



Component Units of the State of Alabama  
**Comprehensive Annual  
Financial Report**

*For the Fiscal Year Ended September 30, 2011*





# The Retirement Systems of Alabama

Component Units of the State of Alabama

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2011

The Retirement Systems of Alabama  
Consists of:

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

(Each a Component Unit of the State of Alabama)

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

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Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# INTRODUCTORY SECTION



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



**Employees'**  
State State Police Public Judicial  
Robert J. Bentley, Chair  
John H. Wilkerson, Jr., Vice Chair

# The Retirement Systems of Alabama

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

January 9, 2012

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

Dear Board Members:

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2011. The Retirement Systems of Alabama includes the Teachers' Retirement System of Alabama (TRS), the Employees' Retirement System of Alabama (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama Comprehensive Annual Financial Report.

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

## **Administration and Plan History**

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

## **Financial Information**

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

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

*Summary Comparative Data* – Management’s Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes and required supplementary information, and summary comparative data for fiscal years 2011 and 2010. Also, an analysis of significant variances between fiscal years 2011 and 2010 is provided in the MD&A.

**Plan Financial Condition**

The funding objective of the RSA pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Historical information concerning funding progress is presented in the *Required Supplementary Information* - “Schedule of Funding Progress” on page 45.

At the date of the latest actuarial valuations (9/30/2010), the number of participants in the TRS was 233,881, ERS participants totaled 138,621, and JRF participants totaled 707. The following table compares the funded status as of September 30, 2010 and 2009:

<b>Funded Status (%)</b>			
<u>System</u>	<u>9/30/2010</u>	<u>9/30/2009</u>	<u>% Increase/ (Decrease)</u>
TRS	71.1	74.7	(3.6)
ERS	68.2	72.2	(4.0)
JRF	68.7	74.1	(5.4)

**Investment Activity**

Total investments for the RSA decreased in fiscal year 2011, primarily due to decreases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2011, were \$15.9 billion, \$7.7 billion and \$207.4 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2010, of \$16.6 billion, \$8.0 billion, and \$218.5 million, respectively. Total pension fund investments managed by the RSA decreased from \$24.8 billion at September 30, 2010, to \$23.8 billion at September 30, 2011, a 3.9% decrease.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2011, was \$624.5 million, \$307.2 million, and \$6.9 million, respectively, compared to \$559.9 million, \$268.7 million, and \$6.6 million, respectively, for the fiscal year ended September 30, 2010. The decrease in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2011, was \$278.4 million, \$112.8 million and \$5.0 million, respectively, compared to the increase in fair value of investments of \$887.0 million, \$427.4 million and \$15.3 million, respectively, for the fiscal year ended September 30, 2010. Additional information concerning investments, including investment policies and procedures, is located in the Investment Section.

**Management’s Discussion and Analysis**

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

**Professional Services**

Professional consultants are appointed by the Boards of Control to perform professional services that are essential to the effective operation of the TRS, ERS, and JRF. The certification letters from the independent actuary are included in this report. The professional consultants appointed by the Boards of Control are listed on page 10 of this report.

#### **Financial Statement Audit**

Carr, Riggs and Ingram, LLC, Certified Public Accountants, issued an unqualified (“clean”) opinion on the RSA’s financial statements for the fiscal year ended September 30, 2011. The independent auditors’ report is located at the front of the financial section of this report.

#### **Highlights and Initiatives**

Fiscal year 2011 was a somewhat volatile year for returns, with markets performing well during the first several months of the fiscal year, but then weakening again in the closing months of the fiscal year. The annualized return was 1.81% for the TRS, 2.21% for the ERS and 0.45% for the JRF. With U.S. economic data still weak, coupled with the continuing issues associated with European sovereign debt, equity markets as well as the fixed income markets have been very reactionary; fundamentals have not really played a large role, which made the year that much more challenging.

After more than a year of hard work, the railcar plant in North Alabama, in which the RSA had invested significantly, has been leased to Navistar. The project was started just before the “Great Recession of 2008” by a Canadian railcar builder with financing from the RSA. When the world changed and new railcar sales declined dramatically, the Canadian company exited. With the cyclical nature of the railcar industry, the RSA faced a big challenge in how to best utilize the special purpose real estate project going forward. Navistar will now take over the plant and become a major employer in the coming months. The lease with the RSA has a 10-year term and after this time period Navistar can purchase the plant, or renew their lease for an additional 10 years. It is also expected that Navistar will quickly expand the 700-acre site with an additional investment and create thousands of additional jobs in the near future.

The RSA Dexter Avenue Building, formerly Alabama’s state Judicial Building, was completed and welcomed its first two tenants, Community Newspaper Holdings, Inc. and BB&T Corporation. The building was acquired by the RSA in 2007 with the intent of restoring and preserving part of our State’s judicial past, while also providing executive office space for tenants. Alongside the building is the Honor Court, a representational work of landscape art which highlights Alabama’s judicial history and includes life-size statues of each Chief Justice as well as his personal history.

Lastly, several of the RSA’s properties were honored again this year by earning the prestigious Four Diamond Award from AAA. In fact, the RSA was again awarded the largest number of diamonds given to one group by AAA Alabama. The eight Four Diamond Awards were presented to six hotels and two restaurants across the state.

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

#### **Awards**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its comprehensive annual financial report for the fiscal year ended September 30, 2010. 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.

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The Retirement Systems received the Public Pension Coordinating Council (PPCC) Recognition Award for Funding 2011. The award recognizes organizations that meet professional standards for plan funding as set forth in the Public Pension Standards.

**Acknowledgments**

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

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

Sincerely,

***Diane E. Scott***

Diane E. Scott, CPA  
Chief Accountant & Fiscal Officer

***David G. Bronner***

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

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## The Retirement Systems of Alabama

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
September 30, 2010

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.



*Linda C. Davison*

President

*Jeffrey R. Emer*

Executive Director



Public Pension Coordinating Council

***Recognition Award for Funding  
2011***

Presented to

***Retirement Systems of Alabama***

In recognition of meeting professional standards for  
plan funding as  
set forth in the Public Pension Standards.

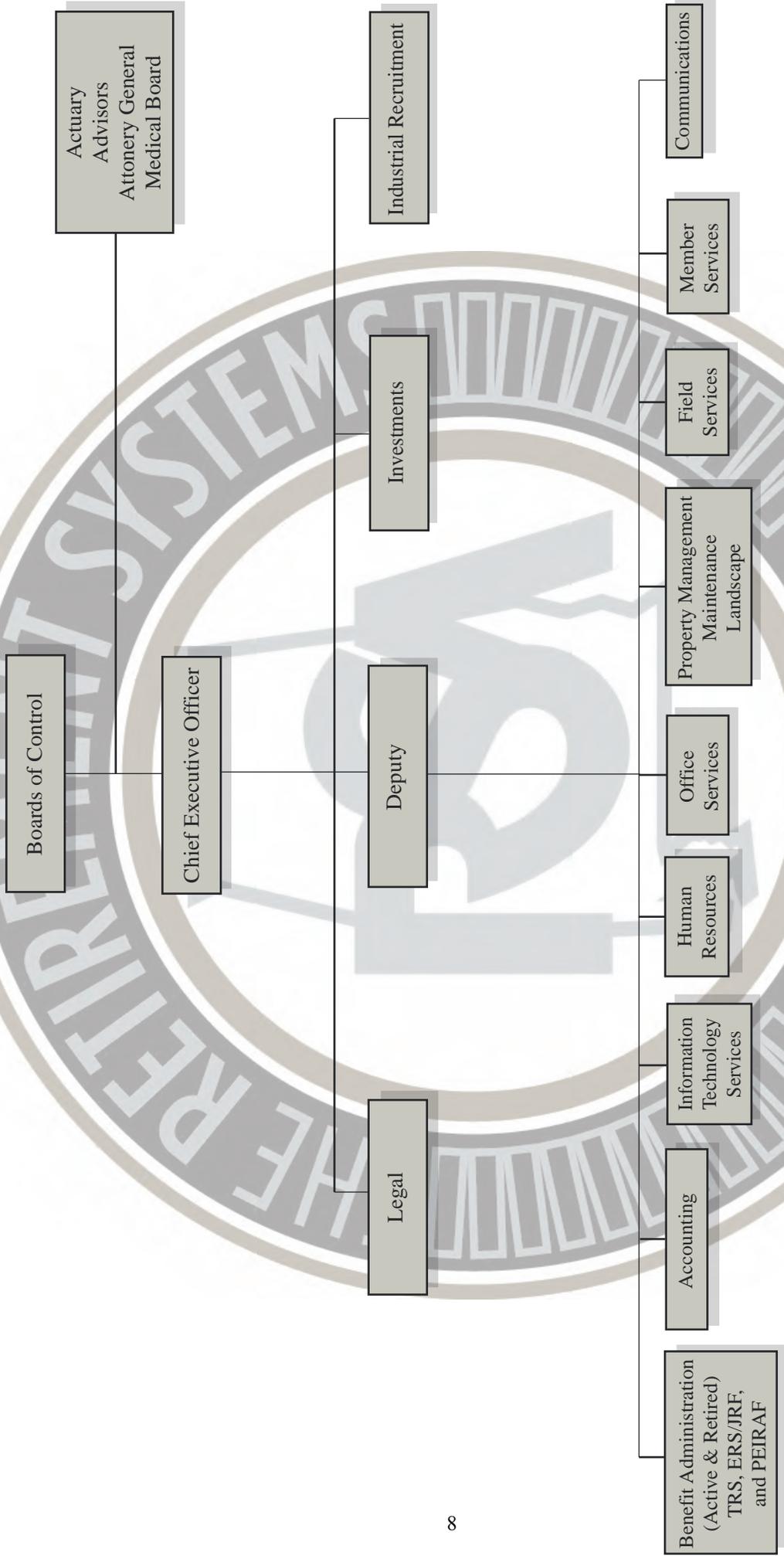
*Presented by the Public Pension Coordinating Council, a confederation of*

National Association of State Retirement Administrators (NASRA)  
National Conference on Public Employee Retirement Systems (NCPERS)  
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle  
Program Administrator

# Retirement Systems of Alabama



**Teachers' Retirement System Board of Control**

**Ex Officio Members**

Chairman, Dr. Paul R. Hubbert, Executive Secretary, AEA  
Dr. Marquita Davis, State Finance Director  
Mr. Young Boozer, State Treasurer  
Mr. Larry Craven, Interim State Superintendent of Education

**Elected Members**

Vice-Chairman, Mrs. Sarah Swindle, Retired Position  
Mrs. Teresa Harbison Swindle, Teacher Position  
Dr. Susan Williams Brown, Postsecondary Position  
Mr. John Whaley, Teacher Position  
Mr. Luther P. Hallmark, Superintendent Position  
Mr. Vic Wilson, Principal Position  
Ms. Sallie B. Cook, Retired Position  
Mr. Robert W. Smith, Jr., Support Personnel Position  
Mrs. LaDonna Macon, Teacher Position  
Mr. Russell Twilley, Support Personnel Position

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

**Ex Officio Members**

Chairman, Dr. Robert Bentley, Governor  
Dr. Marquita Davis, State Finance Director  
Mr. Young Boozer, State Treasurer  
Ms. Jackie Graham, State Personnel Director

**Elected Members**

Mr. James Fibbe, Retired Local Employee  
Mr. Steven W. Williams, Active Local Employee  
Mr. Ben Powell, Active Local Employee  
Mr. James H. Rowell, Retired State Employee  
Ms. Alice Thornton, Active State Employee  
Mr. Stephen C. Walkley, Active State Employee

**Appointed Members**

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

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

*Introductory Section*

Staff, Advisors, and Medical Board

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**Staff, Advisors, and Medical Board**

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

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

**Administrative Staff**

Chief Accountant and Fiscal Officer, Diane E. Scott, C.P.A.

Director of Information Technology Services, Michael T. Baker

Teachers' Retirement Executive, Christopher P. Townes

Employees' & Judicial Retirement Executive, William F. Kelley, Jr., J.D.

Director of Member Services, Penny K. Wilson

Director of Field Services, Judy Utley

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

Assistant Counsel, Amy Connally, J.D.

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

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

**Investment Staff**

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

Director of Private Placements, M. Hunter Harrell, M.B.A., J.D., C.F.A.

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

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

Equity Analyst, Bobby Long, M.B.A., C.F.A.

Equity Analyst, Michael McNair, M.B.A.

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

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

Equity Analyst, Keith Buchanan, M.B.A., C.F.A.

Equity Analyst, Adam Rogers, M.A., C.F.A.

Equity Analyst, Amy Hendrickson, M.S.

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

Fixed Income Analyst, Nick Prillaman, M.S., C.F.A.

Cash Management & Operations, Nancy S. Blair

**Advisors**

Independent Certified Public Accountants, Carr, Riggs, & Ingram, LLC

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

State Street Bank and Trust Company, Investment Custodian

Cavanaugh Macdonald Consulting, LLC, Mr. Edward A. Macdonald, Consulting Actuary

Attorney General, Mr. Luther Strange

Chief Examiner, Mr. Ronald L. Jones

**Medical Board**

Chairman, Neil Stronach, M.D.

Malcolm Brown, M.D.

Glenn Yates, M.D.



Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# FINANCIAL SECTION



## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combining statement of plan net assets of the Retirement Systems of Alabama (consisting of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama, and the Judicial Retirement Fund, component units of the State of Alabama), as of September 30, 2011, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement Systems of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Retirement Systems of Alabama's 2010 financial statements and, in our report dated January 28, 2011, we expressed an unqualified opinion on such financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2011 financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Systems of Alabama (component units of the State of Alabama) as of September 30, 2011, and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 14 through 18 and the schedules of funding progress and employer contributions (pages 44 through 46) are not required parts of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, statistical section and supplementary information included on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included on pages 47 through 49 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

January 31, 2012  
Montgomery, Alabama

## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Management's Discussion and Analysis

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The Retirement Systems of Alabama (RSA) is comprised of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). The following discussion provides an overview of the financial position and results of operation for the RSA as of and for the period ended September 30, 2011. For more detailed information, please refer to the financial statements, including the Notes to the Financial Statements and the Required Supplementary Information.

#### **Financial Statements and Required Supplementary Information**

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

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Management's Discussion and Analysis (Continued)

**Comparative Summary Statements**

**Summary Comparative Statement of Plan Net Assets**

**As of September 30, 2011 and 2010**

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b><i>Assets</i></b>				
Cash	\$ 14,222	\$ 9,366	\$ 4,856	51.85
Receivables	223,341	219,311	4,030	1.84
Investment Sales Receivable	1,033,876	1,348,384	(314,508)	(23.32)
Investments	23,847,672	24,804,395	(956,723)	(3.86)
Invested Securities Lending Collateral	1,754,465	2,825,922	(1,071,457)	(37.92)
Property and Equipment, Net	154,346	158,623	(4,277)	(2.70)
Total Assets	<u>27,027,922</u>	<u>29,366,001</u>	<u>(2,338,079)</u>	<u>(7.96)</u>
<b><i>Liabilities</i></b>				
Accounts Payable and Other Liabilities	7,441	7,392	49	0.66
Investment Purchases Payable	169,484	1,093,925	(924,441)	(84.51)
Other Post-employment Benefit Obligations	3,744	3,115	629	20.19
Securities Lending Collateral	1,754,465	2,825,922	(1,071,457)	(37.92)
Total Liabilities	<u>1,935,134</u>	<u>3,930,354</u>	<u>(1,995,220)</u>	<u>(50.76)</u>
<b><i>Net Assets</i></b>	<b><u>\$ 25,092,788</u></b>	<b><u>\$ 25,435,647</u></b>	<b><u>\$ (342,859)</u></b>	<b><u>(1.35)</u></b>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

**Summary Comparative Statement of Changes in Plan Net Assets  
For the Fiscal Years Ended September 30, 2011 and 2010  
(Amounts in Thousands)**

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>Additions</b>				
Employee Contributions	\$ 517,390	\$ 517,304	\$ 86	0.02
Employer Contributions	1,185,548	1,165,133	20,415	1.75
Investment Income	550,926	2,166,914	(1,615,988)	(74.58)
Transfers Between Systems	4,169	3,423	746	21.79
Total Additions	<u>2,258,033</u>	<u>3,852,774</u>	<u>(1,594,741)</u>	<u>(41.39)</u>
<b>Deductions</b>				
Retirement Allowance Payments	2,483,217	2,317,976	165,241	7.13
Return of Contributions, Unit				
Withdrawals & Death Benefits	86,136	77,731	8,405	10.81
Transfers Between Systems	4,169	3,423	746	21.79
Administrative Expense	21,098	22,630	(1,532)	(6.77)
Depreciation	6,272	6,375	(103)	(1.62)
Total Deductions	<u>2,600,892</u>	<u>2,428,135</u>	<u>172,757</u>	<u>7.11</u>
<b>(Decrease)/Increase in Plan Net Assets</b>	<u>(342,859)</u>	<u>1,424,639</u>	<u>(1,767,498)</u>	<u>(124.07)</u>
Net Assets - Beginning of Year	<u>25,435,647</u>	<u>24,011,008</u>	<u>1,424,639</u>	<u>5.93</u>
<b>Net Assets - End of Year</b>	<u><b>\$ 25,092,788</b></u>	<u><b>\$ 25,435,647</b></u>	<u><b>\$ (342,859)</b></u>	<u><b>(1.35)</b></u>

**Comparison of Individual Plan Net Assets  
As of September 30, 2011 and 2010  
(Amounts in Thousands)**

	<u>2011</u>	<u>2010</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>TRS</b>	\$ 16,752,218	\$ 17,037,673	\$ (285,455)	(1.68)
<b>ERS</b>	8,130,435	8,176,732	(46,297)	(0.57)
<b>JRF</b>	210,135	221,242	(11,107)	(5.02)
<b>Total</b>	<u><b>\$ 25,092,788</b></u>	<u><b>\$ 25,435,647</b></u>	<u><b>\$ (342,859)</b></u>	<u><b>(1.35)</b></u>

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

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

##### **Financial Analysis**

- Primarily all cash on hand at September 30, 2011, was held for administrative expenses.
- In the Summary Comparative Statement of Plan Net Assets, receivables consist of employee contributions, employer contributions, interest, dividends and real estate receivables at September 30, 2011.
- Investment sales receivable and investment purchases payable occur as a result of trade date accounting. The decrease in the receivable and payable for fiscal year 2011 was due to the value of securities traded in the current fiscal year and settling in the following fiscal year being smaller than the value of the securities accounted for using trade date accounting in the previous fiscal year.
- The RSA's investment portfolio presented in percentages by investment type.

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
<b>Equity</b>	57.42%	56.01%	63.63%
<b>Fixed</b>	30.82%	32.24%	34.95%
<b>Real Estate</b>	11.76%	11.75%	1.42%
<b>Total</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

- Employee contributions remained steady as there were no cost of living increases during fiscal year 2011. Total employees also decreased from fiscal year 2010 levels.
- Employer contributions increased primarily as a result of substantial lump-sum contributions from two units during fiscal year 2011. Employer contribution rates for fiscal year 2011 were unchanged from fiscal year 2010 rates.
- During fiscal year 2011, returns on investments of the TRS, ERS and JRF were 1.81%, 2.21%, and 0.45%, respectively. The returns were calculated by State Street Bank.
- During fiscal year 2011, net securities lending income increased by 62%. This was primarily the result of a 24% increase in securities lending revenue and a 56% decrease in borrower rebates, a component of securities lending expense. The increase in securities lending revenue was driven by the demand for securities lending throughout the market, and an effort by the State Street lending team to lock in some longer term loans and to focus more on the fee based non-cash collateral loans. Cash collateral decreased by a total of 38% and non-cash collateral increased 74% overall. A decline in borrower rebates is attributed to a decline in short-term interest rates and an aforementioned shift to non-cash collateral over cash collateral from which the borrower rebates are derived. Management fee expense, the other component of securities lending expense, increased 13% this fiscal year as a direct result of the increase in securities lending revenue.
- Retirement allowance payments increased due to the addition of the members who retired in fiscal year 2011. There were no cost of living adjustments granted for fiscal year 2011.

## RETIREMENT SYSTEMS OF ALABAMA

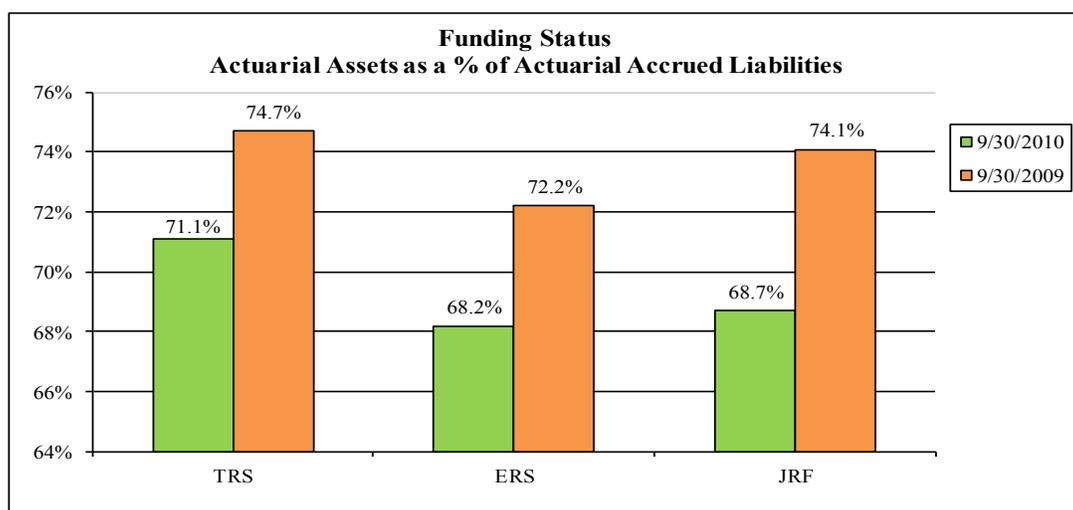
### Financial Section

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

#### Funding Status

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

The ratio of actuarial assets to actuarial liabilities provides an excellent indication as to whether sufficient assets are being accumulated to pay benefits when due. The following bar graph provides comparisons of the funded ratio (actuarial assets to actuarial liabilities) as of the last two valuations for each System (September 30, 2010 and September 30, 2009). The funded ratios decreased slightly in the most recent valuations. However, as reflected by the following graph, the TRS, ERS, and JRF continue to operate on an actuarially sound basis and accumulated funds are sufficient to continue to provide benefits as they become due.



#### Financial Highlights

- The Deferred Retirement Option Plan was repealed by Act 2011-27 effective March 24, 2011. Applications received by the RSA or postmarked by March 24, 2011, were accepted for DROP participation if the member was age and service eligible. The effect of Act 2011-27 is that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.
- Act 2011-676 increased the member contribution rate by 2.25% of salary effective October 1, 2011. The member rate will increase again on October 1, 2012, by an additional 0.25% of salary. ERS local participating employers have the option to adopt the new employee contribution rates.
- Net assets held in trust of \$25.1 billion at 9/30/2011 were available to meet future benefit payments.
- The funding level (actuarial value of assets as a percentage of actuarial accrued liabilities) as of the latest actuarial valuations was 71.1% for the TRS, 68.2% for the ERS, and 68.7% for the JRF.
- Subsequent to September 30, 2011, the RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods used by the RSA. This investigation resulted in changes to actuarial assumptions which are outlined in Note 6. The boards of control for each accepted and approved these changes on January 27, 2012.



RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Combining Statement of Plan Net Assets

September 30, 2011 with comparative figures for 2010

(Amounts in Thousands)

	2011			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
<b>Assets</b>				
Cash (Note 4)	\$ 10,066	\$ 2,608	\$ 1,548	\$ 14,222
Receivables				
Employee Contributions	25,890	17,988	116	43,994
Employer Contributions	63,928	28,397	360	92,685
Investment Sales Receivable	707,221	326,653	2	1,033,876
Real Estate Investment Receivable	1,106	553	-	1,659
Dividends and Interest	57,446	26,480	1,077	85,003
Total Receivables	<u>855,591</u>	<u>400,071</u>	<u>1,555</u>	<u>1,257,217</u>
Investments, at Fair Value (Note 5)				
Domestic Equity	6,878,428	3,335,278	101,922	10,315,628
Domestic Fixed Income	4,572,492	2,192,171	64,957	6,829,620
International Equities	2,251,886	999,317	30,075	3,281,278
Real Estate	1,870,629	909,719	2,946	2,783,294
Short-Term	327,094	303,210	7,548	637,852
Total Investments	<u>15,900,529</u>	<u>7,739,695</u>	<u>207,448</u>	<u>23,847,672</u>
Invested Securities Lending Collateral (Note 5)	1,191,109	530,094	33,262	1,754,465
Property and Equipment less				
Accumulated Depreciation (Note 8)	103,169	51,177	-	154,346
Total Assets	<u>18,060,464</u>	<u>8,723,645</u>	<u>243,813</u>	<u>27,027,922</u>
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	4,475	2,860	106	7,441
Investment Purchases Payable	110,860	58,336	288	169,484
Other Post-employment Benefits (Note 9)	1,802	1,920	22	3,744
Securities Lending Collateral (Note 5)	1,191,109	530,094	33,262	1,754,465
Total Liabilities	<u>1,308,246</u>	<u>593,210</u>	<u>33,678</u>	<u>1,935,134</u>
<b>Net Assets Held in Trust for Pension Benefits (Notes 3 &amp; 6)</b>	<b><u>\$ 16,752,218</u></b>	<b><u>\$ 8,130,435</u></b>	<b><u>\$ 210,135</u></b>	<b><u>\$ 25,092,788</u></b>

See accompanying *Notes to the Financial Statements*.

	<b>2010</b>			
	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Assets</b>				
Cash	\$ 4,843	\$ 3,262	\$ 1,261	\$ 9,366
Receivables				
Employee Contributions	25,796	15,197	114	41,107
Employer Contributions	64,509	30,329	369	95,207
Investment Sales Receivable	923,111	425,256	17	1,348,384
Real Estate Investment Receivable	1,135	567	-	1,702
Dividends and Interest	54,922	25,280	1,093	81,295
Total Receivables	<u>1,069,473</u>	<u>496,629</u>	<u>1,593</u>	<u>1,567,695</u>
Investments, at Fair Value				
Domestic Equity	7,426,861	3,573,333	106,307	11,106,501
Domestic Fixed Income	4,318,947	2,065,758	68,050	6,452,755
International Equities	2,488,588	1,101,393	33,219	3,623,200
Real Estate	1,893,380	923,235	2,686	2,819,301
Short-Term	485,804	308,581	8,253	802,638
Total Investments	<u>16,613,580</u>	<u>7,972,300</u>	<u>218,515</u>	<u>24,804,395</u>
Invested Securities Lending Collateral	1,942,174	854,386	29,362	2,825,922
Property and Equipment less Accumulated Depreciation				
	<u>105,810</u>	<u>52,813</u>	<u>-</u>	<u>158,623</u>
Total Assets	<u>19,735,880</u>	<u>9,379,390</u>	<u>250,731</u>	<u>29,366,001</u>
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	4,517	2,790	85	7,392
Investment Purchases Payable	750,027	343,876	22	1,093,925
Other Post-employment Benefits	1,489	1,606	20	3,115
Securities Lending Collateral	<u>1,942,174</u>	<u>854,386</u>	<u>29,362</u>	<u>2,825,922</u>
Total Liabilities	<u>2,698,207</u>	<u>1,202,658</u>	<u>29,489</u>	<u>3,930,354</u>
<b>Net Assets Held in Trust for Pension Benefits</b>	<u><b>\$ 17,037,673</b></u>	<u><b>\$ 8,176,732</b></u>	<u><b>\$ 221,242</b></u>	<u><b>\$ 25,435,647</b></u>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2011 with comparative figures for 2010

(Amounts in Thousands)

	<b>2011</b>			
	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Additions</b>				
Contributions				
Employee	\$ 321,137	\$ 193,697	\$ 2,556	\$ 517,390
Employer	779,644	394,998	10,906	1,185,548
Transfers from Teachers' Retirement System	-	2,012	-	2,012
Transfers from Employees' Retirement System	2,059	-	98	2,157
Total Contributions	<u>1,102,840</u>	<u>590,707</u>	<u>13,560</u>	<u>1,707,107</u>
Investment Income (Note 5)				
<i>From Investing Activities</i>				
Net Decrease in Fair Value of Investments	(278,407)	(112,758)	(4,961)	(396,126)
Interest and Dividends	624,546	307,152	6,853	938,551
Total Investment Income from Investing Activities	<u>346,139</u>	<u>194,394</u>	<u>1,892</u>	<u>542,425</u>
Less: Investment Expenses, Net	5,305	2,308	-	7,613
Net Investment Income from Investing Activities	<u>340,834</u>	<u>192,086</u>	<u>1,892</u>	<u>534,812</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	15,643	6,891	201	22,735
Less Securities Lending Expenses:				
Borrower Rebates	1,261	517	22	1,800
Management Fees	3,251	1,521	49	4,821
Total Securities Lending Expenses	<u>4,512</u>	<u>2,038</u>	<u>71</u>	<u>6,621</u>
Net Income from Securities Lending Activities	<u>11,131</u>	<u>4,853</u>	<u>130</u>	<u>16,114</u>
Total Net Investment Income	<u>351,965</u>	<u>196,939</u>	<u>2,022</u>	<u>550,926</u>
Total Additions	<u>1,454,805</u>	<u>787,646</u>	<u>15,582</u>	<u>2,258,033</u>
<b>Deductions</b>				
Retirement Allowance Payments	1,673,881	782,957	26,379	2,483,217
Return of Contributions and Death Benefits	49,304	36,798	34	86,136
Transfers to Employees' Retirement System	2,012	-	-	2,012
Transfers to Teachers' Retirement System	-	2,059	-	2,059
Transfers to Judicial Retirement Fund	-	98	-	98
Administrative Expenses	10,820	10,002	276	21,098
Depreciation (Note 8)	4,243	2,029	-	6,272
Total Deductions	<u>1,740,260</u>	<u>833,943</u>	<u>26,689</u>	<u>2,600,892</u>
<b>Net Decrease</b>	<b>(285,455)</b>	<b>(46,297)</b>	<b>(11,107)</b>	<b>(342,859)</b>
<b>Net Assets Held in Trust for Pension Benefits (Notes 3 &amp; 6):</b>				
Beginning of Year	<u>17,037,673</u>	<u>8,176,732</u>	<u>221,242</u>	<u>25,435,647</u>
<b>End of Year</b>	<b><u>\$ 16,752,218</u></b>	<b><u>\$ 8,130,435</u></b>	<b><u>\$ 210,135</u></b>	<b><u>\$ 25,092,788</u></b>

See accompanying *Notes to the Financial Statements*.

	2010			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Additions</b>				
Contributions				
Employee	\$ 319,770	\$ 194,968	\$ 2,566	\$ 517,304
Employer	776,421	377,898	10,814	1,165,133
Transfers from Teachers' Retirement System	-	1,790	-	1,790
Transfers from Employees' Retirement System	1,633	-	-	1,633
Total Contributions	<u>1,097,824</u>	<u>574,656</u>	<u>13,380</u>	<u>1,685,860</u>
Investment Income				
<i>From Investing Activities</i>				
Net Increase in Fair Value of Investments	886,997	427,365	15,287	1,329,649
Interest and Dividends	559,941	268,667	6,551	835,159
Total Investment Income from Investing Activities	<u>1,446,938</u>	<u>696,032</u>	<u>21,838</u>	<u>2,164,808</u>
Less: Investment Expenses, Net	5,415	2,398	-	7,813
Net Investment Income from Investing Activities	<u>1,441,523</u>	<u>693,634</u>	<u>21,838</u>	<u>2,156,995</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	12,519	5,619	169	18,307
Less Securities Lending Expenses:				
Borrower Rebates	2,820	1,271	45	4,136
Management Fees	2,910	1,305	37	4,252
Total Securities Lending Expenses	<u>5,730</u>	<u>2,576</u>	<u>82</u>	<u>8,388</u>
Net Income from Securities Lending Activities	<u>6,789</u>	<u>3,043</u>	<u>87</u>	<u>9,919</u>
Total Net Investment Income	<u>1,448,312</u>	<u>696,677</u>	<u>21,925</u>	<u>2,166,914</u>
Total Additions	<u>2,546,136</u>	<u>1,271,333</u>	<u>35,305</u>	<u>3,852,774</u>
<b>Deductions</b>				
Retirement Allowance Payments	1,567,790	725,660	24,526	2,317,976
Return of Contributions and Death Benefits	43,628	33,868	235	77,731
Transfers to Employees' Retirement System	1,790	-	-	1,790
Transfers to Teachers' Retirement System	-	1,633	-	1,633
Administrative Expenses	11,979	10,334	317	22,630
Depreciation	4,264	2,111	-	6,375
Total Deductions	<u>1,629,451</u>	<u>773,606</u>	<u>25,078</u>	<u>2,428,135</u>
<b>Net Increase</b>	<b><u>916,685</u></b>	<b><u>497,727</u></b>	<b><u>10,227</u></b>	<b><u>1,424,639</u></b>
<b>Net Assets Held in Trust for Pension Benefits:</b>				
Beginning of Year	<u>16,120,988</u>	<u>7,679,005</u>	<u>211,015</u>	<u>24,011,008</u>
End of Year	<b><u>\$ 17,037,673</u></b>	<b><u>\$ 8,176,732</u></b>	<b><u>\$ 221,242</u></b>	<b><u>\$ 25,435,647</u></b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

#### 1) PLAN DESCRIPTION

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

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

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

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

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

At September 30, 2011, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	288	-
Counties	-	65	67
Other Public Entities	-	520	-
Universities	13	-	-
Post-Secondary Institutions	30	-	-
City and County Boards of Education	132	-	-
State Agencies & Other	33	1	1
<b>Totals</b>	<u><b>208</b></u>	<u><b>874</b></u>	<u><b>68</b></u>

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

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Retirees and beneficiaries currently receiving benefits:			
General	71,691	18,959	323
State Police	-	789	-
Employees of Local Employers	-	17,823	-
Deferred Retirement Option Plan (DROP)	5,737	2,593	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	20,163	3,570	46
State Police	-	19	-
Employees of Local Employers	-	7,901	-
Active Employees:			
General	136,290	32,447	338
State Police	-	859	-
Employees of Local Employers	-	53,661	-
<b>Totals</b>	<b><u>233,881</u></b>	<b><u>138,621</u></b>	<b><u>707</u></b>

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

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

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

(Dollar Amounts in Thousands)

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

## **2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Accounting**

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

### **B. Investments**

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer (CEO) and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other investment vehicles with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price

at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals or cost, when cost approximates fair value. 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 independent appraisal is performed to determine the fair value of the private placements.

### **C. Comparative Combining Statements**

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

### **D. Interfund Transfers**

Interfund transfers result from transfers of members between retirement systems.

### **E. Use of Estimates**

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

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

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

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

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

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

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

#### **B. Pension Accumulation**

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

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

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

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

#### **D. Term Life Insurance**

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

#### **E. Expense**

The Expense fund is used to pay the administrative expenses of the RSA. A portion of the employer contributions and the interest not payable upon member withdrawal provide the funding of the Expense fund. The majority of expenses are directly identifiable as expenses of the TRS, ERS, or JRF. As

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

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discussed in Note 1, certain administrative salaries and other expenses are shared on an equitable basis between the TRS and ERS.

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

The DROP was established for election to participate on or after June 1, 2002, under the provisions of Act 23 of the Legislature of 2002. Eligible members may elect to retire, and, in lieu of immediate withdrawal from service, continue employment for a period of three to five years. The retirement allowance, employee contributions, and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member. DROP participation

is an option available to eligible members that have at least twenty-five years of service (exclusive of sick leave), are at least fifty-five years of age, and are eligible for retirement. See the actuarial section for additional information.

The DROP was repealed effective March 24, 2011, by Act 27 of the Legislature of 2011. Applications received by the RSA or postmarked by March 24, 2011, were accepted for DROP participation if the member was age and service eligible. The effect of Act 27 is that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

#### G. Reserves

The reserves of the RSA are included as part of the net assets held in trust for pension benefits in the accompanying Statement of Plan Net Assets and are funded to the full extent required by statute. The reserve balances as of September 30, 2011, are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Annuity Savings	\$ 3,620,301	\$ 2,112,356	\$ 32,898
Pension Accumulation	12,202,377	5,620,703	175,818
Preretirement Death Benefit	28,538	21,351	-
Term Life Insurance	12,985	-	-
Deferred Retirement Option Plan	774,403	324,182	-
Plant Fund	103,169	51,177	-
Expense	10,445	666	1,419
<b>Net Assets Held at 9/30/2011</b>	<b><u>\$ 16,752,218</u></b>	<b><u>\$ 8,130,435</u></b>	<b><u>\$ 210,135</u></b>

#### 4) CASH

Cash consists of deposits held by the State Treasurer in the respective retirement systems' name. Deposits are entirely insured by Federal depository insurance or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository

is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Virtually all cash on hand at September 30, 2011, was held for administrative expenses.

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## 5) INVESTMENTS

### A. Investment Risks

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

*Interest Rate Risk* – The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

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

*Credit Quality* – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. Domestic fixed-maturity investments may consist of rated or non-rated securities. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-

term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

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

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

- Domestic Fixed Income – Limited to 50% of the fair value of the aggregate portfolio for each System.
- International Fixed Income – Limited to 10% of the fair value of each System's total portfolio.
- Domestic Equity – Limited to 65% of the fair value of each System's aggregate portfolio.
- International Equity – The aggregate fair value of international equities is limited to 25% of the aggregate fair value of each System's total portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a company.
- Real Estate – The range may not exceed 15% of the book value of each System's portfolio.
- Alternative Investments (mezzanine financing, LBO's, venture capital, limited partnerships, futures, commodities and derivative investments) – Limited to 10% of the book value of each System's aggregate portfolio.
- Short-term Investments – Limited to 20% of the fair value of each System's aggregate portfolio.

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### Notes to the Financial Statements

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(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2011, concerning the fair value of investments, interest rate risk, and foreign currency risk:

Type of Investment	INVESTMENTS				Total Fair Value	Cost
	TRS					
	Maturity in Years at Fair Value					
Less Than 1	1-5	6-10	More Than 10			
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 212,778	\$ -	\$ -	\$ -	\$ 212,778	\$ 212,778
Commercial Paper	114,316	-	-	-	114,316	114,316
US Agency	-	136,930	103,129	18,513	258,572	238,460
U.S. Govt Guaranteed	-	176,029	406,856	77,756	660,641	598,745
Corporate Bonds	34,784	454,650	503,451	271,758	1,264,643	1,183,548
Private Placements	-	434,693	20,383	1,521,594	1,976,670	2,289,714
GNMAs	14	178	830	42,711	43,733	39,056
CMOs	-	-	12,426	355,807	368,233	356,822
Total Domestic Fixed Maturity	<u>\$ 361,892</u>	<u>\$ 1,202,480</u>	<u>\$ 1,047,075</u>	<u>\$ 2,288,139</u>	<u>4,899,586</u>	<u>5,033,439</u>
<i>Equities</i>						
Domestic						
					<u>6,651,733</u>	<u>5,932,473</u>
Private						
					<u>226,695</u>	<u>376,425</u>
International						
Emerging Markets					239,249	267,009
United Kingdom - Pound Sterling					445,364	461,462
Japan - Yen					463,270	512,928
France - Euro					185,951	210,944
Germany - Euro					155,771	156,707
Switzerland - Franc					172,009	125,522
Netherlands - Euro					51,515	60,791
Italy - Euro					46,659	89,140
Spain - Euro					68,503	77,533
Australia - Dollar					169,267	126,396
Singapore - Dollar					34,640	30,715
Belgium - Euro					19,639	28,417
Finland - Euro					17,933	27,047
Hong Kong - Dollar					53,581	47,265
Sweden - Krona					57,354	46,052
Denmark - Krone					19,735	13,145
Israel - Shekel					12,980	17,039
Portugal - Euro					4,811	8,392
Ireland - Euro					4,828	6,807
Norway - Krone					18,002	12,404
Greece - Euro					2,892	9,918
Austria - Euro					5,918	7,859
New Zealand - Dollar					2,015	2,725
Total International Equities					<u>2,251,886</u>	<u>2,346,217</u>
Total Equities					<u>9,130,314</u>	<u>8,655,115</u>
Real Estate					<u>1,870,629</u>	<u>1,691,757</u>
<b>Total Investments</b>					<u><b>\$ 15,900,529</b></u>	<u><b>\$ 15,380,311</b></u>

<b>INVESTMENTS</b>						
<b>ERS</b>						
<b>Maturity in Years at Fair Value</b>						
<b>Type of Investment</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>	<b>Total Fair Value</b>	<b>Cost</b>
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 90,215	\$ -	\$ -	\$ -	\$ 90,215	\$ 90,215
Commercial Paper	212,995	-	-	-	212,995	212,995
US Agency	-	62,807	44,199	8,572	115,578	106,834
U.S. Govt Guaranteed	-	80,417	185,479	35,436	301,332	273,035
Corporate Bonds	15,821	208,245	230,183	124,572	578,821	541,674
Private Placements	-	244,812	10,039	755,386	1,010,237	1,166,286
GNMAs	4	177	475	17,550	18,206	16,366
CMOs	-	-	5,272	162,725	167,997	162,856
Total Domestic Fixed Maturity	<u>\$ 319,035</u>	<u>\$ 596,458</u>	<u>\$ 475,647</u>	<u>\$ 1,104,241</u>	<u>2,495,381</u>	<u>2,570,261</u>
<i>Equities</i>						
Domestic						
Private					<u>183,447</u>	<u>270,537</u>
International						
Emerging Markets					114,258	127,513
United Kingdom - Pound Sterling					195,765	201,627
Japan - Yen					203,610	226,085
France - Euro					82,127	92,501
Germany - Euro					68,473	68,701
Switzerland - Franc					75,615	54,495
Netherlands - Euro					22,645	26,214
Italy - Euro					20,510	39,009
Spain - Euro					30,112	33,348
Australia - Dollar					74,405	55,514
Singapore - Dollar					15,228	13,472
Belgium - Euro					8,633	12,411
Finland - Euro					7,883	12,049
Hong Kong - Dollar					23,553	20,845
Sweden - Krona					25,211	20,342
Denmark - Krone					8,674	5,760
Israel - Shekel					5,707	7,491
Portugal - Euro					2,115	3,670
Ireland - Euro					2,122	2,976
Norway - Krone					7,913	5,536
Greece - Euro					1,271	4,374
Austria - Euro					2,601	3,511
New Zealand - Dollar					886	1,217
Total International Equities					<u>999,317</u>	<u>1,038,661</u>
Total Equities					<u>4,334,595</u>	<u>4,129,095</u>
Real Estate					909,719	845,713
<b>Total Investments</b>					<u><b>\$ 7,739,695</b></u>	<u><b>\$ 7,545,069</b></u>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

<b>INVESTMENTS</b>						
<b>JRF</b>						
<b>Maturity in Years at Fair Value</b>						
<b>Type of Investment</b>	<b>Less Than 1</b>	<b>1-5</b>	<b>6-10</b>	<b>More Than 10</b>	<b>Total Fair Value</b>	<b>Cost</b>
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 4,548	\$ -	\$ -	\$ -	\$ 4,548	\$ 4,548
Commercial Paper	3,000	-	-	-	3,000	3,000
US Agency	-	2,746	4,316	417	7,479	6,756
U.S. Govt Guaranteed	-	3,995	9,228	1,751	14,974	13,554
Corporate Bonds	780	10,952	13,105	5,658	30,495	28,799
Private Placements	-	2,240	-	1,031	3,271	4,044
GNMAs	-	11	-	544	555	515
CMOs	-	-	255	7,928	8,183	7,934
Total Domestic Fixed Maturity	<u>\$ 8,328</u>	<u>\$ 19,944</u>	<u>\$ 26,904</u>	<u>\$ 17,329</u>	<u>72,505</u>	<u>69,150</u>
<i>Equities</i>						
Domestic						
					<u>101,922</u>	<u>76,797</u>
Private						
					<u>-</u>	<u>-</u>
International						
Emerging Markets					3,565	3,978
United Kingdom - Pound Sterling					5,881	6,695
Japan - Yen					6,129	7,092
France - Euro					2,369	3,081
Germany - Euro					2,060	2,363
Switzerland - Franc					2,271	2,276
Netherlands - Euro					681	885
Italy - Euro					617	1,084
Spain - Euro					905	1,119
Australia - Dollar					2,237	2,256
Singapore - Dollar					465	452
Belgium - Euro					260	374
Finland - Euro					237	353
Hong Kong - Dollar					700	727
Sweden - Krona					758	801
Denmark - Krone					260	262
Israel - Shekel					171	225
Portugal - Euro					64	95
Ireland - Euro					64	82
Norway - Krone					238	225
Greece - Euro					38	121
Austria - Euro					78	116
New Zealand - Dollar					27	26
Total International Equities					<u>30,075</u>	<u>34,688</u>
Total Equities					<u>131,997</u>	<u>111,485</u>
Real Estate					<u>2,946</u>	<u>892</u>
<b>Total Investments</b>					<b><u>\$ 207,448</u></b>	<b><u>\$ 181,527</u></b>

The following tables provide information as of September 30, 2011, concerning credit risk:

**RATINGS OF FIXED MATURITIES  
TRS**

<b>Moody's Ratings (Unless Noted)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a Percent of Total Fixed Maturity Fair Value</b>
US Gov't Guaranteed Securities ±	\$ 704,374	\$ 637,801	14.376
Aaa	602,687	572,470	12.300
Aa1	5,489	4,657	0.112
Aa2	84,095	78,295	1.716
Aa3	93,810	79,117	1.915
P-1	114,316	114,316	2.333
P-2	212,778	212,778	4.343
A1	89,362	87,703	1.824
A2	137,710	126,957	2.811
A3	143,233	125,242	2.923
A (SP)	5,879	5,055	0.120
A- (SP)	8,445	7,544	0.172
Baa1	326,910	296,490	6.672
Baa2	213,373	196,635	4.355
Baa3	82,323	80,223	1.680
BBB+ (SP)	19,866	17,168	0.405
BBB (SP)	5,371	4,725	0.110
Ba1	51,972	51,786	1.061
Ba2	22,687	23,065	0.463
Ba3	28,430	31,078	0.580
D (SP)	274	258	0.006
‡Not Rated	1,946,202	2,280,076	39.723
<b>Total Fixed Maturity</b>	<b>\$ 4,899,586</b>	<b>\$ 5,033,439</b>	<b>100.000</b>

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

‡ Primarily consists of private placements

± Includes GNMA Securities

RETIREMENT SYSTEMS OF ALABAMA

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Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

RATINGS OF FIXED MATURITIES

ERS

Moody's Ratings (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Gov't Guaranteed Securities±	\$ 319,539	\$ 289,402	12.805
Aaa	272,559	259,267	10.923
Aa1	2,529	2,145	0.101
Aa2	39,013	36,317	1.563
Aa3	42,887	36,166	1.719
P-1	90,215	90,215	3.615
P-2	212,995	212,995	8.536
A1	40,885	40,126	1.640
A2	63,207	58,252	2.533
A3	64,832	56,765	2.598
A (SP)	2,739	2,355	0.110
A- (SP)	4,500	4,020	0.180
Baa1	150,453	136,523	6.029
Baa2	97,583	89,855	3.911
Baa3	37,639	36,679	1.508
BBB+ (SP)	8,751	7,563	0.351
BBB (SP)	2,496	2,196	0.100
Ba1	24,640	24,396	0.987
Ba2	10,867	11,066	0.435
Ba3	12,860	14,057	0.515
Caa2	45	47	0.002
D (SP)	113	106	0.005
‡Not Rated	994,034	1,159,748	39.834
<b>Total Fixed Maturity</b>	<b>\$ 2,495,381</b>	<b>\$ 2,570,261</b>	<b>100.000</b>

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

‡Primarily consists of private placements

± Includes GNMA Securities

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

<b>Moody's Ratings (Unless Noted)</b>	<b>Fair Value</b>	<b>Cost</b>	<b>Fair Value as a Percent of Total Fixed Maturity Fair Value</b>
US Gov't Guaranteed Securities±	\$ 15,529	\$ 14,069	21.418
Aaa	13,212	12,555	18.222
Aa1	2,017	1,713	2.782
Aa2	2,965	2,746	4.089
Aa3	1,739	1,516	2.398
P-1	4,548	4,548	6.272
P-2	3,000	3,000	4.138
A1	1,985	1,946	2.738
A2	3,224	2,939	4.446
A3	3,325	2,913	4.586
Baa1	8,008	7,386	11.044
Baa2	4,536	4,172	6.256
Baa3	1,917	1,866	2.644
BBB (SP)	134	118	0.185
Ba1	3,254	3,035	4.488
Ba2	245	240	0.338
Ba3	584	638	0.805
Caa2	687	723	0.947
‡Not Rated	1,596	3,027	2.204
<b>Total Fixed Maturity</b>	<b>\$ 72,505</b>	<b>\$ 69,150</b>	<b>100.000</b>

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

‡Primarily consists of private placements

± Includes GNMA Securities

**B. Concentration of Investments**

As of September 30, 2011, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 8.22% of the TRS investments and 9.03% of the ERS investments.

