution</u>	<u>Percentage</u> <u>Contributed</u>
TRS		
09/30/2001	\$ 279,880	100
09/30/2000	277,180	100
09/30/1999	166,100	100
09/30/1998	358,088	100
09/30/1997	330,658	100
09/30/1996	311,084	100
ERS		
09/30/2001	122,483	100
09/30/2000	113,991	100
09/30/1999	97,373	100
09/30/1998	157,246	100
09/30/1997	145,738	100
09/30/1996	139,196	100
JRF		
09/30/2001	7,598	100
09/30/2000	5,696	100
09/30/1999	2,870	100
09/30/1998	5,417	100
09/30/1997	5,430	100
09/30/1996	6,193	100

See Notes to the Required Supplementary Information .

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2001

ACTUARIAL ASSUMPTIONS

	TRS	ERS	JRF
Valuation date	June 30, 2001	September 30, 2000	September 30, 2000
Actuarial cost method	Entry age	Entry age	Projected unit credit
Asset valuation method	5-year market related value	5-year smoothed market	5-year smoothed market
Amortization method	Level percent open	Level percent open	Level percent open
Remaining amortization period including cost of living †	10 years	Within 40 years - varies by employer	13 years
Actuarial assumptions:			
Investment rate of return ‡	8%	8%	8%
Future salary increases ‡	5.00%-7.75%	4.61%-7.75%	5%
Cost of living increases	None	None	None

† The State of Alabama has restrictions on the length of the amortization period. The remaining amortization period for the ERS, excluding COLAS, is between 10 and 20 years (varies by employers).

‡ Includes inflation at 4.5%.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2001

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Personal Services:				
Salaries	\$ 2,657	\$ 2,348	\$ 210	\$ 5,215
Employee Fringe Benefits	1,285	775	32	2,092
Total Personal Services	<u>3,942</u>	<u>3,123</u>	<u>242</u>	<u>\$ 7,307</u>
Professional Services:				
Actuarial	102	118	16	236
Accounting	46	45	14	105
Information Technology	31	7	-	38
Education & Training	40	43	-	83
Mailing Services	86	86	-	172
Personnel Services	32	-	-	32
Other Professional Services and Fees	9	10	-	19
Total Professional Services	<u>346</u>	<u>309</u>	<u>30</u>	<u>685</u>
Communication:				
Telephone	78	30	-	108
Telecommunication Lines	110	29	-	139
Postage	375	299	-	674
Travel	98	62	-	160
Total Communication	<u>661</u>	<u>420</u>	<u>-</u>	<u>1,081</u>
Rentals:				
Office Space	279	276	-	555
Equipment Leasing	133	123	-	256
Total Rentals	<u>412</u>	<u>399</u>	<u>-</u>	<u>811</u>
Miscellaneous:				
Supplies	359	171	-	530
Maintenance	303	156	-	459
Total Miscellaneous	<u>662</u>	<u>327</u>	<u>-</u>	<u>989</u>
Total Administrative Expenses	<u>\$ 6,023</u>	<u>\$ 4,578</u>	<u>\$ 272</u>	<u>\$ 10,873</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2001

(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>				
Investment Management Fees:				
Salaries and Benefits	\$ 2,788	\$ 1,171	\$ -	\$ 3,959
Dues and Subscriptions	194	193	-	387
Travel	24	1	-	25
Professional Services:				
Investment Advisor	62	30	-	92
Investment Custodian	399	198	31	628
Total Investment Activity Expenses	<u>3,467</u>	<u>1,593</u>	<u>31</u>	<u>5,091</u>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	39,692	18,996	443	59,131
Securities Lending Management Fees	795	385	5	1,185
Total Securities Lending Activity Expenses	<u>40,487</u>	<u>19,381</u>	<u>448</u>	<u>60,316</u>
Total Investment Expense	<u>\$ 43,954</u>	<u>\$ 20,974</u>	<u>\$ 479</u>	<u>\$ 65,407</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2001

(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>
Buck Consultants	Actuary	\$ 90	\$ 118	\$ 16	\$ 224
Watson Wyatt	Actuary	12	-	-	12
KPMG	Auditor	46	45	14	105
Data Processing Services-Finance	Information Technology	31	7	-	38
Microsoft	Educational/Training	11	-	-	11
Pryor Resources, Inc.	Educational/Training	13	-	-	13
Rational Software	Educational/Training	-	32	-	32
Action in Mailing	Mail Service	77	79	-	156
Central Mail & Supply	Mail Service	9	7	-	16
State Personnel Department	Personnel	32	-	-	32
Various	Other	25	21	-	46
Total Professional/Consultant Fees-Admin Services		346	309	30	685
AmSouth Bank	Investment Advisor	62	30	-	92
The Chase Manhattan Bank	Investment Custodial	399	198	31	628
Total Professional/Consultant Fees-Investment Services		461	228	31	720
Total Professional/Consultant Fees		\$ 807	\$ 537	\$ 61	\$ 1,405



INVESTMENT SECTION

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2001

Dear Members,

The financial system has weathered a number of shocks in recent years. These include the Mexican and Asian financial meltdowns, the Long Term Capital Management (LTCM) debacle, the bursting of the technology bubble, the destruction of the World Trade towers, and most recently the spectacular collapse of Enron, one of Wall Street's favorite stocks in recent years. The fact that the U.S. financial system has been able to absorb these various events with no obvious distress is impressive. The bears might argue that the foundations of the system have been seriously weakened, leaving it very vulnerable to the next event, but such an assertion has no obvious support.

It is very hard to see major systemic problems, such as occurred in the early 1990s when the real estate bust triggered the most serious banking crisis since the Great Depression. In the 1990/91 cycle, the financial system was under stress because so many real estate loans went bad. This time, the excesses were financed more through the securities markets rather than the banking system. Thus, when the assets (i.e. equity prices) blew up, the pain was spread across a large number of investors, rather than concentrated narrowly in the banks and savings and loans.

By definition, shocks are not forecastable, so it is always possible that some event could come out of left field and deal a severe blow to the financial system. There have long been fears about the potential for a major blowup in the derivatives market. However, we have already had that with LTCM and now Enron, and the system coped, albeit with the Fed's help with the LTCM episode. Others worry that the proliferation of hedge funds poses a threat by boosting the amount of leverage in the system. Again, we saw with LTCM how much damage can be done with leveraged bets that go wrong. This is a risk, but one that is difficult to assess.

Unfortunately, financial scandal is not a new occurrence on Wall Street. From its early days of overt trading manipulation to the finer art of financial statement chicanery, the story of deceit for the purpose of greed is a tragedy of human nature as well as a systemic risk for financial markets. Enron is the latest example, and the fallout to investors is not inconsequential. The investigations, likely complicity, and dimension of the scandal have once again exposed our capital market's vulnerabilities and excesses. The breach of trust will reverberate and will be a none-too-subtle reminder of the risk in what is unknown. As with scandals of the past, the objective of lawmakers, regulators, and corporate directors will be to increase transparency and accountability of corporate actions to the stakeholders of public companies. There will be greater scrutiny of accounting practices, disclosure requirements, conflicts of interest, and management incentive policies. To the extent that these actions increase the ability to evaluate business and financial risk, they will inject the greater integrity that is necessary for financial markets to grow and attract investors. With the vested interest of investors, companies and lawmakers at stake, I am confident the necessary reforms will take place.

The immediate impact of the Enron debacle is to cast skepticism on corporate performance from all but the most conservatively financed or those that have the least complicated business structures. Quality of earnings – not making the number – is the Street's new mantra. From a practical viewpoint, large companies with diversified business operations will be under pressure for greater disclosure. Issues related to pension expense, stock options, off-balance sheet financing, and the general murkiness of business segment reporting are areas to which more stringent standards are likely to apply. For the most part, a more conservative interpretation of these issues will lower reported earnings and/or highlight vulnerable profitability. The Enron taint will add another burden to the high valuation and still-uncertain earnings recovery, to further challenge the performance of the large stock-influenced S&P 500.

Clearly, the choppy investment climate of the past two years has prompted more questions from participants, trustees, politicians and others, regardless of age and investment experience. One thing to emphasize is that turning points in the capital markets are by their very nature violent, not moderate. The key is to maintain the internal fortitude to be able to stay the course with a strategic asset allocation after it has been developed with care and judged to be appropriate to the financial market environment and the System's own profile, needs, and destiny.

As a defined benefit public pension, the Retirement Systems of Alabama (RSA) generally has a much longer time horizon for returns over risk than individuals and is thus better positioned to bear risk and provide more risk capital. We are long-term investors, not short-term traders, and are therefore committed to our asset allocation and able to ride out fluctuations in the financial markets.

As with any public sector pension fund, the economic goal of the RSA is to provide the promised level of benefits at the lowest present value of future contributions. Put simply, this means the RSA has to have the dollars to pay the benefits it promises — not only to today's retirees, but to tomorrow's as well. Dr. Bronner's philosophy is that the stronger he can make Alabama, the stronger the RSA will be in the future.

Over the long term, our success depends on continuing to emphasize carefully managed liabilities, stable contribution levels, an efficient administrative structure, while at the same time producing ancillary benefits that are important to the state's economic prosperity. Thus far, the combination of these efforts has made the RSA an outstanding example among retirement plans nationwide.

RSA Performance Summary

- As of September 30, 2001, aggregate defined benefit assets under management totaled \$22.9 Billion. During fiscal year 2001, the annualized total return of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF) was -6.05%, -6.36%, and -9.65%, respectively. Positive contributors to fund performance relative to our capital market benchmark came from domestic and international equities, real estate, and cash, while underperformance in domestic fixed income slightly detracted from overall fund performance during the measurement period. With the equity markets posting double-digit losses for the year, those public funds, such as the RSA, with less aggressive asset allocations (i.e. less equity exposure) fared better relative to peers.
- Total annual returns for the fixed income portfolio were 10.96% for the TRS, 10.75% for the ERS, and 10.73% for the JRF, trailing an equally weighted Salomon Brothers Broad Investment Grade Index and Lehman Aggregate return of 13.00%. Contributing to underperformance was an overweight of corporate bonds and privates in the portfolio and an underweight of Treasuries relative to the benchmark.
- Our domestic equity portfolio posted returns of -25.20%, -25.33%, and -26.06% for the TRS, ERS, and JRF, respectively, which exceeded the benchmark S&P 500 return of -26.64%. International equities returned -27.56% and -27.55% for the TRS and ERS, exceeding the benchmark MSCI EAFE index return of -28.53%. Global equity returns for FY 2001 for the TRS, ERS, and JRF were as follows: -25.70%, -25.74%, and -26.06%, respectively.

Fixed Income Activity

What a difference a year makes. At the beginning of fiscal year 2001, U.S. financial markets seemed to be in pretty good shape. The major stock indices were clearly off their spring highs, but were holding up considerably well given the extensive tightening of monetary policy by the Federal Reserve. Crude prices were firm around \$30 per barrel, and the treasury yield curve was essentially flat across all maturities. However, as orders for durable goods and other economic data began to slump by the end of 2000, one could hear the wind being sucked from the sails. Short-term treasury yields began to slide, and what seemed to be a never-ending period of economic growth had slowed. Two days into the New Year, Alan Greenspan and the Fed shocked the market with a 50 basis point intermeeting move. This proved to be the beginning of things to come.

With a corporate earnings recession on the horizon and unemployment on the rise, policy makers felt they needed to be aggressive in providing liquidity to the marketplace. Even as economic growth remained in positive territory, the Fed cut short-term interest rates numerous times over the next several months. These actions led to a steepening of the U.S. treasury curve, as short and intermediate rates continued to plummet. During the first half of the year, the Fed lowered the funds rate six times for a total of 275 basis points. Corporate bond issuance hit record levels this year as companies have continued to shore up their balance sheets by refinancing existing debt at lower rates. While business investment remained non-existent and corporations began to ratchet down the second half of 2001 numbers, the Fed felt poised to step in and cut rates once more before the end of the summer.

