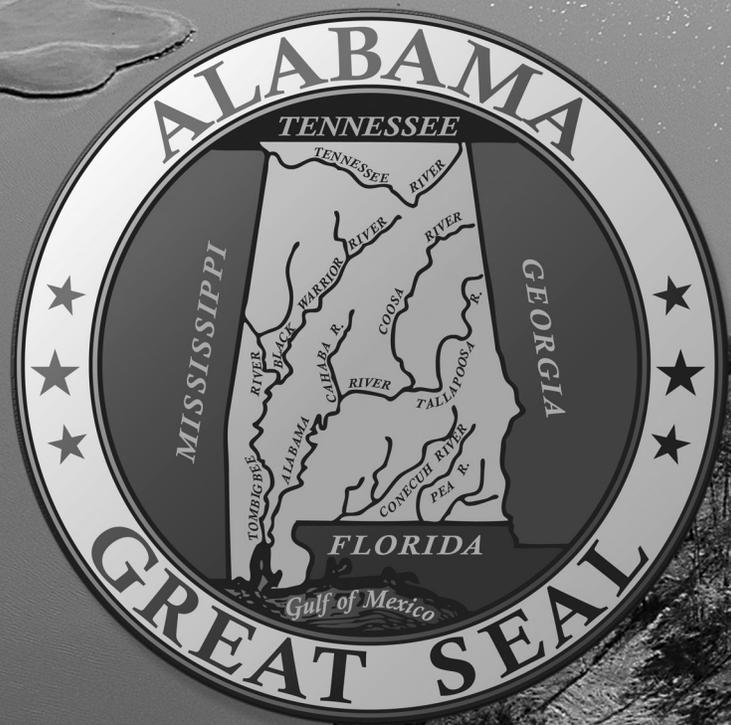




Component Units of the State of Alabama  
**Comprehensive Annual  
Financial Report**

*For the Fiscal Year Ended September 30, 2012*





# 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, 2012

The Retirement Systems of Alabama  
Consists of:

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

(Each a Component Unit of the State of Alabama)

---

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

201 South Union Street • P. O. Box 302150 • Montgomery, Alabama 36130-2150  
(334) 517-7000 or 1-877-517-0020 • <http://www.rsa-al.gov>

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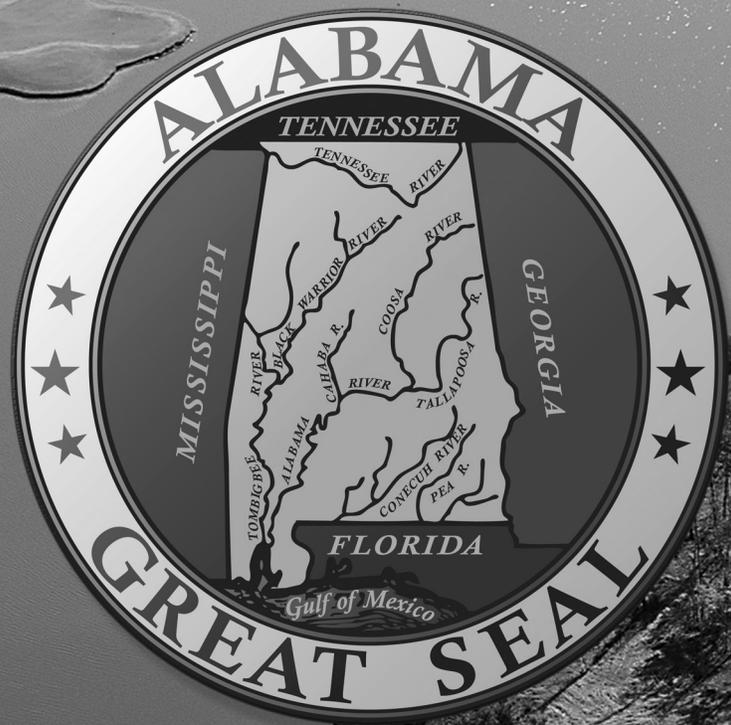
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Component Units of the State of Alabama  
**Comprehensive Annual Financial Report**

# INTRODUCTORY SECTION



**Teachers'**  
Sarah S. Swindle, Chair  
Susan W. Brown, 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  
Donald L. Yancey, Deputy Director

January 28, 2013

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, 2012. 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 2012 and 2011. Also, an analysis of significant variances between fiscal years 2012 and 2011 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 (9/30/2011), the number of participants in the TRS was 233,575, ERS participants totaled 137,887, and JRF participants totaled 724. The following table compares the funded status as of September 30, 2011 and 2010:

<b>Funded Status (%)</b>			
<u>System</u>	<u>9/30/2011</u>	<u>9/30/2010</u>	<u>% Increase/ (Decrease)</u>
TRS	67.5	71.1	(3.6)
ERS	65.8	68.2	(2.4)
JRF	59.9	68.7	(8.8)

**Investment Activity**

Total investments for the RSA increased in fiscal year 2012, primarily due to increases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2012, were \$18.7 billion, \$9.1 billion, and \$233.1 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2011, of \$15.9 billion, \$7.7 billion and \$207.4 million, respectively. Total pension fund investments managed by the RSA increased from \$23.8 billion at September 30, 2011, to \$28.0 billion at September 30, 2012, a 17.7% increase.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2012, was \$634.7 million, \$310.7 million, and \$6.7 million, respectively, compared to \$624.5 million, \$307.2 million, and \$6.9 million, respectively, for the fiscal year ended September 30, 2011. The increase in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2012 was \$2.3 billion, \$1.1 billion, and \$32.1 million, respectively, compared to the decrease in fair value of investments of \$278.4 million, \$112.8 million, and \$5.0 million, respectively, for the fiscal year ended September 30, 2011. 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, 2012. The independent auditors’ report is located at the front of the financial section of this report.

#### **Highlights and Initiatives**

Fiscal year 2012 was a less volatile year for returns versus the past three fiscal years, with markets generally performing well over the course of the year. U.S. economic data has been improving slowly, and there has been progress, albeit marginal, with the European sovereign debt crisis. While equity and fixed income markets have continued to be somewhat reactionary around these macroeconomic events, fundamentals are once again playing a role in the markets’ performance as company’s earnings and balance sheets have continued to improve.

This year the Robert Trent Jones Golf Trail is celebrating its 20<sup>th</sup> anniversary. The Trail features 468 holes of championship golf on 26 courses at 11 different sites across Alabama. Over the years it has given us the ability to recruit companies such as Mercedes, Hyundai, and Navistar and has truly brightened the image of our State. The RTJ Trail, along with hotels, resorts, and other investments in our state by the RSA have had a significant positive economic impact. According to two independent reports commissioned by the RSA, the policy of investing roughly 10% of the RSA’s portfolio in Alabama projects has returned an estimated \$1.5 billion in state and local tax revenues over a 22-year period. These investments also generated \$28 billion in GDP, \$14.3 billion in payroll, and more than 282,000 full-time jobs over this time period.

The RSA is partnering with CV Holdings in a new \$90 million facility in Auburn. SiO2 Medical Products will provide up to 300 new high paying, high tech jobs for Lee County with significant growth potential. The facility will utilize innovative technology developed by the company for the biological drugs industry; it will revolutionize the delivery of certain medicines by glass injection moldings to patients on a global scale. This patented product is a major breakthrough in healthcare and one that will be recognized worldwide.

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 nine Four Diamond Awards were presented to six hotels and three restaurants across the state.

#### **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, 2011. 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.

The Retirement Systems received the Public Pension Coordinating Council (PPCC) Recognition Award for Funding 2012. 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.

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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, CGMA  
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, 2011

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.