**C. Securities Lending Program**

The TRS, ERS, and JRF are authorized by the Boards of Control to participate in a securities lending program. The Systems' custodian, State Street Bank and Trust Company (State Street), administers the program. Certain securities from the TRS, ERS, and

JRF are loaned to borrowers approved by the Systems for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U. S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U. S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received) a value of 102% or 105% of the fair value of the loaned securities, or such other value, but not less than 102%

(Dollar Amounts in Thousands)

of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). Effective December 3, 2010, the collateral fund was restructured, separating the collateral fund into two pools, a liquidity pool and a duration pool. This split allows greater flexibility in managing the available liquidity in the investment in the fund and the outstanding balance of securities on loan.

The following describes the QDF's guidelines. The QDF's Investment Manager (State Street Bank) shall maintain the dollar-weighted average maturity of QDF in a manner that the Investment Manager believes is appropriate to the objective of QDF; provided, that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the QDF not to exceed 75 calendar days and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of the Global Securities Lending Trust (GLST) not to exceed 180 calendar days. At the time of purchase (i) all eligible securities with maturities of 13 months or less shall (x) be rated at least A1, P1 or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (y) be determined by the

Investment Manager to be of comparable quality and (ii) all eligible securities with maturities in excess of 13 months shall (x) be rated at least A-, A3 or A- by at least any two of S & P, Moody's or Fitch, or (y) be determined by the Investment Manager to be of comparable quality. The QDF may invest up to 10% of its assets at a time of purchase in commingled vehicles managed by the Trustee or its affiliates that conform to the Investment Policy Guidelines. The QDF duration pool includes all asset backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each QDF investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The GLST duration pool will not make additional investments.

As of September 30, 2011, the average term of the loans secured by QDF was 20, 29, and 17 days, respectively for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2011, the fair value of the securities on loan was \$2,560,156, \$1,213,094, and \$53,921 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was \$2,684,172, \$1,273,343 and \$56,442 for the TRS, ERS, and JRF, respectively. Since the amounts owed by the TRS, ERS, and JRF exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2011. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the Systems. Securities pledged as collateral are held by the custodial agent, but not in the name of the Systems. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. Tri Party Collateral is held by a third party bank in the name of the custodial agent. State Street, as custodial agent, is authorized to request a third party

bank to undertake certain custodial functions in connection with holding of the collateral provided by a borrower. State Street may instruct the third party bank to establish and maintain a borrower's account and a State Street account wherein all collateral,

including cash shall be maintained by the third party bank in accordance with the terms of the agreement. The following table provides information as of September 30, 2011, concerning securities lent:

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

<u>Type of Investment Lent</u>	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>	<u>Totals</u>
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 196,687	\$ 72,541	\$ 11,362	\$ 280,590
Domestic Equity	698,410	349,457	19,035	1,066,902
International Equity	234,348	80,753	1,461	316,562
Total Lent for Cash Collateral	<u>1,129,445</u>	<u>502,751</u>	<u>31,858</u>	<u>1,664,054</u>
<i>For Non-Cash Collateral</i>				
Domestic Fixed Maturities	718,669	358,597	12,354	1,089,620
Domestic Equity	194,221	90,539	7,116	291,876
International Equity	517,821	261,207	2,593	781,621
Total Lent for Non-cash Collateral	<u>1,430,711</u>	<u>710,343</u>	<u>22,063</u>	<u>2,163,117</u>
<b>Total Securities Lent</b>	<b><u>\$2,560,156</u></b>	<b><u>\$1,213,094</u></b>	<b><u>\$ 53,921</u></b>	<b><u>\$3,827,171</u></b>
<u>Type of Collateral Received</u>				
<i>Cash Collateral - Invested in State Street Quality D Fund</i>	<u>\$ 1,191,109</u>	<u>\$ 530,094</u>	<u>\$ 33,262</u>	<u>\$ 1,754,465</u>
<i>Non-Cash Collateral</i>				
For Lent Domestic Fixed Securities	743,035	372,227	12,894	1,128,156
For Lent Domestic Equity Securities				
Securities Collateral				
Canadian Dollars	22,724	4,240	-	26,964
EURO	4,342	1,491	129	5,962
GBP	4,785	956	115	5,856
US Dollar	172,993	89,389	7,302	269,684
For Lent International Equity Securities				
Securities Collateral				
EURO	61,459	30,224	408	92,091
GBP	5,433	13,985	153	19,571
US Dollar	478,292	230,737	2,179	711,208
Total Non-cash Collateral	<u>1,493,063</u>	<u>743,249</u>	<u>23,180</u>	<u>2,259,492</u>
<b>Total Collateral Received</b>	<b><u>\$2,684,172</u></b>	<b><u>\$1,273,343</u></b>	<b><u>\$ 56,442</u></b>	<b><u>\$4,013,957</u></b>

**D. Mortgage-backed Securities**

As of September 30, 2011, the TRS, ERS, and JRF had investments in mortgaged-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

**E. Investment Derivatives**

Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. From time to time, the RSA enters into certain derivative transactions, specifically call options and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investment derivative instruments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivative instruments is based on market prices. Investment risks related to investment derivatives have been considered and included in the Investment Risk note (Note 5A) in the preceding pages.

The following table presents the investment derivative instruments outstanding as of September 30, 2011, as reported in the System's Statement of Plan Net Assets and Statement of Changes in Plan Net Assets:

**INVESTMENT DERIVATIVE INSTRUMENTS**

	<b>Changes in Fair Value</b>		<b>Fair Value as of September 30, 2011</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
<b>TRS</b>					
Domestic Options Written	Investment Income	\$ (2,909)	Domestic Equity	\$ (5,476)	\$ 168,510
Domestic Options Purchased	Investment Income	3,437	Domestic Equity	9,545	(139,897)
Total Domestic Options		528		4,069	28,613
International Options Written	Investment Income	212	International Equity	(118)	73,438
<b>Grand Total TRS Options</b>		<b>\$ 740</b>		<b>\$ 3,951</b>	<b>\$ 102,051</b>
<b>ERS</b>					
Domestic Options Written	Investment Income	\$ (1,403)	Domestic Equity	\$ (2,630)	\$ 81,441
Domestic Options Purchased	Investment Income	1,641	Domestic Equity	4,559	(66,816)
Total Domestic Options		238		1,929	14,625
International Options Written	Investment Income	101	International Equity	(56)	35,063
<b>Grand Total ERS Options</b>		<b>\$ 339</b>		<b>\$ 1,873</b>	<b>\$ 49,688</b>
<b>JRF</b>					
Domestic Options Written	Investment Income	\$ (104)	Domestic Equity	\$ (142)	\$ 2,280
Domestic Options Purchased	Investment Income	(13)	Domestic Equity	78	(2,088)
Total Domestic Options		(117)		(64)	192
International Options Written	Investment Income	3	International Equity	(2)	1,098
<b>Grand Total JRF Options</b>		<b>\$ (114)</b>		<b>\$ (66)</b>	<b>\$ 1,290</b>
<b>Total</b>					
Domestic Options Written	Investment Income	\$ (4,416)	Domestic Equity	\$ (8,248)	\$ 252,231
Domestic Options Purchased	Investment Income	5,065	Domestic Equity	14,182	(208,801)
Total Domestic Options		649		5,934	43,430
International Options Written	Investment Income	316	International Equity	(176)	109,599
<b>Grand Total Options</b>		<b>\$ 965</b>		<b>\$ 5,758</b>	<b>\$ 153,029</b>

## 6) FUNDED STATUS AND FUNDING PROGRESS

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

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

FUNDED STATUS							
	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
<b>TRS</b>	9/30/2010	\$ 20,132,779	\$ 28,299,523	\$ 8,166,744	71.1%	\$ 6,183,204	132.1%
<b>ERS</b>	9/30/2010	\$ 9,739,331	\$ 14,284,119	\$ 4,544,788	68.2%	\$ 3,619,670	125.6%
<b>JRF</b>	9/30/2010	\$ 246,197	\$ 358,459	\$ 112,262	68.7%	\$ 43,061	260.7%

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

Additional information as of the latest actuarial valuation follows:

	ACTUARIAL ASSUMPTIONS		
	TRS	ERS	JRF
Valuation date	September 30, 2010	September 30, 2010	September 30, 2010
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected unit credit
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization method	Level percent open	Level percent open	Level percent open
Remaining amortization period	30 years	Within 30 years - varies by employer	30 years
Actuarial assumptions:			
Investment rate of return ‡	8%	8%	8%
Projected salary increases ‡	5.00%-7.75%	4.61%-7.75%	5%
Cost of living adjustments	None	None	None

‡ Includes inflation at 4.5%.

(Dollar Amounts in Thousands)

Subsequent to September 30, 2011, the RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to the following actuarial assumptions: reduced price inflation from 4.50% to 3.00%; increased the real rate of investment return from 3.50% to 5.00%; increased the real rate of wage inflation from 0.00% to 0.25%; decreased wage inflation from 4.50% to 3.25%; and reduced payroll growth from 4.50% to 3.25%. The demographic assumptions for rates of withdrawal, rates of disability retirement, rates of service retirement, rate of mortality, and rates of salary increase were updated based upon results for the previous 5 years.

The boards of control of the TRS, ERS, and JRF accepted and approved these changes on January 27, 2012. The revised actuarial assumptions had the effect of reducing TRS's UAAL from \$8,166,744 to \$7,787,169 and increasing JRF's UAAL from \$112,262 to \$133,106 as of September 30, 2010. The effect on the ERS's UAAL had not been calculated as of the date that the financial statements were issued.

## **7) CONTRIBUTIONS REQUIRED AND MADE**

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

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

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

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

The 2011 retirement contributions were made in accordance with actuarially determined contribution requirements. The 2012 retirement contributions made by members will increase in accordance with Act 2011-676, which increased the member contribution rate by 2.25% of salary effective October 1, 2011. The member rate will increase again on October 1, 2012, by an additional 0.25% of salary. ERS local participating employers have the option to adopt the new employee contribution rates.

Subsequent to September 30, 2011, the RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods used by the RSA. This investigation resulted in changes to actuarial assumptions which are outlined in Note 6. The boards of control for each accepted and approved these changes on January 27, 2012. However, the impact on the actuarially required contributions discussed above was not available at the time of this report.

## 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, 2011:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,400	53,699
Furniture and Equipment	<u>4,496</u>	<u>1,767</u>
Total Property and Equipment	116,981	58,001
Less Accum Depreciation	<u>(13,812)</u>	<u>(6,824)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 103,169</u></b>	<b><u>\$ 51,177</u></b>

## 9) OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 1, the TRS, ERS, and JRF (as agencies of the State of Alabama) participate in the State Employees' Health Insurance Plan (SEHIP) administered by the State Employees' Health Insurance Board (Board). The State Employees' Insurance Fund (SEIF) was established in 1965 under the provisions of Act 833 of the Legislature to provide health insurance benefits for employees and retired employees of the State of Alabama. In addition, The *Code of Alabama, Section 36-36-1*, established the Alabama Retired State Employees' Health Care Trust (Trust) for the purpose of accumulating assets to fund retiree benefits.

The Trust is a single-employer plan. The Trust issues financial statements that may be obtained by writing to:

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

The *Code of Alabama 1975, Section 36-29-7*, authorizes the employer contributions to the plan. Each year, the Legislature sets the appropriation in the annual appropriation bill required to be paid by employers on behalf of each active member. A portion of the premium is used to assist in funding retiree benefits. The fiscal year 2011 rate set by the State Employees' Insurance Board was \$805 per active member per month (amount not in thousands).

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

The *Code of Alabama, Section 36-29-19.7* authorizes the retiree contributions to the plan. Required monthly contribution rates for fiscal year 2011 were as follows (the following amounts are not in thousands):

#### Required Member Rates

-Individual Coverage/Non-Medicare Eligible – \$196

-Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$418

-Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible – \$317

-Individual Coverage/Medicare Eligible Retired Member – \$0

-Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$222

-Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible – \$121

-For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

#### Surviving Spouse Rates

-Surviving Spouse Non-Medicare Eligible – \$312

-Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible – \$534

-Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible – \$443

-Surviving Spouse Medicare Eligible – \$131

-Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible – \$353

-Surviving Spouse Medicare Eligible and Dependent Medicare Eligible – \$262

RSA employees participate in the State Employees' Health Insurance Plan, which is a single employer health insurance plan for the State of Alabama. As a component unit, RSA employees participating in the ERS pension plan are valued with all other State of Alabama employees, and therefore, report under the requirements of a cost sharing unit. The following table details the annual required contributions and the percentage contributed (amounts in thousands).

	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2011	\$ 334	72.70%
	2010	\$ 376	87.79%
	2009	\$ 379	57.89%
<b>ERS</b>	2011	\$ 369	72.70%
	2010	\$ 405	87.67%
	2009	\$ 401	57.89%
<b>JRF</b>	2011	\$ 3	72.70%
	2010	\$ 3	87.77%
	2009	\$ 6	57.89%

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## 10) PENSION PLAN FOR RSA EMPLOYEES

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

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

	<b>Fiscal Year Ended</b>	<b>Annual Required Contributions</b>	<b>Percentage Contributed</b>
<b>TRS</b>	2011	\$ 1,155	100%
	2010	\$ 1,233	100%
	2009	\$ 1,215	100%
<b>ERS</b>	2011	\$ 918	100%
	2010	\$ 930	100%
	2009	\$ 976	100%

## 11) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and Mobile and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2029. Rental payments and other agreed upon payments (reported as investment income) from leases with state agencies totaled \$28,060,419 (dollar amount not in thousands) during the 2011 fiscal year.

(Dollar Amounts in Thousands)

**1) CONTRIBUTIONS**

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

The employer cost rates for the fiscal year 2010-2011 are 12.51% for the TRS, 11.94% for the ERS - State Employees, 30.57% for the ERS - State Police and 24.20% for the JRF. Local agency rates differ for each agency.

**2) ANALYSIS OF FUNDING PROGRESS**

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

Subsequent to September 30, 2011, the RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods used by the RSA. This investigation resulted in changes to actuarial assumptions which are outlined in Note 6. The boards of control for each accepted and approved these changes on January 27, 2012. However, the full impact on the following schedule of funding progress was not available at the time of this report.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information  
For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

The following schedules provide information concerning funding progress through September 30, 2010, employer contributions, and actuarial assumptions:

**SCHEDULE OF FUNDING PROGRESS**

	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability (AAL)</b>	<b>Unfunded AAL (UAAL)</b>	<b>Percentage Funded (A/B)</b>	<b>Covered Payroll (C)</b>	<b>UAAL as a % of Covered Payroll (B-A)/C)</b>
		<b>(A)</b>	<b>(B)</b>	<b>(B-A)</b>			
<b>TRS</b>							
	9/30/2010	\$ 20,132,779	\$ 28,299,523	\$ 8,166,744	71.1%	\$ 6,183,204	132.1%
	9/30/2009	\$ 20,582,348	\$ 27,537,400	\$ 6,955,052	74.7%	\$ 6,236,922	111.5%
	9/30/2008	\$ 20,812,477	\$ 26,804,117	\$ 5,991,640	77.6%	\$ 6,294,341	95.2%
**	9/30/2007	\$ 20,650,916	\$ 25,971,534	\$ 5,320,618	79.5%	\$ 6,310,616	84.3%
	9/30/2006	\$ 19,821,133	\$ 23,945,100	\$ 4,123,967	82.8%	\$ 5,458,443	75.6%
*	9/30/2005	\$ 19,248,207	\$ 23,027,338	\$ 3,779,131	83.6%	\$ 5,326,408	71.0%
<b>ERS</b>							
	9/30/2010	\$ 9,739,331	\$ 14,284,119	\$ 4,544,788	68.2%	\$ 3,619,670	125.6%
	9/30/2009	\$ 9,928,104	\$ 13,756,176	\$ 3,828,072	72.2%	\$ 3,620,243	105.7%
	9/30/2008	\$ 9,905,766	\$ 13,078,687	\$ 3,172,921	75.7%	\$ 3,553,330	89.3%
	9/30/2007	\$ 9,770,897	\$ 12,370,342	\$ 2,599,445	79.0%	\$ 3,389,156	76.7%
	9/30/2006	\$ 9,287,531	\$ 11,457,564	\$ 2,170,033	81.1%	\$ 3,070,146	70.7%
	9/30/2005	\$ 8,935,358	\$ 10,634,976	\$ 1,699,618	84.0%	\$ 2,982,122	57.0%
<b>JRF</b>							
	9/30/2010	\$ 246,197	\$ 358,459	\$ 112,262	68.7%	\$ 43,061	260.7%
	9/30/2009	\$ 252,646	\$ 340,978	\$ 88,332	74.1%	\$ 43,234	204.3%
	9/30/2008	\$ 259,071	\$ 323,428	\$ 64,357	80.1%	\$ 41,167	156.3%
	9/30/2007	\$ 265,189	\$ 315,941	\$ 50,752	83.9%	\$ 41,318	122.8%
	9/30/2006	\$ 260,664	\$ 301,592	\$ 40,928	86.4%	\$ 39,185	104.4%
	9/30/2005	\$ 256,091	\$ 299,664	\$ 43,573	85.5%	\$ 40,144	108.5%

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

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

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Required Supplementary Information  
For the Fiscal Year Ended September 30, 2011

(Dollar Amounts in Thousands)

**SCHEDULE OF EMPLOYER CONTRIBUTIONS**

	<b>Fiscal Year Ended</b>	<b>Annual Required Contribution</b>	<b>Percentage Contributed</b>
<b>TRS</b>			
	9/30/2011	\$ 779,644	100%
	9/30/2010	\$ 776,421	100%
	9/30/2009	\$ 753,518	100%
	9/30/2008	\$ 729,995	100%
	9/30/2007	\$ 540,847	100%
	9/30/2006	\$ 434,195	100%
<b>ERS</b>			
	9/30/2011	\$ 394,998	100%
	9/30/2010	\$ 377,898	100%
	9/30/2009	\$ 451,139	100%
	9/30/2008	\$ 329,339	100%
	9/30/2007	\$ 277,254	100%
	9/30/2006	\$ 241,750	100%
<b>JRF</b>			
	9/30/2011	\$ 10,906	100%
	9/30/2010	\$ 10,814	100%
	9/30/2009	\$ 10,326	100%
	9/30/2008	\$ 9,880	100%
	9/30/2007	\$ 9,307	100%
	9/30/2006	\$ 8,916	100%

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2011

(Amounts in Thousands)

	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Personnel Services:</b>				
Salaries	\$ 5,458	\$ 5,468	\$ 154	\$ 11,080
Employee Fringe Benefits	1,955	2,053	38	4,046
Total Personnel Services	<u>7,413</u>	<u>7,521</u>	<u>192</u>	<u>15,126</u>
<b>Professional Services:</b>				
Actuarial	271	471	65	807
Accounting and Auditing	51	36	10	97
Information Technology	567	360	-	927
Education & Training	11	7	-	18
Mailing Services	108	64	-	172
Legal Services	34	21	-	55
Personnel Services	71	-	-	71
Other Professional Services and Fees	75	18	-	93
Total Professional Services	<u>1,188</u>	<u>977</u>	<u>75</u>	<u>2,240</u>
<b>Communications and Travel:</b>				
Telecommunications	94	47	-	141
Postage	1,091	728	-	1,819
Travel	65	50	-	115
Total Communications and Travel	<u>1,250</u>	<u>825</u>	<u>-</u>	<u>2,075</u>
<b>Rentals:</b>				
Office Space	98	65	6	169
Equipment Leasing	32	20	-	52
Total Rentals	<u>130</u>	<u>85</u>	<u>6</u>	<u>221</u>
<b>Miscellaneous:</b>				
Supplies	785	559	3	1,347
Maintenance	54	35	-	89
Total Miscellaneous	<u>839</u>	<u>594</u>	<u>3</u>	<u>1,436</u>
<b>Total Administrative Expenses</b>	<b><u>\$ 10,820</u></b>	<b><u>\$ 10,002</u></b>	<b><u>\$ 276</u></b>	<b><u>\$ 21,098</u></b>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2011

(Amounts in Thousands)

	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b><i>Investment Activity</i></b>				
<b>Investment Management Fees:</b>				
Salaries and Benefits	\$ 4,278	\$ 1,831	\$ -	\$ 6,109
Dues, Subscriptions and Supplies	428	281	-	709
Travel	13	2	-	15
<b>Professional Services:</b>				
Investment Advisor	60	30	-	90
Appraisal of Private Placements and Real Estate	530	352	-	882
<b>Investment Activity Expenses before Reimbursement</b>	<b>5,309</b>	<b>2,496</b>	<b>-</b>	<b>7,805</b>
Less: Reimbursement for Investment Management Fees	4	188	-	192
<b>Total Investment Activity Expenses</b>	<b>5,305</b>	<b>2,308</b>	<b>-</b>	<b>7,613</b>
<b><i>Securities Lending Activity</i></b>				
Securities Lending Borrower Rebates	1,261	517	22	1,800
Securities Lending Management Fees	3,251	1,521	49	4,821
Total Securities Lending Activity Expenses	4,512	2,038	71	6,621
<b>Total Investment Expenses</b>	<b>\$ 9,817</b>	<b>\$ 4,346</b>	<b>\$ 71</b>	<b>\$ 14,234</b>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2011

(Amounts in Thousands)

<b>Professional/Consultant</b>	<b>Nature of Service</b>	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
Cavanaugh MacDonald	Actuary	\$ 252	\$ 466	\$ 63	\$ 781
Segal	Actuary	19	5	2	26
Carr, Riggs & Ingram	Auditor	50	36	10	96
Bradley Arant Boult Cummings	Legal	24	16	-	40
Copeland, Franco, Screws & Gill	Legal	5	4	-	9
Action in Mailing Inc.	Mail	78	45	-	123
Alabama Department of Finance	Mail	30	18	-	48
State Personnel Department	Personnel	71	-	-	71
Fine & Geddie	Consultant	50	-	-	50
Alabama Department of Finance	Information Technology	37	30	-	67
Auburn Montgomery	Information Technology	459	285	-	744
Jackson Thornton	Information Technology	65	43	-	108
Various	Other	48	29	-	77
<b>Total Professional/Consultant Fees - Administrative Services</b>		<b>1,188</b>	<b>977</b>	<b>75</b>	<b>2,240</b>
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services	Real Estate Appraiser	205	136	-	341
Houlihan Lokey	Investment Appraiser	325	216	-	541
<b>Total Professional/Consultant Fees - Investment Services</b>		<b>590</b>	<b>382</b>	<b>-</b>	<b>972</b>
<b>Total Professional/Consultant Fees</b>		<b>\$ 1,778</b>	<b>\$ 1,359</b>	<b>\$ 75</b>	<b>\$ 3,212</b>





Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# INVESTMENT SECTION



## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2011

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Dear Members,

I humbly present the following report on investment activity for the fiscal year ended September 30, 2011. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards(GIPS®).

As we conclude fiscal year 2011, it feels very much like we have been chasing our tail. We covered a lot of ground, but didn't really get anywhere. From a returns perspective, all was well until the last quarter of the year. The uncertainties around the outcome of the "Euro Crisis" became too much for the markets to bear, and returns suffered. The myriad of issues that the markets have been dealing with has not diminished, and this has led to the continued risk-on/risk-off nature of trading globally. Cross-asset and intra-asset correlations have remained unusually high, with the possible exception of gold. Frustration has manifested itself as a continued outflow of money from equities and into bonds. This leads to the ultimate question of what to do going forward? The difficulty in this is the growing dichotomy between the economy, corporate profits, and investment returns.