As the end of the fiscal year approached, interest rates in general were very volatile due to events that occurred on the morning of September 11 in New York and Washington. In the wake of these tragedies, financial markets were promptly shut down for the remainder of the week. The front end of the yield curve rallied tremendously in the

RETIREMENT SYSTEMS OF ALABAMA

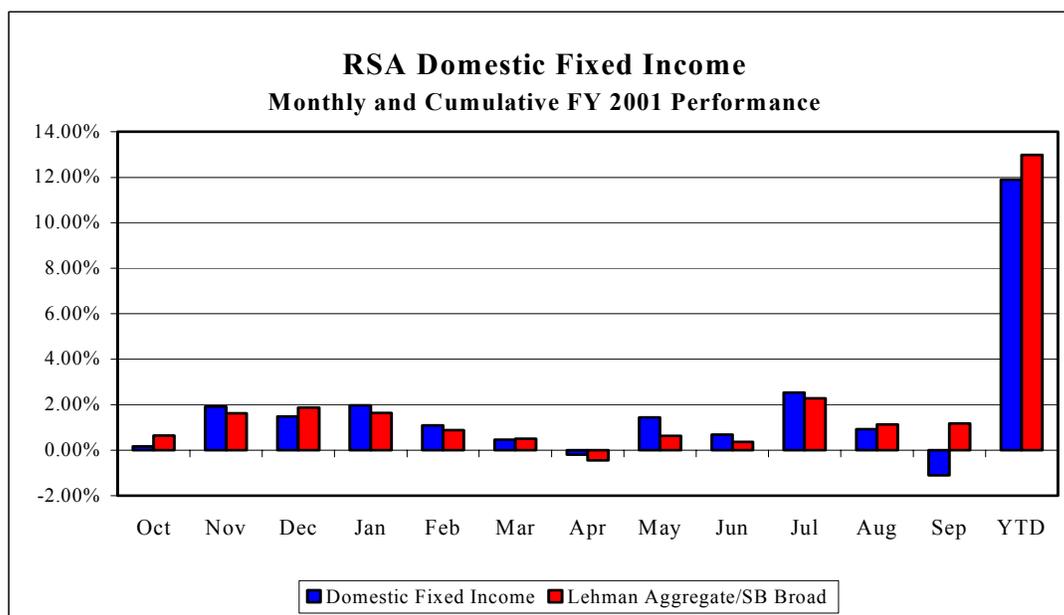
Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2001

following days, as investors sought safety within the government market. When markets reopened the next Monday, Greenspan and the Federal Reserve stepped in and cut short-term rates by 50 basis points, bringing the fed funds rate to 3.00%. They did this, not only in response to a deteriorating economy, but to provide stability during a crisis the likes of which had never been witnessed. However, inflation has been the one bright spot, which has been driven by the precipitous decline in energy prices. This has allowed policy makers to pump in additional liquidity, as they are clearly “leaving the door open” for more near-term easing.

In fiscal year 2001, the RSA purchased approximately \$4.57 billion in additional securities for the fixed income portfolio. The average yield on the entire fixed income portfolio at year-end was 7.36%. As of September 30, 2001, the RSA’s fixed income portfolio had a book value of \$12.39 billion, of which 11.50% was in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were 10.96% for the TRS and 10.74% for the ERS and JRF combined versus 13.05% for the Salomon Brothers Broad Investment Grade Index (SBBIG). The five-year annualized returns were 7.62% for the TRS and 7.69% for the ERS and JRF combined, versus 8.07% for the SBBIG Index. The ten-year annualized returns were 8.49% for the TRS and 8.55% for the ERS and JRF comparing favorably to 7.81% for the SBBIG Index.



Equity Activity

Investing, said the father of security analysis, Benjamin Graham, is like being in business with a manic-depressive whose mood swings sharply between fear and enthusiasm. Reeling from the bursting of the technology bubble, abysmal corporate profits, weakening economic data, and finally the terrorist attacks of September 11, it goes without saying that equity markets have suffered through a gut wrenching depressive phase.

2001 will be remembered as a year of extreme uncertainty in which stock prices declined to levels unimaginable only a few months before the start of the year. Waning confidence in the economy and nervousness about market fundamentals erased approximately \$1.4 trillion or almost 12% in 2001. Measured from the peak in market value in March 2000, the aggregate market value of U.S. stocks has declined \$3.7 trillion or 22%. For investors used to long-duration bull markets punctuated by short bear markets, the experience of the last two years has been most difficult.

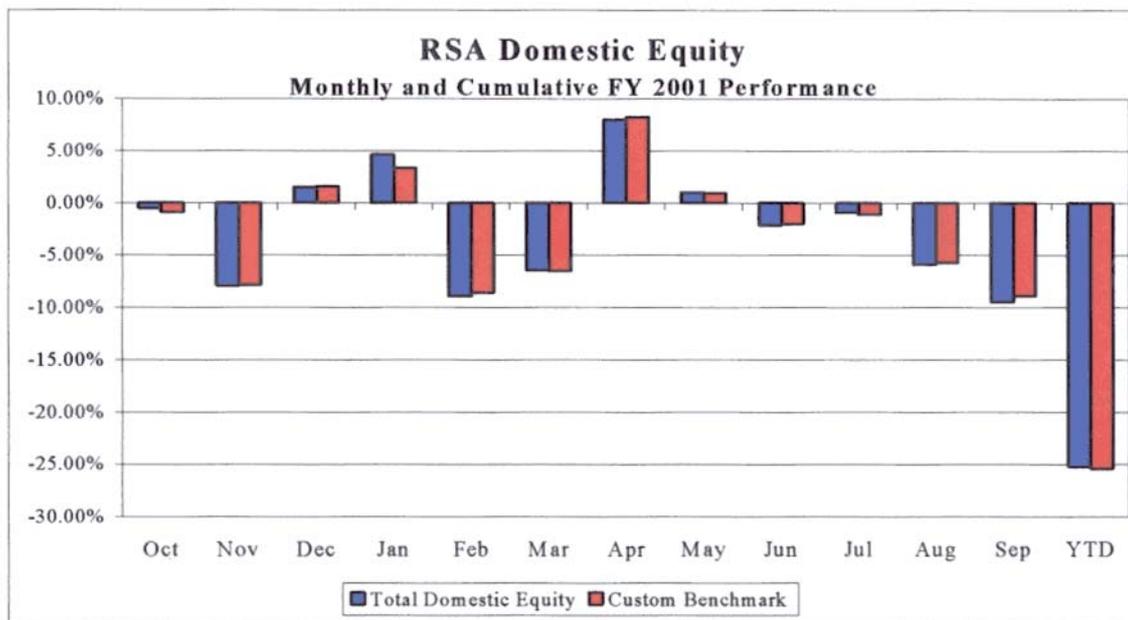
From January 1, 2001, through the end of the first week of trading after September 11, the S&P 500 Index declined 26.2%, reflecting the total collapse of investor confidence and expectations. During the same time period, 10-year Treasury notes rose 5.7%. The performance gap between stocks and Treasuries was one of the widest in history,

comparable only to the stock market decline of 1973-74. And despite rebounding 20% in value by the end of the year, the S&P 500 still posted a one-year decline of 11.91%, versus a positive 5.0% return for 10-year Treasury notes.

2001 was the second consecutive losing year for the S&P 500; it posted a decline of 9.1% in 2000. The index had suffered a back-to-back decline only one other time since the Great Depression. In 1973 and 1974, the S&P 500 declined 14.7% and 26.51%, respectively. Other measures of the market: the NASDAQ Composite Index dropped 21.0% in 2001, adding to its 2000 decline of 39.2%. Small cap stocks fared much better with the Russell 2000 Index ending the year with a positive 2.5% return.

International equity markets fared even worse than the U.S. markets, with most global economies going into a tailspin alongside ours. The brunt of the return impact was attributed to local market returns, with currency effects having very little impact over the course of the year. Most troubling was Japan, which has been mired in a prolonged recession and has yet to come up with a viable strategy to grow out of their slowdown. The Morgan Stanley Capital International's EAFE Index has been restructured to reflect company weightings on a free-float basis rather than total market capitalization prompting two major rebalances by the RSA over the course of the year. Aside from proactively rebalancing portfolios prior to the announced date of adoption, we were relatively inactive on the international front.

For the fiscal year ending September 30, 2001, the RSA domestic equity portfolios returned -25.2%, -25.33%, and -26.06% for the TRS, ERS, and JRF funds, respectively, which compared favorably to the S&P 500-benchmark return of -26.64%. Combined with international equity returns, the RSA global equity portfolios returned -25.70% for the TRS, -25.74% for the ERS, and -26.06% for the JRF. Three-year annualized global equity returns for the TRS, ERS, and JRF were as follows: 2.57%, 2.66%, and 2.69%. Five-year annualized global equity returns for the aforementioned systems, respectively: 7.08%, 7.06%, and 10.51%.



Sincerely,

Darren Schulz
Acting Investment Director

I. Board Objectives

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

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

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

II. Asset Allocation

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

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

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

A. Domestic Fixed Income

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

B. International Fixed Income

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

C. Domestic Equity

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

D. International Equity

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

E. Real Estate

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

F. Alternative Investments

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

G. Short-term Investments

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

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

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2001

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, 2001

	<u>Annualized</u>		
	<u>1 Year</u>	<u>Last 3 Years</u>	<u>Last 5 Years</u>
Total Portfolio			
TRS	-6.05%	5.00%	7.94%
ERS	-6.36%	5.02%	8.07%
JRF	-9.65%	4.49%	8.83%
Total Domestic Equity			
TRS	-25.20%	3.36%	8.61%
ERS	-25.33%	3.40%	8.63%
JRF	-26.06%	2.69%	10.51%
<i>Domestic Equity Benchmarks:</i>			
S&P 500	-26.64%	2.02%	10.22%
Dow Jones Industrial Average	-15.56%	5.71%	10.35%
S&P MidCap 400	-19.03%	13.35%	13.64%
Russell 2000	-21.20%	5.00%	4.54%
Total International Equity			
TRS	-27.56%	-0.47%	0.20%
ERS	-27.55%	-0.37%	0.26%
<i>International Equity Benchmarks:</i>			
Morgan Stanley EAFE (Unhedged)	-28.53%	-1.16%	-0.14%
Morgan Stanley EAFE ex-Japan (Unhedged)	-25.77%	-2.33%	4.18%
Total Fixed Income			
TRS	10.96%	6.39%	7.62%
ERS	10.75%	6.49%	7.69%
JRF	10.73%	6.68%	8.11%
<i>Fixed Income Benchmarks:</i>			
SB Broad Investment Grade	13.05%	6.43%	8.07%
Lehman Bros. Aggregate	12.96%	6.39%	8.06%

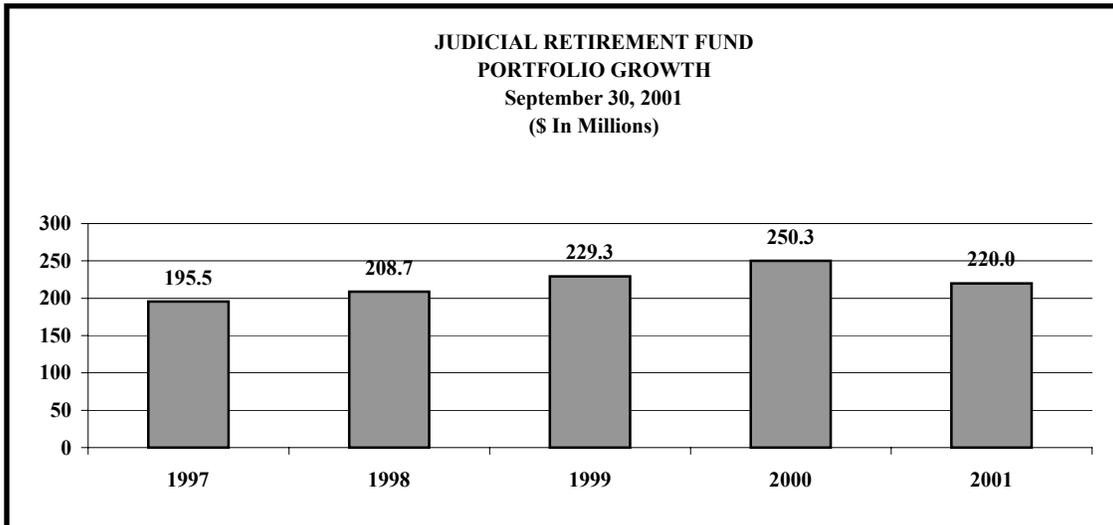
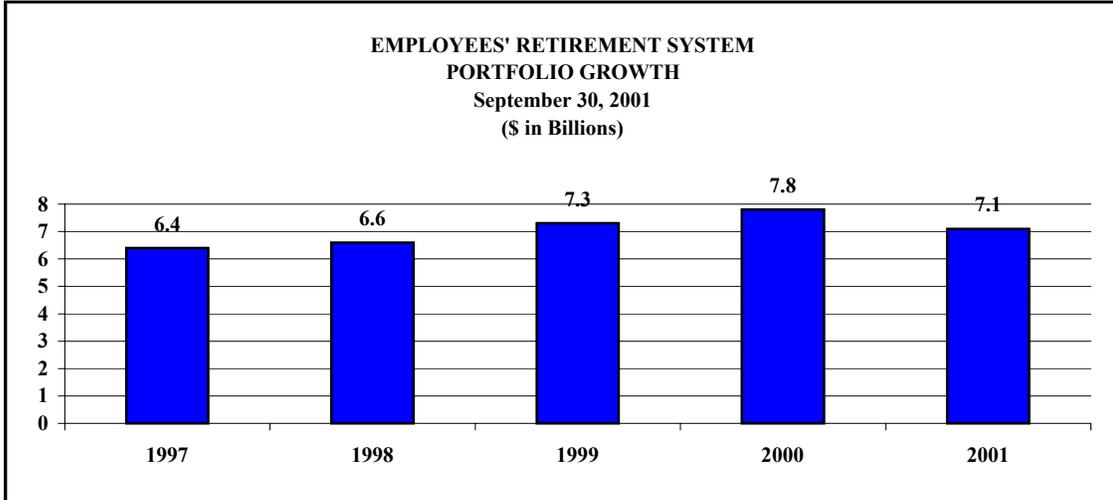
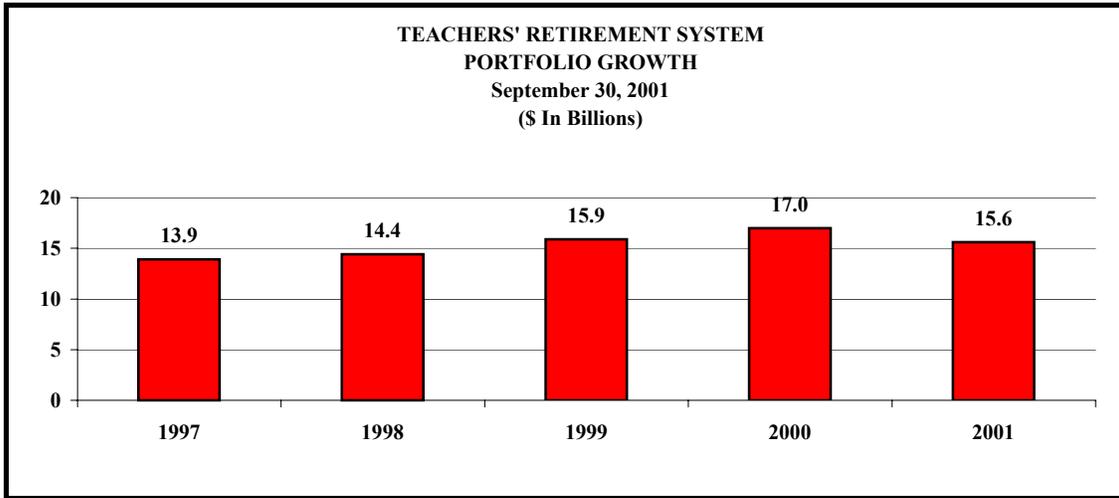
Investment return calculations were prepared using a time-weighted rate of return based on AIMR's performance presentation standards.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Portfolio Growth