*Christopher P. Moirrell*  
President

*Jeffrey R. Emer*  
Executive Director



Public Pension Coordinating Council

***Recognition Award for Funding  
2012***

Presented to

***Retirement Systems of Alabama***

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

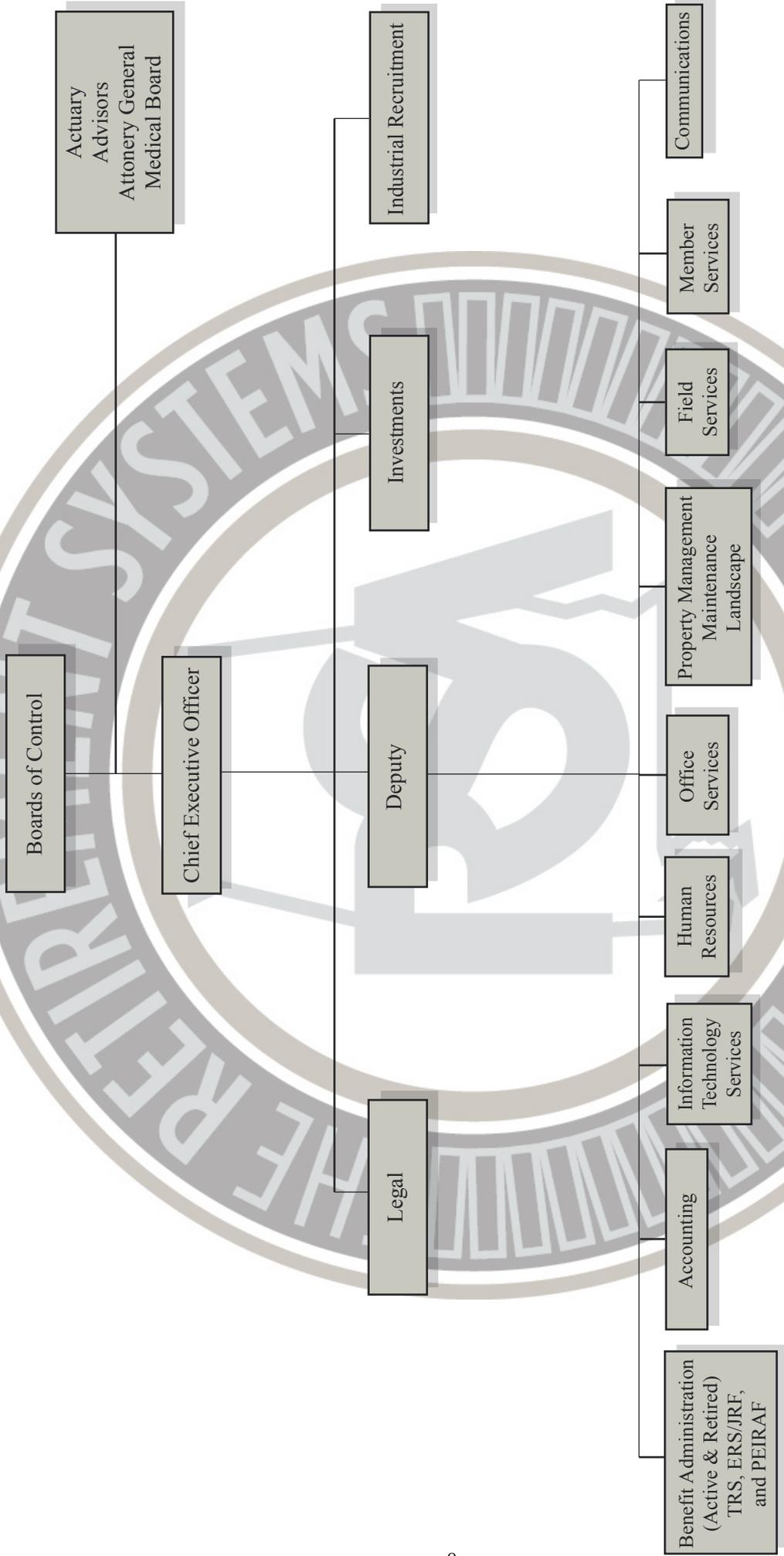
*Presented by the Public Pension Coordinating Council, a confederation of*

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 black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large initial 'A'.

Alan H. Winkle  
Program Administrator

# Retirement Systems of Alabama



**Teachers' Retirement System Board of Control**

**Ex Officio Members**

Dr. Marquita Davis, State Finance Director  
Mr. Young Boozer, State Treasurer  
Dr. Henry C. Mabry, Executive Secretary, AEA  
Dr. Thomas R. Bice, State Superintendent of Education

**Elected Members**

Chairman, Mrs. Sarah S. Swindle, Retired Position  
Vice Chairman, Dr. Susan Williams Brown, Postsecondary Position  
Mrs. Teresa Harbison Swindall, Teacher Position  
Mr. John R. Whaley, Teacher Position  
Mr. Luther P. Hallmark, Superintendent Position  
Dr. Victor Wilson, Principal Position  
Mrs. Sallie B. Cook, Retired Position  
Mrs. Susan Lockridge, Support Personnel Position  
Ms. Charlene McCoy, Teacher Position  
Mr. Russell J. 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  
Mrs. Jackie B. 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  
Mr. David Bollie, Active State Employee  
Mr. Stephen C. Walkley, Active State Employee

**Appointed Members**

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

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

**Staff, Advisors, and Medical Board**

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

Donald L. Yancey, M.P.A., J.D., Deputy Director

**Administrative Staff**

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

Director of Information Technology Services, Michael T. Baker

Teachers' Retirement Executive, Christopher P. Townes, M.B.A

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.

General Counsel, Leura G. Canary, J.D.

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

Assistant Legal Counsel, Amy F. Connally, 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., C.F.A.

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

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

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

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

Equity Analyst, Hunter Bronson, 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, Glenn Yates, M.D.

Gregory Borg, M.D.

Malcolm Brown, 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, 2012, 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 2011 financial statements and, in our report dated January 31, 2012, 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 2012 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, 2012, and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 18 and the schedules of funding progress and employer contributions on pages 44 through 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare 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 certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information in pages 47 through 49 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 are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has 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.

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

January 28, 2013  
Montgomery, Alabama

## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Management's Discussion and Analysis

---

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 year ended September 30, 2012. 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 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 the end of the fiscal year.

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 the end of the fiscal year.

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, 2012 and 2011**

(Amounts in Thousands)

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<i>Assets</i>				
Cash	\$ 24,643	\$ 14,222	\$ 10,421	73.27
Receivables	247,436	223,341	24,095	10.79
Investment Sales Receivable	46,355	1,033,876	(987,521)	(95.52)
Investments, at fair value	27,987,189	23,847,672	4,139,517	17.36
Invested Securities Lending Collateral	1,793,341	1,754,465	38,876	2.22
Property and Equipment, Net	149,443	154,346	(4,903)	(3.18)
Total Assets	<u>30,248,407</u>	<u>27,027,922</u>	<u>3,220,485</u>	11.92
<i>Liabilities</i>				
Accounts Payable and Other Liabilities	7,720	7,441	279	3.75
Investment Purchases Payable	67,535	169,484	(101,949)	(60.15)
Other Post-employment Benefit Obligations	5,108	3,744	1,364	36.43
Securities Lending Collateral	1,793,341	1,754,465	38,876	2.22
Total Liabilities	<u>1,873,704</u>	<u>1,935,134</u>	<u>(61,430)</u>	(3.17)
<i>Net Assets</i>	<u><b>\$ 28,374,703</b></u>	<u><b>\$ 25,092,788</b></u>	<u><b>\$ 3,281,915</b></u>	<b>13.08</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, 2012 and 2011  
(Amounts in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>Additions</b>				
Employee Contributions	\$ 674,968	\$ 517,390	\$ 157,578	30.46
Employer Contributions	946,573	1,185,548	(238,975)	(20.16)
Investment Income	4,456,031	550,926	3,905,105	708.83
Transfers Between Systems	4,117	4,169	(52)	(1.25)
Total Additions	<u>6,081,689</u>	<u>2,258,033</u>	<u>3,823,656</u>	169.34
<b>Deductions</b>				
Retirement Allowance Payments	2,676,452	2,483,217	193,235	7.78
Return of Contributions, Unit Withdrawals & Death Benefits	90,452	86,136	4,316	5.01
Transfers Between Systems	4,117	4,169	(52)	(1.25)
Administrative Expenses	22,428	21,098	1,330	6.30
Depreciation	6,325	6,272	53	0.85
Total Deductions	<u>2,799,774</u>	<u>2,600,892</u>	<u>198,882</u>	7.65
<b>Increase/(Decrease) in Plan Net Assets</b>	<u>3,281,915</u>	<u>(342,859)</u>	<u>3,624,774</u>	1,057.22
Net Assets - Beginning of Year	<u>25,092,788</u>	<u>25,435,647</u>	<u>(342,859)</u>	(1.35)
<b>Net Assets - End of Year</b>	<u><b>\$ 28,374,703</b></u>	<u><b>\$ 25,092,788</b></u>	<u><b>\$ 3,281,915</b></u>	<b>13.08</b>

**Comparison of Individual Plan Net Assets  
As of September 30, 2012 and 2011  
(Amounts in Thousands)**

	<u>2012</u>	<u>2011</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<b>TRS</b>	\$ 18,950,126	\$ 16,752,218	\$ 2,197,908	13.12
<b>ERS</b>	9,188,696	8,130,435	1,058,261	13.02
<b>JRF</b>	235,881	210,135	25,746	12.25
<b>Total</b>	<u><b>\$ 28,374,703</b></u>	<u><b>\$ 25,092,788</b></u>	<u><b>\$ 3,281,915</b></u>	<b>13.08</b>

## RETIREMENT SYSTEMS OF ALABAMA

### Financial Section

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

##### Financial Analysis

- Primarily all cash on hand at September 30, 2012 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, 2012.
- 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 2012 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 traded but settled 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>	60.41%	59.10%	66.72%
<b>Fixed</b>	29.32%	30.60%	31.99%
<b>Real Estate</b>	10.27%	10.30%	1.29%
<b>Total</b>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

- Employee contributions increased as a result of Act 2011-676 which increased employee contribution rates by 2.25% of earnable compensation effective October 1, 2011. ERS local participating employers have the option to adopt the new employee contribution rates.
- Employer contributions decreased as a result of lower employer contribution rates for fiscal year 2012. The employer contribution rates for fiscal year 2012 were 10.00% for the TRS, 9.42% for the ERS – State Employees, 29.92% for the ERS – State Police, and 24.35% for the JRF. ERS local participating employer contribution rates differ for each employer.
- During fiscal year 2012, returns on investments of the TRS, ERS and JRF were 18.30%, 18.01%, and 19.01%, respectively. The returns were calculated by State Street Bank.
- During fiscal year 2012, net securities lending income decreased by 10%. This was primarily the result of an 11% decrease in securities lending revenue and a 66% decrease in borrower rebates, a component of securities lending expense. The decrease in lending revenue was driven primarily by RSA receiving special securities lending compensation in 2011 as a result of State Street actions during the period of September 2008 through May 2010. This was paid outside of the lending agreement and not subject to management fees. During the past year, the total earnings on loans were driven by the demand of the security, rather than the reinvestment spread generated from the collateral pool. The increased demand of securities also resulted in lower borrower rebates (down 66%). In some instances the demand for a security may generate a negative rebate (the broker pays money in addition to providing collateral in order to borrow RSA's securities). Cash collateral increased by a total of 2% and non-cash collateral decreased by 21% resulting in a roughly 50/50 split of cash and securities collateral.
- Retirement allowance payments increased due to the addition of the members who retired in fiscal year 2012. There were no cost of living adjustments granted for fiscal year 2012.
- RSA holds an investment in New Water Street Corporation, whose sole asset consists of a leased fee and partial leasehold interest in a 53 story office tower situated at 55 Water Street in Manhattan, New York. On October 29, 2012, subsequent to year end, the storm surge from Hurricane Sandy caused significant flooding to 55 Water Street with an estimated \$75 million in damages, net of insurance proceeds. RSA has committed to invest \$80 million of additional capital to move the core infrastructure from the basement to the third floor in order to minimize potential losses should the building flood again. Pearson Realty Services evaluated the effects of Hurricane Sandy on the September 30, 2012, valuation of the property and stated that they did not anticipate the market value to be impacted after RSA's capital costs have been expended.