Despite below trend GDP growth for the year, profits have continued to grow as margins have remained at elevated levels. This is where the most difficult part of the equation kicks in, forecasting what multiple the market will afford earnings. With continued weak consumer sentiment, high unemployment, and a complete disdain for what is going on in Washington, the market multiple has continued to contract. With corporations very reluctant to expand, and with balance sheets flush with cash, we believe what has been happening is a mid-cycle slowdown rather than a new protracted downturn. With that said, we have remained overweight large capitalization domestic stocks, which was the best performer during the 12 month period. We plan to continue this overweight. On the recent weakness, we have begun adding more exposure to emerging markets, which was a big underweight in the portfolio. Within fixed income, it was a tale of two markets, with credit outperforming early, then reversing in the spring as weaker data and Euro area issues caused a flight to safety (treasuries). We have been lengthening duration slightly in the treasury portfolio, and have avoided new corporate issues. Given the political landscape, government budget issues, and sour sentiment, making good macro investment decisions is our main priority. As always, we will continue to demand the best execution from all our counterparties, and will strive to produce results that strengthen the Retirement Systems of Alabama.

### **RSA Performance Summary**

As of September 30, 2011, aggregate defined benefit assets under management totaled \$24.8 billion (assets under management include total investments plus investment related receivables less investment related payables). During fiscal year 2011, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and the Judicial Retirement Fund were 1.81%, 2.21%, and 0.45% respectively.

### **Equities**

Risk on/Risk off best describes the equity investing environment for 2011. As economic news improved early in the year, investors bid up risk assets, with lower quality stocks and small and mid capitalization stocks outperforming large caps. During late summer, the risk off trade dominated and volatility ramped up as equity investors abandoned ship. Investors pulled over \$70 billion from equity mutual funds in the September quarter alone. Another seemingly "perfect storm" was brewing as the sovereign debt issues in Europe approached a full blown crisis. Yields continued to blow out, and politicians there had trouble laying out a feasible game plan. This led to a continued collapse in investor sentiment and consumer confidence. This was reinforced by the antics continuing to come out of Washington, not to mention an S & P downgrade of U.S. government debt. This ultimately led to closing the fiscal

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year close to the lows that were put in place in August. The S&P 500 was down (13.9%) for the quarter, and the total return for the twelve months ending September 30<sup>th</sup> was 1.14%. Midcap and Smallcap fared a little worse, with the S&P Midcap 400 down (1.28%) and the S&P Smallcap 600 up 0.21%. International equities were again the laggard, with the MSCI EAFE index down (9.36%) for the year.

The RSA has continued to favor large cap stocks, and domestic over international. Near the end of the year, we added to our small position in emerging market stocks, as those markets were especially weak. We have continued to use hedges in portions of our equity portfolios as opportunities have presented themselves. We plan to continue this strategy as long as volatility remains high. Given all the uncertainty in the markets, the variable that continues to stick out is how cheap the market remains. Strong margins and resilient revenues have resulted in good earnings growth for large companies. We plan to remain overweight these companies, as we feel they will outperform given the laundry list of uncertainties that abound.

For the year, the RSA domestic equity portfolios increased 0.81%, 0.81%, and 0.85% for TRS, ERS, and JRF funds, respectively. International equity returns lagged domestic returns for the year, with TRS down (9.78%), ERS down (9.81%), and JRF down (9.89%). The combined total return for the overall equity portfolios were (1.89)%, (1.78)%, and (1.73)% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 0.99%, (1.12)%, and 4.13% for TRS, 1.04%, (1.07)%, and 4.15% for ERS, and 1.38%, (0.84)%, and 3.38% for JRF, respectively.

### **Fixed Income**

At the beginning of fiscal year 2011, Federal Reserve Chairman Ben Bernanke had just delivered a keynote speech in Jackson Hole stating that the “Committee is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary”. Policymakers were hoping that easier financial conditions would help promote economic growth, which in turn would increase consumer confidence and spending. If the trickle-down theory holds true, this would ultimately lead to higher incomes, profits, and employment. Chairman Bernanke’s comments, as well as statements from the Fed’s late September meeting created a surge in most risk assets as they conveyed an openness to another round of quantitative easing. High-yield bonds outperformed safer investment grade securities as the appetite for junk-rated debt allowed these companies to issue approximately \$33 billion during the month of October 2010. Government-backed mortgages also outgained treasuries by its largest amount in ten years. However, these actions sparked an increase in inflation expectations with breakevens exploding over 65 basis points during this time. With the Fed’s stated intention of reflatting the economy, the yield curve steepened dramatically with the long-end leading the way.

In its statement on November 3, 2010 the Fed admitted that its progress towards higher employment, inflation, and economic output had been “disappointingly slow”. The Committee announced that in conjunction with the reinvestment of mortgage principal payments, it would accumulate an additional \$600 billion of treasury securities by the end of the second quarter of 2011. And with that, QE2 was officially underway. There were plenty of objections from economists and Republican lawmakers, who had recently taken back control of the House of Representatives with a monumental pickup of legislative seats. The announcement provided a lift in treasury yields, which were sitting near record lows. The long end was hit especially hard as inflation expectations continued to rise as well as the fact that 75% of the Fed’s purchases would fall within the 4-10yr bucket. The rise in interest rates resulted in negative returns for fixed income assets during the month of November, their first hiccup since March.

Treasury yields marched higher throughout the end of the calendar year as expectations of higher inflation and economic growth continued. Credit remained relatively stable during the first few months of the year despite several conflicts arising in the Middle East and the catastrophic earthquake in Japan. While these events provided brief flight-to-quality trades, corporate bond performance held tight due to strong balance sheets and low default probabilities.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity (Continued) For the Fiscal Year Ended September 30, 2011

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During April and May 2011, treasury securities began to move lower in yield as some economic data came in weaker than expected. Sovereign credit problems in Europe also started to resurface, which added to the broad risk aversion already taking place. Uncertainty about the conclusion of QE2 at the end of June and measures taken by emerging market economies to combat inflation continued to feed the safety trade. By June end, markets stabilized somewhat after Greece was able to secure short-term funding by passing an austerity package. Manufacturing data in the U.S. also surprised to the upside, alleviating investors' concern over an economic slowdown.

This sigh of relief was short-lived as European sovereign problems grabbed the headlines once again. Portugal was downgraded four notches to junk despite receiving financial aid a few months earlier. This in turn drove yields on Spanish and Italian government bonds substantially higher. At home, the showdown in Washington commenced over the need to raise the government's \$14.2 trillion debt limit by early August. In the end, an agreement was made to cut approximately \$1 trillion and lift the debt ceiling by roughly the same amount. A bipartisan commission was formed to discuss and recommend further spending cuts. Making good on a July warning, Standard & Poor's lowered the long-term sovereign credit rating on the United States of America to AA+ from AAA. The ratings of Fannie Mae and Freddie Mac were also lowered due to their "direct reliance" on the U.S. government. This created more uncertainty in an already murky environment. With the economy growing less than 1% during the first half of the year and the unemployment rate hovering around 9%, a perfect storm ensued. The European Central Bank was also forced to reimplement its bond repurchase program in order to keep rising yields in Spain and Italy in check. Treasury securities performed extremely well during this time as investors seek shelter in times of market stress. Corporate bonds unperformed their risk-free counterparts with high-yield securities and financials leading the way wider.

The flight-to-quality trade continued through the end of the fiscal year. Investors shunned corporate debt in favor of government securities, which accumulated gains over 6% for the quarter. Within investment grade debt, low risk utilities outperformed financials by approximately 500 basis points during the months of August and September. Financials were unable to shake off the risks associated with the European debt crisis, as well as its own capital and regulatory concerns. At the end of September, the Federal Open Market Committee decided to extend the average maturity of its treasury holdings in a maneuver referred to as "Operation Twist". It also opted to reinvest its principal payments back into agency mortgage-backed securities. This action was enacted due to the Committee's view that there were "significant downside risks to the economic outlook, including strains in global financial markets". Going forward, the sovereign debt crisis in Europe is unlikely to be remedied in the immediate future. Any solution will involve sacrifice from investors and taxpayers alike, and is certain to be a drag on economic growth for an extended period.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 5.05% for the TRS, 5.03% for the ERS and 5.17% for the JRF. The five-year annualized returns were 7.29% for the TRS, 7.30% for the ERS and 7.33% for the JRF. The ten-year annualized returns were 6.56% for the TRS, 6.49% for the ERS and 4.78% for the JRF.

Sincerely,



Marc Green  
Director of Investments

# RETIREMENT SYSTEMS OF ALABAMA

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## *Investment Section*

### Investment Policies and Procedures

For the Fiscal Year Ended September 30, 2011

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#### **I. Board Objectives**

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

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

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

#### **II. Asset Allocation**

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

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

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

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

The domestic fixed income portfolio of each System may consist of any rated or non-rated debt security including, but not limited to, the following: U.S. Treasury issues, agency issues, mortgage-backed securities, corporate bonds, and privately placed debt securities. This area of investments may not exceed 50% of the market value of the aggregate portfolio of each System.

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

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

*Investment Section*

Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2011

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C. Domestic Equity

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

D. International Equity

The international equity asset class may be used to provide diversification for the Systems and may consist of both actively and passively managed international equity securities. In order to be eligible for purchase by the Systems, an international equity security must be issued by a company incorporated in a country whose debt securities are eligible for investment under Section B above, and the market value of the aggregate outstanding equity of the issuing company must be at least \$100 million. Furthermore, each System may not purchase or hold more than 5 percent of any class of the outstanding stock of a company. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international equity securities when it is considered appropriate. The aggregate market value of international equities may not exceed 25% of the aggregate market value of each System's total portfolio.

E. Real Estate

The real estate portfolio of each System may consist of office, retail, industrial, commercial, and residential housing projects. The suggested range may not exceed 15% of the book value of each System's aggregate portfolio.

F. Alternative Investments

Alternative investments may consist of, but are not limited to, mezzanine financing, LBO's, venture capital, limited partnerships, futures, commodities, and derivative investments. The asset class may not exceed 10% of the book value of each System's aggregate portfolio.

G. Short-term Investments

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

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

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### III. Procedures

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

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2011

	<b>Annualized</b>			
	<b>1 Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Last 10 Years</b>
<b>Total Portfolio</b>				
TRS	1.81%	0.53%	0.20%	3.83%
ERS	2.21%	-0.09%	-0.06%	3.46%
JRF	0.45%	3.85%	1.77%	3.87%
<b>Total Domestic Equity</b>				
TRS	0.81%	1.48%	-0.66%	3.72%
ERS	0.81%	1.51%	-0.64%	3.74%
JRF	0.85%	1.68%	-0.64%	3.48%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	1.14%	1.23%	-1.18%	2.82%
Dow Jones Industrial Average	3.83%	3.16%	1.37%	4.66%
S&P MidCap 400	-1.28%	4.05%	2.20%	7.50%
S & P 600 Smallcap	0.21%	0.76%	0.26%	7.40%
<b>Total International Equity</b>				
TRS	-9.78%	-0.58%	-2.54%	5.74%
ERS	-9.81%	-0.56%	-2.49%	5.75%
JRF	-9.89%	0.04%	n/a	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	-9.36%	-1.13%	-3.46%	5.03%
<b>Total Fixed Income and Alternatives</b>				
TRS	7.47%	0.19%	2.31%	3.49%
ERS	7.71%	-1.14%	1.61%	2.98%
JRF	5.26%	8.26%	6.23%	4.81%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	5.25%	7.97%	6.72%	5.78%
Barclays Aggregate	5.26%	7.97%	6.53%	5.66%

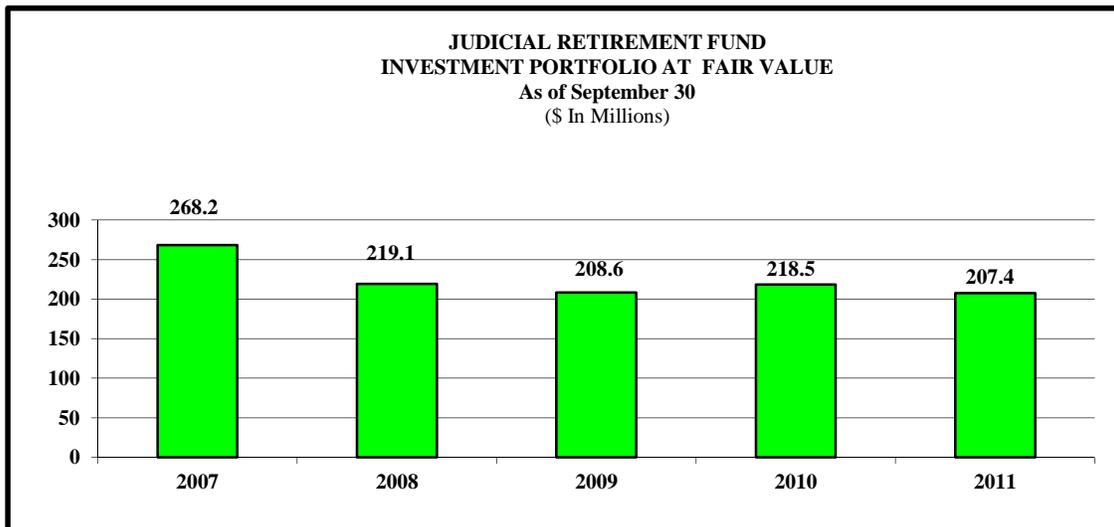
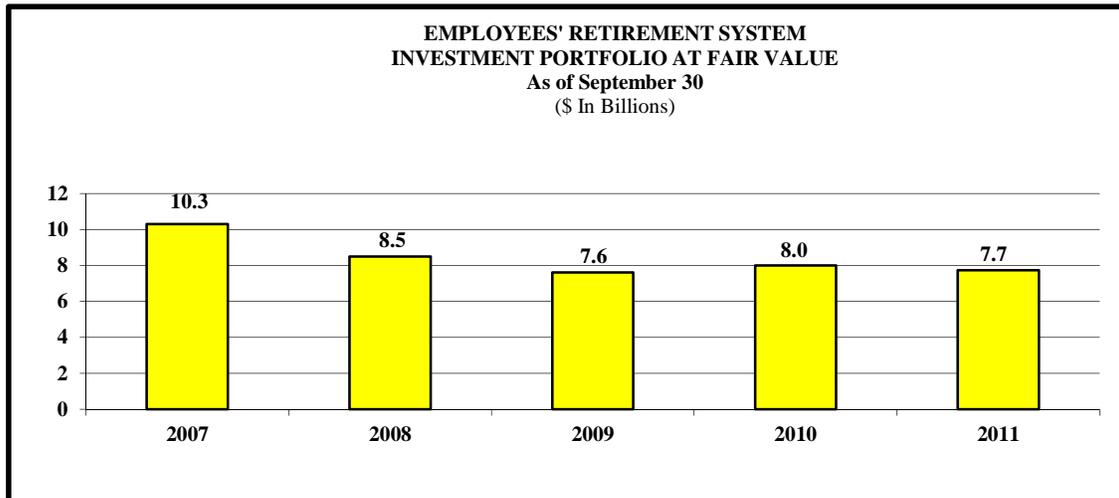
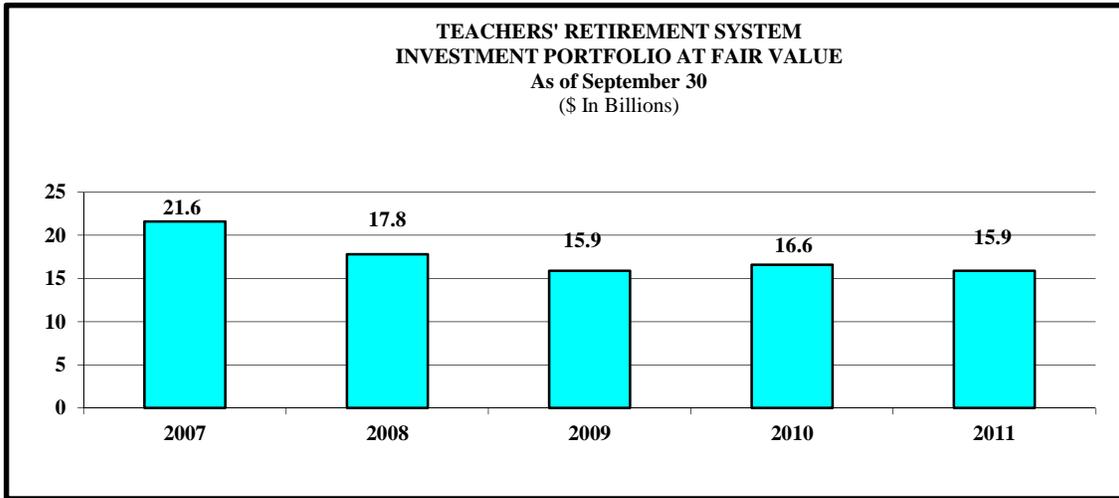
The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®). Performance returns calculated by the custodian use month end market based valuations, and performance returns are computed using the internal rate of return method (BAI-IRR).

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Investment Portfolio at Fair Value

#### Five-Year Comparison

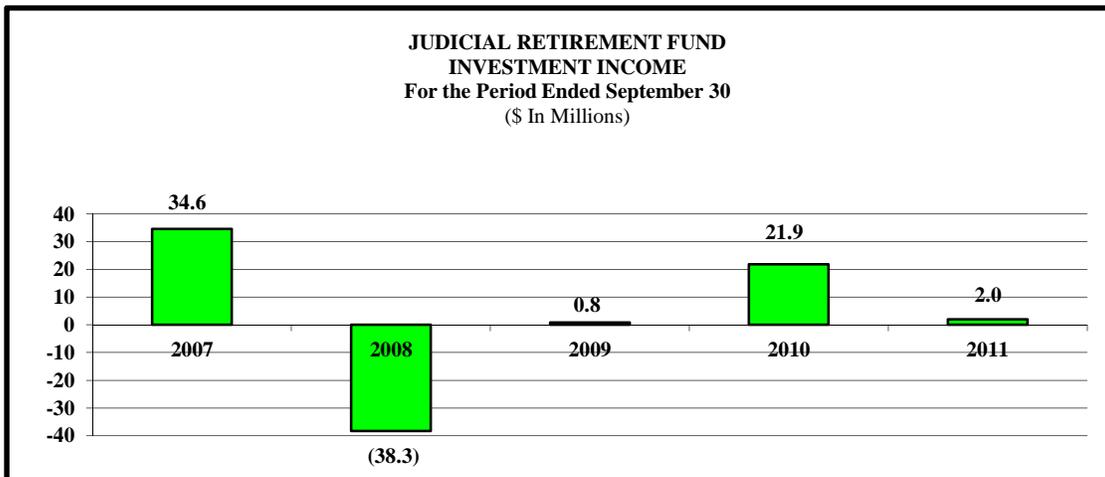
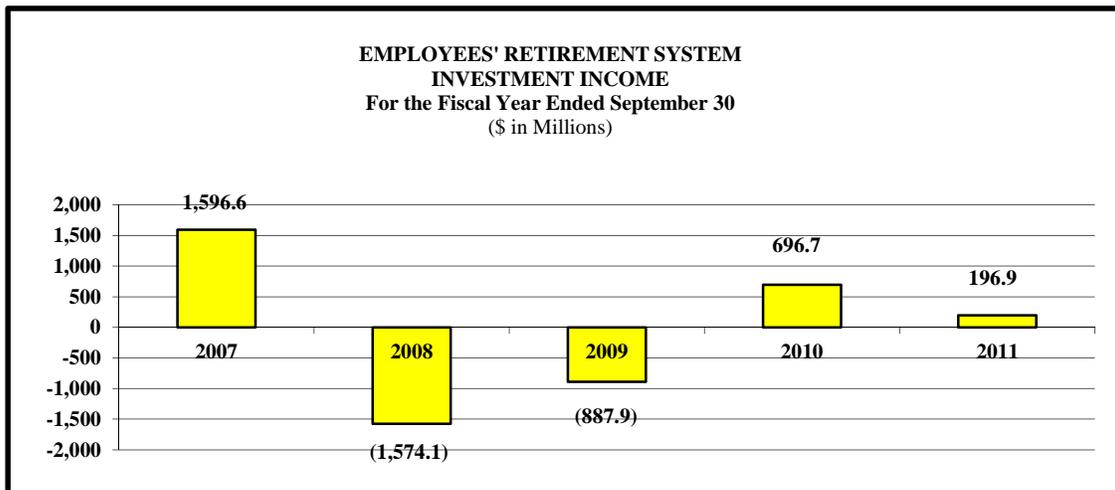
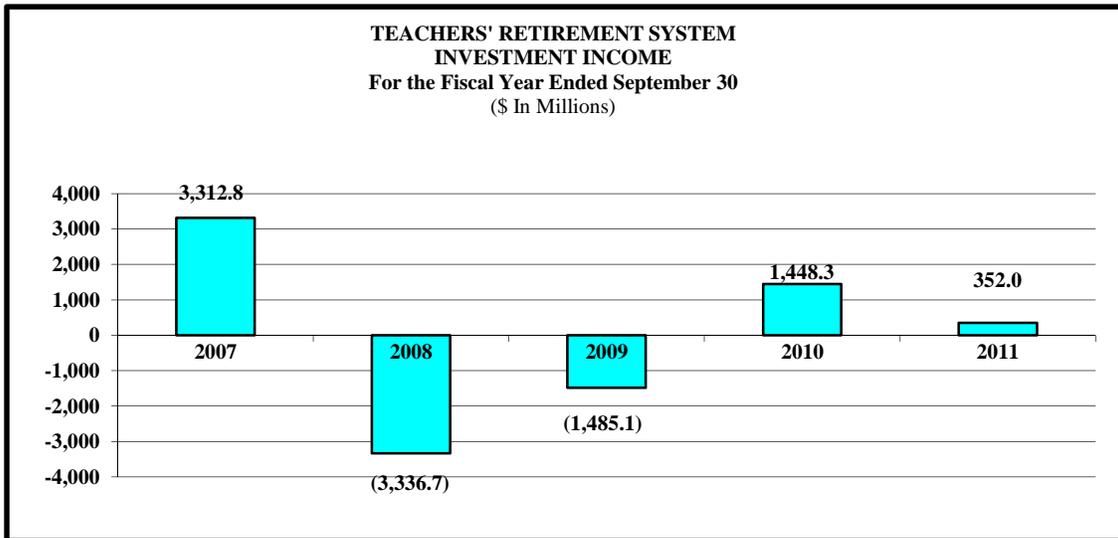


# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Investment Income

#### Five-Year Comparison

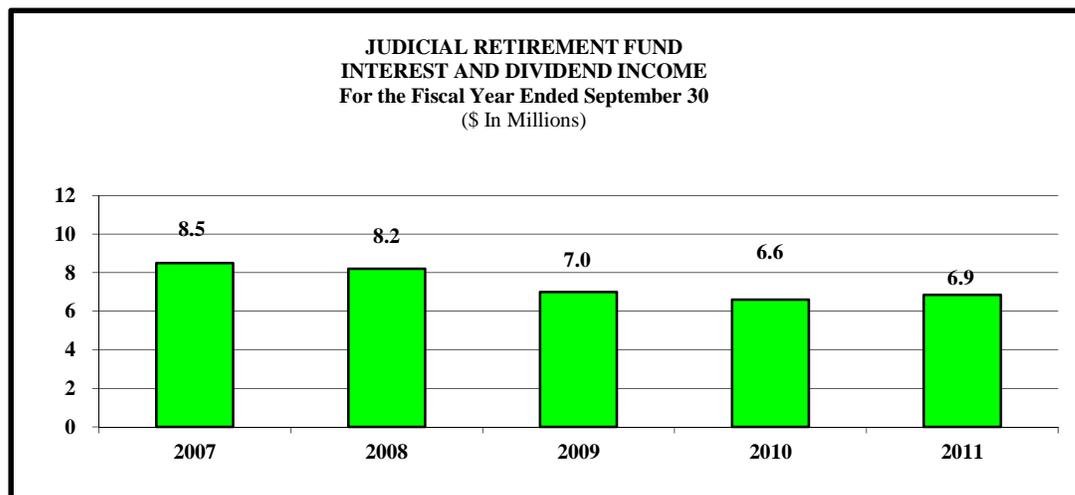
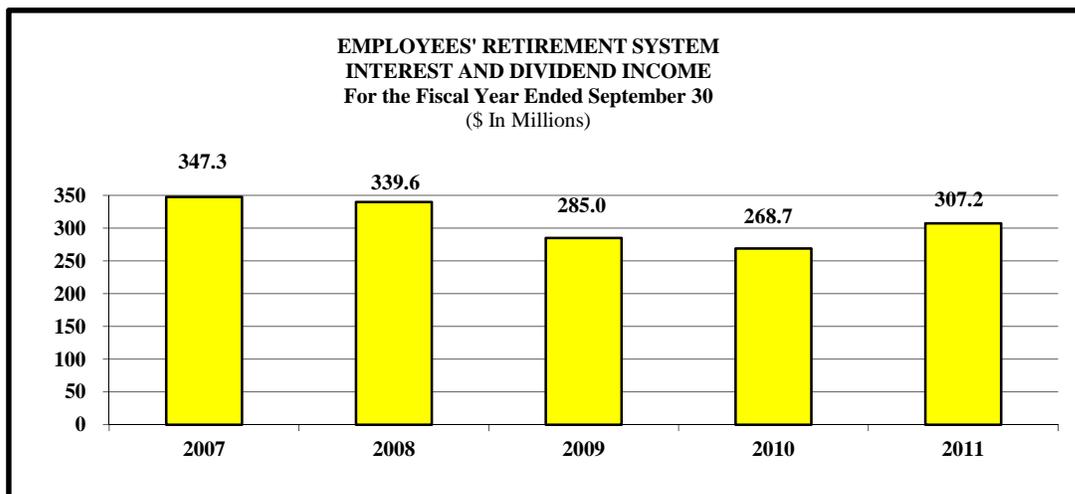
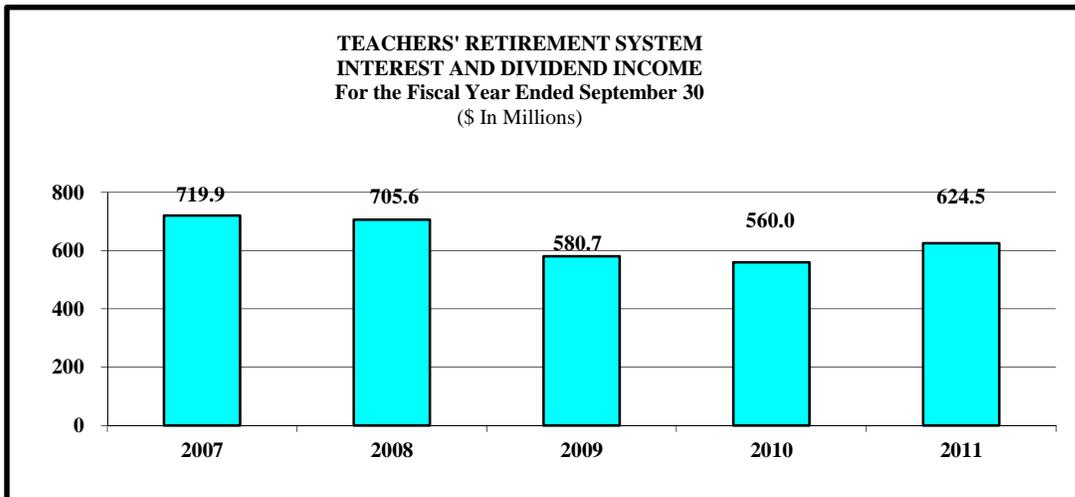


# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Interest and Dividends

#### Five-Year Comparison

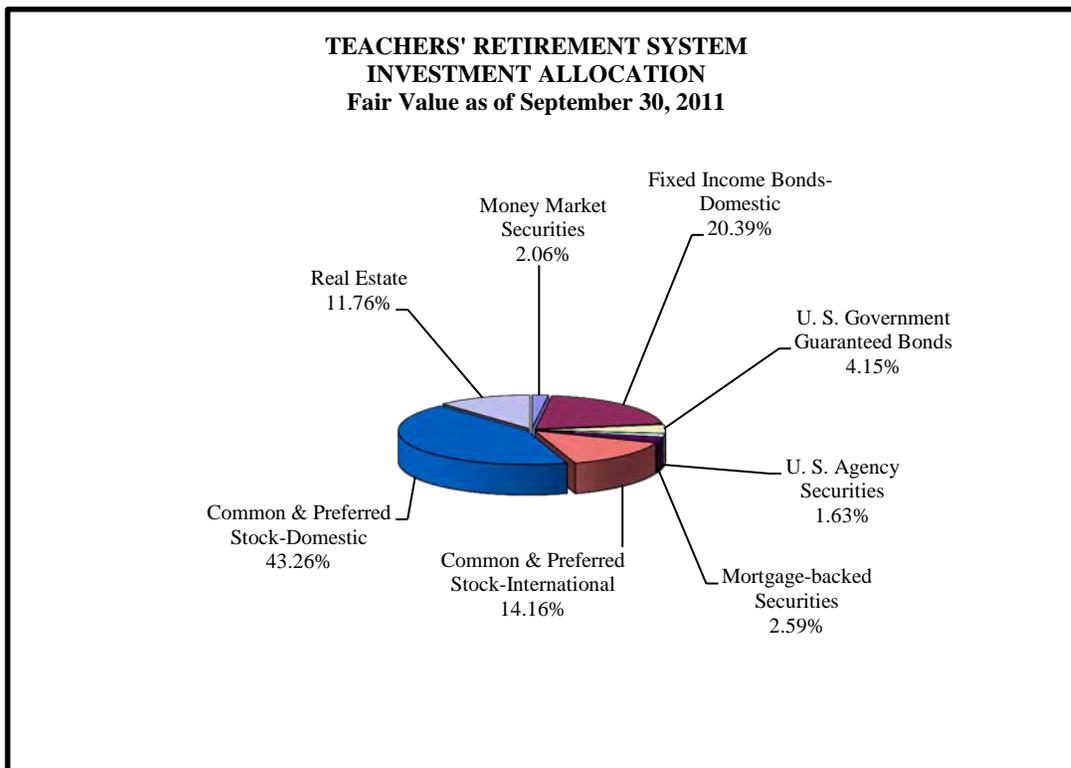


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



**TEACHERS' RETIREMENT SYSTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2011**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 327,094	2.06
U.S. Government Guaranteed	660,641	4.15
U.S. Agency Securities	258,571	1.63
Mortgage-backed Securities	411,967	2.59
Fixed Income Bonds		
Domestic	3,241,313	20.39
Common and Preferred Stocks		
Domestic	6,878,428	43.26
International	2,251,886	14.16
Real Estate	1,870,629	11.76
<b>Total Investments</b>	<b>\$ 15,900,529</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

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## *Investment Section*

### Teachers' Retirement System

#### Largest Stock and Bond Holdings

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#### TEACHERS' RETIREMENT SYSTEM

##### LARGEST STOCK HOLDINGS

September 30, 2011

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	12	New Water Street Corporation	\$ 909,488
2)	961	Goldman Sachs Small Cap Equity Linked Note	406,584
3)	6,825	ISHARES MSCI Emerging Markets	239,367
4)	2,246	Exxon Mobil Corporation	163,152
5)	427	Apple Inc	162,587
6)	589	International Business Machines	103,040
7)	103	Raycom Preferred 10% Non -Cum	99,520
8)	3,930	Microsoft Corporation	97,819
9)	1,285	Coca Cola Company	86,842
10)	2,914	AT&T Inc	83,095

#### TEACHERS' RETIREMENT SYSTEM

##### LARGEST BOND HOLDINGS

September 30, 2011

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	1,246,721	Raycom Media, 8%, Due 9/30/2032	\$ 1,206,863
2)	267,483	Wise Metals Group LLC, 9%, Due 11/15/2015	237,341
3)	375,061	Community News, 8%, due 12/31/2032	189,248
4)	116,991	U S Treasury, 3.75%, Due 11/15/2018	135,345
5)	111,516	U S Treasury, 4.25%, Due 8/15/2015	126,771
6)	75,319	U S Treasury, 3.125%, Due 4/30/2017	83,536
7)	49,909	U S Treasury, 4.375%, Due 5/15/2040	64,267
8)	60,500	Fairway Outdoors, 11%, Due 10/15/2014	61,710
9)	48,583	U S Treasury, 3.375%, Due 11/15/2019	55,095
10)	47,981	U S Treasury, 3.50%, Due 5/15/2020	54,945

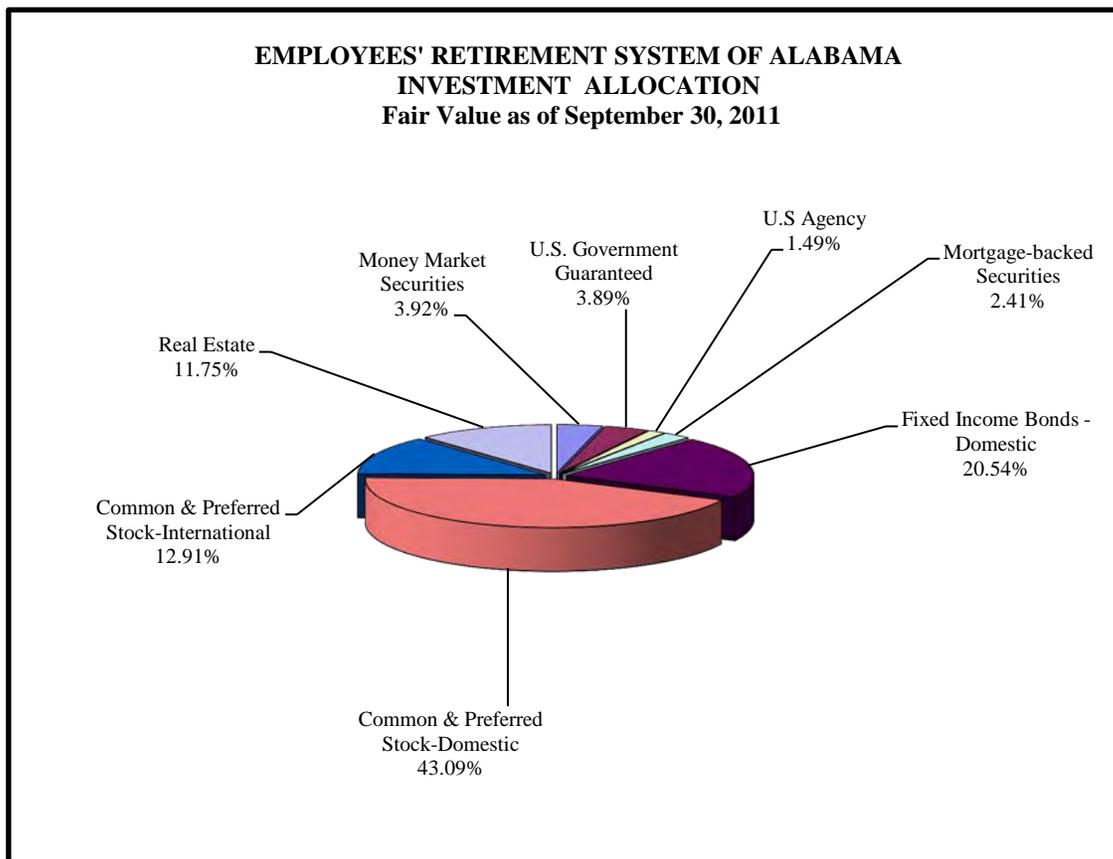
A complete list of portfolio holdings is available upon request.

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, 2011**

(\$ In Thousands)

	<b>Fair Value</b>	<b>% of Fair Value</b>
Money Market Securities and Mutual Funds	\$ 303,210	3.92
U.S. Government Guaranteed	301,333	3.89
U.S. Agency Securities	115,577	1.49
Mortgage-backed Securities	186,204	2.41
Fixed Income Bonds		
Domestic	1,589,057	20.54
Common and Preferred Stocks		
Domestic	3,335,278	43.09
International	999,317	12.91
Real Estate	909,719	11.75
<b>Total Investments</b>	<b>\$ 7,739,695</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

## *Investment Section*

### Employees' Retirement System

#### Largest Stock and Bond Holdings

#### EMPLOYEES' RETIREMENT SYSTEM

#### LARGEST STOCK HOLDINGS

September 30, 2011

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	\$417,883
2)	395	Goldman Sachs Small Cap Equity Linked Note	167,212
3)	3,260	ISHARES MSCI Emerging Markets	114,314
4)	103	Raycom Preferred 10% Non-Cum	99,520
5)	1,068	Exxon Mobil Corporation	77,559
6)	203	Apple Inc	77,304
7)	282	International Business Machines	49,408
8)	1,897	Microsoft Corporation	47,211
9)	625	Coca Cola Company	42,227
10)	1,396	AT&T Inc	39,820

#### EMPLOYEES' RETIREMENT SYSTEM

#### LARGEST BOND HOLDINGS

September 30, 2011

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	619,250	Raycom Media, 8%, Due 9/30/2032	\$ 599,453
2)	131,745	Wise Metals Group LLC, 9%, Due 11/15/2015	116,899
3)	188,829	Community News, 8%, Due 12/31/2032	95,279
4)	60,500	Fairway Outdoors, 11%, Due 10/15/2014	61,710
5)	53,284	U S Treasury, 3.75%, Due 11/15/2018	61,643
6)	50,942	U S Treasury, 4.25%, Due 8/15/2015	57,911
7)	34,361	U S Treasury, 3.125%, Due 4/30/2017	38,110
8)	22,745	U S Treasury, 4.375%, Due 5/15/2040	29,288
9)	22,207	U S Treasury, 3.375%, Due 11/15/2019	25,184
10)	21,847	U S Treasury, 3.50%, Due 5/15/2020	25,018

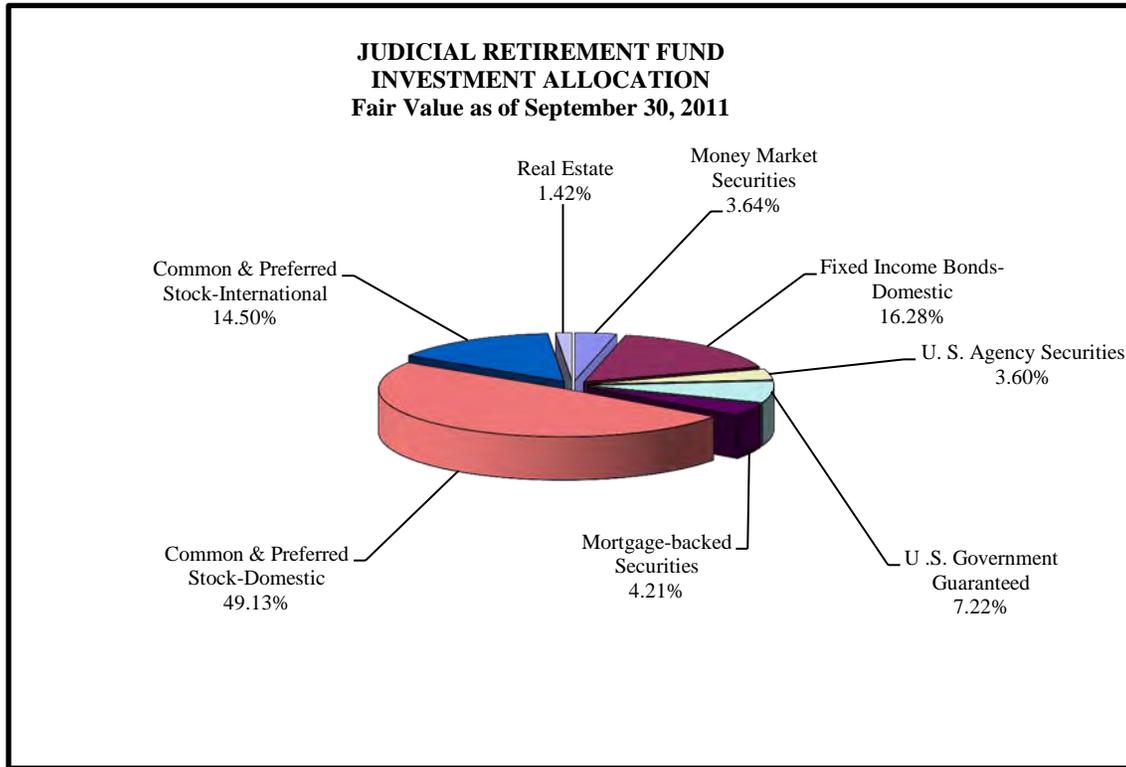
A complete list of portfolio holdings is available upon request.

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, 2011

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 7,548	3.64
U.S. Government Guaranteed	14,974	7.22
U.S. Agency Securities	7,478	3.60
Mortgage-backed Securities	8,739	4.21
Fixed Income Bonds, Domestic	33,766	16.28
Common and Preferred Stocks, Domestic	101,922	49.13
Common and Preferred Stocks, International	30,075	14.50
Real Estate	2,946	1.42
<b>Total Investments</b>	<b><u>\$ 207,448</u></b>	<b><u>100.00</u></b>

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Largest Stock and Bond Holdings

**JUDICIAL RETIREMENT FUND**

**LARGEST STOCK HOLDINGS**

**September 30, 2011**

(Amounts in Thousands)

	<b>Shares</b>	<b>Stock</b>	<b>Fair Value</b>
1)	9	Goldman Sachs Small Cap Equity Linked Note	\$ 3,662
2)	102	ISHARES MSCI Emerging Markets	3,567
3)	8	Apple Inc	3,030
4)	42	Exxon Mobil Corporation	3,028
5)	*	New Water Street Corporation	2,946
6)	10	International Business Machines	1,792
7)	64	Microsoft Corporation	1,591
8)	17	Chevron Corporation	1,589
9)	23	Johnson & Johnson	1,497
10)	24	Proctor & Gamble	1,489

\* Less than 1,000 shares

**JUDICIAL RETIREMENT FUND**

**LARGEST BOND HOLDINGS**

**September 30, 2011**

(\$ In Thousands)

	<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
1)	2,632	U S Treasury, 3.75%, Due 11/15/2018	\$ 3,045
2)	2,548	U S Treasury, 4.25%, Due 8/15/2015	2,897
3)	2,000	LMB Funding (PPL Energy), 8.05%, Due 12/21/2013	2,240
4)	1,727	Farmer Mac Gtd, 5.125%, Due 4/19/2017	2,017
5)	1,730	U S Treasury, 3.125%, Due 4/30/2017	1,919
6)	1,588	General Electric Capital Corp, 5.55%, Due 5/4/2020	1,738
7)	1,125	U S Treasury, 4.375%, Due 5/15/2040	1,449
8)	1,110	U S Treasury, 3.375%, Due 11/15/2019	1,259
9)	1,079	U S Treasury, 3.50%, Due 5/15/2020	1,236
10)	1,113	U S Treasury, 2.125%, Due 8/15/2021	1,133

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, 2011

	Stock			Fixed	Total
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	
Banc of America	\$ -	\$ -	\$ -	\$ 142	\$ 142
Barclays	0.0467	9,484	442	-	442
Bernstein	0.0287	18,438	528	-	528
Cantor Fitzgerald	-	-	-	138	138
Caris	0.0500	606	30	-	30
Citigroup	0.0348	23,325	811	190	1,001
Cowen	0.0500	1,860	93	-	93
Credit Suisse	0.0254	11,661	296	287	583
Davenport	0.0500	316	16	-	16
Deutsche Bank	0.0292	11,680	341	44	385
Empirical	0.0389	2,554	99	-	99
First Discount	0.0500	350	18	-	18
Gardner Rich	0.0500	288	14	-	14
Goldman Sachs	0.0110	13,401	147	236	383
Harbor Financial	0.0500	225	11	-	11
Howard Weil	0.0500	1,440	72	-	72
ISI	0.0414	19,524	808	-	808
Issuer Designated	-	-	-	182	182
Jefferies	0.0409	4,369	179	-	179
JP Morgan	0.0442	10,951	484	258	742
Keefe Bruyette	0.0500	1,421	71	-	71
Keybanc	0.0457	3,116	143	54	197
Knight	0.0500	180	9	-	9
Merrill	0.0320	11,901	381	-	381
Montrose-Sine	0.0429	175	8	-	8
Morgan Keegan	0.0500	1,000	50	-	50
Morgan Stanley	0.0263	35,956	945	17	962
Myers & Associates	0.0500	261	13	-	13
NBC-Falkenburg	0.0500	1,400	70	-	70
Oppenheimer	0.0493	3,796	187	-	187
Raymond James	0.0500	1,000	50	249	299
Sandler O'Neill	0.0500	1,005	50	-	50
Securities Corp	0.0500	280	14	-	14
Southcoast	0.0466	1,410	66	-	66
Southwest	0.0500	280	14	-	14
Sterne Agee	0.0500	2,835	142	-	142
Stifel Nicholas	0.0500	2,215	111	-	111
Strategas	0.0461	6,299	290	-	290
UBS	0.0500	375	19	-	19
Wells Fargo	0.0476	6,936	330	-	330
<b>Totals</b>		<b>212,313</b>	<b>\$ 7,352</b>	<b>\$ 1,797</b>	<b>\$ 9,149</b>

**Average Commission  
Per Share of Stock =**

**\$ 0.0346**



Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# ACTUARIAL SECTION





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

July 22, 2011

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

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of September 30, 2010 in accordance with Section 367(15) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the System as of September 30, 2010, to recommend rates of State contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation reflects the impact of Act 2011-27, which closes the DROP program to new applicants after March 24, 2011. The valuation also reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 11.16% of payroll for the fiscal year ending September 30, 2013, based on a 30-year amortization period.

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

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

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

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July 22, 2011  
Board of Control  
Page 2

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

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

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

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA  
President

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

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA  
Senior Actuary

EAM/mjn

**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 21, 2007. The retirement rates were since revised to reflect that the DROP program is closed to new applicants after March 24, 2011.

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

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

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

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

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

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

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

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

<b>Annual Rate (%) *</b>		
<b>Age</b>	<b>Male</b>	<b>Female</b>
45	30.0	30.0
50	15.0	16.0
55	10.0	13.0
60	10.0	25.0
62	25.0	43.0

\*Retirement rates adjusted in year when member first becomes eligible for unreduced service retirement on or after age 50 but before age 60.

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

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

## RETIREMENT SYSTEMS OF ALABAMA

### Actuarial Section

#### Teachers' Retirement System

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

**Deaths after Retirement:** Rates of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward one year for females. Special tables are used for the period after disability retirement. Representative values of the assumed annual rates of death after service and disability retirement are as follows:

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

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

**Benefits Payable Upon Separation from Service:** For active members who separate from service prior to eligibility for a service retirement allowance, it is assumed that those with at least 15 years of service will elect a deferred annuity and those with less than 15 years of service will elect to receive a refund of contributions and interest. Assumed refunds are reduced by 10% to account for interest accumulation adjustments which are less than the "regular" 4% rate adopted by the Board.

**Unused Sick Leave:** 3% load on service retirement, disability retirement and death in active service liabilities for active members.

**Percentage Married:** 100% of active members are assumed to be married with the husband 3 years older than the wife.

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

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

**Liability for Current Inactive Members:** Member Contribution Balance is multiplied by a factor of 2.0.

### **Actuarial Cost Method**

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

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

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

#### **Definitions**

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

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

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

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

Pension - payments for life derived from employer contributions.

Retirement Allowance - the sum of the annuity and pension.

# RETIREMENT SYSTEMS OF ALABAMA

## *Actuarial Section*

### Teachers' Retirement System

#### Summary of Plan of Provisions (Continued)

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#### **Benefits**

##### Service Retirement Allowance

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

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

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

##### Disability Retirement Allowance

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

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

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

##### Benefits Payable on Separation of Service

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

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

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

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

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

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

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

#### Special Privileges at Retirement

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

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

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

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

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

#### Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based upon

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan of Provisions (Continued)

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the retirement benefit calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

The effect of Act 2011-27 is that no new participants will be allowed to enter DROP with an effective participation date after June 1, 2011.

#### Member Contributions

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

“Regular Interest” is 4% which is the rate adopted by the Board and applied to the balance in each member’s account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on Section 18-25-12(g)).

Beginning October 1, 2011, the contribution rates will increase to 7.25% for regular members and 8.25% for police officers, firefighters and correctional officers.

Beginning October 1, 2012, the contribution rates will increase to 7.50% for regular members and 8.50% for police officers, firefighters and correctional officers.