Five-Year Comparison

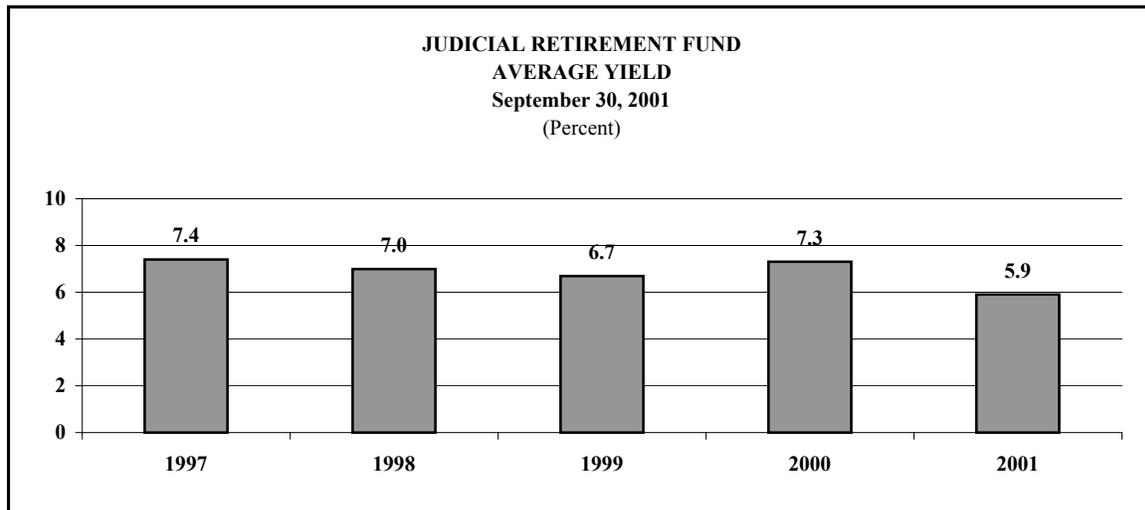
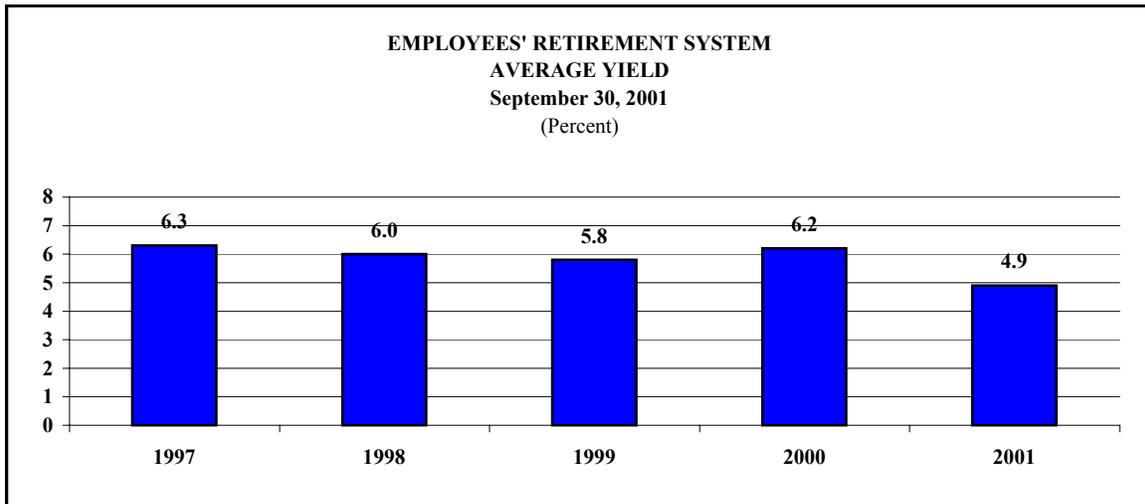
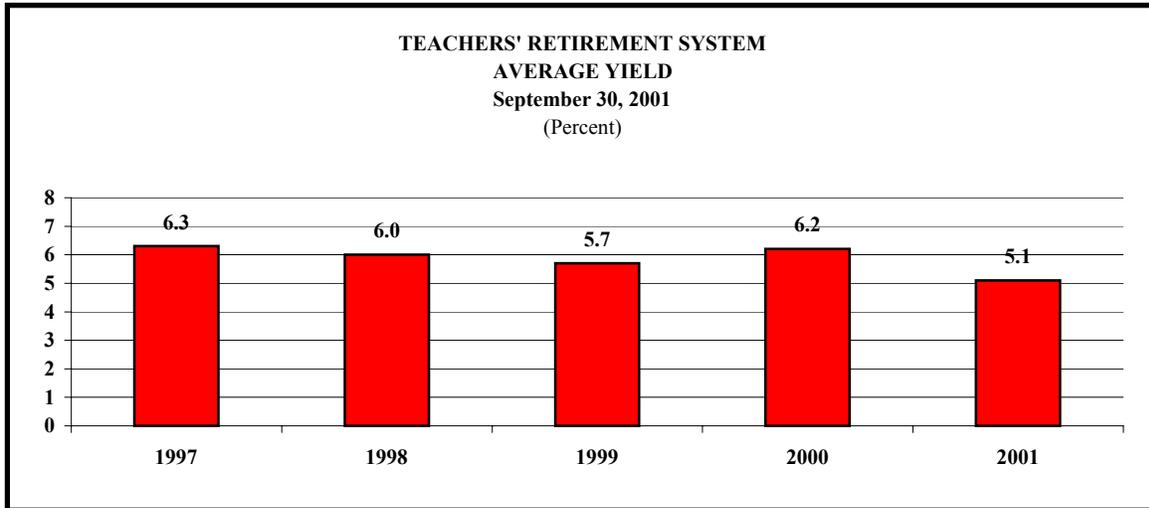


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Average Yield

Five-Year Comparison

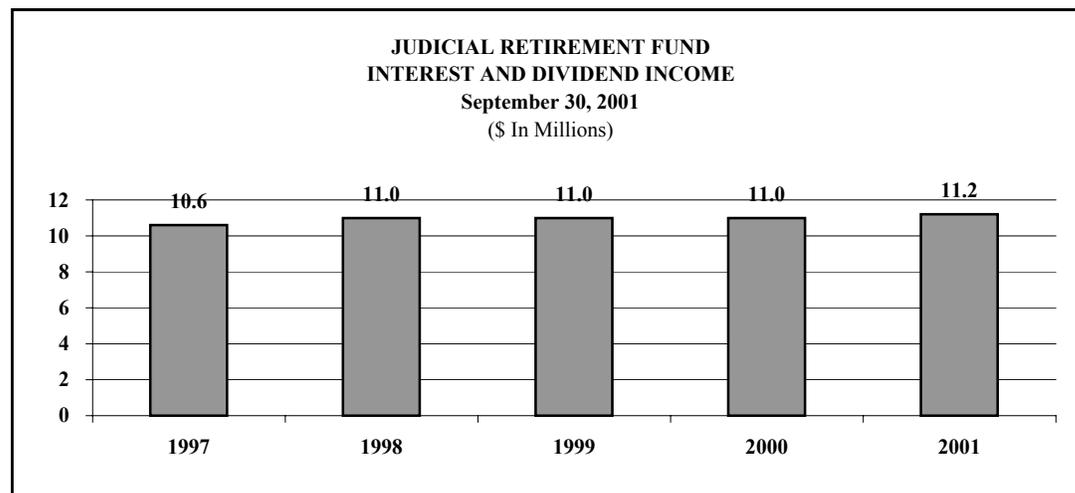
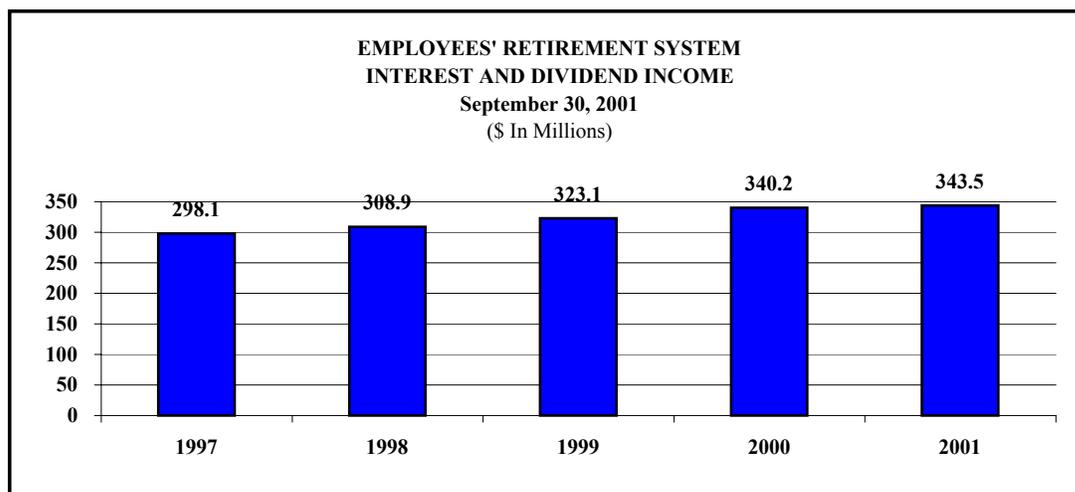
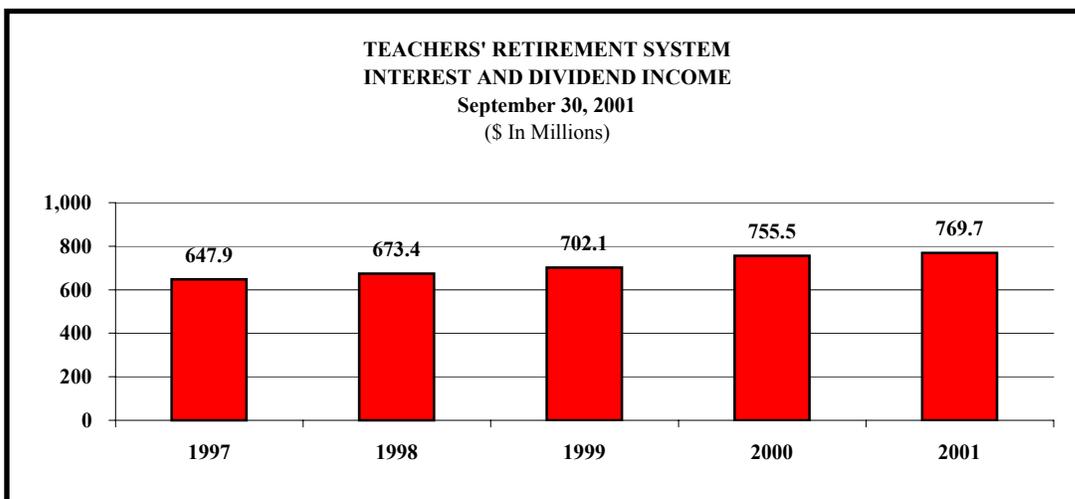