## RETIREMENT SYSTEMS OF ALABAMA

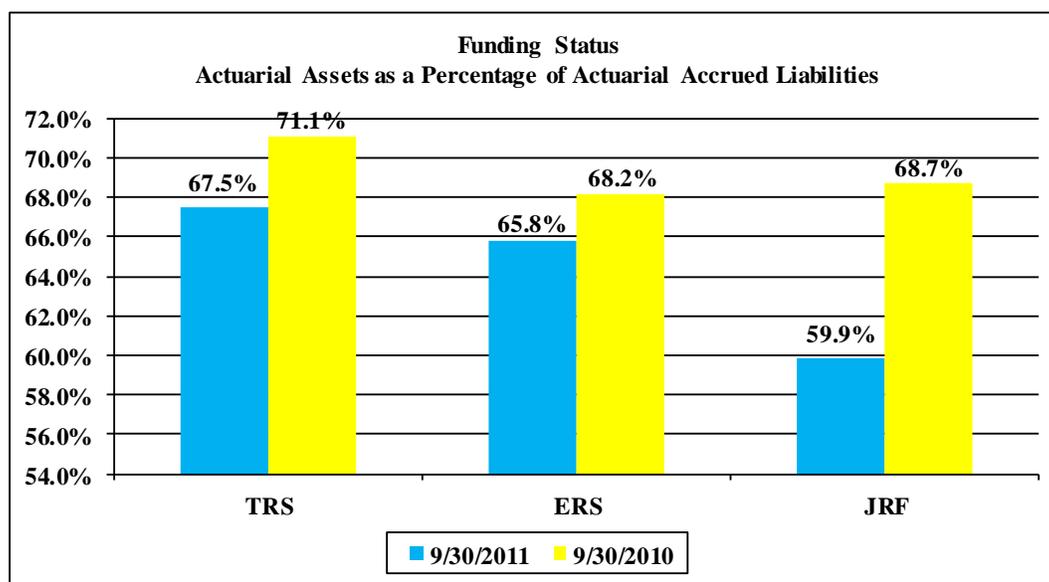
### Financial Section

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

#### Funding Status

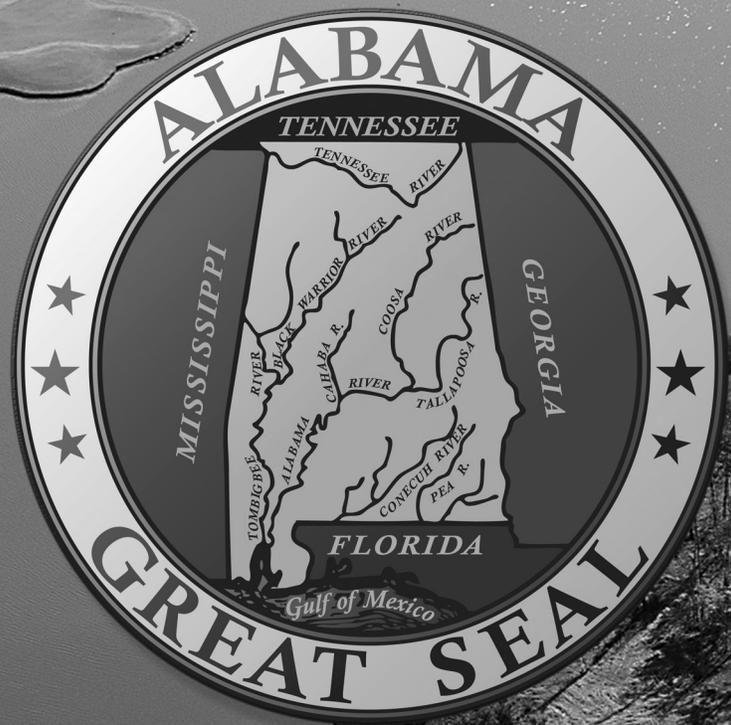
The primary objective of a retirement system is to accumulate sufficient assets to pay benefits to participants when due. The principal sources of assets to fund benefits include investment income and member and employer contributions. A five-year smoothing method is used in actuarially valuing assets 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, 2011 and September 30, 2010). 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

- Act 2011-676 increased the member contribution rate again on October 1, 2012, by an additional 0.25% of earnable compensation. ERS local participating employers have the option to adopt the new employee contribution rates.
- Net assets held in trust of \$28.4 billion at 9/30/2012 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 67.5% for the TRS, 65.8% for the ERS, and 59.9% 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.
- Act 2012-377 created a Tier 2 Defined Benefit plan for all TRS and ERS members hired on or after January 1, 2013. New members will pay lower contribution rates, but will not be able to draw a retirement benefit until they reach age 62. State police, law enforcement, firefighters, and correctional officers will be able to draw a benefit at age 56. The Tier 2 Defined Benefit plan applies to all ERS local participating employers.



RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Combining Statement of Plan Net Assets

September 30, 2012 with comparative figures for 2011

(Amounts in Thousands)

	2012			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
<b>Assets</b>				
Cash (Note 4)	\$ 19,611	\$ 3,320	\$ 1,712	\$ 24,643
Receivables				
Employee Contributions	36,553	18,178	161	54,892
Employer Contributions	50,397	27,392	369	78,158
Investment Sales Receivable	30,786	15,341	228	46,355
Real Estate Investment Receivable	1,072	536	-	1,608
Dividends and Interest	75,943	35,810	1,025	112,778
Total Receivables	<u>194,751</u>	<u>97,257</u>	<u>1,783</u>	<u>293,791</u>
Investments, at Fair Value (Note 5)				
Domestic Equity	8,784,801	4,245,713	122,145	13,152,659
Domestic Fixed Income	4,809,707	2,306,928	64,947	7,181,582
International Equities	2,504,647	1,112,997	33,357	3,651,001
Real Estate	1,919,222	933,431	3,016	2,855,669
Short-Term	669,681	467,012	9,585	1,146,278
Total Investments	<u>18,688,058</u>	<u>9,066,081</u>	<u>233,050</u>	<u>27,987,189</u>
Invested Securities Lending Collateral (Note 5)	1,211,112	557,759	24,470	1,793,341
Property and Equipment less Accumulated Depreciation (Note 8)	<u>99,848</u>	<u>49,595</u>	<u>-</u>	<u>149,443</u>
Total Assets	<u>20,213,380</u>	<u>9,774,012</u>	<u>261,015</u>	<u>30,248,407</u>
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	4,619	2,999	102	7,720
Investment Purchases Payable	45,064	21,936	535	67,535
Other Post-employment Benefits (Note 9)	2,459	2,622	27	5,108
Securities Lending Collateral (Note 5)	<u>1,211,112</u>	<u>557,759</u>	<u>24,470</u>	<u>1,793,341</u>
Total Liabilities	<u>1,263,254</u>	<u>585,316</u>	<u>25,134</u>	<u>1,873,704</u>
<b>Net Assets Held in Trust for Pension Benefits (Notes 3 &amp; 6)</b>	<b><u>\$ 18,950,126</u></b>	<b><u>\$ 9,188,696</u></b>	<b><u>\$ 235,881</u></b>	<b><u>\$ 28,374,703</u></b>

See accompanying *Notes to the Financial Statements*.