If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement System of Alabama shall first reduce the employee contribution rate.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules

**Supporting Schedules**

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

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

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase (Decrease) in Average Pay</u>
09/30/10	† 136,290	\$ 5,836,902,762	\$ 42,827	(0.01)%
09/30/09	‡ 137,935	5,908,098,156	42,832	1.55
09/30/08	φ 141,528	5,969,302,850	42,178	6.55
09/30/07	£ 141,217	5,589,726,297	39,583	7.41
09/30/06	* 138,613	5,108,187,755	36,852	5.20
09/30/05	§ 135,126	4,733,415,807	35,030	2.73

† In addition, there are 5,737 employees with annual compensation of \$346,301,313 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

‡ In addition, there are 5,340 employees with annual compensation of \$328,823,442 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules (Continued)

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

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

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)				
09/30/10	\$ 3,498,959	\$ 16,083,293	\$ 8,717,271	\$ 20,132,779	100	100	6.3
09/30/09	3,233,664	15,328,508	8,975,228	20,582,348	100	100	22.5
09/30/08	3,153,859	14,678,975	8,971,283	20,812,477	100	100	33.2
09/30/07 ‡	3,038,296	14,048,525	8,884,713	20,650,916	100	100	40.1
09/30/06 #	2,943,588	13,408,294	7,593,218	19,821,133	100	100	45.7
09/30/05 †	2,856,983	12,998,138	7,172,217	19,248,207	100	100	47.3

‡ Reflects pay increase payable under Act 2007-296.

# Reflects changes in actuarial assumptions.

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

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

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

Fiscal Year Ended	Retirees Added § *		Retirees Removed		Retirees - Year-end *		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2010	3,935	\$ 86,275	1,525	\$ 24,494	71,691	\$ 1,498,941	4.30	\$ 20,908
2009	4,679	112,627	1,555	23,841	69,281	1,437,160	6.58	20,744
2008	3,271	64,288	1,170	17,852	66,157	1,348,374	3.80	20,381
2007	3,679	78,490	1,329	19,755	64,056	1,299,028	11.64	20,280
2006	3,168	65,235	1,188	17,672	61,706	1,163,614	8.09	18,857
2005	4,423	83,973	1,419	20,712	59,726	1,076,506	6.24	18,024

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.

\* Does not include active DROP participants.

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2009	\$ 6,955,052
Normal Cost for 2010 Plan Year	361,340
Contributions Received During the Year	(753,213)
Interest to Year End	<u>556,404</u>
Expected Unfunded Actuarial Liability as of September 30, 2010	<u>7,119,583</u>
Actuarial Losses During the Year	
From Investments	1,544,484
From Actuarial Liabilities	<u>(497,323)</u>
Total Actuarial Losses During the Year	<u>1,047,161</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2010</b>	<b><u>\$ 8,166,744</u></b>



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

July 22, 2011

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

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the Employees' Retirement System of Alabama, prepared as of September 30, 2010 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, 2010, 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 impact of Act 2011-27, which closes the DROP program to new participants effective March 24, 2011. The valuation also reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and by an additional 0.25% beginning October 1, 2012.

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 11.05% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 31.58% of payroll for the fiscal year ending September 30, 2013. The contribution rates for local employers for the fiscal year beginning October 1, 2012 will be submitted in a separate report and will include the impact of all employer-elected benefit improvements through September 30, 2010.

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

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

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July 22, 2011  
Board of Control  
Page 2

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

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

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

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

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA  
President

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

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA  
Senior Actuary

EAM/CT/JTC:jel

**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 30, 2007. The retirement rates were since revised to reflect that the DROP program is closed to new applicants after March 24, 2011.

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

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

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

**Separations Before Service Retirement:** Representative values of the assumed annual rates of death, disability, and withdrawal, are shown in the following tables:

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

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

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

<b>Local Employees with No Prior DROP Coverage</b>								
<b>Annual Rate (%)</b>								
<b>Age</b>	<b>Death</b>		<b>Disability</b>		<b>Withdrawal (Years of Service)</b>			
	<b>Male</b>	<b>Female</b>	<b>Male</b>	<b>Female</b>	<b>Male</b>		<b>Female</b>	
					<b>0-4</b>	<b>5+</b>	<b>0-4</b>	<b>5+</b>
20	0.06	0.03	0.06	0.06	26.00		37.00	
25	0.08	0.03	0.08	0.13	21.00	11.00	30.00	15.00
30	0.08	0.04	0.11	0.19	19.00	8.50	25.00	12.00
35	0.09	0.06	0.13	0.25	17.00	6.50	22.00	9.50
40	0.14	0.08	0.20	0.28	16.00	4.50	19.00	7.50
45	0.21	0.11	0.42	0.36	15.00	4.25	18.00	6.50
50	0.36	0.17	0.77	0.43	13.00	4.00	17.00	6.00
55	0.63	0.29	1.41	0.82	13.00	4.25	16.00	6.00
60	1.15	0.58			13.00	5.00	16.00	5.50
62	1.45	0.76			15.00	6.20	16.00	7.30
65	1.99	1.08			18.00	8.00	16.00	10.00
69	2.85	1.50			18.00	8.00	16.00	10.00

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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

<b>State and Local Employees with Prior DROP Coverage</b>				
<b>Annual Rate (%) of Service Retirement</b>				
<b>Age</b>	<b>Under age 65 with 25 or more years of service</b>		<b>Under age 65 with less than 25 years of service &amp; All over age 65</b>	
	<b>Male §</b>	<b>Female †</b>	<b>Male</b>	<b>Female</b>
45	15.00	15.00		
50	10.00	10.00		
55	14.00	20.00		
60	13.00	19.00	16.00	22.00
62	28.00	38.00	32.00	31.00
64	14.00	38.00	25.00	24.00
65			36.00	36.00
70			27.00	30.00
72			23.00	30.00
75			100.00	100.00

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

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

<b>State Policemen</b>		
<b>Annual Rate (%) of Service Retirement</b>		
<b>Age</b>	<b>&lt; 25 Years</b>	<b>25+ Years</b>
40		19.00
45		19.00
50		18.00
55	20.00	32.50
60	20.00	100.00
62	20.00	100.00
65	100.00	100.00

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

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

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

**Death after Retirement:** The rates of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward three years for males and set forward two years for females. Special tables are used for the period after disability retirement.

**Death in Active Service Benefit:** For those eligible for service retirements who die in active service, it is assumed that 75% of beneficiaries will elect the lump sum death benefit and 25% will elect Option 3 allowance.

**Benefits Payable Upon Separation from Service:** For members who terminate with less than 10 years of service, assumed refunds are reduced by 10% to account for interest rates lower than the “regular” 4% rate adopted by the Board (See Section 16-25-14(g)).

**Unused Sick Leave:** 2% load on service retirement, disability retirement and death in active service allowance liabilities for active members.

**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.

**Asset Method:** 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. The amount recognized each year is 20% of the difference between market value and expected value.

**Liability for Current Inactive Members:** Member Contribution Balance is multiplied by a factor of 2.5 for State Employees and 3.0 for Local Employees and State Policemen.

### **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.

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## Benefits – Members Classified as Other Than State Policemen

### Service Retirement Allowance

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

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

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

### Disability Retirement Allowance

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

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

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

### Benefits Payable on Separation of Service

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

### Benefits Payable upon Death in Active Service

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

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

---

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

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

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

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

#### Deferred Retirement Option Plan (DROP)

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

The effect of Act 2011-27 is that no new participants will be allowed to enter DROP with an effective participation date after June 1, 2011.

#### Member Contributions

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

“Regular Interest” is 4% which is the rate adopted by the Board and applied to the balance in each member's account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on Section 16-25-12(g)).

Beginning October 1, 2011, the contribution rates will increase to 7.25% for regular members and 8.25% for police officers, firefighters and correctional officers.

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Beginning October 1, 2012, the contribution rates will increase to 7.50% for regular members and 8.50% for police officers, firefighters and correctional officers.

If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement System of Alabama shall first reduce the employee contribution rate.

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

#### **Service Retirement Allowance**

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

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

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

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

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

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

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

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

#### **Disability Retirement Allowance**

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

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

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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##### Benefits Payable upon Separation from Service

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

##### Benefits Payable upon Death in Active Service

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

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

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

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

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

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

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

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The effect of Act 2011-27 is that no new participants will be allowed to enter DROP with an effective participation date after June 1, 2011.

Member Contributions

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

Special Privileges at Retirement – All Members

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Supporting Schedules

**Supporting Schedules**

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

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

<u>Valuation Date</u>		<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
09/30/10	*	89,967	\$ 3,464,913,031	\$ 39,842	0.38
09/30/09	‡	87,647	3,478,635,402	39,689	3.65
09/30/08	†	88,002	3,369,696,707	38,291	4.71
09/30/07	γ	86,668	3,169,432,161	36,570	4.65
09/30/06	φ	84,482	2,952,186,813	34,945	3.05
09/30/05	§	82,830	2,808,823,045	33,911	4.94

\* In addition, there are 2,593 members with compensation of \$154,756,911 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

‡ In addition, there are 2,371 members with compensation of \$141,607,707 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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

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

φ In addition, there are 1,905 members with compensation of \$115,812,131 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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

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

**EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA  
SOLVENCY TEST**

(\$ in Thousands)

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities For</u>					<u>Portion (%) of Accrued Liabilities Covered by Assets</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u>Reported</u>				
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active (Employer Financed) Portion</u>	<u>Assets</u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	
09/30/10	\$ 2,050,051	\$ 7,130,938	\$ 5,103,130	\$9,739,331	100	100	10.9	
09/30/09	1,973,511	6,707,240	5,075,425	9,928,104	100	100	24.6	
09/30/08 ‡	1,860,095	6,275,136	4,943,455	9,905,766	100	100	35.8	
09/30/07 ‡	1,777,331	5,911,861	4,681,149	9,770,897	100	100	44.5	
09/30/06 γ	1,705,372	5,540,766	4,211,426	9,287,531	100	100	48.5	
09/30/05 †	1,616,410	5,076,621	3,941,945	8,935,358	100	100	56.9	

‡ Reflects pay increases payable under Act 2007-297.

γ Reflects changes in actuarial assumptions.

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

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

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

Fiscal Year Ended	Retirees Added § *		Retirees Removed		Retirees - Year-end *		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2010	2,256	\$ 57,527	1,098	\$ 13,799	37,571	\$ 778,328	5.95	\$ 19,379
2009	2,710	59,178	961	12,809	36,413	665,565	7.49	18,278
2008	1,905	39,401	942	14,689	34,664	619,196	4.91	17,863
2007	1,997	39,636	925	12,075	33,701	590,203	10.38	17,513
2006	1,998	39,636	883	10,511	32,629	534,682	9.23	16,387
2005	2,362	42,823	857	9,975	31,514	489,491	7.19	15,532

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.

\* Does not include active DROP participants.

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

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2009	\$ 3,828,072
Normal Cost for 2010 Plan Year	171,298
Contributions Received During the Year	(366,206)
Interest to Year End	306,245
Expected Unfunded Actuarial Liability as of September 30, 2010	<u>3,939,409</u>
Actuarial Losses During the Year	
From Investments	780,064
From Actuarial Liabilities	(174,685)
Total Actuarial Losses During the Year	<u>605,379</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2010</b>	<b><u>\$ 4,544,788</u></b>



# Cavanaugh Macdonald

CONSULTING, LLC

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July 22, 2011

Board of Control  
Alabama Judicial Retirement Fund  
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2010 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, 2010, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). Data regarding the membership of the Fund for use as a basis of the valuation was furnished by the Retirement Fund office. While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation reflects the impact of Act 2011-676, which increases the member contribution rates by 2.25% beginning October 1, 2011 and an additional 0.25% beginning October 1, 2012. On the basis of this valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 28.22% of payroll for the fiscal year ending September 30, 2013.

The financing objective of the Fund has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the Projected Unit Credit cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 4.50% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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

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July 22, 2011  
Board of Control  
Page 2

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

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

In our opinion the Fund is operating on an actuarially sound basis. Assuming that contributions to the Fund are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the Fund may be safely anticipated.

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

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA  
President

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

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven'.

Jonathan T. Craven, ASA, EA, FCA, MAAA  
Senior Actuary

EAM:bdm

**Summary of Actuarial Assumptions and Methods**

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

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

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

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

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

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

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

**Percent Married:** 90% of active members are assumed to be married with the husband 3 years older than the wife.

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

**Assets:** Actuarial Value. The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets based on the assumed valuation rate of return.

**Liability for Current Inactive Members:** Member Contribution Balance is multiplied by a factor of 3.0.

**Post Retirement Increases:** Allowances of retired members and spouses who receive benefits based on active member salaries are assumed to increase by 4.5% per year.

## Summary of Plan Provisions as Interpreted for Valuation Purposes

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

### Membership

Any justice of the Supreme Court, judge of the Court of Civil Appeals, judge of the Court of Criminal Appeals, judge of the Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury became a member of the JRF if the member was holding office on the effective date of the Act and elected to come under its provisions. Any such justice or judge elected or appointed to the office after the effective date of the Act or any district or probate judge elected or appointed to office after October 10, 1975 or October 1, 1976, respectively, automatically becomes a member. Certain other district and probate judges as well as certain former county court judges, district attorneys, or assistant district attorneys serving as circuit judges and certain supernumerary judges and justices may also elect to become a member.

### Credited Service

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

### Benefits

#### Service Retirement Benefit

##### Condition of Benefit

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

- Completed 12 years of credited service and has attained age 65, or
- Completed 15 years of credited service and whose age plus service equals or exceeds 77, or
- Completed at least 18 years of credited service or three full terms as a judge or justice, or
- Completed 10 years of credited service and has attained age 70

However, a judge who became a member on or after July 30, 1979 or who is a district or probate judge must meet the following age and service requirement combinations in order to be eligible to retire:

- Completed 12 years of credited service and attained age 65, or
- Completed at least 15 years of credited service and attained age 60, and whose age plus service equals or exceeds 77, or
- Completed 10 years of credited service and 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.

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

#### Summary of Plan Provisions (Continued)

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Amount of Benefit	<p>The service retirement benefit for a member is equal to:</p> <ul style="list-style-type: none"><li>(a) For circuit or appellate judges who were members prior to July 30, 1979, 75% of the salary prescribed by law for the position from which the member retires.</li><li>(b) For circuit and appellate judges who assumed office on or after July 30, 1979, 75% of the member's salary at the time of separation from service.</li><li>(c) For district judges, 75% of the position's salary immediately prior to retirement.</li><li>(d) For probate judges, 75% of the member's salary at the time of separation from service.</li></ul>
<b>Disability Retirement Benefit</b>	
Condition of Benefit	<p>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.</p>
Amount of Benefit	<p>The disability retirement benefit for a member other than a district or probate judge who was a member prior to July 30, 1979 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 minimum of 30% and a maximum of 75% of such salary.</p> <p>The disability retirement benefit for a judge who became a member on or after July 30, 1979 or who is a district or probate judge is equal to 25% of his salary immediately prior to retirement plus 10% of such salary for each year of credited service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.</p>
<b>Spousal Benefits</b>	
Condition of Benefit	<p>Upon the death of an active, inactive, or retired member with at least 5 years of credited service, a death benefit is payable to the member's spouse.</p>
Amount of Benefit	<p>The death benefit for the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position for each year of service of the former member, not to exceed 30% of such salary.</p> <p>The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the position's salary prescribed by law at the time of death for each year of service not to exceed 30% of such salary.</p> <p>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 years, or 3%</p>

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Judicial Retirement Fund

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

of the judge's salary at the time of their separation from service for each year of credited service not to exceed 30% of such salary. The benefit is payable for the spouse's life or until remarriage.

#### Benefit Payable on Separation from Service

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

A member terminating service prior to reaching eligibility for retirement benefits may elect to receive a refund of their accumulated contributions and interest (the amount of accrued interest refundable to a District or Probate Judge is based upon the same rules and regulations applicable to similar refunds under ERS).

#### Member Contributions

Prior to October 1, 2011, each member contributes 6% of salary.

Beginning October 1, 2011, each member will contribute 8.25% of salary.

Beginning October 1, 2012, each member will contribute 8.50% 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>
09/30/10	338	\$ 43,060,614	\$ 127,398	0.78
09/30/09	342	43,234,239	126,416	3.18
09/30/08	336	41,167,248	122,522	3.19
09/30/07	348	41,318,229	118,731	0.60
09/30/06	332	39,184,897	118,027	(0.04)
09/30/05	340	40,144,335	118,072	(0.56)

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

The following schedule presents six years of solvency tests:

**JUDICIAL RETIREMENT FUND  
SOLVENCY TEST**

(\$ in Thousands)

**Aggregate Accrued Liabilities For**

Valuation Date	(1)	(2)	(3)	Reported Assets	Portion (%) of Accrued Liabilities Covered by Reported Assets		
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)		(1)	(2)	(3)
09/30/10	\$ 33,950	\$ 218,969	\$ 105,540	\$ 246,197	100	97	0.0
09/30/09	32,533	215,730	92,715	252,646	100	100	4.7
09/30/08	32,585	203,062	87,781	259,071	100	100	26.7
09/30/07	30,286	202,835	82,820	265,189	100	100	38.7
09/30/06	31,569	180,555	89,468	260,664	100	100	54.3
09/30/05 §	29,027	183,797	86,840	256,092	100	100	49.8

§ Reflect additional allowance payable under Act 2006-510.

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

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

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2010	11	\$ 851	8	\$ 415	323	\$ 24,697	1.79	\$ 76,461
2009	18	1,885	10	275	320	24,261	7.11	75,816
2008	12	1,076	6	392	312	22,651	2.78	72,599
2007	35	2,978	2	146	306	22,038	16.54	72,020
2006	9	753	10	399	273	18,911	2.66	69,271
2005	10	967	8	408	274	18,421	3.13	67,230

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2009	\$ 88,333
Normal Cost for 2010 Plan Year	7,048
Contributions Received During the Year	(10,275)
Interest to Year End	<u>7,066</u>
Expected Unfunded Actuarial Liability as of September 30, 2010	<u>92,172</u>
Actuarial Losses During the Year	
From Investments	14,264
From Actuarial Liabilities	<u>5,826</u>
Total Actuarial Losses During the Year	<u>20,090</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2010</b>	<b><u>\$ 112,262</u></b>





Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# STATISTICAL SECTION



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

#### **Financial Trends**

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

Additions by Source – Ten-Year History – page 107

Deductions by Type – Ten-Year History – page 108

Benefits by Type – Ten-Year History – page 109

Ten-Year History of Additions, Reductions, and Changes in Net Assets – page 118

#### **Retirees and Beneficiaries**

These schedules provide information concerning the retirees and beneficiaries receiving benefits.

Retired Members by Type of Benefit – page 110

Ten-Year History of Average Monthly Benefit Payments – page 113

#### **Participating Units**

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

Largest Employers – Ten-Year History – page 116

Local Participating Employers – page 124

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Additions by Source

Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM  
ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate (%)		
2011	\$ 323,196	\$ 779,644	12.51	\$ 351,965	\$ 1,454,805
2010	321,403	776,421	12.51	1,448,312	2,546,136
2009	323,706	753,518	12.07	(1,485,126)	(407,902)
2008	327,004	729,995	11.75	(3,336,697)	(2,279,698)
2007	305,086	540,847	9.36	3,312,796	4,158,729
2006	281,455	434,195	8.17	1,582,359	2,298,009
2005	262,856	347,862	7.03	1,846,398	2,457,116
2004	253,860	312,474	6.56	1,634,314	2,200,648
2003	252,018	235,786	5.02	2,004,431	2,492,235
2002	235,726	265,670	5.96	(1,244,757)	(743,361)

**EMPLOYEES' RETIREMENT SYSTEM  
ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions				Investment Income	Total
		Amount	Employer Rate (%)				
			Regular	Law	Local		
2011	\$ 195,709	\$ 394,998	11.94	30.57	*	\$ 196,939	\$ 787,646
2010	196,758	377,898	11.94	30.57	*	696,677	1,271,333
2009	210,281	451,139	11.88	30.99	*	(887,881)	(226,461)
2008	191,654	329,339	10.26	30.42	*	(1,574,094)	(1,053,101)
2007	184,140	277,254	7.78	24.12	*	1,596,592	2,057,986
2006	187,126	241,750	6.77	21.36	*	703,604	1,132,480
2005	160,313	195,846	5.57	18.03	*	841,013	1,197,172
2004	168,548	170,713	4.19	13.87	*	725,758	1,065,019
2003	162,284	154,218	3.95	9.24	*	938,921	1,255,423
2002	151,221	123,887	3.95	9.24	*	(656,360)	(381,252)

**JUDICIAL RETIREMENT FUND  
ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate (%)		
2011	\$ 2,654	\$ 10,906	24.20	\$ 2,022	\$ 15,582
2010	2,566	10,814	24.20	21,925	35,305
2009	2,701	10,326	23.23	758	13,785
2008	2,707	9,880	23.05	(38,322)	(25,735)
2007	2,636	9,307	22.50	34,581	46,524
2006	2,497	8,916	21.93	20,851	32,264
2005	2,398	8,943	21.93	19,347	30,688
2004	2,434	8,994	21.93	21,964	33,392
2003	2,342	8,637	21.19	20,855	31,834
2002	2,356	8,222	21.19	(23,333)	(12,755)

§ Includes transfers from other systems.