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividends

Five-Year Comparison

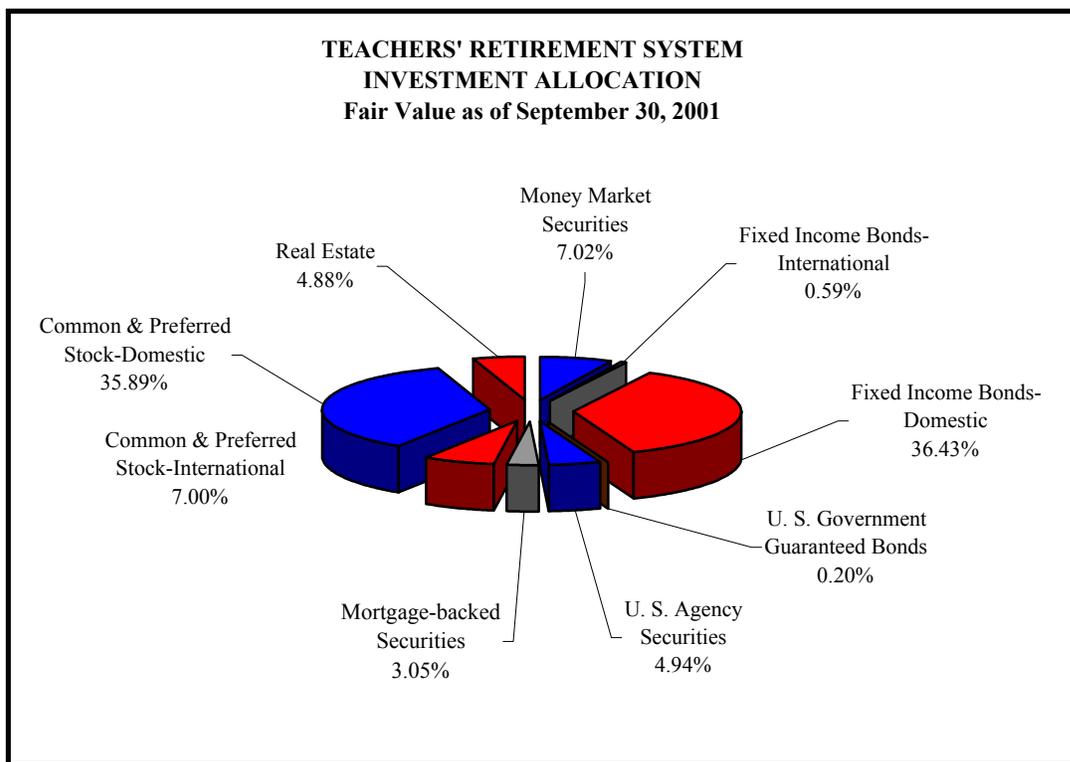


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



**TEACHERS' RETIREMENT SYTEM
INVESTMENT SUMMARY AT FAIR VALUE**

As of September 30, 2001

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 1,090,629	7.02
U.S. Government Guaranteed	30,734	0.20
U.S. Agency Securities	769,046	4.94
Mortgage-backed Securities	475,360	3.05
Fixed Income Bonds		
Domestic	5,669,881	36.43
International	92,483	0.59
Common and Preferred Stocks		
Domestic	5,585,957	35.89
International	1,090,299	7.00
Real Estate	760,284	4.88
Total Investments	\$ 15,564,673	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Largest Stock and Bond Holdings

TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2001

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	314	Raycom Media (12% noncum PFD)	\$ 294,019
2)	4,075	General Electric Corporation	151,579
3)	123	CNHI TR D Preferred (12% noncum)	121,374
4)	3,004	Exxon Mobil Corporation	118,352
5)	2,281	Microsoft Corporation	116,728
6)	2,655	Pfizer Incorporated	106,454
7)	2,096	Wal Mart Stores	103,767
8)	2,256	Citigroup Incorporated	91,349
9)	1,166	American International Group	90,969
10)	1,381	Johnson & Johnson	76,514

TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2001

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 1,295,717	Raycom Media Incorporated due 12/15/16	\$ 1,214,486
2)	913,995	Community News due 1/31/17	902,993
3)	137,025	IDB Monroe Alabama River Pulp due 3/31/13	121,999
4)	110,000	Mediaone Group Incorporated due 2/1/32	108,580
5)	90,000	CSX Corporation due 5/1/32	93,328
6)	107,000	J C Penney Company Incorporated due 4/1/27	83,460
7)	86,350	Delta 1992 Ser B2 Pass-through Certificates due 3/11/15	78,905
8)	67,500	US Air Equipment Trust 1991 C due 8/9/09	76,089
9)	82,075	IDB Monroe Alabama River Pulp due 3/31/15	73,075
10)	75,000	Nationwide Financial Services due 3/1/27	72,126

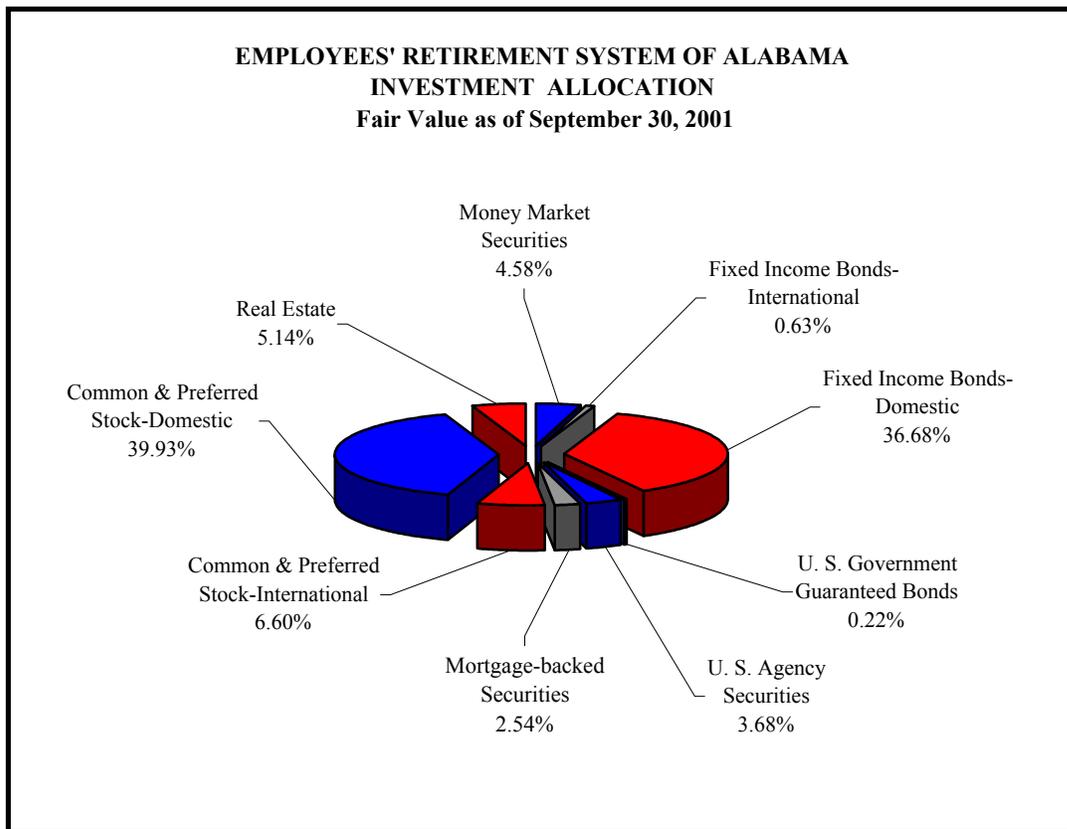
A complete list of portfolio holdings is available upon request.

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, 2001

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 326,550	4.58
U.S. Government Guaranteed	15,367	0.22
U.S. Agency Securities	262,517	3.68
Mortgage-backed Securities	181,415	2.54
Fixed Income Bonds		
Domestic	2,614,500	36.68
International	45,071	0.63
Common and Preferred Stocks		
Domestic	2,846,338	39.93
International	470,212	6.60
Real Estate	366,325	5.14
Total Investments	\$ 7,128,295	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Largest Stock and Bond Holdings

EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2001

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	314	Raycom Media (12% noncum PFD)	\$ 294,019
2)	123	CNHI TR D Preferred (12% noncum)	121,374
3)	1,912	General Electric Corporation	71,112
4)	1,403	Exxon Mobil Corporation	55,261
5)	1,062	Microsoft Corporation	54,330
6)	1,244	Pfizer Incorporated	49,897
7)	976	Wal Mart Stores	48,302
8)	1,057	Citigroup Incorporated	42,802
9)	547	American International Group	42,650
10)	648	Johnson & Johnson	35,925

EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2001

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 638,189	Raycom Media Incorporated due 12/15/16	\$ 598,180
2)	445,088	Community News due 1/31/17	439,731
3)	70,000	Mediaone Group Incorporated due 2/1/32	69,096
4)	58,725	IDB Monroe Alabama River Pulp due 3/31/13	52,285
5)	50,000	CSX Corporation due 5/1/32	51,849
6)	40,000	Sithe Funding due 12/30/13	44,221
7)	42,785	Delta 1992 Ser B2 Pass-through Certificates due 3/11/15	39,096
8)	33,750	US Air Equipment Trust 1991 C due 8/9/09	38,045
9)	35,000	Ford Motor Company due 11/15/22	35,701
10)	36,100	MCI Communications due 3/23/25	32,807

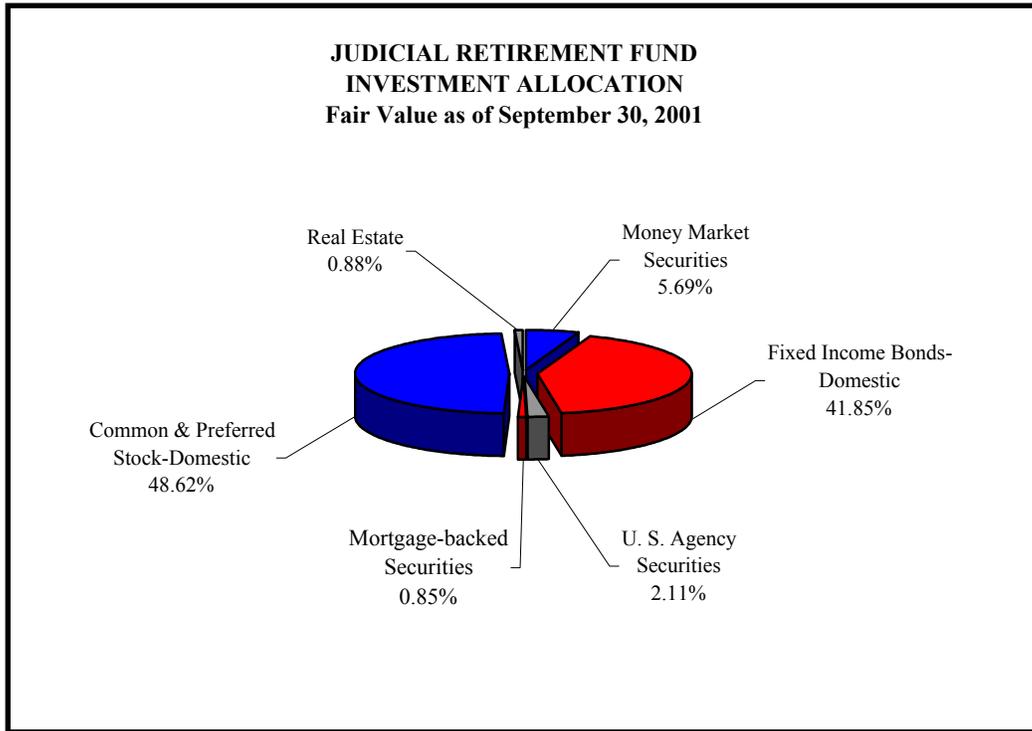
A complete list of portfolio holdings is available upon request.