	<b>2011</b>			
	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<b>Assets</b>				
Cash	\$ 10,066	\$ 2,608	\$ 1,548	\$ 14,222
<b>Receivables</b>				
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>
<b>Investments, at Fair Value</b>				
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	1,191,109	530,094	33,262	1,754,465
<b>Property and Equipment less</b>				
Accumulated Depreciation	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	1,802	1,920	22	3,744
Securities Lending Collateral	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</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>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Plan Net Assets  
September 30, 2012 with comparative figures for 2011

(Amounts in Thousands)

	2012			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
<b>Additions</b>				
Contributions				
Employee	\$ 456,518	\$ 214,933	\$ 3,517	\$ 674,968
Employer	618,306	317,520	10,747	946,573
Transfers from Teachers' Retirement System	-	1,937	-	1,937
Transfers from Employees' Retirement System	2,016	-	164	2,180
Total Contributions	<u>1,076,840</u>	<u>534,390</u>	<u>14,428</u>	<u>1,625,658</u>
Investment Income (Note 5)				
From Investing Activities				
Net Increase in Fair Value of Investments	2,349,955	1,114,737	32,112	3,496,804
Interest and Dividends	634,695	310,748	6,748	952,191
Total Investment Income from Investing Activities	2,984,650	1,425,485	38,860	4,448,995
Less: Investment Expenses, Net	5,260	2,256	-	7,516
Net Investment Income from Investing Activities	<u>2,979,390</u>	<u>1,423,229</u>	<u>38,860</u>	<u>4,441,479</u>
From Securities Lending Activities				
Securities Lending Income	13,670	6,445	215	20,330
Less Securities Lending Expenses:				
Borrower Rebates	433	174	12	619
Management Fees	3,465	1,642	52	5,159
Total Securities Lending Expenses	<u>3,898</u>	<u>1,816</u>	<u>64</u>	<u>5,778</u>
Net Income from Securities Lending Activities	<u>9,772</u>	<u>4,629</u>	<u>151</u>	<u>14,552</u>
Total Net Investment Income	<u>2,989,162</u>	<u>1,427,858</u>	<u>39,011</u>	<u>4,456,031</u>
Total Additions	<u>4,066,002</u>	<u>1,962,248</u>	<u>53,439</u>	<u>6,081,689</u>
<b>Deductions</b>				
Retirement Allowance Payments	1,800,805	848,464	27,183	2,676,452
Return of Contributions and Death Benefits	49,453	40,746	253	90,452
Transfers to Employees' Retirement System	1,937	-	-	1,937
Transfers to Teachers' Retirement System	-	2,016	-	2,016
Transfers to Judicial Retirement Fund	-	164	-	164
Administrative Expenses	11,555	10,616	257	22,428
Depreciation (Note 8)	4,344	1,981	-	6,325
Total Deductions	<u>1,868,094</u>	<u>903,987</u>	<u>27,693</u>	<u>2,799,774</u>
<b>Net Increase</b>	<b>2,197,908</b>	<b>1,058,261</b>	<b>25,746</b>	<b>3,281,915</b>
<b>Net Assets Held in Trust for Pension Benefits (Notes 3 and 6):</b>				
Beginning of Year	16,752,218	8,130,435	210,135	25,092,788
End of Year	<u>\$ 18,950,126</u>	<u>\$ 9,188,696</u>	<u>\$ 235,881</u>	<u>\$ 28,374,703</u>

See accompanying Notes to the Financial Statements.

	2011			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<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	346,139	194,394	1,892	542,425
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	4,512	2,038	71	6,621
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 and 6):</b>				
Beginning of Year	17,037,673	8,176,732	221,242	25,435,647
<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>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(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 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 1205 of the Legislature of 1975 supplemented the provisions of Act 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, 2012, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	290	-
Counties	-	65	67
Other Public Entities	-	523	-
Universities	13	-	-
Post-Secondary			
Institutions	31	-	-
City and County			
Boards of Education	133	-	-
State Agencies & Other	32	1	1
<b>Totals</b>	<u><b>209</b></u>	<u><b>879</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	74,623	19,658	342
State Police	-	808	-
Employees of Local Employers	-	18,619	-
Deferred Retirement Option Plan (DROP)	5,625	2,708	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	17,559	3,134	48
State Police	-	11	-
Employees of Local Employers	-	7,316	-
Active Employees:			
General	135,768	31,185	334
State Police	-	813	-
Employees of Local Employers	-	53,635	-
<b>Totals</b>	<b><u>233,575</u></b>	<b><u>137,887</u></b>	<b><u>724</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.

Covered members of the TRS and ERS (except state police and certified law enforcement, correctional officers, and firemen) contributed 5% of earnable compensation to the TRS and ERS as required by

(Dollar Amounts in Thousands)

statute until September 30, 2011. Effective October 1, 2011, covered members of the TRS and ERS (except state police and certified law enforcement, correctional officers, and firemen) are required by statute to contribute 7.25% of earnable compensation. JRF members and certified law enforcement, correctional officers, and firemen members of the TRS and ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. Effective October 1, 2011, JRF members and certified law enforcement, correctional officers, and firemen members of the TRS and ERS are required by statute to contribute 8.25% of earnable compensation. State police members of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

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

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

The TRS, ERS, and JRF financial statements are prepared using the economic resources measurement focus and 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

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assumptions that affect the reported amounts and disclosure in the financial statements. Actual results may differ from these estimates.

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

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

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

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

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

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

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

The Pension Accumulation account is credited with contributions made by the employer and net investment income. The lump sum death benefit is paid from this account when a TRS or ERS member dies prior to becoming eligible for the pre-retirement death benefit or retirement. Periodic interest

representing member's earnings is transferred from the Pension Accumulation account to the Annuity Savings account. When a TRS, ERS, or JRF member retires or when a survivor allowance becomes payable, the member's accumulated contributions and accumulated interest is credited to the pension accumulation account, and all monthly benefit payments are paid from this account.

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

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

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

The Alabama Teacher's Group Term Life Insurance Plan (established October 1, 1987) is credited with a portion of the employer contributions. All active contributing members of the TRS are covered by this plan. Contingent on availability of funds, upon death, a benefit is paid to the designated beneficiary of an 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.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

#### E. Expense

The Expense fund is used to pay the administrative expenses of the RSA. A portion of the employer contributions and the interest not payable upon member withdrawal provide the funding of the expense fund. The majority of expenses are directly identifiable as expenses of the TRS, ERS, or JRF. As discussed in Note 1, certain administrative salaries and other expenses are shared on an equitable basis between the TRS and ERS.

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

The DROP was established for election to participate on or after June 1, 2002, under the provisions of Act 23 of the Legislature of 2002. Eligible members may elect to retire, and, in lieu of immediate withdrawal from service, continue employment for a period of

three to five years. The retirement allowance, employee contributions, and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member. DROP participation is an option available to eligible members that have at least twenty-five years of service (exclusive of sick leave), are at least fifty-five years of age, and are eligible for retirement. See the actuarial section for additional information.

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, 2012, are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Annuity Savings	\$ 3,921,179	\$ 2,218,478	\$ 38,341
Pension Accumulation	14,084,664	6,562,010	195,959
Pre-retirement Death Benefit	31,588	22,025	-
Term Life Insurance	13,819	-	-
Deferred Retirement Option Plan	780,165	336,063	-
Plant Fund	99,848	49,595	-
Expense	18,863	525	1,581
<b>Net Assets Held at 9/30/2012</b>	<b><u>\$ 18,950,126</u></b>	<b><u>\$ 9,188,696</u></b>	<b><u>\$ 235,881</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, 2012, 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, foreign currency risk, and concentration of credit 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 Risk* – 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.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2012, 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	\$ 126,142	\$ -	\$ -	\$ -	\$ 126,142	\$ 126,142
Commercial Paper	543,539	-	-	-	543,539	543,539
US Agency	-	111,428	120,454	18,763	250,645	230,538
U.S. Govt Guaranteed	-	258,782	437,298	35,777	731,857	675,173
Corporate Bonds	91,664	493,430	361,875	279,045	1,226,014	1,086,763
Private Placements	-	451,709	29,583	1,699,952	2,181,244	2,322,006
GNMAs	10	146	540	80,473	81,169	77,058
CMOs	-	-	12,635	326,143	338,778	328,216
Total Domestic Fixed Maturity	<u>\$ 761,355</u>	<u>\$ 1,315,495</u>	<u>\$ 962,385</u>	<u>\$ 2,440,153</u>	<u>5,479,388</u>	<u>5,389,435</u>
<i>Equities</i>						
Domestic						
					<u>8,427,378</u>	<u>6,165,030</u>
Private						
					<u>357,423</u>	<u>409,140</u>
International						
Emerging Markets						
					295,357	279,353
United Kingdom - Pound Sterling						
					513,420	456,452
Japan - Yen						
					444,958	496,694
France - Euro						
					208,897	213,215
Germany - Euro						
					188,222	156,909
Switzerland - Franc						
					193,691	126,912
Netherlands - Euro						
					56,194	59,367
Italy - Euro						
					47,902	78,096
Spain - Euro						
					61,830	77,926
Australia - Dollar						
					197,670	123,430
Singapore - Dollar						
					42,834	31,347
Belgium - Euro						
					26,209	27,081
Finland - Euro						
					15,787	24,681
Hong Kong - Dollar						
					69,622	48,383
Sweden - Krona						
					71,448	46,203
Denmark - Krone						
					27,232	13,459
Israel - Shekel						
					12,820	16,228
Norway - Krone						
					22,413	12,841
Austria - Euro						
					6,221	7,286
New Zealand - Dollar						
					<u>1,920</u>	<u>2,212</u>
Total International Equities					<u>2,504,647</u>	<u>2,298,075</u>
Total Equities					<u>11,289,448</u>	<u>8,872,245</u>
Real Estate						
					<u>1,919,222</u>	<u>1,722,431</u>
<b>Total Investments</b>					<u><b>\$ 18,688,058</b></u>	<u><b>\$ 15,984,111</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	\$ 97,353	\$ -	\$ -	\$ -	\$ 97,353	\$ 97,353
Commercial Paper	369,659	-	-	-	369,659	369,659
US Agency	-	47,999	54,760	8,686	111,445	102,736
U.S. Govt Guaranteed	-	118,025	199,148	16,288	333,461	307,570
Corporate Bonds	42,607	225,367	165,068	127,697	560,739	497,038
Private Placements	-	253,020	14,571	843,991	1,111,582	1,182,607
GNMAs	14	227	218	35,284	35,743	33,898
CMOs	-	-	5,405	148,553	153,958	149,215
Total Domestic Fixed Maturity	<u>\$ 509,633</u>	<u>\$ 644,638</u>	<u>\$ 439,170</u>	<u>\$ 1,180,499</u>	<u>2,773,940</u>	<u>2,740,076</u>
<i>Equities</i>						
Domestic						
					<u>3,987,512</u>	<u>2,934,864</u>
Private						
					<u>258,201</u>	<u>286,660</u>
International						
Emerging Markets					141,049	133,405
United Kingdom - Pound Sterling					225,777	199,663
Japan - Yen					195,504	218,788
France - Euro					92,316	93,547
Germany - Euro					82,777	68,824
Switzerland - Franc					85,265	55,264
Netherlands - Euro					24,716	25,679
Italy - Euro					21,069	34,119
Spain - Euro					27,194	33,571
Australia - Dollar					86,929	54,294
Singapore - Dollar					18,864	13,776
Belgium - Euro					11,525	11,849
Finland - Euro					6,942	10,989
Hong Kong - Dollar					30,610	21,364
Sweden - Krona					31,416	20,439
Denmark - Krone					11,972	5,876
Israel - Shekel					5,636	7,135
Norway - Krone					9,854	5,728
Austria - Euro					2,736	3,250
New Zealand - Dollar					846	988
Total International Equities					<u>1,112,997</u>	<u>1,018,548</u>
Total Equities					<u>5,358,710</u>	<u>4,240,072</u>
Real Estate					<u>933,431</u>	<u>860,831</u>
<b>Total Investments</b>					<b><u>\$ 9,066,081</u></b>	<b><u>\$ 7,840,979</u></b>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