\* Local agency rates differ for each participating agency.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Deductions by Type

Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM  
DEDUCTIONS BY TYPE**

<b>Fiscal Year</b>	<b>Benefit Payments</b>	<b>Contribution Refunds &amp; Death Benefits</b>	<b>Service Transfers</b>	<b>Administrative Expenses</b>	<b>Depreciation</b>	<b>Total</b>
2011	\$ 1,673,881	\$ 49,304	\$ 2,012	\$ 10,820	\$ 4,243	\$ 1,740,260
2010	1,567,790	43,628	1,790	11,979	4,264	1,629,451
2009	1,512,260	42,337	1,767	11,005	4,128	1,571,497
2008	1,486,871	37,317	1,683	12,216	578	1,538,665
2007	1,397,808	37,474	2,406	9,614	480	1,447,782
2006	1,207,251	36,683	3,008	11,325	462	1,258,729
2005	1,092,723	36,350	1,829	10,372	468	1,141,742
2004	987,761	35,983	1,575	7,361	439	1,033,119
2003	932,687	32,084	2,418	7,011	367	974,567
2002	858,383	35,510	2,091	6,845	391	903,220

**EMPLOYEES' RETIREMENT SYSTEM  
DEDUCTIONS BY TYPE**

<b>Fiscal Year</b>	<b>Benefit Payments</b>	<b>Contribution Refunds &amp; Death Benefits</b>	<b>Unit Withdrawals &amp; Service Transfers</b>	<b>Administrative Expenses</b>	<b>Depreciation</b>	<b>Total</b>
2011	\$ 782,957	\$ 36,798	\$ 2,157	\$ 10,002	\$ 2,029	\$ 833,943
2010	725,660	33,868	1,633	10,334	2,111	773,606
2009	695,430	32,640	2,718	9,413	2,038	742,239
2008	655,467	31,387	3,355	9,892	311	700,412
2007	615,661	31,829	3,034	7,813	298	658,635
2006	551,793	31,780	3,368	7,850	337	595,128
2005	487,348	30,960	2,755	6,898	294	528,255
2004	448,658	31,406	6,008	5,892	269	492,233
2003	423,027	25,056	2,842	5,843	278	457,046
2002	389,856	24,965	10,410	5,582	235	431,048

**JUDICIAL RETIREMENT FUND  
DEDUCTIONS BY TYPE**

<b>Fiscal Year</b>	<b>Benefit Payments</b>	<b>Contribution Refunds &amp; Death Benefits</b>	<b>Service Transfers</b>	<b>Administrative Expenses</b>	<b>Depreciation</b>	<b>Total</b>
2011	\$ 26,379	\$ 34	\$ -	\$ 276	\$ -	\$ 26,689
2010	24,526	235	-	317	-	25,078
2009	23,821	145	68	552	-	24,586
2008	22,587	83	186	526	-	23,382
2007	21,356	183	-	474	-	22,013
2006	18,777	45	-	432	-	19,254
2005	18,201	51	356	381	-	18,989
2004	17,903	103	-	344	-	18,350
2003	17,964	83	103	322	-	18,472
2002	16,770	29	-	306	-	17,105

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM  
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2011	\$ 1,571,682	\$ 51,873	\$ 50,326	\$ 13,174	\$ 36,130
2010	1,469,928	49,287	48,576	13,032	30,596
2009	1,419,727	46,085	46,448	12,293	30,044
2008	1,395,060	44,628	47,183	12,007	25,310
2007	1,313,092	40,432	44,284	11,695	25,779
2006	1,131,936	35,228	40,087	10,523	26,160
2005	1,024,372	31,482	36,869	11,931	24,419
2004	923,893	29,066	34,802	10,240	25,743
2003	872,992	27,020	32,675	10,035	22,049
2002	804,822	24,076	29,485	12,390	23,120

**EMPLOYEES' RETIREMENT SYSTEM  
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2011	\$ 703,128	\$ 34,538	\$ 45,291	\$ 7,806	\$ 28,992
2010	649,532	33,009	43,119	8,994	24,874
2009	621,519	32,167	41,744	9,032	23,608
2008	584,391	30,827	40,249	9,188	22,199
2007	548,425	28,595	38,641	7,779	24,050
2006	490,553	25,729	35,511	7,158	24,622
2005	431,179	23,689	32,480	7,505	23,455
2004	395,467	22,772	30,419	7,696	23,710
2003	372,512	21,832	28,683	6,554	18,502
2002	343,265	20,181	26,410	5,540	19,425

**JUDICIAL RETIREMENT FUND  
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2011	\$ 22,773	\$ 3,231	\$ 375	\$ -	\$ 34
2010	20,763	3,388	375	-	235
2009	19,856	3,589	376	-	145
2008	18,807	3,387	393	-	83
2007	17,918	3,093	345	-	183
2006	15,367	3,093	317	-	45
2005	14,911	2,972	318	-	51
2004	14,722	2,864	317	-	103
2003	14,823	2,801	340	-	83
2002	13,655	2,746	369	-	29

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2010

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,153	714	309	130	236	284	314	317	2
251 - 500	8,294	6,194	815	1,285	2,512	3,572	1,200	1,004	6
501 - 750	7,272	5,871	563	838	2,082	3,213	1,125	846	6
751 - 1,000	5,911	4,823	459	629	1,526	2,627	937	816	5
1,001 - 1,250	5,056	4,202	349	505	1,158	2,250	922	722	4
1,251 - 1,500	4,992	4,278	300	414	1,093	2,121	1,066	711	1
1,501 - 1,750	6,498	5,964	219	315	1,199	3,000	1,437	859	3
1,751 - 2,000	8,187	7,835	161	191	1,455	4,138	1,520	1,069	5
2,001 - 2,250	7,532	7,323	125	84	1,228	3,951	1,355	995	3
2,251 - 2,500	5,777	5,642	82	53	921	3,119	1,000	733	4
2,501 - 2,750	4,034	3,929	65	40	639	2,086	780	526	3
2,751 - 3,000	2,919	2,835	64	20	463	1,422	616	416	2
3,001 - 3,250	2,205	2,157	42	6	332	1,049	489	330	5
3,251 - 3,500	1,652	1,610	38	4	248	745	403	255	1
3,501 - 3,750	1,286	1,254	28	4	193	604	314	172	3
3,751 - 4,000	996	969	24	3	144	468	227	152	5
4,001 - 4,250	861	843	16	2	122	410	187	140	2
4,251 - 4,500	610	597	13	-	88	267	147	105	3
4,501 - 4,750	482	473	9	-	63	205	123	90	1
4,751 - 5,000	343	336	7	-	45	153	90	53	2
Over 5,000	1,368	1,337	27	4	177	490	407	280	14
<b>Totals <sup>3</sup></b>	<b>77,428</b>	<b>69,186</b>	<b>3,715</b>	<b>4,527</b>	<b>15,924</b>	<b>36,174</b>	<b>14,659</b>	<b>10,591</b>	<b>80</b>

<sup>1</sup> Type of Retirement

A - Service

B - Survivor benefit

C - Disability

<sup>2</sup> Option

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

<sup>3</sup> This includes 5,737 DROP

participants as of September 30, 2010.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2010

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	436	187	224	25	80	62	71	207	16
251 - 500	3,712	2,236	1,074	402	944	930	774	987	77
501 - 750	4,782	3,286	708	788	1,518	1,589	740	819	116
751 - 1,000	4,383	3,108	442	833	1,416	1,587	566	696	118
1,001 - 1,250	4,642	3,750	317	575	1,181	1,845	724	737	155
1,251 - 1,500	4,006	3,423	214	369	938	1,686	671	604	107
1,501 - 1,750	3,661	3,291	135	235	798	1,525	638	606	94
1,751 - 2,000	3,156	2,943	86	127	643	1,395	470	583	65
2,001 - 2,250	2,539	2,419	43	77	540	1,075	418	449	57
2,251 - 2,500	2,014	1,910	49	55	405	868	337	356	48
2,501 - 2,750	1,560	1,504	24	32	302	683	263	275	37
2,751 - 3,000	1,229	1,184	29	16	220	549	190	246	24
3,001 - 3,250	947	921	20	6	192	425	128	187	15
3,251 - 3,500	691	677	6	8	129	323	99	128	12
3,501 - 3,750	565	558	4	3	118	254	74	109	10
3,751 - 4,000	370	364	3	3	66	176	40	80	8
4,001 - 4,250	316	313	3	-	56	156	36	58	10
4,251 - 4,500	251	248	2	1	46	115	35	50	5
4,501 - 4,750	199	198	1	-	41	89	25	39	5
4,751 - 5,000	164	162	2	-	38	62	18	43	3
Over 5,000	541	538	2	1	122	230	63	116	10
<b>Totals <sup>3</sup></b>	<b>40,164</b>	<b>33,220</b>	<b>3,388</b>	<b>3,556</b>	<b>9,793</b>	<b>15,624</b>	<b>6,380</b>	<b>7,375</b>	<b>992</b>

<sup>1</sup> Type of Retirement  
A - Service  
B - Survivor benefit  
C - Disability

<sup>2</sup> Option  
Maximum - Life Annuity  
Opt-1 - Cash Refund  
Opt-2 - 100% Joint Survivorship  
Opt-3 - 50% Joint Survivorship  
Opt-4 - Other

<sup>3</sup> Includes 2,593 DROP participants as of September 30, 2010.

Does not include 45 members entitled to deferred benefits, but not currently in receipt.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2010

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	1	-	1	-	-	1
251 - 500	2	-	2	-	-	2
501 - 750	3	-	3	-	-	3
751 - 1,000	6	-	5	1	1	5
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	6	-	6	-	-	6
1,501 - 1,750	5	-	5	-	-	5
1,751 - 2,000	8	-	8	-	-	8
2,001 - 2,250	2	-	2	-	-	2
2,251 - 2,500	2	1	1	-	-	2
2,501 - 2,750	2	-	2	-	-	2
2,751 - 3,000	5	1	3	1	2	3
3,001 - 3,250	8	4	4	-	2	6
3,251 - 3,500	19	4	15	-	-	19
3,501 - 3,750	34	3	31	-	2	32
3,751 - 4,000	5	3	1	1	2	3
4,001 - 4,250	6	6	-	-	3	3
4,251 - 4,500	7	6	1	-	2	5
4,501 - 4,750	8	4	2	2	2	6
4,751 - 5,000	10	6	4	-	-	10
Over 5,000	180	178	-	2	33	147
<b>Totals</b>	<b>323</b>	<b>216</b>	<b>100</b>	<b>7</b>	<b>49</b>	<b>274</b>

† Type of Retirement

A - Service

B - Survivor benefit

C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2010</b>					
Average monthly benefit	\$ 691	\$ 1,140	\$ 1,596	\$ 2,309	\$ 3,206
Average final average salary	\$ 36,194	\$ 41,368	\$ 45,033	\$ 55,481	\$ 61,883
Number of active retirants	721	499	520	1,701	847
<b>2009</b>					
Average monthly benefit	\$ 693	\$ 1,099	\$ 1,533	\$ 2,229	\$ 3,089
Average final average salary	\$ 35,464	\$ 39,601	\$ 43,549	\$ 53,066	\$ 59,139
Number of active retirants	632	476	432	1,726	770
<b>2008</b>					
Average monthly benefit	\$ 687	\$ 1,063	\$ 1,463	\$ 2,124	\$ 3,010
Average final average salary	\$ 34,769	\$ 38,493	\$ 41,345	\$ 50,504	\$ 57,764
Number of active retirants	699	504	443	1,538	843
<b>2007</b>					
Average monthly benefit	\$ 650	\$ 1,044	\$ 1,490	\$ 2,001	\$ 2,791
Average final average salary	\$ 32,988	\$ 37,638	\$ 42,325	\$ 47,239	\$ 53,602
Number of active retirants	589	533	407	1,539	798
<b>2006</b>					
Average monthly benefit	\$ 634	\$ 982	\$ 1,349	\$ 1,917	\$ 2,839
Average final average salary	\$ 31,362	\$ 34,986	\$ 38,264	\$ 45,351	\$ 54,489
Number of active retirants	498	372	339	1,763	860
<b>2005</b>					
Average monthly benefit	\$ 594	\$ 960	\$ 1,389	\$ 1,995	\$ 2,783
Average final average salary	\$ 28,010	\$ 32,773	\$ 36,774	\$ 44,703	\$ 51,621
Number of active retirants	728	624	443	2,003	894
<b>2004*</b>					
Average monthly benefit	\$ 601	\$ 918	\$ 1,325	\$ 2,058	\$ 2,961
Average final average salary	\$ 28,825	\$ 32,049	\$ 35,474	\$ 46,274	\$ 54,194
Number of active retirants	742	591	498	2,964	1,476
<b>2003**</b>					
Average monthly benefit	\$ 535	\$ 798	\$ 1,133	\$ 1,905	\$ 2,984
Average final average salary	\$ 27,372	\$ 28,531	\$ 31,559	\$ 44,478	\$ 56,593
Number of active retirants	569	424	437	2,420	1,464
<b>2002**</b>					
Average monthly benefit	\$ 563	\$ 791	\$ 1,090	\$ 1,795	\$ 2,657
Average final average salary	\$ 28,942	\$ 28,971	\$ 30,725	\$ 41,721	\$ 50,034
Number of active retirants	564	416	412	1,973	1,236
<b>2001**</b>					
Average monthly benefit	\$ 502	\$ 777	\$ 1,092	\$ 1,788	\$ 2,819
Average final average salary	\$ 26,015	\$ 27,774	\$ 30,013	\$ 40,681	\$ 50,689
Number of active retirants	552	386	431	1,455	843

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

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2010</b>					
Average monthly benefit	\$ 667	\$ 1,144	\$ 1,819	\$ 2,386	\$ 3,054
Average final average salary	\$ 35,383	\$ 41,444	\$ 48,399	\$ 55,257	\$ 57,575
Number of active retirants	399	316	366	954	420
<b>2009</b>					
Average monthly benefit	\$ 1,399	\$ 1,449	\$ 1,661	\$ 2,064	\$ 2,764
Average final average salary	\$ 40,605	\$ 39,986	\$ 37,807	\$ 47,298	\$ 46,613
Number of active retirants	700	436	345	772	428
<b>2008</b>					
Average monthly benefit	\$ 1,443	\$ 1,389	\$ 1,765	\$ 1,982	\$ 2,767
Average final average salary	\$ 43,159	\$ 42,731	\$ 44,673	\$ 47,099	\$ 53,152
Number of active retirants	566	346	262	670	322
<b>2007</b>					
Average monthly benefit	\$ 1,331	\$ 1,288	\$ 1,592	\$ 1,975	\$ 2,650
Average final average salary	\$ 40,544	\$ 41,247	\$ 43,439	\$ 46,209	\$ 51,484
Number of active retirants	601	318	230	761	334
<b>2006</b>					
Average monthly benefit	\$ 1,285	\$ 1,095	\$ 1,558	\$ 1,779	\$ 2,543
Average final average salary	\$ 39,200	\$ 36,950	\$ 41,455	\$ 43,714	\$ 48,532
Number of active retirants	508	281	204	878	349
<b>2005</b>					
Average monthly benefit	\$ 1,271	\$ 1,008	\$ 1,482	\$ 1,848	\$ 2,592
Average final average salary	\$ 38,257	\$ 34,812	\$ 38,980	\$ 43,707	\$ 49,007
Number of active retirants	621	379	280	1,151	307
<b>2004</b>					
Average monthly benefit	\$ 1,406	\$ 1,176	\$ 1,472	\$ 1,834	\$ 2,761
Average final average salary	\$ 38,630	\$ 36,939	\$ 38,336	\$ 41,807	\$ 51,146
Number of active retirants	734	320	263	846	343
<b>2003</b>					
Average monthly benefit	\$ 1,195	\$ 1,079	\$ 1,285	\$ 1,849	\$ 2,749
Average final average salary	\$ 36,391	\$ 35,075	\$ 34,952	\$ 43,008	\$ 52,337
Number of active retirants	552	251	240	684	296
<b>2002</b>					
Average monthly benefit	\$ 1,107	\$ 1,023	\$ 1,346	\$ 1,665	\$ 2,725
Average final average salary	\$ 33,936	\$ 32,913	\$ 36,895	\$ 38,739	\$ 51,237
Number of active retirants	511	268	224	626	311
<b>2001</b>					
Average monthly benefit	\$ 979	\$ 935	\$ 1,224	\$ 1,630	\$ 2,359
Average final average salary	\$ 32,428	\$ 30,796	\$ 33,257	\$ 37,763	\$ 44,275
Number of active retirants	490	214	192	306	100

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
<b>2010</b>					
Average monthly benefit	\$ 6,796	\$ 8,819	\$ 9,319	\$ 7,147	\$ -
Average final average salary	\$ 108,736	\$ 141,102	\$ 149,104	\$ 114,352	\$ -
Number of active retirees	3	2	3	2	-
<b>2009</b>					
Average monthly benefit	\$ 7,247	\$ 7,899	\$ 8,020	\$ 9,899	\$ 10,750
Average final average salary	\$ 115,950	\$ 126,376	\$ 128,320	\$ 158,384	\$ 172,000
Number of active retirees	6	2	5	5	1
<b>2008</b>					
Average monthly benefit	\$ 7,189	\$ 5,741	\$ 9,054	\$ 8,993	\$ -
Average final average salary	\$ 115,028	\$ 91,863	\$ 144,864	\$ 143,888	\$ -
Number of active retirees	3	2	1	4	-
<b>2007</b>					
Average monthly benefit	\$ 6,761	\$ 8,167	\$ 7,786	\$ 6,486	\$ 7,507
Average final average salary	\$ 108,168	\$ 130,679	\$ 124,576	\$ 103,776	\$ 120,112
Number of active retirees	5	9	6	6	11
<b>2006</b>					
Average monthly benefit	\$ 7,824	\$ 8,223	\$ 7,642	\$ -	\$ -
Average final average salary	\$ 125,190	\$ 131,568	\$ 122,272	\$ -	\$ -
Number of active retirees	2	1	5	-	-
<b>2005</b>					
Average monthly benefit	\$ 8,611	\$ 8,990	\$ 10,434	\$ 8,040	\$ 12,454
Average final average salary	\$ 137,776	\$ 143,840	\$ 166,944	\$ 128,640	\$ 199,264
Number of active retirees	1	3	3	3	1
<b>2004</b>					
Average monthly benefit	\$ 1,568	\$ -	\$ 6,367	\$ 8,696	\$ -
Average final average salary	\$ 25,088	\$ -	\$ 101,878	\$ 139,135	\$ -
Number of active retirees	1	-	3	3	-
<b>2003</b>					
Average monthly benefit	\$ 5,778	\$ 8,339	\$ 8,726	\$ 6,594	\$ -
Average final average salary	\$ 92,448	\$ 133,424	\$ 139,616	\$ 105,504	\$ -
Number of active retirees	2	4	4	4	-
<b>2002</b>					
Average monthly benefit	\$ 7,840	\$ 7,446	\$ 8,711	\$ 8,430	\$ -
Average final average salary	\$ 125,440	\$ 119,136	\$ 139,376	\$ 134,880	\$ -
Number of active retirees	1	3	1	2	-
<b>2001</b>					
Average monthly benefit	\$ 6,565	\$ 7,751	\$ 7,068	\$ 11,877	\$ -
Average final average salary	\$ 105,040	\$ 124,016	\$ 113,088	\$ 190,032	\$ -
Number of active retirees	10	5	8	1	-

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Largest Employers

Ten-Year History

Units	2010	2009	2008	2007	2006
<b>1) Unit</b>	State of Alabama				
# of Active Members	35,147	35,200	35,767	35,566	34,429
% of Total Active Members	39.24%	39.10%	39.53%	40.03%	39.63%
<b>2) Unit</b>	Huntsville, City of				
# of Active Members	2,175	2,227	2,293	2,185	2,188
% of Total Active Members	2.43%	2.47%	2.53%	2.46%	2.52%
<b>3) Unit</b>	Mobile County				
# of Active Members	1,678	1,699	1,664	1,614	1,589
% of Total Active Members	1.87%	1.89%	1.84%	1.82%	1.83%
<b>4) Unit</b>	Mobile, City of				
# of Active Members	1,335	1,421	1,337	1,288	1,278
% of Total Active Members	1.49%	1.58%	1.48%	1.45%	1.47%
<b>5) Unit</b>	Madison County				
# of Active Members	1,133	1,060	1,102	1,068	1,073
% of Total Active Members	1.27%	1.18%	1.22%	1.20%	1.24%
<b>6) Unit</b>	Hellen Keller Hosp	Hellen Keller Hosp	Hellen Keller Hosp	Dothan, City of	Dothan, City of
# of Active Members	984	1,034	1,023	962	955
% of Total Active Members	1.10%	1.15%	1.13%	1.08%	1.10%
<b>7) Unit</b>	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp
# of Active Members	961	970	972	893	817
% of Total Active Members	1.07%	1.08%	1.07%	1.01%	0.94%
<b>8) Unit</b>	Montgomery County	Montgomery County	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of
# of Active Members	848	806	710	710	695
% of Total Active Members	0.95%	0.89%	0.78%	0.79%	0.80%
<b>9) Unit</b>	Tuscaloosa, City of	Tuscaloosa, City of	*Altapointe Health	Hoover, City of	Hoover, City of
# of Active Members	745	732	674	636	633
% of Total Active Members	0.83%	0.81%	0.74%	0.72%	0.73%
<b>10) Unit</b>	*Altapointe Health	*Altapointe Health	Baldwin County	Mobile-Wash MHB	Mobile-Wash MHB
# of Active Members	668	685	655	631	704
% of Total Active Members	0.75%	0.76%	0.72%	0.70%	0.81%
<b>Total # of Active Members</b>	<b>89,560</b>	<b>90,018</b>	<b>90,472</b>	<b>88,849</b>	<b>86,874</b>

\* Formerly Mobile-Wash MHB

Source: Retirement Systems of Alabama records

	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	
State of Alabama	33,756 39.87%	State of Alabama 33,741 40.80%	State of Alabama 34,659 41.54%	State of Alabama 34,526 42.10%	State of Alabama 32,722 41.15%	
Huntsville, City of	2,174 2.57%	Huntsville, City of 2,050 2.48%	Huntsville, City of 2,124 2.55%	Huntsville, City of 2,251 2.74%	Huntsville, City of 2,221 2.79%	
Mobile County	1,626 1.92%	Mobile County 1,622 1.96%	Mobile County 1,658 1.99%	Mobile County 1,627 1.98%	Mobile County 1,604 2.02%	
Mobile, City of	1,272 1.50%	Mobile, City of 1,297 1.57%	Mobile, City of 1,334 1.60%	Mobile, City of 1,388 1.69%	Mobile, City of 1,396 1.76%	
Madison County	1,071 1.26%	Madison County 1,055 1.28%	Madison County 1,035 1.24%	Madison County 963 1.17%	Madison County 1,014 1.28%	
Dothan, City of	923 1.09%	Helen Keller Hosp 785 0.95%	Helen Keller Hosp 766 0.92%	Helen Keller Hosp 746 0.91%	Thomas Hospital 877 1.10%	
Helen Keller Hosp	816 0.96%	Tuscaloosa, City of 684 0.83%	Jefferson Co Health 668 0.80%	Jefferson Co Health 698 0.85%	Jefferson Co Health 700 0.88%	
Tuscaloosa, City of	680 0.80%	Jefferson Co Health 599 0.72%	Tuscaloosa, City of 655 0.79%	Baldwin County 640 0.78%	Baldwin County 650 0.82%	
Hoover, City of	616 0.73%	Gadsden, City of 587 0.71%	Gadsden, City of 613 0.73%	Tuscaloosa, City of 634 0.77%	Tuscaloosa, City of 631 0.79%	
Mobile-Wash MHB	713 0.84%	Mobile-Wash MHB 611 0.74%	Hoover, City of 602 0.72%	Bessemer, City of 595 0.73%	Helen Keller Hosp 610 0.77%	
	84,674	82,708	83,429	82,016	79,526	