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, 2001**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 12,524	5.69
U.S. Agency Securities	4,634	2.11
Mortgage-backed Securities	1,877	0.85
Fixed Income Bonds, Domestic	92,051	41.85
Common and Preferred Stocks, Domestic	106,937	48.62
Real Estate	1,931	0.88
Total Investments	\$ 219,954	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Largest Stock and Bond Holdings

JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2001

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	102	General Electric Corporation	\$ 3,776
2)	55	Microsoft Corporation	2,825
3)	70	Exxon Mobil Corporation	2,776
4)	65	Pfizer Incorporated	2,586
5)	46	Wal Mart Stores	2,262
6)	27	American International Group	2,091
7)	51	Citigroup Incorporated	2,080
8)	31	Johnson & Johnson	1,715
9)	18	IBM Corporation	1,633
10)	34	SBC Communications Incorporated	1,624

JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2001

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 10,000	Texas Utilities Electric due 7/1/25	\$ 9,816
2)	7,965	Community News due 1/31/17	7,868
3)	7,000	Delta 1992 Ser B2 Pass-through Certificates due 3/11/15	6,396
4)	5,977	UAL Pass-through Certificates Ser 1993-C1 due 6/17/09	6,100
5)	5,000	Sithe Funding due 12/30/13	5,528
6)	5,000	UAL Pass-through Certificates Ser 1992-B due 10/26/15	4,278
7)	3,750	US Air Equipment Trust 1991-C due 8/9/09	4,227
8)	4,014	Massey Energy Company due 10/10/01	4,000
9)	3,000	Dayton Hudson Company due 8/1/23	3,078
10)	3,000	Citigroup Incorporated due 3/1/02	3,073

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, 2001

	Stock		Fixed		Total
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	
AIB	\$ 0.0508	197	\$ 10	\$ -	\$ 10
Bank of America	-	-	-	326	326
Bear Stearns & Co.	0.0367	3,242	119	139	258
Centennial Capital	0.0319	251	8	-	8
Chapman	0.0327	367	12	-	12
Concord Equity	0.0471	276	13	-	13
Credit Suisse First Boston Corp.	0.0290	19,073	554	418	972
Deutsche Bank Securities	-	-	-	108	108
Deutsche Morgan Grenfell	0.0096	12,283	118	-	118
Donaldson, Lufkin & Jenrette	0.0030	669	2	-	2
Edwards, A. G. & Sons	0.0420	595	25	9	34
Gardner Rich	0.0480	417	20	-	20
Goldman Sachs & Co.	0.0336	4,441	149	537	686
Instinet	0.0336	4,113	138	-	138
International Strategy & Investment	0.0354	565	20	-	20
J. P. Morgan	0.0320	3,316	106	291	397
J. Roe Burton & Co.	0.0431	325	14	5	19
Jackson Securities	0.0492	61	3	-	3
Lazard Freres	-	-	-	4	4
Lehman Brothers	0.0219	24,624	539	171	710
McDonald & Co.	0.0408	417	17	-	17
Merrill Lynch, Pierce, Fenner & Smith	0.0356	13,023	464	731	1,195
Morgan Keegan	0.0408	686	28	5	33
Morgan Stanley/Dean Witter	0.0233	14,585	340	161	501
NBC Capital Markets	-	-	-	108	108
NBC Securities	0.0396	809	32	9	41
Oppenheimer Co., Inc.	0.0327	8,159	267	-	267
Paine, Webber, Mitchell Hutchins, Inc.	0.0212	15,826	335	14	349
Prudential Bache	0.0118	14,827	175	-	175
Quick & Reilly	0.0345	348	12	-	12
Raymond James	0.0427	819	35	31	66
Robert Thomas	0.0517	174	9	-	9
Robinson-Humphrey/American Express	0.0378	476	18	5	23
Salomon-Smith Barney	0.0269	22,354	602	627	1,229
S. C. Bernstein	0.0389	14,513	564	-	564
Securities Capital	0.0308	325	10	4	14
Southwest	0.0391	281	11	-	11
Sterne, Agee & Leach, Inc.	0.0426	493	21	5	26
Warburg Dillon Reed	-	-	-	54	54
WheatFirst/Union	0.0392	664	26	-	26
Issuer Designated Brokers	-	-	-	365	365
Totals		183,594	\$ 4,816	\$ 4,127	\$ 8,943
Average Commission Per Share of Stock =		\$ 0.0262			



ACTUARIAL SECTION



A Mellon Consulting Company

200 Galleria Parkway, N.W. Suite 1900
Atlanta, Georgia 30339-5945

February 1, 2002

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

Members of the Board:

In this report are submitted the results of the sixtieth annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of June 30, 2001 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 June 30, 2001, 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. On the basis of the valuation, it is recommended that the State make contributions to the Retirement System at the rate of 5.54% of payroll. The increase in the contribution rate from 5.02% to 5.54% of payroll is primarily due to a lower than expected return on actuarial value of assets.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. The valuation continues to take into account the provisions of Act 2000-732 which requires that the actuary certify annually to the Teachers' Retirement System that there has been no change in the liquidation period used to determine the accrued liability contribution rate. Under the requirements of Act 2000-732, we have determined an employer contribution rate of 5.54% of payroll based on a 10-year liquidation period. Five-year market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report.

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Actuarial Letter (Continued)

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.

Respectfully submitted,



Edward A. Macdonald, ASA, MAAA, FCA
Principal and Consulting Actuary

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

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

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

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

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

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

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

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

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

<u>Age</u>	<u>Annual Rate (%)</u>	
	<u>Men</u>	<u>Women</u>
50	12.0	8.0
55	15.0	20.0
60	15.0	15.0
62	35.0	35.0
65	40.0	40.0
70	100.0	100.0

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

Deaths after Retirement: Representative values of the assumed annual rates of death after service and disability retirement are as follows:

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

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

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

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

Actuarial Cost Method

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.
4. The unfunded accrued liability is 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. 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 Teachers' Retirement System of Alabama was established on 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	<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. Act 2000-669 provides that, effective January 1, 2001, at retirement, a member shall receive one additional year of creditable service in determining the retirement allowance for each five years of service as a certified police officer or firefighter. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.</p> <p>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).</p>
Disability Retirement Allowance	
Condition for Allowance	<p>A disability 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.</p>
Amount of Allowance	<p>Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. Act 2000-669 provides that, effective January 1, 2001, at retirement, a member shall receive one additional year of creditable service in determining the retirement allowance for each five years of service as a certified police officer or firefighter. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.</p> <p>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).</p>
Benefits Payable on Separation of Service	<p>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 application for service retirement after the reaching age 60.</p>
Benefits Payable upon Death of an Active Member	<p>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 equal to the salary on which the member made retirement contributions for the previous scholastic year (July 1-June 30). *</p>

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued) and Supporting Schedules

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

In the event of a job-related death of a member with less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit 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 equals the present value of the annuity at the date of retirement, the balance is paid to a designated beneficiary or to the member's estate, or

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

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

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

Member Contributions

Regular members contribute 5% of salary. Certified police officers and firefighters contribute 6% of salary.

Supporting Schedules

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

TEACHERS' RETIREMENT SYSTEM 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>
06/30/01	130,066	\$ 4,305,080,140	\$ 33,099	3.96
06/30/00	129,777	4,131,903,775	31,838	3.03
06/30/99	128,279	3,964,111,877	30,902	(1.54)
* 06/30/98	125,464	3,937,739,237	31,385	10.60
06/30/97	122,798	3,484,763,183	28,378	3.10
06/30/96	121,192	3,335,775,420	27,525	1.08

* Amounts include an 8.5% across-the-board pay increase effective October 1, 1998.

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

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

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities For</u>				<u>% of Accrued Liabilities Covered by Reported Assets</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Reported Assets</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active Members (Employer Financed Portions)</u>				
06/30/01 γ	\$ 2,607,236	\$ 7,471,415	\$ 7,159,965	\$ 17,475,298	100	100	103.3
06/30/00	2,405,186	7,075,177	6,811,099	16,703,929	100	100	106.1
06/30/99 \dagger	2,335,475	6,582,401	6,650,316	15,642,066	100	100	101.1
06/30/98 *	2,140,753	5,833,899	6,626,774	14,533,824	100	100	99.0
06/30/97 \ddagger	2,018,694	4,963,308	5,751,536	13,360,127	100	100	110.9
06/30/96 \S	1,907,236	4,496,136	5,441,375	10,516,407	100	100	75.6

γ Reflects changes in actuarial assumptions.

\dagger Reflects additional allowance payable under Act 2000-741.

* Reflects change in asset method from market value to market related value, 8.5% across-the-board increase effective October 1, 1998, and additional allowance payable under Act 98-355.

\ddagger Reflects change in asset method from market related value to market value.

\S Reflects changes in actuarial assumptions, change in asset method from book value to market related value and system amendments.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules (Continued)

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

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

Fiscal Year Ended	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end (000s)	% Increase	Average
2001	3,225	1,280	49,647	\$ 839,704	9.4	\$ 16,913
2000	4,312	1,248	47,702	767,477	9.7	16,089
1999	2,756	1,176	44,638	699,517	12.8	15,671
1998	4,433	1,104	43,058	620,395	11.4	14,408
1997	2,909	1,028	39,729	556,744	11.0	14,014

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

**TEACHERS' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF JUNE 30, 2001**

	<u>Amount</u>
(Overfunded)/Unfunded Actuarial Liability as of June 30, 2000	\$ (412,466,692)
Normal Cost for 2001 Plan Year	248,833,632
Contributions Received During the Year	(267,935,035)
Interest to Year End	<u>(33,761,391)</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of June 30, 2001	<u>(465,329,486)</u>
Actuarial (Gains)/Losses During the Year	
From Investments	220,386,958
From Actuarial Liabilities	<u>8,260,410</u>
Total Actuarial (Gains)/Losses During the Year	<u>228,647,368</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of June 30, 2001	<u>\$ (236,682,118)</u>



September 28, 2001

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

Members of the Board:

In this report are submitted the results of the fifty-fifth annual valuation of the assets and liabilities of the Employees' Retirement System of Alabama, prepared as of September 30, 2000 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, 2000, 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 reflects the cost-of-living increase granted under Act 2000-809. On the basis of the valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 3.95% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 9.24% of payroll.

The financing objective of the System has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 15-year period for State Employees and within a 18-year period for State Police, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report.

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Actuarial Letter (Continued)

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 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.

Respectfully submitted,



Edward A. Macdonald, ASA, MAAA, FCA
Principal and Consulting Actuary

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study submitted on December 2, 1996 and adopted by the Board on May 28, 1997.

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

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

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

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

STATE AND LOCAL EMPLOYEES

<u>Age</u>	<u>Annual Rate (%) of</u>					
	<u>Death</u>			<u>Service Retirement</u>		
	<u>Male</u>	<u>Female</u>	<u>Disability</u>	<u>Withdrawal</u>	<u>Male †</u>	<u>Female ‡</u>
20	0.05	0.03	0.05	22.80		
25	0.06	0.03	0.06	19.50		
30	0.08	0.03	0.08	10.40		
35	0.08	0.04	0.16	7.60		
40	0.09	0.06	0.27	6.30		
45	0.14	0.09	0.43	4.40		
50	0.21	0.12	0.65	2.80	10.00	11.00
55	0.36	0.19	1.00	1.40	12.00	16.00
60	0.63	0.34	1.58	0.50	12.00	15.00
62	0.80	0.44	1.89	0.40	45.00	35.00
65	1.15	0.67	2.47		60.00	50.00
69	1.80	1.08	3.23		25.00	30.00
70					100.00	100.00

† An additional 10% are assumed to retire in the first year of eligibility for unreduced benefits.

‡ An additional 15% are assumed to retire in the first year of eligibility for unreduced benefits.

STATE POLICEMEN

Annual Rate (%) of						
Age	Death		Disability	Withdrawal †	Service	
	Male	Female			Retirement ‡	Retirement ‡
20	0.05	0.03	0.04	1.00		
25	0.06	0.03	0.05	1.00		
30	0.08	0.03	0.07	1.00		
35	0.08	0.04	0.11	1.00		
40	0.09	0.06	0.17	1.00		
45	0.14	0.09	0.23	1.00		
50	0.21	0.12	0.30	1.00		15.00
55	0.36	0.19	0.35			15.00
60	0.63	0.34				100.00
62	0.80	0.44				100.00
65	1.15	0.67				100.00
69	1.80	1.08				100.00
70						100.00

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

‡ An additional 15% are assumed to retire in the first year of eligibility for unreduced benefits.

Death after Retirement: According to the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females rated back one year for the period after service retirement. Special tables are used for the period after disability retirement.

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

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

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

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

Actuarial Cost Method

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

Summary of Plan Provisions as Interpreted for Valuation Purposes

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

Definitions

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

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

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

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

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

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

Benefits – Members Classified as Other Than State Policemen

Service Retirement Allowance

Condition for Allowance

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service (except for 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. 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> <p>For an employee who became a member before October 1, 1965, the annual service retirement allowance is not to be less than \$72.00 multiplied by the number of years of the member's creditable service up to 25 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 and becomes permanently incapacitated for duty before reaching eligibility for service retirement.
Amount of Allowance	Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of the member's creditable service. The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).
Benefits Payable on Separation of Service	Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60.
Benefits Payable upon Death in Active Service	<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 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 equal to the salary on which the member retirement contributions were made for the previous fiscal year (October 1 – September 30). *</p> <p>In the event of a job-related death of a member at any age with less than 1 year of service, the beneficiary shall receive the return of member contributions and total earned interest plus a death benefit equal to the annual earnable compensation of the member at the time death occurs. *</p>

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

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.

Member Contributions

Members contribute 5% of salary.

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).

For a State policeman who became a member before October 1, 1965, the annual service retirement allowance is not to be less than \$86.40 multiplied by the number of years of the member's creditable service up to 25 years.

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

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

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

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

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

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance	Upon retirement for disability, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of 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).
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, be continued 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 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 equal to the salary on which member retirement contributions were made for the previous fiscal year (October 1 – September 30). *</p> <p>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 equal to the annual earnable compensation of the member at the time death occurs. *</p> <p>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.</p> <p>* 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.</p>
Member Contributions	Members contribute 10% of salary.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued) and Supporting Schedules

Special Privileges at Retirement – All Members

At retirement, any member may elect to receive a reduced retirement allowance in lieu of 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

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
09/30/00	77,693	\$ 2,278,637,042	\$ 29,329	2.85
09/30/99	75,734	2,159,607,572	28,516	2.37
09/30/98	73,990	2,061,103,741	27,857	6.39
09/30/97	75,274	1,970,921,776	26,183	2.51
09/30/96	73,468	1,876,525,064	25,542	1.72
09/30/95	72,600	1,822,977,608	25,110	2.98

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

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

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion (%) of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)				
09/30/00	\$ 1,219,344	\$ 3,080,504	\$ 3,104,120	\$ 7,769,122	100	100	111.8
09/30/99	1,152,050	2,826,060	2,906,245	7,302,046	100	100	114.4
09/30/98 †	1,022,088	2,788,846	2,753,144	6,888,446	100	100	111.8
09/30/97 *	1,016,854	2,161,301	2,639,942	6,463,795	100	100	124.5
09/30/96 ‡	936,907	2,032,235	2,301,921	4,932,927	100	100	85.3
09/30/95	887,044	1,732,574	2,218,077	4,454,699	100	100	82.7

† Reflects change in asset method from market value to market related value.