Type of Investment	INVESTMENTS				Total Fair Value	Cost
	JRF					
	Maturity in Years at Fair Value					
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 3,588	\$ -	\$ -	\$ -	\$ 3,588	\$ 3,588
Commercial Paper	5,997	-	-	-	5,997	5,997
US Agency	-	4,782	2,320	422	7,524	6,739
U.S. Govt Guaranteed	-	5,814	9,910	813	16,537	15,233
Corporate Bonds	2,085	11,445	9,437	5,740	28,707	25,568
Private Placements	-	2,145	-	949	3,094	4,043
GNMAs	-	6	-	1,499	1,505	1,451
CMOs	-	-	281	7,299	7,580	7,351
Total Domestic Fixed Maturity	<u>\$ 11,670</u>	<u>\$ 24,192</u>	<u>\$ 21,948</u>	<u>\$ 16,722</u>	<u>74,532</u>	<u>69,970</u>
<i>Equities</i>						
Domestic						
					<u>122,145</u>	<u>73,784</u>
Private						
					<u>-</u>	<u>-</u>
International						
Emerging Markets					4,380	4,142
United Kingdom - Pound Sterling					6,764	6,611
Japan - Yen					5,846	6,916
France - Euro					2,663	3,116
Germany - Euro					2,482	2,337
Switzerland - Franc					2,540	2,266
Netherlands - Euro					741	854
Italy - Euro					632	963
Spain - Euro					815	1,134
Australia - Dollar					2,606	2,209
Singapore - Dollar					549	439
Belgium - Euro					346	357
Finland - Euro					208	322
Hong Kong - Dollar					911	740
Sweden - Krona					942	791
Denmark - Krone					361	255
Israel - Shekel					169	214
Norway - Krone					295	229
Austria - Euro					82	107
New Zealand - Dollar					25	23
Total International Equities					<u>33,357</u>	<u>34,025</u>
Total Equities					<u>155,502</u>	<u>107,809</u>
Real Estate					<u>3,016</u>	<u>892</u>
<b>Total Investments</b>					<u><b>\$ 233,050</b></u>	<u><b>\$ 178,671</b></u>

The following tables provide information as of September 30, 2012, concerning credit risk:

### RATINGS OF FIXED MATURITIES

#### TRS

<u>Moody's Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
± Aaa	\$ 1,272,546	\$ 1,361,893	24.855
Aa1	6,392	7,375	0.135
Aa2	9,029	10,549	0.193
Aa3	45,723	61,205	1.117
P-1	145,135	145,135	2.649
P-2	524,546	524,546	9.573
A1	82,418	95,341	1.740
A2	106,833	122,709	2.239
A3	149,352	164,829	3.008
Baa1	228,349	262,320	4.787
Baa2	297,426	329,108	6.006
Baa3	79,162	82,490	1.505
Ba1	57,010	62,145	1.134
Ba3	7,071	6,997	0.128
B1	11,820	14,009	0.256
‡ Not Rated	2,366,623	2,228,737	40.675
<b>Total Fixed Maturity</b>	<b>\$ 5,389,435</b>	<b>\$ 5,479,388</b>	<b>100.000</b>

<u>Standard &amp; Poor's Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
± AA+	\$ 1,328,305	\$ 1,427,472	26.052
AA	24,634	29,900	0.546
AA-	35,439	47,825	0.873
A-1+	126,142	126,142	2.302
A-1	9,996	9,996	0.182
A-2	533,543	533,543	9.737
A+	42,426	48,324	0.882
A	93,878	108,730	1.984
A-	276,998	306,728	5.598
BBB+	219,799	250,310	4.568
BBB	240,338	266,178	4.858
BBB-	49,288	54,165	0.989
BB+	29,639	31,739	0.579
BB	10,682	11,084	0.202
B+	20,196	19,749	0.360
‡ Not Rated	2,348,132	2,207,503	40.288
<b>Total Fixed Maturity</b>	<b>\$ 5,389,435</b>	<b>\$ 5,479,388</b>	<b>100.000</b>

‡ Primarily consists of private placements

± Includes securities guaranteed by the US Gov't

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

RATINGS OF FIXED MATURITIES

ERS

	Moody's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
± Aaa		\$ 576,062	\$ 616,290	22.217
Aa1		2,723	3,170	0.114
Aa2		4,142	4,840	0.174
Aa3		20,892	27,973	1.008
P-1		127,349	127,348	4.591
P-2		339,664	339,664	12.245
A1		38,134	44,124	1.591
A2		48,942	56,237	2.027
A3		67,610	74,494	2.686
Baa1		105,488	121,088	4.365
Baa2		135,772	150,244	5.416
Baa3		36,062	37,577	1.355
Ba1		26,923	29,364	1.059
Ba3		3,226	3,193	0.115
B1		5,394	6,393	0.230
‡ Not Rated		1,201,693	1,131,941	40.807
<b>Total Fixed Maturity</b>		<b>\$ 2,740,076</b>	<b>\$ 2,773,940</b>	<b>100.000</b>

	Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
± AA+		\$ 602,016	\$ 646,819	23.318
AA		11,239	13,640	0.491
AA-		16,160	21,827	0.787
A-1+		97,353	97,353	3.510
A-1		9,992	9,992	0.360
A-2		359,667	359,667	12.966
A+		19,200	21,862	0.788
A		43,230	50,070	1.805
A-		127,031	140,545	5.067
BBB+		100,931	114,828	4.140
BBB		109,743	121,635	4.385
BBB-		21,363	23,544	0.849
BB+		13,563	14,524	0.524
BB		4,875	5,058	0.182
B+		9,144	8,942	0.322
‡ Not Rated		1,194,569	1,123,634	40.506
<b>Total Fixed Maturity</b>		<b>\$ 2,740,076</b>	<b>\$ 2,773,940</b>	<b>100.000</b>

‡ Primarily consists of private placements

± Includes securities guaranteed by the US Gov't

**RATINGS OF FIXED MATURITIES**

**JRF**

<u>Moody's Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
± Aaa	\$ 28,326	\$ 30,330	40.694
Aa1	1,713	2,054	2.756
Aa2	199	232	0.312
Aa3	769	999	1.340
P-1	4,338	4,338	5.820
P-2	5,247	5,247	7.040
A1	2,848	3,317	4.450
A2	2,251	2,628	3.526
A3	3,408	3,788	5.082
Baa1	5,877	6,593	8.845
Baa2	6,414	7,102	9.529
Baa3	1,834	1,914	2.568
Ba1	3,122	3,361	4.510
Ba3	176	175	0.235
B1	278	330	0.443
‡ Not Rated	3,170	2,124	2.850
<b>Total Fixed Maturity</b>	<b>\$ 69,970</b>	<b>\$ 74,532</b>	<b>100.000</b>

<u>Standard &amp; Poor's Ratings</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Fair Value as a Percent of Total Fixed Maturity Fair Value</u>
± AA+	\$ 30,554	\$ 32,956	44.219
AA	570	693	0.929
AA-	545	704	0.945
A-1+	3,588	3,588	4.814
A-1	2,249	2,249	3.017
A-2	3,748	3,748	5.028
A+	928	1,057	1.418
A	2,637	3,083	4.137
A-	5,707	6,282	8.429
BBB+	4,743	5,308	7.122
BBB	5,607	6,188	8.302
BBB-	1,219	1,324	1.776
BB+	693	743	0.997
BB	240	249	0.334
B+	403	395	0.530
‡ Not Rated	6,539	5,965	8.003
<b>Total Fixed Maturity</b>	<b>\$ 69,970</b>	<b>\$ 74,532</b>	<b>100.000</b>

‡ Primarily consists of private placements

± Includes securities guaranteed by the US Gov't

(Dollar Amounts in Thousands)