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Additions</b>					
Contributions					
Employee	\$ 321,137	\$ 319,770	\$ 321,100	\$ 323,822	\$ 302,272
Employer	779,644	776,421	753,518	729,995	540,847
Transfers from Employees' Retirement System	2,059	-	2,606	3,182	2,814
Transfers from Judicial Retirement Fund	-	1,633	-	-	-
Total Contributions	<u>1,102,840</u>	<u>1,097,824</u>	<u>1,077,224</u>	<u>1,056,999</u>	<u>845,933</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(278,407)	886,997	(2,083,048)	(4,057,823)	2,589,858
Interest and Dividends	624,546	559,941	580,656	705,555	719,910
Total Investment Income from Investing Activities	346,139	1,446,938	(1,502,392)	(3,352,268)	3,309,768
Less: Investment Expenses, Net	5,305	5,415	5,419	5,990	5,105
Net Investment Income from Investing Activities	<u>340,834</u>	<u>1,441,523</u>	<u>(1,507,811)</u>	<u>(3,358,258)</u>	<u>3,304,663</u>
From Securities Lending Activities					
Securities Lending Income	15,643	12,519	33,782	83,588	136,869
Less Securities Lending Expenses:					
Borrower Rebates	1,261	2,820	6,685	57,695	126,966
Management Fees	3,251	2,910	4,412	4,332	1,770
Total Securities Lending Expenses	<u>4,512</u>	<u>5,730</u>	<u>11,097</u>	<u>62,027</u>	<u>128,736</u>
Net Income from Securities Lending Activities	<u>11,131</u>	<u>6,789</u>	<u>22,685</u>	<u>21,561</u>	<u>8,133</u>
Total Investment Income	<u>351,965</u>	<u>1,448,312</u>	<u>(1,485,126)</u>	<u>(3,336,697)</u>	<u>3,312,796</u>
Total Additions	<u>1,454,805</u>	<u>2,546,136</u>	<u>(407,902)</u>	<u>(2,279,698)</u>	<u>4,158,729</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,673,881	1,567,790	1,512,260	1,486,871	1,397,808
Return of Contributions and Death Benefits	49,304	43,628	42,337	37,317	37,474
Transfers to Employees' Retirement System	2,012	1,790	1,767	1,683	2,406
Transfers to Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	10,820	11,979	11,005	12,216	9,614
Depreciation	4,243	4,264	4,128	578	480
Total Deductions	<u>1,740,260</u>	<u>1,629,451</u>	<u>1,571,497</u>	<u>1,538,665</u>	<u>1,447,782</u>
<b>Net Increase/(Decrease)</b>	<b>(285,455)</b>	<b>916,685</b>	<b>(1,979,399)</b>	<b>(3,818,363)</b>	<b>2,710,947</b>
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>17,037,673</u>	<u>16,120,988</u>	<u>18,100,387</u>	<u>21,918,750</u>	<u>19,207,803</u>
End of Year	<b><u>\$ 16,752,218</u></b>	<b><u>\$ 17,037,673</u></b>	<b><u>\$ 16,120,988</u></b>	<b><u>\$ 18,100,387</u></b>	<b><u>\$ 21,918,750</u></b>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Additions</b>					
Contributions					
Employee	\$ 278,220	\$ 260,149	\$ 251,714	\$ 249,996	\$ 233,789
Employer	434,195	347,862	312,474	235,786	265,670
Transfers from Employees' Retirement System	3,235	2,707	2,146	2,022	1,937
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	<u>715,650</u>	<u>610,718</u>	<u>566,334</u>	<u>487,804</u>	<u>501,396</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	878,743	1,221,059	1,055,525	1,412,887	(1,915,592)
Interest and Dividends	703,189	624,397	580,000	592,645	672,200
Total Investment Income from Investing Activities	1,581,932	1,845,456	1,635,525	2,005,532	(1,243,392)
Less: Investment Expenses, Net	4,947	4,278	4,079	4,432	4,592
Net Investment Income from Investing Activities	<u>1,576,985</u>	<u>1,841,178</u>	<u>1,631,446</u>	<u>2,001,100</u>	<u>(1,247,984)</u>
From Securities Lending Activities					
Securities Lending Income	84,052	40,399	10,704	14,215	16,473
Less Securities Lending Expenses:					
Borrower Rebates	77,407	33,559	7,206	10,052	12,462
Management Fees	1,271	1,620	630	832	784
Total Securities Lending Expenses	78,678	35,179	7,836	10,884	13,246
Net Income from Securities Lending Activities	<u>5,374</u>	<u>5,220</u>	<u>2,868</u>	<u>3,331</u>	<u>3,227</u>
Total Investment Income	<u>1,582,359</u>	<u>1,846,398</u>	<u>1,634,314</u>	<u>2,004,431</u>	<u>(1,244,757)</u>
Total Additions	<u>2,298,009</u>	<u>2,457,116</u>	<u>2,200,648</u>	<u>2,492,235</u>	<u>(743,361)</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,207,251	1,092,723	987,761	932,687	858,383
Return of Contributions and Death Benefits	36,683	36,350	35,983	32,084	35,510
Transfers to Employees' Retirement System	2,982	1,829	1,575	2,418	2,091
Transfers to Judicial Retirement Fund	26	-	-	-	-
Administrative Expenses	11,325	10,372	7,361	7,011	6,845
Depreciation	462	468	439	367	391
Total Deductions	<u>1,258,729</u>	<u>1,141,742</u>	<u>1,033,119</u>	<u>974,567</u>	<u>903,220</u>
<b>Net Increase/(Decrease)</b>	1,039,280	1,315,374	1,167,529	1,517,668	(1,646,581)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	18,168,523	16,853,149	15,685,620	14,167,952	15,814,533
End of Year	<u>\$ 19,207,803</u>	<u>\$ 18,168,523</u>	<u>\$ 16,853,149</u>	<u>\$ 15,685,620</u>	<u>\$ 14,167,952</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b>Additions</b>					
Contributions					
Employee	\$ 193,697	\$ 194,968	\$ 208,446	\$ 189,785	\$ 181,734
Employer	394,998	377,898	451,139	329,339	277,254
Transfers from Teachers' Retirement System	2,012	1,790	1,767	1,683	2,406
Transfers from Judicial Retirement Fund	-	-	68	186	-
Total Contributions	<u>590,707</u>	<u>574,656</u>	<u>661,420</u>	<u>520,993</u>	<u>461,394</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	(112,758)	427,365	(1,180,523)	(1,919,746)	1,249,495
Interest and Dividends	307,152	268,667	285,022	339,578	347,272
Total Investment Income from Investing Activities	194,394	696,032	(895,501)	(1,580,168)	1,596,767
Less: Investment Expenses, Net	2,308	2,398	2,651	3,747	3,725
Net Investment Income from Investing Activities	<u>192,086</u>	<u>693,634</u>	<u>(898,152)</u>	<u>(1,583,915)</u>	<u>1,593,042</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	6,891	5,619	15,335	38,458	58,925
Less Securities Lending Expenses:					
Borrower Rebates	517	1,271	3,070	26,649	54,648
Management Fees	1,521	1,305	1,994	1,988	727
Total Securities Lending Expenses	<u>2,038</u>	<u>2,576</u>	<u>5,064</u>	<u>28,637</u>	<u>55,375</u>
Net Income from Securities Lending Activities	<u>4,853</u>	<u>3,043</u>	<u>10,271</u>	<u>9,821</u>	<u>3,550</u>
Total Investment Income	<u>196,939</u>	<u>696,677</u>	<u>(887,881)</u>	<u>(1,574,094)</u>	<u>1,596,592</u>
Total Additions	<u>787,646</u>	<u>1,271,333</u>	<u>(226,461)</u>	<u>(1,053,101)</u>	<u>2,057,986</u>
<b>Deductions</b>					
Retirement Allowance Payments	782,957	725,660	695,430	655,467	615,661
Return of Contributions and Death Benefits	36,798	33,868	32,640	31,387	31,829
Unit Withdrawals	-	-	14	-	-
Transfers to Teachers' Retirement System	2,059	1,633	2,606	3,182	2,814
Transfers to Judicial Retirement Fund	98	-	98	173	220
Administrative Expenses	10,002	10,334	9,413	9,892	7,813
Depreciation	2,029	2,111	2,038	311	298
Total Deductions	<u>833,943</u>	<u>773,606</u>	<u>742,239</u>	<u>700,412</u>	<u>658,635</u>
<b>Net Increase/(Decrease)</b>	(46,297)	497,727	(968,700)	(1,753,513)	1,399,351
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>8,176,732</u>	<u>7,679,005</u>	<u>8,647,705</u>	<u>10,401,218</u>	<u>9,001,867</u>
End of Year	<u><b>\$ 8,130,435</b></u>	<u><b>\$ 8,176,732</b></u>	<u><b>\$ 7,679,005</b></u>	<u><b>\$ 8,647,705</b></u>	<u><b>\$ 10,401,218</b></u>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Additions</b>					
Contributions					
Employee	\$ 184,144	\$ 158,128	\$ 166,973	\$ 159,763	\$ 149,130
Employer	241,750	195,846	170,713	154,218	123,887
Transfers from Teachers' Retirement System	2,982	1,829	1,575	2,418	2,091
Transfers from Judicial Retirement Fund	-	356	-	103	-
Total Contributions	<u>428,876</u>	<u>356,159</u>	<u>339,261</u>	<u>316,502</u>	<u>275,108</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	375,025	545,826	457,981	668,539	(953,188)
Interest and Dividends	329,459	295,631	268,876	271,698	297,845
Total Investment Income from Investing Activities	704,484	841,457	726,857	940,237	(655,343)
Less: Investment Expenses, Net	3,216	2,652	2,390	2,380	2,331
Net Investment Income from Investing Activities	<u>701,268</u>	<u>838,805</u>	<u>724,467</u>	<u>937,857</u>	<u>(657,674)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	35,407	17,604	4,892	3,461	5,741
Less Securities Lending Expenses:					
Borrower Rebates	32,567	14,948	3,318	2,131	4,094
Management Fees	504	448	283	266	333
Total Securities Lending Expenses	<u>33,071</u>	<u>15,396</u>	<u>3,601</u>	<u>2,397</u>	<u>4,427</u>
Net Income from Securities Lending Activities	<u>2,336</u>	<u>2,208</u>	<u>1,291</u>	<u>1,064</u>	<u>1,314</u>
Total Investment Income	<u>703,604</u>	<u>841,013</u>	<u>725,758</u>	<u>938,921</u>	<u>(656,360)</u>
Total Additions	<u>1,132,480</u>	<u>1,197,172</u>	<u>1,065,019</u>	<u>1,255,423</u>	<u>(381,252)</u>
<b>Deductions</b>					
Retirement Allowance Payments	551,793	487,348	448,658	423,027	389,856
Return of Contributions and Death Benefits	31,780	30,960	31,406	25,056	24,965
Unit Withdrawals	-	-	3,798	820	8,388
Transfers to Teachers' Retirement System	3,235	2,707	2,146	2,022	1,937
Transfers to Judicial Retirement Fund	133	48	64	-	85
Administrative Expenses	7,850	6,898	5,892	5,843	5,582
Depreciation	337	294	269	278	235
Total Deductions	<u>595,128</u>	<u>528,255</u>	<u>492,233</u>	<u>457,046</u>	<u>431,048</u>
<b>Net Increase/(Decrease)</b>	537,352	668,917	572,786	798,377	(812,300)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>8,464,515</u>	<u>7,795,598</u>	<u>7,222,812</u>	<u>6,424,435</u>	<u>7,236,735</u>
<b>End of Year</b>	<b><u>\$ 9,001,867</u></b>	<b><u>\$ 8,464,515</u></b>	<b><u>\$ 7,795,598</u></b>	<b><u>\$ 7,222,812</u></b>	<b><u>\$ 6,424,435</u></b>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

(Amounts in Thousands)

	2011	2010	2009	2008	2007
<b>Additions</b>					
Contributions					
Employee	\$ 2,556	\$ 2,566	\$ 2,603	\$ 2,534	\$ 2,416
Employer	10,906	10,814	10,326	9,880	9,307
Transfers from Teachers' Retirement System	-	-	-	-	-
Transfers from Employees' Retirement System	98	-	98	173	220
Total Contributions	<u>13,560</u>	<u>13,380</u>	<u>13,027</u>	<u>12,587</u>	<u>11,943</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	(4,961)	15,287	(6,612)	(46,910)	25,988
Interest and Dividends	6,853	6,551	7,026	8,206	8,500
Total Investment Income from Investing Activities	1,892	21,838	414	(38,704)	34,488
Less: Investment Expenses	-	-	11	8	2
Net Investment Income from Investing Activities	<u>1,892</u>	<u>21,838</u>	<u>403</u>	<u>(38,712)</u>	<u>34,486</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	201	169	543	1,765	1,945
Less Securities Lending Expenses:					
Borrower Rebates	22	45	119	1,298	1,832
Management Fees	49	37	69	77	18
Total Securities Lending Expenses	<u>71</u>	<u>82</u>	<u>188</u>	<u>1,375</u>	<u>1,850</u>
Net Income from Securities Lending Activities	<u>130</u>	<u>87</u>	<u>355</u>	<u>390</u>	<u>95</u>
Total Investment Income	<u>2,022</u>	<u>21,925</u>	<u>758</u>	<u>(38,322)</u>	<u>34,581</u>
Total Additions	<u>15,582</u>	<u>35,305</u>	<u>13,785</u>	<u>(25,735)</u>	<u>46,524</u>
<b>Deductions</b>					
Retirement Allowance Payments	26,379	24,526	23,821	22,587	21,356
Return of Contributions and Death Benefits	34	235	145	83	183
Transfers to Employees' Retirement System	-	-	68	186	-
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	276	317	552	526	474
Total Deductions	<u>26,689</u>	<u>25,078</u>	<u>24,586</u>	<u>23,382</u>	<u>22,013</u>
<b>Net Increase/(Decrease)</b>	(11,107)	10,227	(10,801)	(49,117)	24,511
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	221,242	211,015	221,816	270,933	246,422
End of Year	<u>\$ 210,135</u>	<u>\$ 221,242</u>	<u>\$ 211,015</u>	<u>\$ 221,816</u>	<u>\$ 270,933</u>

	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<b>Additions</b>					
Contributions					
Employee	\$ 2,338	\$ 2,350	\$ 2,370	\$ 2,342	\$ 2,271
Employer	8,916	8,943	8,994	8,637	8,222
Transfers from Teachers' Retirement System	26	-	-	-	-
Transfers from Employees' Retirement System	133	48	64	-	85
Total Contributions	<u>11,413</u>	<u>11,341</u>	<u>11,428</u>	<u>10,979</u>	<u>10,578</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	11,215	11,877	14,736	12,905	(33,036)
Interest and Dividends	9,598	7,420	7,218	7,969	9,777
Total Investment Income from Investing Activities	20,813	19,297	21,954	20,874	(23,259)
Less: Investment Expenses	2	2	12	28	85
Net Investment Income from Investing Activities	<u>20,811</u>	<u>19,295</u>	<u>21,942</u>	<u>20,846</u>	<u>(23,344)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	908	422	109	61	88
Less Securities Lending Expenses:					
Borrower Rebates	861	362	83	50	75
Management Fees	7	8	4	2	2
Total Securities Lending Expenses	<u>868</u>	<u>370</u>	<u>87</u>	<u>52</u>	<u>77</u>
Net Income from Securities Lending Activities	<u>40</u>	<u>52</u>	<u>22</u>	<u>9</u>	<u>11</u>
Total Investment Income	<u>20,851</u>	<u>19,347</u>	<u>21,964</u>	<u>20,855</u>	<u>(23,333)</u>
Total Additions	<u>32,264</u>	<u>30,688</u>	<u>33,392</u>	<u>31,834</u>	<u>(12,755)</u>
<b>Deductions</b>					
Retirement Allowance Payments	18,777	18,201	17,903	17,964	16,770
Return of Contributions and Death Benefits	45	51	103	83	29
Transfers to Employees' Retirement System	-	356	-	103	-
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	432	381	344	322	306
Total Deductions	<u>19,254</u>	<u>18,989</u>	<u>18,350</u>	<u>18,472</u>	<u>17,105</u>
<b>Net Increase/(Decrease)</b>	13,010	11,699	15,042	13,362	(29,860)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	233,412	221,713	206,671	193,309	223,169
<b>End of Year</b>	<u><b>\$ 246,422</b></u>	<u><b>\$ 233,412</b></u>	<u><b>\$ 221,713</b></u>	<u><b>\$ 206,671</b></u>	<u><b>\$ 193,309</b></u>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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Cullman/Jefferson County Gas District  
Cumberland Mountain Water Authority  
Curry Water Authority  
CWM Water Authority  
Dadeville Housing Authority  
Dadeville Water Supply & Gas Board  
Dadeville, City of  
Dale County Commissioners Court  
Dale County Water Authority  
Daleville Housing Authority  
Daleville, City of  
Dallas County Court of County Revenue  
Dallas County Water and Sewer Authority  
Daphne Utility Board  
Daphne, City of  
Dauphin Island Park and Beach Board  
Dauphin Island Water & Sewer Authority  
Dauphin Island, Town of  
Decatur, City of  
Decatur Utilities  
DeKalb County Commission  
DeKalb County Economic Development  
Authority  
DeKalb County Emergency  
Communications District  
DeKalb County Hospital Association  
DeKalb County Mental Retardation Board  
DeKalb County Soil and Water  
Conservation District  
DeKalb/Cherokee County Gas District  
DeKalb/Jackson Water Supply District  
Board  
Demopolis Housing Authority  
Demopolis, City of  
Demopolis Waterworks and Sewer Board  
Dora Gas Board  
Dora, City of  
Dothan, City of  
Dothan/Houston County Mental Retardation  
Board  
Double Springs Water Works Board  
Double Springs, Town of  
Douglas Water & Fire Protection Authority  
Douglas, Town of

Dutton, Town of  
East Alabama Mental Health-Mental  
Retardation Board  
East Alabama Regional Planning &  
Development Commission  
East Alabama Water, Sewer, & Fire  
Protection District  
East Brewton Water Works & Sewer Board  
East Brewton, City of  
East Central Alabama Gas District  
East Central Baldwin County Water and Fire  
Protection Authority  
East Lauderdale County Water &  
Fire Protection Authority  
Eclectic Water Works & Sewer Board  
Eclectic, Town of  
Elba General Hospital & Nursing Home  
Elba Water & Electric Board  
Elba, City of  
Elberta, City of  
Electric Cities of Alabama  
Elmore County Commissioners Court  
Elmore County Emergency  
Communications District  
Elmore Water Authority  
Enterprise, City of  
Enterprise Housing Authority  
Enterprise Water Works Board  
Ernest F. Ladd Memorial Stadium  
Escambia County Commission  
Escambia County Cooperative Library  
System  
Escambia County Emergency  
Communications District  
Etowah County Board of Revenue  
Etowah County Communications District  
Etowah County Community Punishment and  
Corrections  
Etowah Solid Waste Disposal Authority  
Eufaula Housing Authority  
Eufaula Water Works & Sewer Board  
Eufaula, City of  
Eutaw Medical Clinic Board  
Eutaw, City of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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Gurley, Town of  
Hackleburg, Town of  
Hackleburg Housing Authority  
Hackleburg Water Board  
Hackneyville Water & Fire Protection  
Authority  
Hale County Commission  
Hale County Soil and Water Conservation  
District  
Hale County Emergency Medical Service  
Haleyville, City of  
Hamilton, City of  
Hamilton Housing Authority  
Hanceville, City of  
Hanceville Waterworks & Sewer Board  
Harpersville, Town of  
Hartford, City of  
Hartford Housing Authority  
Hartselle Utilities Board  
Hartselle, City of  
Harvest-Monrovia Water & Fire Protection  
Authority  
Hayden, Town of  
Hayneville, City of  
Headland Housing Authority  
Headland, City of  
Heflin, City of  
Heflin Water Works & Sewer Board  
Helen Keller Memorial Hospital  
Helena Utilities Board  
Helena, City of  
Henry County Commissioners Court  
Henry County Soil & Water Conservation  
District  
Henry County Water Authority  
Highland Water Authority  
Hillsboro, Town of  
Historic Blakeley Authority  
Historic Chattahoochee Commission  
Hodges, Town of  
Hokes Bluff Sewer Board  
Hokes Bluff Water Works Board  
Hokes Bluff, Town of  
Holly Pond, Town of

Hollywood, Town of  
Homewood, City of  
Hoover, City of  
Horseshoe Bend Regional Library  
Houston County Board of Revenue  
and Control  
Houston County Soil Conservation District  
Houston County Water Authority  
Houston/Love Memorial Library  
Hueytown, City of  
Huguley Water and Fire Protection  
Authority  
Huntsville Electric System  
Huntsville Gas System  
Huntsville Solid Waste Disposal Authority  
Huntsville Water System  
Huntsville, City of  
Huntsville/Madison County Airport  
Authority  
Huntsville/Madison County Convention &  
Visitor's Bureau  
Huntsville/Madison County Marina & Port  
Authority  
Huntsville/Madison County Mental Health  
Board  
Huntsville/Madison County Railroad  
Authority  
Indian Pines Recreation Authority  
Industrial Development Authority of  
Chambers County  
International Motorsports Hall of Fame  
Irondale, City of  
Jackson County Commission  
Jackson County Economic Development  
Authority  
Jackson County Emergency Management  
Communications District  
Jackson County Soil & Water Conservation  
District  
Jackson, City of  
Jackson County Water Authority  
Jackson's Gap Water Authority  
Jackson's Gap, Town of  
Jacksonville Housing Authority

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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McIntosh, Town of  
Mental Health Center of North Central  
Alabama  
Mental Health Dev Disabilities Board  
Mental Health/Mental Retardation Board of  
Bibb, Pickens, and Tuscaloosa Counties  
Mentone, Town of  
Mentone Water Works Board  
Middle Alabama Area Agency on Aging  
Midfield Library Board  
Midfield, City of  
Midway, Town of  
Mildred B. Harrison Library  
Millbrook, City of  
Millport Housing Authority  
Millport, Town of  
Mobile Airport Authority  
Mobile County Commission  
Mobile County Communications District  
Mobile County Emergency Management  
Agency  
Mobile County Health Department  
Mobile County Housing Authority  
Mobile County Law Enforcement &  
Firefighters Pension Fund  
Mobile County Personnel Board  
Mobile County Racing Commission  
Mobile County Water, Sewer & Fire  
Protection Authority  
Mobile Public Library  
Mobile Water Service System  
Mobile, City of  
Monroe County Commission  
Monroeville Housing Authority  
Monroeville Water Board  
Monroeville, City of  
Montevallo, City of  
Montevallo Water Works and Sewer Board  
Montgomery Area Mental Health Authority  
Montgomery County Commission  
Montgomery County Soil & Water  
Conservation District  
Montgomery Water Works Board  
Moody, City of

Morgan County Commission  
Morgan County Emergency Management  
Communications District  
Morgan County Soil & Water Conservation  
District  
Moulton Housing Authority  
Moulton, City of  
Moundville, City of  
Mountain Brook Library Board  
Mountain Brook Park & Recreation Board  
Mountain Brook, City of  
Mt. Vernon, Town of  
Munford, Town of  
Munford Water Authority  
Muscle Shoals Electric Board  
Muscle Shoals Utilities Board  
Muscle Shoals, City of  
Myrtlewood, Town of  
Nauvoo, Town of  
Nectar, Town of  
New Hope, Town of  
New London Water, Sewer & Fire  
Protection Authority  
New Site, Town of  
North Alabama Gas District  
North Baldwin Utilities  
North Central Alabama Mental Retardation  
Authority  
North Central Alabama Regional Council  
of Governments  
North Dallas County Water Authority  
North Jackson County Water & Fire  
Protection Authority  
North Marshall Utilities Board  
North Shelby County Fire and Emergency  
Medical District  
North Shelby County Library  
Northeast Alabama Mental Retardation-  
Development Disability Authority  
Northeast Alabama Water, Sewer & Fire  
Protection District  
Northeast Morgan County Water Authority  
Northport Housing Authority  
Northport, City of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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Repton, Town of  
Riverbend Center for Mental Health  
Riverside, Town of  
Roanoke Utilities Board  
Roanoke, City of  
Robertsdale, City of  
Rocky Ridge Fire District  
Rogersville Water Works & Sewer Board  
Rogersville, Town of  
Russell County Commissioners Court  
Russell County Emergency  
Communications District  
Russell County Soil & Water Conservation  
District  
Russell County Utilities Board  
Russellville Electric Board  
Russellville Gas Board  
Russellville Housing Authority  
Russellville Water Works Board  
Russellville, City of  
Rutledge, Town of  
Sand Mountain Water Authority  
Sand Springs Water Authority  
Saraland Water Service  
Saraland, City of  
Sardis City Water Board  
Sardis City, City of  
Satsuma Water Works Board  
Satsuma, City of  
Scottsboro Electric Power Board  
Scottsboro Housing Authority  
Scottsboro Public Library  
Scottsboro Public Park & Recreation Board  
Scottsboro Water Works, Sewer & Gas  
Board  
Scottsboro, City of  
Section, Town of  
Section Water Works Board  
Selma Housing Authority  
Selma Water Works & Sewer Board  
Selma, City of  
Sheffield Power, Water & Gas Department  
Sheffield, City of  
Shelby County Board of Revenue

Shelby County Economic and Industrial  
Development Authority  
Shelby County Soil Conservation District  
Shelby County Community Corrections  
Shelby County Emergency Management  
Communications District  
Shoals Committee on Programs &  
Employment for the Mentally Retarded  
Shoals Economic Development Authority  
Shoals Solid Waste Disposal Authority  
Shorter, Town of  
Silas, Town of  
Silverhill, Town of  
Skyline, Town of  
Slocomb, Town of  
Slocomb Waterworks and Sewer Board  
Snead, Town of  
Smiths Station, City of  
Somerville, Town of  
South Alabama Gas District  
South Alabama Regional Planning  
Commission  
South Central Alabama Development  
Commission  
South Central Alabama Mental Health  
Center  
South Central Alabama Regional Housing  
Authority  
South Crenshaw County Water Authority  
South Marengo County Water & Fire  
Protection Authority  
Southeast Alabama Regional Planning &  
Development Commission  
Southeast Alabama Solid Waste Disposal  
Authority  
Southeast Alabama Youth Services  
Southern Alabama Regional Council on  
Aging  
Southside Water & Sewer Board  
Southside, City of  
Southwest Alabama Water Authority  
Spanish Fort, City of  
Spectracare  
Springville, Town of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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

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Vance, Town of  
Vernon Housing Authority  
Vernon, City of  
Vestavia Hills, City of  
Vincent, City of  
Von Braun Civic Center  
Walker County Commission  
Walker County E911 District  
Walker County Housing Authority  
Walker County Mental Retardation Board  
Walker County Soil & Water Conservation  
District  
Wall Street Water Authority  
Walnut Hill Water Authority  
Warrior River Water & Fire Protection  
Authority  
Warrior, City of  
Washington County Commissioners Court  
Washington County E-911 District  
Washington County Soil & Water  
Conservation District  
Wattsville Water Authority  
Weaver, City of  
Webb, Town of  
Wedowee, City of  
Wedowee Water, Sewer, and Gas Board  
West Alabama Regional Commission  
West Autauga Water Authority  
West Etowah County Water Authority  
West Jefferson, Town of  
West Lauderdale County Water & Fire  
Protection Authority  
West Morgan/East Lawrence Water and  
Sewer Authority  
Wetumpka, City of  
Wetumpka Water & Sewer Board  
Wilcox County Commission  
Wilcox County Gas District  
Wilsonville, Town of  
Wilton, Town of  
Winfield Water Works Board  
Winfield, City of  
Winston County Commission

Winston County E-911 Communications  
District  
Winston County Soil and Water  
Conservation District  
Woodstock, Town of  
York Housing Authority  
York, City of





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