* Reflects change in asset method from market related value to market value.

‡ Reflects changes in actuarial assumptions and a change in asset method from book value to market related value.

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

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

Fiscal Year Ended	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end (000s)	% Increase	Average
2001	1,458	803	27,009	\$ 377,548	8.1	\$ 13,979
2000	1,589	828	26,354	349,260	5.1	13,253
1999	1,121	787	25,593	332,237	9.5	12,982
1998	3,170	688	25,259	303,401	17.8	12,012
1997	1,308	598	22,777	257,642	9.5	11,312
1996	2,052	669	22,067	235,241	13.0	10,660

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System
Supporting Schedules (Continued)

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

**EMPLOYEES' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2000**

	<u>Amount</u>
(Overfunded)/Unfunded Actuarial Liability as of September 30, 1999	\$ (417,690,983)
Normal Cost for 2000 Plan Year	118,132,492
Contribution Received During the Year	(106,106,249)
Interest to Year End	<u>(32,934,229)</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	<u>(438,598,969)</u>
Actuarial (Gains)/Losses During the Year	
From Investments	(31,604,959)
From Actuarial Liabilities	<u>105,050,375</u>
Total Actuarial (Gains)/Losses During the Year	<u>73,445,416</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	<u>\$ (365,153,553)</u>



September 19, 2001

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

Members of the Board:

In this report are submitted the results of the actuarial valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2000 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, 2000, 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 salary increases granted effective October 1, 2000 for members of the Fund, as well as the corresponding increase in retired members' allowances. On the basis of the valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 21.19% of payroll.

The financing objective of the Fund has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the projected unit credit cost method. Market related value of plan assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 13-year period, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the 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.

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Actuarial Letter (Continued)

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.

Respectively Submitted,



Edward A. Macdonald, ASA, MAAA, FCA
Principal and Consulting Actuary

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study submitted on December 2, 1996 and adopted by the Board on May 28, 1997.

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: According to the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females rated back one year for the period after service retirement. Special mortality tables are used for the period after disability retirement.

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

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

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

Summary of Plan Provisions as Interpreted for Valuation Purposes

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

Membership

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

Credited Service

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

Benefits

Service Retirement Benefit

Condition of Benefit

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

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

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

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

Amount of Benefit

The service retirement benefit for a member is equal to:

- (a) For a judge other than a probate or district judge who was a member prior to July 30, 1979: 75% of the member's 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

(b) For a district judge: 75% of their salary immediately prior to retirement.

(c) For probate judges and circuit and appellant judges who assumed office on or after July 30, 1979, 75% of the salary received at the time of their separation from service.

Disability Retirement Benefit

Condition of Benefit

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

Amount of Benefit

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

Spousal Benefits

Condition of Benefit

Upon the death of a 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 of the former member for each year of service, not to exceed 30% of such salary and shall change as the position salary changes.

The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the judge's salary prescribed by law for each year of service not to exceed 30% of such salary. The benefit is payable upon the death of the active or retired judge. The benefit shall not change as the position salary changes.

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 their contributions and accrued interest from the JRF, the member is eligible to receive any of the benefits of the Act 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 under the Act 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>
09/30/00 †	326	\$ 26,898,150	\$ 82,510	(0.88)
09/30/99 †	325	27,053,721	83,242	7.94
09/30/98 †	318	24,523,217	77,117	0.03
09/30/97 ‡	319	24,593,274	77,095	0.25
09/30/96	318	24,455,078	76,903	0.66
09/30/95	326	24,906,662	76,401	(1.49)

† Does not include salary increases granted to members of the Fund effective October 1, 2000.

‡ Does not include a one time anticipated 25% salary increase.

The following schedule presents six years of solvency tests:

JUDICIAL RETIREMENT FUND SOLVENCY TEST

(\$ in Thousands)

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities For</u>				<u>Reported Assets</u>	<u>Portion (%) of Accrued Liabilities Covered by Reported Assets</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Members (Employer Financed Portion)</u>		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active</u>					
09/30/00	\$ 20,865	\$ 169,016	\$ 78,897	\$ 239,023	100	100	62.5	
09/30/99	18,812	171,346	73,333	221,926	100	100	43.3	
09/30/98 †	17,665	154,319	74,194	210,116	100	100	51.4	
09/30/97 ‡	16,294	120,633	53,644	198,014	100	100	113.9	
09/30/96 §	15,070	95,185	42,421	146,001	100	100	84.3	
09/30/95	13,851	94,407	38,782	133,120	100	100	64.1	

† Reflects change in asset method from market value to market-related value.

‡ Reflects change in asset method from market-related value to market value.

§ Reflects change in asset method from book value to market-related value.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

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

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

Fiscal Year Ended	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end	% Increase	Average
2001	25	6	271	\$ 16,006,800	44.7	\$ 59,066
2000	3	3	252	11,060,436	(2.1)	43,891
1999	13	4	252	11,293,512	12.8	44,816
1998	8	3	243	10,015,812	2.5	41,217
1997	13	4	238	9,775,968	5.2	41,075
1996	9	9	229	9,292,836	1.5	40,580

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

**JUDICIAL RETIREMENT FUND
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2000**

	Amount
(Overfunded)/Unfunded Actuarial Liability as of September 30, 1999	\$ 41,565,419
Normal Cost for 2000 Plan Year	3,814,158
Contribution Received During the Year	(5,640,432)
Interest to Year End	3,252,183
Expected (Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	<u>42,991,328</u>
Actuarial (Gains)/Losses During the Year	
From Investments	(3,519,127)
From Actuarial Liabilities	(9,897,746)
Total Actuarial (Gains)/Losses During the Year	<u>(13,416,873)</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	<u>\$ 29,574,455</u>

STATISTICAL SECTION

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section
 Revenues by Source
 Six-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
 REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate %		
2001	\$ 230,618	\$ 279,880	6.38	\$ (1,090,706)	\$ (580,208)
2000	214,003	277,180	6.38	1,414,568	1,905,751
1999	217,205	166,100	4.03	1,829,883	2,213,188
1998	199,780	358,088	9.66	564,331	1,122,199
1997	190,802	330,658	9.23	2,313,425	2,834,885
1996	185,646	311,084	9.23	1,086,660	1,583,390

EMPLOYEES' RETIREMENT SYSTEM
 REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions				Investment Income	Total
		Amount	Employer Rate %				
			Regular	Law	Local		
2001	\$ 132,238	\$ 122,483	4.08	9.45	*	\$ (530,968)	\$ (276,247)
2000	118,128	113,991	4.08	9.45	*	655,108	887,227
1999	112,779	97,373	3.11	6.85	*	857,378	1,067,530
1998	108,477	157,246	7.56	15.74	*	254,330	520,053
1997	103,952	145,738	6.99	15.17	*	1,056,283	1,305,973
1996	103,877	139,196	6.99	15.22	*	501,830	744,903

JUDICIAL RETIREMENT FUND
 REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate %		
2001	\$ 2,212	\$ 7,598	21.19	\$ (24,197)	\$ (14,387)
2000	1,643	5,696	21.19	25,081	32,420
1999	1,594	2,870	9.16	27,800	32,264
1998	1,467	5,417	19.71	17,378	24,262
1997	1,662	5,430	19.71	36,288	43,380
1996	1,513	6,193	23.05	14,698	22,404

§ Includes transfers from other systems.

* Local agency rates differ for each participating agency.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Expenses by Type

Six-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2001	\$ 811,896	\$ 34,156	\$ 1,207	\$ 6,023	\$ 1,002	\$ 854,284
2000	720,576	33,978	1,534	5,639	165	761,892
1999	678,740	31,307	1,800	6,563	737	719,147
1998	576,463	32,636	1,116	7,076	547	617,838
1997	534,958	30,907	1,245	6,524	500	574,134
1996	466,479	29,345	1,127	3,443	429	500,823

**EMPLOYEES' RETIREMENT SYSTEM
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Unit Withdrawals & Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2001	\$ 371,715	\$ 24,906	\$ 4,074	\$ 4,578	\$ 330	\$ 405,603
2000	341,145	24,864	1,985	3,811	367	372,172
1999	330,231	25,291	1,674	4,812	333	362,341
1998	270,469	26,031	1,757	4,855	351	303,463
1997	252,023	23,716	2,021	4,273	337	282,370
1996	220,265	22,865	1,207	2,884	291	247,512

**JUDICIAL RETIREMENT FUND
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2001	\$ 15,655	\$ 79	\$ 163	\$ 272	\$ -	\$ 16,169
2000	11,256	43	-	263	-	11,562
1999	11,150	101	-	226	-	11,477
1998	10,035	155	145	245	-	10,580
1997	9,678	6	-	299	-	9,983
1996	9,364	40	251	279	-	9,934

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Six-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
BENEFIT EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2001	\$ 762,007	\$ 22,104	\$ 27,785	\$ 10,949	\$ 23,207
2000	676,365	19,384	24,827	9,800	24,178
1999	637,542	18,180	23,018	8,550	22,757
1998	541,729	15,267	19,467	9,171	23,465
1997	503,603	13,893	17,462	10,083	20,824
1996	439,566	12,066	14,847	8,066	21,279

**EMPLOYEES' RETIREMENT SYSTEM
BENEFIT EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2001	\$ 327,214	\$ 19,372	\$ 25,129	\$ 5,965	\$ 18,941
2000	300,541	17,394	23,210	5,564	19,300
1999	291,548	16,489	22,194	6,195	19,096
1998	236,328	14,562	19,579	5,252	20,779
1997	219,592	13,620	18,811	5,676	18,040
1996	191,531	11,753	16,981	5,428	17,437

**JUDICIAL RETIREMENT FUND
BENEFIT EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2001	\$ 12,711	\$ 2,543	\$ 401	\$ -	\$ 79
2000	9,061	1,852	343	-	43
1999	9,110	1,694	346	-	101
1998	8,194	1,509	332	-	155
1997	7,943	1,380	354	-	6
1996	7,590	1,412	362	-	40

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of June 30, 2001

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option Selected ‡				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,455	918	367	170	338	474	285	358	-
251 - 500	7,514	6,007	652	855	2,288	3,517	804	895	11
501 - 750	5,450	4,446	478	526	1,653	2,498	609	683	7
751 - 1,000	4,397	3,707	263	427	1,368	2,001	464	562	2
1,001 - 1,250	4,245	3,716	176	353	1,232	2,002	477	528	6
1,251 - 1,500	5,572	5,194	123	255	1,394	2,790	707	677	4
1,501 - 1,750	5,855	5,616	88	151	1,240	3,372	563	676	4
1,751 - 2,000	4,373	4,268	48	57	847	2,680	366	475	5
2,001 - 2,250	2,978	2,909	35	34	525	1,823	284	339	7
2,251 - 2,500	1,917	1,872	23	22	358	1,078	224	255	2
2,501 - 2,750	1,374	1,346	20	8	237	722	194	217	4
2,751 - 3,000	954	935	15	4	172	483	139	157	3
3,001 - 3,250	720	707	11	2	133	379	98	105	5
3,251 - 3,500	533	522	9	2	104	278	65	82	4
3,501 - 3,750	416	411	3	2	82	208	48	77	1
3,751 - 4,000	282	276	6	-	41	155	39	45	2
4,001 - 4,250	228	224	4	-	37	118	33	37	3
4,251 - 4,500	157	154	2	1	25	74	21	36	1
4,501 - 4,750	106	105	1	-	17	49	18	21	1
4,751 - 5,000	88	83	3	2	9	45	12	21	1
Over 5,000	231	228	2	1	38	92	54	41	6
Totals	48,845	43,644	2,329	2,872	12,138	24,838	5,504	6,287	79

† **Type of Retirement**

A - Service

B - Survivor benefit

C - Disability

‡ **Option**

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2000

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option Selected ‡				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	919	286	601	32	135	99	131	549	5
251 - 500	4,482	2,835	1,249	398	1,106	1,247	916	1,191	22
501 - 750	4,886	3,615	492	779	1,595	1,842	565	833	50
751 - 1,000	3,873	3,039	232	602	1,210	1,676	406	553	28
1,001 - 1,250	3,283	2,822	144	317	902	1,491	352	505	33
1,251 - 1,500	2,437	2,216	83	138	577	1,094	312	429	25
1,501 - 1,750	1,842	1,716	50	76	429	893	174	333	13
1,751 - 2,000	1,334	1,276	19	39	297	680	110	231	16
2,001 - 2,250	916	880	15	21	194	460	77	175	10
2,251 - 2,500	633	608	10	15	135	291	65	134	8
2,501 - 2,750	478	464	9	5	103	236	40	95	5
2,751 - 3,000	352	344	6	2	79	176	24	67	6
3,001 - 3,250	258	255	2	1	45	140	21	49	3
3,251 - 3,500	177	173	1	3	46	81	8	38	4
3,501 - 3,750	130	129	1	-	30	68	6	24	2
3,751 - 4,000	104	104	-	-	20	49	7	27	1
4,001 - 4,250	92	92	-	-	17	51	3	19	2
4,251 - 4,500	54	53	1	-	16	20	3	15	-
4,501 - 4,750	38	38	-	-	15	17	-	6	-
4,751 - 5,000	28	28	-	-	5	13	2	6	2
Over 5,000	83	82	1	-	35	28	1	17	2
Totals	26,399	21,055	2,916	2,428	6,991	10,652	3,223	5,296	237