**B. Concentration of Investments**

As of September 30, 2012, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 8.26% of the TRS investments and 9.12% 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% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). The collateral fund is separated 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 State Street Global Advisors 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, 2012, the average term of the loans secured by QDF was 40, 43, and 43 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, 2012, the fair value of the securities on loan was \$2,244,545, \$1,066,493, and \$43,621 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was \$2,394,571, \$1,144,557, and \$46,235 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, 2012. 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, 2012, 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	\$ 163,108	\$ 86,883	\$ 4,531	\$ 254,522
Domestic Equity	851,834	386,516	17,886	1,256,236
International Equity	157,844	67,191	1,387	226,422
Total Lent for Cash Collateral	<u>1,172,786</u>	<u>540,590</u>	<u>23,804</u>	<u>1,737,180</u>
<i>For Non-Cash Collateral</i>				
Domestic Fixed Maturities	546,750	254,032	11,546	812,328
Domestic Equity	237,104	119,567	4,836	361,507
International Equity	287,905	152,304	3,435	443,644
Total Lent for Non-cash Collateral	<u>1,071,759</u>	<u>525,903</u>	<u>19,817</u>	<u>1,617,479</u>
<b>Total Securities Lent</b>	<b><u>\$ 2,244,545</u></b>	<b><u>\$ 1,066,493</u></b>	<b><u>\$ 43,621</u></b>	<b><u>\$ 3,354,659</u></b>
<u>Type of Collateral Received</u>				
<i>Cash Collateral - Invested in State Street Quality D Fund</i>	\$ 1,211,112	\$ 557,759	\$ 24,470	\$ 1,793,341
<i>Non-Cash Collateral</i>				
For Lent Domestic Fixed Securities	579,927	275,149	5,370	860,446
For Lent Domestic Equity Securities				
Securities Collateral				
Canadian Dollars	48,761	28,394	-	77,155
US Dollar	216,596	106,501	12,571	335,668
For Lent International Equity Securities				
Securities Collateral				
CHF	-	113	-	113
EURO	47,284	36,540	446	84,270
GBP	58,015	31,072	492	89,579
US Dollar	232,876	109,029	2,886	344,791
Total Non-cash Collateral	<u>1,183,459</u>	<u>586,798</u>	<u>21,765</u>	<u>1,792,022</u>
<b>Total Collateral Received</b>	<b><u>\$ 2,394,571</u></b>	<b><u>\$ 1,144,557</u></b>	<b><u>\$ 46,235</u></b>	<b><u>\$ 3,585,363</u></b>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

**D. Mortgage-backed Securities**

As of September 30, 2012, 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.

**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, 2012, as reported in the System's Statement of Plan Net Assets and Statement of Changes in Plan Net Assets:

<b>INVESTMENT DERIVATIVE INSTRUMENTS</b>					
	<b>Changes in Fair Value</b>		<b>Fair Value as of September 30, 2012</b>		
	<b>Classification</b>	<b>Amount</b>	<b>Classification</b>	<b>Amount</b>	<b>Notional</b>
<b>TRS</b>					
Domestic Options Written	Investment Income	\$ 2,788	Domestic Equity	\$ (113)	\$ (7,072)
Domestic Options Purchased	Investment Income	(3,437)	Domestic Equity	-	-
Total Domestic Options		(649)		(113)	(7,072)
International Options Written	Investment Income	(424)	International Equity	(304)	5
<b>Grand Total TRS Options</b>		<b><u>\$ (1,073)</u></b>		<b><u>\$ (417)</u></b>	<b><u>\$ (7,067)</u></b>
<b>ERS</b>					
Domestic Options Written	Investment Income	\$ 1,338	Domestic Equity	\$ (61)	\$ (3,803)
Domestic Options Purchased	Investment Income	(1,641)	Domestic Equity	-	-
Total Domestic Options		(303)		(61)	(3,803)
International Options Written	Investment Income	(203)	International Equity	(145)	3
<b>Grand Total ERS Options</b>		<b><u>\$ (506)</u></b>		<b><u>\$ (206)</u></b>	<b><u>\$ (3,800)</u></b>
<b>JRF</b>					
Domestic Options Written	Investment Income	\$ 104	Domestic Equity	\$ -	\$ -
Domestic Options Purchased	Investment Income	13	Domestic Equity	-	-
Total Domestic Options		117		-	-
International Options Written	Investment Income	(6)	International Equity	(5)	4
<b>Grand Total JRF Options</b>		<b><u>\$ 111</u></b>		<b><u>\$ (5)</u></b>	<b><u>\$ 4</u></b>
<b>Total</b>					
Domestic Options Written	Investment Income	\$ 4,230	Domestic Equity	\$ (174)	\$ (10,875)
Domestic Options Purchased	Investment Income	(5,065)	Domestic Equity	-	-
Total Domestic Options		(835)		(174)	(10,875)
International Options Written	Investment Income	(633)	International Equity	(454)	12
<b>Grand Total Options</b>		<b><u>\$ (1,468)</u></b>		<b><u>\$ (628)</u></b>	<b><u>\$ (10,863)</u></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>	9/30/2011	\$ 19,430,135	\$ 28,776,316	\$ 9,346,181	67.5%	\$ 6,159,562	151.7%
<b>ERS</b>	9/30/2011	\$ 9,456,158	\$ 14,366,796	\$ 4,910,638	65.8%	\$ 3,540,681	138.7%
<b>JRF</b>	9/30/2011	\$ 235,870	\$ 393,635	\$ 157,765	59.9%	\$ 41,826	377.2%

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, 2011	September 30, 2011	September 30, 2011
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal
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 ‡	3.50%-8.25%	3.75%-7.25%	4%
Cost of living adjustments	None	None	3.25% †

‡ Includes inflation at 3.0%.

† Per year for certain members hired prior to July 30, 1979 and for spouses benefits subject to increase.

(Dollar Amounts in Thousands)

The RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2010. 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, which became effective at the beginning of fiscal year 2012.

## **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, ERS, and JRF are prepared using the entry age 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, ERS, and JRF, 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.

The 2012 retirement contributions were made in accordance with actuarially determined contribution requirements. The 2013 retirement contributions made by members will increase by 0.25% of earnable compensation in accordance with Act 676 of the Legislature of 2011. ERS local participating employers have the option to adopt the new employee contribution rates.

The RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2010. 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 actuarial assumptions which are outlined in Note 6. The boards of control for each accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

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## 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, 2012:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,521	53,760
Furniture and Equipment	<u>5,373</u>	<u>2,051</u>
Total Property and Equipment	117,979	58,346
Less Accumulated Depreciation	<u>(18,131)</u>	<u>(8,751)</u>
<b>Net Property and Equipment</b>	<b><u>\$ 99,848</u></b>	<b><u>\$ 49,595</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 2012 rate set by the State Employees' Insurance Board was \$805 per active member per month (amount not 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 2012 were as follows (the following amounts are not in thousands):

### *Required Member Rates*

- Individual Coverage/Non-Medicare Eligible – \$246
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$478
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible – \$367
- Individual Coverage/Medicare Eligible Retired Member – \$40
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$272
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible – \$161
- 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.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

*Surviving Spouse Rates (the following amounts are not in thousands)*

- Surviving Spouse Non-Medicare Eligible – \$362
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible – \$594
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible – \$503
- Surviving Spouse Medicare Eligible – \$181
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible – \$413
- Surviving Spouse Medicare Eligible and Dependent Medicare Eligible – \$322

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>	2012	\$ 645	39.87%
	2011	\$ 346	70.22%
	2010	\$ 376	87.79%
<b>ERS</b>	2012	\$ 689	39.86%
	2011	\$ 381	70.21%
	2010	\$ 405	87.67%
<b>JRF</b>	2012	\$ 5	39.93%
	2011	\$ 3	70.21%
	2010	\$ 3	87.77%

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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>	2012	\$ 930	100%
	2011	\$ 1,155	100%
	2010	\$ 1,233	100%
<b>ERS</b>	2012	\$ 719	100%
	2011	\$ 918	100%
	2010	\$ 930	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 \$28,550,950 (dollar amount not in thousands) during the 2012 fiscal year.

## 12) SUBSEQUENT EVENTS

RSA holds an investment in New Water Street Corporation, whose sole asset consists of a leased fee and partial leasehold interest in a 53 story office tower situated at 55 Water Street in Manhattan, New York. This investment in real estate is carried at fair value, as determined by Pearson Realty Services, in the Statement of Plan Net Assets. On October 29, 2012, subsequent to year end, the storm surge from Hurricane Sandy hit Manhattan and caused significant flooding to 55 Water Street. The estimated damages were \$75 million, net of insurance proceeds. In addition, RSA has committed to invest additional capital of \$80 million in order to move the core infrastructure (electric, telecommunications, etc.) from the basement to the third floor of the building. This investment is designed to minimize potential losses should 55 Water Street flood in the future.

(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 2011 - 2012 are 10.00% for the TRS, 9.42% for the ERS - State Employees, 29.92% for the ERS - State Police, and 24.35% for the JRF. Local agency rates differ for each agency.