† Type of Retirement

- A - Service
- B - Survivor benefit
- C - Disability

‡ Option

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2000

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	-	-	-	-	-	-
251 - 500	3	-	3	-	-	3
501 - 750	5	1	4	-	-	5
751 - 1,000	15	1	13	1	1	14
1,001 - 1,250	6	1	5	-	1	5
1,251 - 1,500	2	-	2	-	-	2
1,501 - 1,750	1	-	-	1	1	-
1,751 - 2,000	6	3	2	1	1	5
2,001 - 2,250	2	-	2	-	-	2
2,251 - 2,500	8	2	6	-	2	6
2,501 - 2,750	8	3	3	2	4	4
2,751 - 3,000	4	4	-	-	3	1
3,001 - 3,250	2	2	-	-	-	2
3,251 - 3,500	52	6	46	-	4	48
3,501 - 3,750	16	7	7	2	2	14
3,751 - 4,000	6	6	-	-	1	5
4,001 - 4,250	2	2	-	-	1	1
4,251 - 4,500	6	4	-	2	3	3
4,501 - 4,750	2	2	-	-	-	2
4,751 - 5,000	2	2	-	-	-	2
Over 5,000	106	105	-	1	1	105
Totals	254	151	93	10	25	229

† Type of Retirement

- A - Service
- B - Survivor benefit
- C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2001					
Average monthly benefit	\$ 502	\$ 777	\$ 1,092	\$ 1,788	\$ 2,819
Average final average salary	\$ 26,015	\$ 27,774	\$ 30,013	\$ 40,681	\$ 50,689
Number of active retirants	552	386	431	1,455	843
2000					
Average monthly benefit	\$ 465	\$ 756	\$ 1,036	\$ 1,698	\$ 2,387
Average final average salary	\$ 24,661	\$ 27,450	\$ 28,961	\$ 39,249	\$ 44,226
Number of active retirants	564	433	452	1,370	814
1999					
Average monthly benefit	\$ 484	\$ 726	\$ 980	\$ 1,723	\$ 2,528
Average final average salary	\$ 24,412	\$ 24,802	\$ 26,105	\$ 38,510	\$ 44,668
Number of active retirants	553	381	557	1,427	805
1998					
Average monthly benefit	\$ 414	\$ 675	\$ 885	\$ 1,577	\$ 2,255
Average final average salary	\$ 21,919	\$ 24,090	\$ 24,853	\$ 36,538	\$ 41,688
Number of active retirants	468	426	510	1,273	787
1997					
Average monthly benefit	\$ 419	\$ 642	\$ 952	\$ 1,621	\$ 2,378
Average final average salary	\$ 21,281	\$ 22,344	\$ 26,316	\$ 37,035	\$ 43,046
Number of active retirants	497	457	513	1,241	862
1996					
Average monthly benefit	\$ 366	\$ 595	\$ 947	\$ 1,567	\$ 2,264
Average final average salary	\$ 19,519	\$ 21,491	\$ 27,076	\$ 36,483	\$ 42,361
Number of active retirants	418	452	424	931	705

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2000					
Average monthly benefit	\$ 873	\$ 973	\$ 1,343	\$ 1,636	\$ 2,399
Average final average salary	\$ 30,434	\$ 30,488	\$ 34,121	\$ 37,312	\$ 44,483
Number of active retirants	450	241	231	525	110
1999					
Average monthly benefit	\$ 731	\$ 899	\$ 1,173	\$ 1,455	\$ 2,249
Average final average salary	\$ 28,201	\$ 29,501	\$ 29,572	\$ 34,234	\$ 42,655
Number of active retirants	362	206	192	287	40
1998					
Average monthly benefit	\$ 799	\$ 814	\$ 1,140	\$ 1,447	\$ 2,352
Average final average salary	\$ 28,045	\$ 28,400	\$ 30,618	\$ 33,502	\$ 42,894
Number of active retirants	626	398	417	1,114	561
1997					
Average monthly benefit	\$ 659	\$ 866	\$ 1,110	\$ 1,404	\$ 2,175
Average final average salary	\$ 26,217	\$ 29,096	\$ 29,994	\$ 33,224	\$ 41,250
Number of active retirants	381	261	217	324	105
1996					
Average monthly benefit	\$ 730	\$ 837	\$ 1,112	\$ 1,439	\$ 2,336
Average final average salary	\$ 26,120	\$ 27,103	\$ 28,978	\$ 32,150	\$ 41,332
Number of active retirants	508	314	310	543	320
1995					
Average monthly benefit	\$ 522	\$ 783	\$ 1,079	\$ 1,423	\$ 2,019
Average final average salary	\$ 22,835	\$ 26,252	\$ 27,864	\$ 32,831	\$ 38,143
Number of active retirants	393	267	259	238	88

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

	Years of Credited Service			
	10-14	15-19	20-24	25-29
2000				
Average monthly benefit	\$ 5,717	\$ -	\$ -	\$ -
Number of active retirants	1	-	-	-
1999				
Average monthly benefit	\$ 4,144	\$ 5,285	\$ 6,127	\$ 7,809
Number of active retirants	4	2	6	1
1998				
Average monthly benefit	\$ -	\$ 4,894	\$ 4,100	\$ -
Number of active retirants	-	1	8	-
1997				
Average monthly benefit	\$ 7,231	\$ 4,282	\$ 5,822	\$ -
Number of active retirants	2	4	5	-
1996				
Average monthly benefit	\$ 4,871	\$ 4,894	\$ 3,630	\$ -
Number of active retirants	4	3	2	-
1995				
Average monthly benefit	\$ 2,678	\$ 4,132	\$ 4,894	\$ -
Number of active retirants	5	23	6	-



RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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

Birmingham Regional Planning Commission	Camp Hill, City of
Black Warrior Solid Waste Disposal Authority	Carbon Hill Utilities Board
Blount County Communication District	Carbon Hill, City of
Blount County Commissioners Court	Carl Elliot Regional Library
Blount Count Water Authority	Carroll's Creek Water Authority
Blountsville Utility Board	Carrollton, Town of
Blountsville, Town of	Cedar Bluff, Town of
Boaz Water & Sewer Commissioners Board	Center Point Fire District
Boaz, City of	Centreville, City of
Boldo Water & Fire Protection Authority	Central Alabama Aging Consortium
Branchville, Town of	Central Alabama Regional Planning & Development Commission
Brantley Housing Authority	Central Alabama Youth Services
Brent Housing Authority	Central Elmore Water Authority
Brent, City of	Centre Water Works & Sewer Board
Brewton Housing Authority	Centre, City of
Brewton, City of	Chambers County Commissioners Court
Bridgeport Utilities Board	Chambers County Emergency Management Communications District
Bridgeport, City of	Chambers County Library Board
Brilliant, Town of	Chatom, City of
Brookwood, Town of	Cheaha Regional Library
Brundidge, City of	Cheaha Regional Mental Health-Mental Retardation Board
Buhl-Elrod-Holman Water Authority	Cherokee County Commission
Bullock County Commissioners Court	Cherokee County Water and Sewer Authority
Butler County Commissioners Court	Cherokee Water Works & Gas Board
Butler County Emergency Communication District	Cherokee, Town of
Butler, City of	Chickasaw Utilities Board
Cahaba Center for Mental Health & Mental Retardation	Chickasaw, Town of
Cahaba Valley Fire & Emergency Medical Rescue District	Childersburg Water, Sewer & Gas Board
Calera, City of	Childersburg, City of
Calhoun County 911 District	Chilton County Commission
Calhoun County Commission	Chilton County Soil & Water Conservation District
Calhoun County Water & Fire Protection Authority	Chilton Water Authority
Calhoun/Cleburne Mental Health Board	Chilton/Clanton Public Library
Calhoun County Community Punishment and Corrections Authority	Chilton/Shelby Mental Health Center
Camden, City of	Choctaw County Emergency Communications District
	Clanton Housing Authority

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Clanton Water Works & Sewer Board	Crenshaw County Emergency Management Communications District
Clanton, City of	
Clark County Commission	Creola, City of
Clarke County Industrial Development Board	Cross Trails Regional Library
Clarke County Soil and Water Conservation District	Cuba, Town of
Clarke/Mobile County Gas District	Cullman Area Mental Health Authority
Clay County Commission	Cullman County Board of Revenue
Clay County E-911	Cullman County Center for the Development Disabled
Clay County Water Authority	Cullman County E-911
Clayton Housing Authority	Cullman County Parks & Recreation
Clayton Water & Sewer Board	Cullman Power Board
Clayton, City of	Cullman, City of
Cleburne County Commission	Cullman/Jefferson County Gas District
Cleveland, Town of	Cumberland Mountain Water & Fire Protection Authority
Coffee County Commissioners Court	Curry Water Authority
Coffee County Soil & Water Conservation District	CWM Water Authority
Coker Water & Fire Protection Authority	Dadeville Housing Authority
Colbert County Board of Revenue	Dadeville Water Supply & Gas Board
Colbert County Emergency Management Communications District	Dadeville, City of
Collinsville Water Works Board	Dale County Commissioners Court
Collinsville, City of	Dale County Water Authority
Columbia, Town of	Daleville Housing Authority
Columbiana, Town of	Daleville, City of
Columbiana Water Works Board	Dallas County Court of County Revenue
Concord Fire District	Daphne Utility Board
Conecuh County Board of Directors	Daphne, City of
Cook Springs Water Authority	Dauphin Island Park and Beach Board
Coosa County Commissioners Court	Dauphin Island Water & Sewer Authority
Coosa Valley Youth Services	Dauphin Island, Town of
Coosada, Town of	Decatur, City of
Cordova Water & Gas Board	DeKalb County Commission
Cordova, City of	DeKalb County Economic Development Authority
Cottonwood, City of	DeKalb County Emergency Communications District
Courtland, Town of	DeKalb County Hospital Association
Covington County Board of Revenue	DeKalb County Mental Retardation Board
Cowarts, Town of	DeKalb County Soil and Water Conservation District
Crenshaw County Court of Commissioners	DeKalb/Cherokee County Gas District

Demopolis Housing Authority	Eufaula, City of
Demopolis, City of	Eutaw Medical Clinic Board
Demopolis Water Works and Sewer Board	Eutaw, City of
Dora Gas Board	Evergreen Housing Authority
Dora, City of	Evergreen, City of
Dothan/Houston County Mental Retardation Board	Excel, Town of
Double Springs Water Works Board	Fairfield, City of
Double Springs, Town of	Fairhope Public Library
Douglas Water & Fire Protection Authority	Fairhope, City of
Douglas, Town of	Falkville, Town of
Dutton, Town of	Fayette County Commission
East Alabama Mental Health-Mental Retardation Board	Fayette County E911 District
East Alabama Regional Planning & Development Commission	Fayette Gas Board
East Alabama Water, Sewer, & Fire Protection District	Fayette Water Works Board
East Brewton Water Works & Sewer Board	Fayette County Water Coordination & Fire Protection Authority
East Brewton, City of	Fayette, City of
East Central Alabama Gas District	Fayetteville Water Authority
East Lauderdale County Water & Fire Protection Authority	Flomaton, Town of
Eclectic Water Works & Sewer Board	Florence/Lauderdale Tourism Board
Eclectic, Town of	Foley Utilities Board
Elba General Hospital & Nursing Home	Foley, City of
Elba Water & Electric Board	Forestdale Fire District
Elba, City of	Fort Deposit Water Works & Sewer Board
Elmore County Commissioners Court	Fort Deposit, Town of
Elmore Water Authority	Fort Payne Housing Authority
Enterprise, City of	Fort Payne Improvement Authority
Enterprise Housing Authority	Fort Payne Water Works Board
Enterprise Water Works Board	Fort Payne, City of
Escambia County Commission	Fosters-Ralph Water Authority
Escambia County Cooperative Library System	Franklin County Commission
Etowah County Board of Revenue	Franklin County Soil and Water Conservation
Etowah County Communications District	Franklin County Water Service Authority
Etowah Solid Waste Disposal Authority	Fultondale, Town of
Eufaula Housing Authority	Fyffe, Town of
Eufaula Water Works & Sewer Board	Gadsden Water & Sewer Board
	Gadsden, City of
	Garden City, Town of
	Gardendale, City of
	Geneva County Court of Commissioners