**2) ANALYSIS OF FUNDING PROGRESS**

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

The RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2010. 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 actuarial assumptions which are outlined in Note 6. The boards of control for each accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2012

(Dollar Amounts in Thousands)

The following schedules provide information concerning funding progress through September 30, 2011, employer contributions, and actuarial assumptions:

**SCHEDULE OF FUNDING PROGRESS**

	Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A)/C
<b>TRS</b>							
	9/30/2011	\$ 19,430,135	\$ 28,776,316	\$ 9,346,181	67.5%	\$ 6,159,562	151.7%
	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%
<b>ERS</b>							
	9/30/2011	\$ 9,456,158	\$ 14,366,796	\$ 4,910,638	65.8%	\$ 3,540,681	138.7%
	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%
<b>JRF</b>							
	9/30/2011	\$ 235,870	\$ 393,635	\$ 157,765	59.9%	\$ 41,826	377.2%
	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%

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

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Required Supplementary Information

For the Fiscal Year Ended September 30, 2012

(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>			
	9/30/2012	\$ 618,306	100%
	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%
<b>ERS</b>			
	9/30/2012	\$ 317,520	100%
	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%
<b>JRF</b>			
	9/30/2012	\$ 10,747	100%
	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%

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2012

(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	\$ 5,512	\$ 5,468	\$ 151	\$ 11,131
Employee Fringe Benefits	2,254	2,361	38	4,653
Total Personnel Services	<u>7,766</u>	<u>7,829</u>	<u>189</u>	<u>15,784</u>
<b>Professional Services:</b>				
Actuarial	251	465	46	762
Accounting and Auditing	70	39	11	120
Information Technology	880	592	-	1,472
Education & Training	19	19	-	38
Mailing Services	95	78	-	173
Legal Services	95	56	-	151
Personnel Services	65	-	-	65
Other Professional Services and Fees	158	56	-	214
Total Professional Services	<u>1,633</u>	<u>1,305</u>	<u>57</u>	<u>2,995</u>
<b>Communications and Travel:</b>				
Telecommunications	93	46	-	139
Postage	813	572	-	1,385
Travel	77	58	4	139
Total Communications and Travel	<u>983</u>	<u>676</u>	<u>4</u>	<u>1,663</u>
<b>Rentals:</b>				
Office Space	106	70	6	182
Equipment Leasing	13	12	-	25
Total Rentals	<u>119</u>	<u>82</u>	<u>6</u>	<u>207</u>
<b>Miscellaneous:</b>				
Supplies	972	618	1	1,591
Maintenance	82	106	-	188
Total Miscellaneous	<u>1,054</u>	<u>724</u>	<u>1</u>	<u>1,779</u>
<b>Total Administrative Expenses</b>	<b><u>\$ 11,555</u></b>	<b><u>\$ 10,616</u></b>	<b><u>\$ 257</u></b>	<b><u>\$ 22,428</u></b>

RETIREMENT SYSTEMS OF ALABAMA

*Financial Section*

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2012

(Amounts in Thousands)

	<b>Teachers' Retirement System</b>	<b>Employees' Retirement System</b>	<b>Judicial Retirement Fund</b>	<b>Totals</b>
<i>Investment Activity</i>				
<b>Investment Management Fees:</b>				
Salaries and Benefits	\$ 4,180	\$ 1,763	\$ -	\$ 5,943
Dues, Subscriptions and Supplies	483	316	-	799
Travel	14	2	-	16
<b>Professional Services:</b>				
Investment Advisor	60	30	-	90
Appraisal of Private Placements and Real Estate	527	327	-	854
<b>Investment Activity Expenses before Reimbursement</b>	<b>5,264</b>	<b>2,438</b>	<b>-</b>	<b>7,702</b>
Less: Reimbursement for Investment Management Fees	4	182	-	186
<b>Total Investment Activity Expenses</b>	<b>5,260</b>	<b>2,256</b>	<b>-</b>	<b>7,516</b>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	433	174	12	619
Securities Lending Management Fees	3,465	1,642	52	5,159
Total Securities Lending Activity Expenses	3,898	1,816	64	5,778
<b>Total Investment Expenses</b>	<b>\$ 9,158</b>	<b>\$ 4,072</b>	<b>\$ 64</b>	<b>\$ 13,294</b>

RETIREMENT SYSTEMS OF ALABAMA

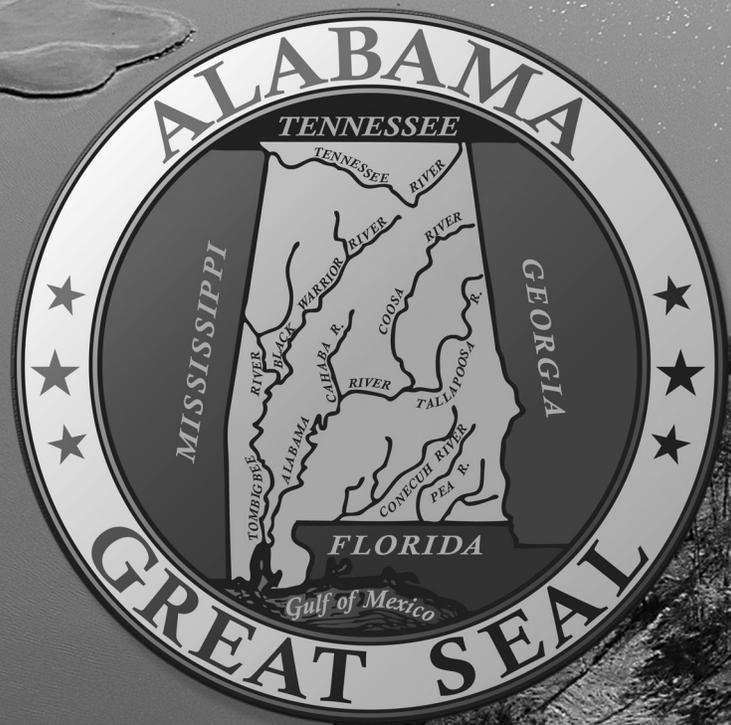
Financial Section

Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2012

(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	\$ 215	\$ 455	\$ 42	\$ 712
Segal	Actuary	36	10	4	50
Carr, Riggs & Ingram	Auditor	65	37	11	113
Bradley Arant Boult Cummings	Legal	29	19	-	48
Copeland, Franco, Screws & Gill	Legal	3	3	-	6
FTI Consulting	Legal	60	32	-	92
Ice Miller	Legal	3	2	-	5
Action in Mailing Inc.	Mail	73	57	-	130
Alabama Department of Finance	Mail	22	19	-	41
State Personnel Department	Personnel	65	-	-	65
Fine & Geddie	Consultant	75	-	-	75
Alabama Department of Finance	Information Technology	46	37	-	83
Auburn Montgomery	Information Technology	786	524	-	1,310
Jackson Thornton	Information Technology	9	6	-	15
Various	Other	146	104	-	250
<b>Total Professional/Consultant Fees - Administrative Services</b>		<b>1,633</b>	<b>1,305</b>	<b>57</b>	<b>2,995</b>
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services	Real Estate Appraiser	164	109	-	273
Houlihan Lokey	Investment Appraiser	363	218	-	581
<b>Total Professional/Consultant Fees - Investment Services</b>		<b>587</b>	<b>357</b>	<b>-</b>	<b>944</b>
<b>Total Professional/Consultant Fees</b>		<b>\$ 2,220</b>	<b>\$ 1,662</b>	<b>\$ 57</b>	<b>\$ 3,939</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, 2012

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Dear Members,

I humbly present the following report on investment activity for the fiscal year ended September 30, 2012. 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 are based on the standards set forth by the Global Investment Performance Standards (GIPS®).

Suffice it to say that sentiment regarding the capital markets coming into the new fiscal year was sour, at best. The European sovereign debt issues, China slowing, the fiscal cliff, and the upcoming presidential elections were weighing on investors. Money flows continued to move out of equities and other risk assets and into bonds. However, the broader stock markets began to climb the proverbial wall of worry right out of the gates. There was one period in late spring/early summer where double dip worries became strong enough to cause a sizeable pullback, but the market managed to finish on a strong note into the fourth quarter of the fiscal year. It is probably fair to say that most investors didn't feel like the broad stock market averages were up 30% for the year, and it seems most investors were ill positioned for it. Though we reallocated money out of stocks as the market moved throughout the year, our sizeable overweighting in domestic equities helped produce the highest total portfolio return we have had in 15 years.

Looking forward, portfolio positioning is a tough task to say the least. With ballooning government debt, continued global economic growth uncertainty, and the market glued to every economic release, it is hard to stay focused on the long term. However, equity valuations on both an absolute and relative basis look attractive vs. their own historical averages and other asset classes. There has been a somewhat marked shift in management recognition of the value of returning capital to shareholders. With cash rich balance sheets and low payout ratios, we feel that we are still early in this game, and dividend yield and growth are once again becoming a big part of equity investing. We have maintained our overweighting in large cap stocks as well as an underweighting in international stocks, though we are looking at opportunities overseas as valuations are relatively cheap. Our real asset portfolio performed well this year, and we will continue to be involved with the management of all our direct investments to maximize long term returns for the RSA. As always, we will continue to demand the best execution from all our counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama.

### **RSA Performance Summary**

As of September 30, 2012, aggregate defined benefit assets under management totaled \$28 billion. During fiscal year 2012, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and the Judicial Retirement Fund were 18.30%, 18.01%, and 19.01% respectively.

### **Equities**

Although economic growth moved at a sluggish pace in fiscal 2012, the old saying of "Don't fight the Fed" was in play this year. After starting off from depressed levels in the 1<sup>st</sup> fiscal quarter, the markets had a nice move as corporate profits did not deteriorate as much as the investors were expecting. As we moved into late spring, it became evident that the markets and the global economy were facing significant headwinds with China continuing to slow, the fiscal cliff growing nearer, uncertainty about leadership in Washington, and continued Euro area issues. This caused a 10% correction in the third quarter of the fiscal year as investors went into "risk off" mode. After June earnings proved to be not so bad, the market began to rally in fits and starts. Finally, the year culminated with a sharp rally as the Federal Reserve announced another round of quantitative easing (QE3). The lower for longer rhetoric by the Fed definitely had its intended effect for this twelve month period as low yields across the curve forced investors into risk assets, in spite of continued money flows out of stock funds (especially domestically) and into bonds.