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Geneva Water Works & Sewer Board	Hamilton, City of
Geneva, City of	Hamilton Housing Authority
Gilberttown Utilities Board	Hanceville, City of
Gilberttown, Town of	Hanceville Waterworks & Sewer Board
Glencoe, City of	Harpersville, Town of
Goodwater, City of	Hartford, City of
Gordo, City of	Hartford Housing Authority
Grant Water Works Board	Hartselle Utilities Board
Grant, Town of	Hartselle, City of
Graysville Public Library	Harvest-Monrovia Water & Fire Protection Authority
Graysville, City of	Hayneville, City of
Greater Etowah Mental Retardation 310 Board	Headland Housing Authority
Greater Mobile/Washington County Mental Health-Mental Retardation Board	Headland, City of
Greene County Ambulance Service	Heflin, City of
Greene County Commission	Heflin Water Works & Sewer Board
Greene County Economic & Industrial Development Board	Helen Keller Memorial Hospital
Greene County Hospital	Helena Utilities Board
Greene County Housing Authority	Helena, City of
Greene County Racing Commission	Henry County Commissioners Court
Greenhill Water & Fire Protection Authority	Henry County Soil & Water Conservation District
Greensboro Housing Authority	Henry County Water Authority
Greensboro, City of	Highland Water Authority
Greenville Water Works & Sewer Board	Hillboro, Town of
Greenville, City of	Historic Blakeley Authority
Grove Hill, City of	Historic Chattahoochee Commission
Guin Water & Sewer Board	Hodges, Town of
Guin, City of	Hokes Bluff Sewer Board
Guin Housing Authority	Hokes Bluff Water Works Board
Guntersville Electric Board	Hokes Bluff, Town of
Guntersville Water & Sewer Board	Holly Pond, Town of
Guntersville, City of	Hollywood, Town of
Gurley, Town of	Homewood, City of
Hackleburg, Town of	Hoover, City of
Hackleburg Water Board	Horseshoe Bend Regional Library
Hackneyville Water & Fire Protection Authority	Houston County Board of Revenue and Control
Hale County Commission	Houston County Soil Conservation District
Hale County Water Authority	Houston County Water Authority
Haleyville, City of	

Houston/Love Memorial Library
Hueytown, City of
Huntsville Electric System
Huntsville Gas System
Huntsville Solid Waste Disposal Authority
Huntsville Water System
Huntsville, City of
Huntsville/Madison County Airport
Authority
Huntsville/Madison County Marina & Port
Authority
Huntsville/Madison County Mental Health
Board
Huntsville/Madison County Railroad Authority
Indian Pines Recreation Authority
International Motorsports Hall of Fame
Irontdale, City of
Jackson County Commission
Jackson County Economic Development
Authority
Jackson County Emergency Management
Communications District
Jackson County Soil & Water Conservation
District
Jackson, City of
Jackson County Water Authority
Jackson's Gap Water Authority
Jackson's Gap, Town of
Jacksonville Housing Authority
Jacksonville Water Works, Gas & Sewer
Jacksonville, City of
Jasper Water Works & Sewer Board
Jasper, City of
Jefferson County Department of Health
Jefferson/Blount/St. Clair Mental Health
Authority
Jemison, Town of
John Paul Jones Hospital
Killen, City of
Kinsley, Town of
Lafayette, City of
Lamar County Commission

Lamar County Gas District
Lamar County Water & Fire Protection
Authority
Lanette, City of
Lauderdale County Commission
Lauderdale County Regional Library System
Lawrence County Commission
Lawrence/Colbert County Gas District
Lawrence/Cullman/Morgan Regional
Housing Authority
Lee County Commissioners Court
Lee County Emergency Communications
District
Lee County Emergency Mgmt Agency
Lee/Russell Council of Governments
Leeds Housing Authority
Leeds, City of
Leeds Water Works Board
Leesburg, Town of
Leighton, Town of
Lexington, Town of
Limestone County Board of Revenue
Limestone County Water Authority
Lincoln, City of
Linden, City of
Lineville Housing Authority
Lineville Water & Sewer Board
Lineville, City of
Livingston Housing Authority
Livingston, City of
Loachapoka Water Authority
Locust Fork, Town of
Lowndes County Board of Revenue
Loxley, City of
Luverne Housing Authority
Luverne, City of
Macon County Commission
Macon County Racing Commission
Madison County Commissioners Court
Madison County Communications District

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Madison County Mental Retardation Board	Mobile Water Service System
Madison Water & Wastewater Board	Mobile, City of
Madison, City of	Monroe County Commission
Malvern, Town of	Monroeville Housing Authority
Maplesville Water & Gas Board	Monroeville Water Board
Marengo County Commission	Monroeville, City of
Marengo County Emergency Communications District	Montevallo, City of
Marengo County Nursing Home	Montgomery Area Mental Health Authority
Marion County Board of Revenue	Montgomery County Soil & Water Conservation District
Marion County Public Water Authority	Moody, City of
Marion Housing Authority	Morgan County Commission
Marion, City of	Morgan County Emergency Management Communication District
Marshall County Commission on Government and Finance	Moulton Housing Authority
Marshall County Emergency Telephone Service Board	Moulton, City of
Marshall County Gas District	Moundville, City of
Marshall County Soil & Water Conservation District	Mount High-Rock Springs Water Authority
Mental Health Dev Disabilities Board	Mountain Brook Library Board
Middle Alabama Area Agency on Aging	Mountain Brook Park & Recreation Board
Midfield Library Board	Mountain Brook, City of
Midfield, City of	Mt. Vernon, Town of
Mildred B. Harrison Library	Muscle Shoals Electric Board
Millbrook, City of	Muscle Shoals Utilities Board
Millport Housing Authority	Muscle Shoals, City of
Millport, Town of	Myrtlewood, Town of
Mobile Airport Authority	Nectar, Town of
Mobile County Commission	New Hope, Town of
Mobile County Communications District	New London Water, Sewer & Fire Protection Authority
Mobile County Emergency Management Agency	New Site, Town of
Mobile County Health Department	North Alabama Gas District
Mobile County Housing Authority	North Central Alabama Mental Health Center
Mobile County Law Enforcement & Firefighters Pension Fund	North Central Alabama Mental Retardation Authority
Mobile County Personnel Board	North Central Alabama Regional Council of Governments
Mobile County Racing Commission	North Dallas County Water Authority
Mobile County Water, Sewer & Fire Protection Authority	North Jackson County Water & Fire Protection Authority
Mobile Public Library	North Shelby County Library
Mobile Transit Authority	

Northeast Alabama Mental Retardation-
Development Disability Authority
Northeast Alabama Water, Sewer & Fire
Protection District
Northeast Morgan County Water Authority
Northport Housing Authority
Northport, City of
Northwest Alabama Council of Local
Governments
Northwest Alabama Mental Health Center
Northwest Alabama Regional Airport
Northwest Blount County Water & Fire
Protection Authority
Northwest Regional Library
Notasulga, Town of
Oak Grove, Town of
Oakman Waterworks
Oakman, Town of
Odenville Utilities Board
Odenville, Town of
Ohatchee, Town of
Oneonta Utilities
Oneonta, City of
Opelika Housing Authority
Opelika Water Works Board
Opelika, City of
Opp Utility Board
Opp, City of
Orange Beach Water, Sewer & Fire Protection
Authority
Orange Beach, Town of
Oxford, City of
Ozark Utilities Board
Ozark, City of
Ozark/Dale E-911
Pelham, City of
Pell City Housing Authority
Pell City, City of
Pennington, City of
Perry County Commissioners Court
Phenix City Utilities

Phenix City, City of
Phil Campbell Water Works Board
Phil Campbell, Town of
Pickens County Commission
Pickens County Cooperative Library
Pickens County E-911 Board
Pickens County Water Authority
Piedmont Housing Authority
Piedmont Water, Gas & Sewer Board
Piedmont, City of
Pike County Commissioners Court
Pike County Soil & Water Conservation
District
Pike County Water Authority
Pine Hill, Town of
Pine Level Water & Fire Protection
Authority
Pisgah, Town of
Pleasant Grove, City of
Prattville Housing Authority
Prattville Water Works Board
Prattville, City of
Priceville, Town of
Prichard Housing Authority
Quint-Mar Water & Fire Protection
Authority
Rainbow City Gas, Water & Sewer Board
Rainbow City, City of
Rainsville, City of
Randolph County Commissioners Court
Randolph County Hospital Association
Red Bay Water & Gas Board
Red Bay, City of
Reform Housing Authority
Reform, City of
Remlap/Pine Mountain Water Authority
Riverbend Center for Mental Health
Riverside, Town of
Roanoke Utilities Board
Roanoke, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Robertsdale, City of	Silas, Town of
Rogersville Water Works & Sewer Board	Silverhill, Town of
Rogersville, Town of	Sipsey, Town of
Russell County Commissioners Court	Slocumb, Town of
Russell County Emergency Communications District	Slocumb Waterworks and Sewer Board
Russell County Soil & Water Conservation District	Snead, Town of
Russell County Utilities Board	South Alabama Regional Planning Commission
Russellville Electric Board	South Central Alabama Development Authority
Russellville Gas Board	South Central Mental Health Center
Russellville Water Works Board	South Crenshaw County Water Authority
Russellville, City of	Southeast Alabama Regional Planning & Development Commission
Rutledge, Town of	Southeast Alabama Solid Waste Disposal Authority
Sand Mountain Water Authority	Southern Alabama Regional Council on Aging
Sand Springs Water Authority	Southside Water & Sewer Board
Saraland Water Service	Southside, City of
Saraland, City of	Southwest Alabama Water Authority
Sardis City Water Board	Spanish Fort, City of
Sardis City, City of	Spectracare
Satsuma Water Works Board	Springville, Town of
Satsuma, City of	St. Clair County Commissioners Court
Scottsboro Electric Power Board	St. Clair County Industrial Development Board
Scottsboro Public Library	St. Clair County Library
Scottsboro Public Park & Recreation Board	St. Clair County Soil & Water Conservation District
Scottsboro Water Works & Supply Board	St. Florian, Town of
Scottsboro Water Works, Sewer & Gas Board	Star-Mindingall Water & Fire Prot Auth
Scottsboro, City of	Steele, Town of
Section Water Works Board	Stevenson Housing Authority
Selma Housing Authority	Stevenson Utilities Board
Selma Water Works & Sewer Board	Stevenson, City of
Selma, City of	Stewartville Water Authority
Sheffield Power, Water & Gas Department	Sulligent, City of
Sheffield, City of	Sumiton Water Works Board
Shelby County Board of Revenue	Sumiton, City of
Shelby County Soil Conservation District	Summerdale, Town of
Shelby County Work Release Commission	Sumter County Board of Commissioners
Shoals Industrial Development Authority	Sumter County Industrial Development Authority
Shoals Solid Waste Disposal Authority	Sumter County Soil & Water Cons District
Shorter, Town of	

Sumter County Water Authority	Tuscaloosa County Soil & Water Conservation District
Sylacauga Park & Recreation Department	Tuscaloosa County Special Tax Board
Sylacauga Utilities Board	Tuscaloosa Public Library
Sylacauga, City of	Tuscumbia, City of
Talladega County Board of Revenue	Tuskegee, City of
Talladega County Emergency Management Communications District	Union Grove Utilities Board
Talladega County Soil & Water Conservation District	Union Springs Utilities Board
Talladega Water & Sewer Board	Union Springs, City of
Talladega, City of	Uniontown Housing Authority
Tallapoosa County Court of Commissioners	Uniontown Utilities Board
Tallapoosa County Emergency Management Communications District	Uniontown, City of
Tallassee, City of	USS Alabama Battleship Commission
Tarrant City Electric System	Valley Head, Town of
Tarrant City, City of	Valley Head Water Works Board
Tarrant Housing Authority	Valley Housing Authority
Taylor, Town of	Valley Water Authority
Tennessee Valley Exhibit Commission	Valley, City of
Thomaston, Town of	Vance, Town of
Thomasville, City of	Vernon Housing Authority
Thorsby, Town of	Vernon, City of
Top of Alabama Regional Council of Governments	Vestavia Hills, City of
Town Creek, Town of	Vincent, City of
Triana, City of	Von Braun Civic Center
Tri-County Mental Retardation-Development Disability Board	Walker County Commission
Trinity, Town of	Walker County E911 District
Troy, City of	Walker County Housing Authority
Trussville Utilities Board	Walker County Mental Retardation Board
Trussville, City of	Walker County Soil & Water Conservation District
Tuscaloosa, City of	Wall Street Water Authority
Tuscaloosa County Board of Revenue	Walnut Hill Water Authority
Tuscaloosa County Industrial Dev Auth	Warrior River Water & Fire Protection Authority
Tuscaloosa County Park and Recreation Board	Warrior, City of
Tuscaloosa County Parking & Transit Authority	Washington County Commissioners Court
Tuscaloosa County Public Defenders Office	Washington County Soil & Water Conservation District
	Weaver, City of
	Webb, Town of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Wedowee Hospital

Wedowee, City of

West Alabama Planning & Development
Commission

West Barbour County Water Authority

West Etowah County Water Authority

West Jefferson, Town of

West Lauderdale County Water & Fire
Protection Authority

West Morgan/East Lawrence Water Authority

Westover Water & Fire Protection Authority

Wetumpka Water & Sewer Board

Wetumpka, City of

White Hall, Town of

Wilcox County Commission

Wilcox County Gas District

Wilsonville, Town of

Winfield Water Works Board

Winfield, City of

Winston County Commission

Winston County E-911 Communications District

Woodstock, Town of

York Housing Authority

York, City of