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As for the markets, valuations still remain reasonable, trading at roughly 13.5 times expected earnings. There is obvious angst both at the consumer and corporate level, as uncertainty around policy direction is a big factor in delaying or committing to capital allocation decisions. A lot of this will obviously be resolved by the election. With that said, we started the year with a sizeable overweighting in large capitalization domestic stocks, and this was a good place to be. We were a net seller of stocks throughout the year as they continued higher, and have roughly maintained our same weighting vs. one year ago. We also placed some protection around a portion of our equity portfolio going into yearend to protect the nice gains we had seen. We also continue to use volatility in emerging markets to generate additional option income around our small core position in that area. With general sentiment towards equities still relatively negative, we feel comfortable with maintaining our current exposure, especially relative to bonds.

For the year, the RSA domestic equity portfolios increased 28.27%, 28.08%, and 30.36% for TRS, ERS, and JRF funds, respectively. International equity returns lagged domestic returns but were positive with TRS up 14.99%, ERS up 15.05%, and JRF up 14.88%. The combined total return for the overall equity portfolios were 24.99%, 25.03%, and 26.88% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 10.38%, (0.12)%, and 8.53% for TRS, 10.47%, (0.06)%, and 8.54% for ERS, and 11.68%, 0.63%, and 8.07% for JRF, respectively.

### **Fixed Income**

At the beginning of fiscal year 2012, the Federal Open Market Committee (FOMC) had recently decided to extend the average maturity of its treasury holdings in a maneuver referred to as “Operation Twist”. This move, along with the reinvestment of principal into agency mortgage-backed securities, was enacted to offset downside risks in the global economy. Treasury yields for short and intermediate maturities were sitting at record lows with longer term yields at levels not seen since the first few months of the financial crisis. However, better economic data and a possible long term solution to the Greek sovereign debt situation enabled the credit market to stage a quick rebound. Financials significantly outperformed treasuries during the month of October, only to be outdone by the 625 basis points of excess return in the high yield sector. The euphoria however was short-lived as yields on European sovereign debt continued to rise despite the European Central Bank lowering short-term rates and implementing purchases of Spanish and Italian debt.

In December, macroeconomic news at home exhibited strength in the midst of European weakness with the unemployment rate dropping to a multi-year low of 8.6%. Later in the month, the European Central Bank announced a bank refunding program called Long Term Refinancing Operation, or casually referred to as LTRO. This allowed financial institutions to receive three-year funding at a nominal rate by pledging the appropriate collateral. This announcement allowed monetary conditions to dramatically loosen and a risk rally in most asset classes ensued. With the value of European sovereign debt rising substantially, the credit sector in the U.S. was able to post stellar returns heading into the new calendar year.

Risk assets continued to perform relatively well through February as the second tranche of the LTRO was launched. Mortgage and agency spreads tightened as well as investors sought out incremental yield within the fixed income market. By the middle of March, ten-year treasury yields had surged to approximately 2.40% with U.S. equity markets reaching pre-crisis highs. However, a disappointing jobs report and European rebuke of further austerity measures sent investors looking for safety once again. April was a month in which risk assets faded, with the high grade market underperforming treasuries for the first time since November. Several political headlines in Europe, such as France electing the Socialist-leaning Francois Hollande and the inability of the Greek government to secure a majority in parliament, sent investors scurrying out of Spanish and Italian debt and into German Bunds and U.S. Treasuries.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity (Continued) For the Fiscal Year Ended September 30, 2012

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Many of the uncertainties weighing on capital markets in previous months began to notably subside during June. Policy responses from central banks were enacted to offset weakness in the global economy. In addition to the lengthening of Operation Twist until the end of the calendar year by the Federal Reserve, emerging markets, including China, began to lower benchmark rates as insurance against a hard landing. In the Eurozone, the tone was fairly positive following the results of the European Summit and the additional rate cut administered by the European Central Bank. While global growth concerns kept investors interested in the market for government guaranteed debt during July, risk assets were still able to match or beat treasury performance as European contagion risk continued to diminish. Investor appetite remained strong during this time as new issuance in the high grade sector hit record highs.

After a steady increase in asset prices during the month of August, September was marked by the FOMC announcement of a third round of quantitative easing (QE3). The Fed stated its intention to purchase \$40 billion of agency mortgage-backed securities per month until macroeconomic conditions warrant otherwise. It is indeed an open-ended commitment. Policymakers also renewed its commitment to keep the target fed funds rate at zero to 25bps through mid-2015. Corporate spreads continued to tighten throughout the end of the fiscal year, coupled with price increases from agency and mortgage-backed securities. The fiscal year can be best described as one of brief risk-off treasury rallies and long risk-on credit outperformance. The high grade universe, which was topped by high yield returns, still managed to pick up an additional 775bps of excess performance versus treasury securities. Financials got the best of the industrial and utility sectors by approximately 450bps. Going forward, the picture is as murky as ever. The Eurozone situation is far from resolved, the election is right around the corner, and the dreaded fiscal cliff is closing in. This low rate environment leaves very few alternatives for fixed income investors. Their options include unattractive yields within the treasury market and only marginally better dynamics in the credit sector. With global growth currently moving in the wrong direction and the ramifications from excessive monetary stimulus far from certain, the most viable option at this juncture is to play it as close to the vest as possible.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 7.02% for the TRS and 7.04% for the ERS and 6.25% for the JRF. The five-year annualized returns were 7.52% for the TRS and 7.53% for the ERS and 7.39% for the JRF. The ten-year annualized returns were 7.06% for the TRS and 7.14% for the ERS and 5.67% 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, 2012

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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, 2012

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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, 2012

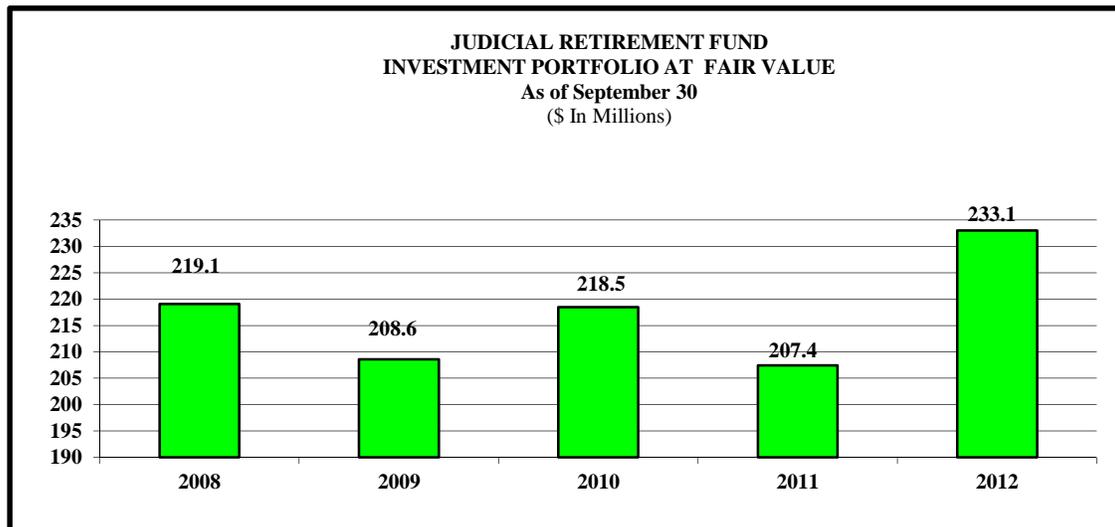
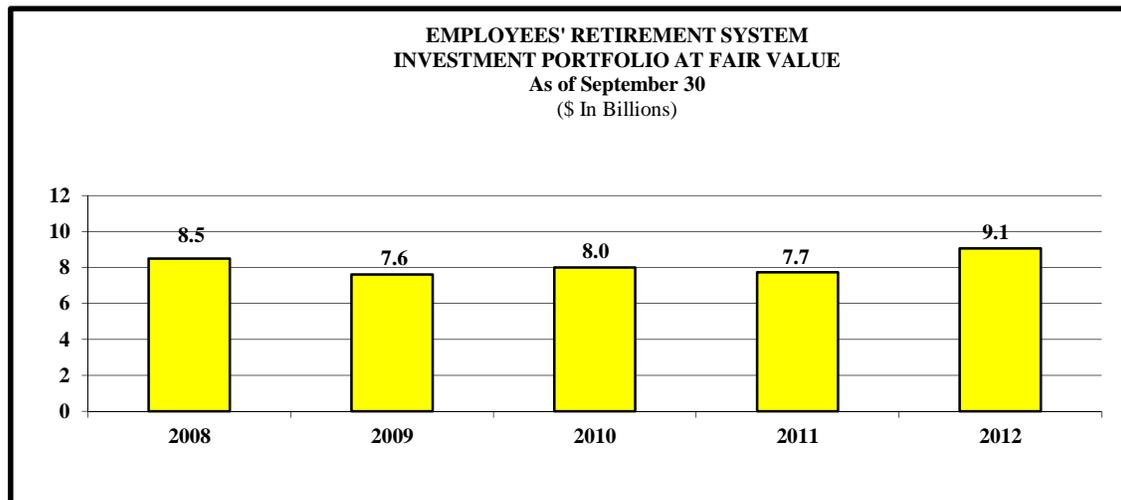
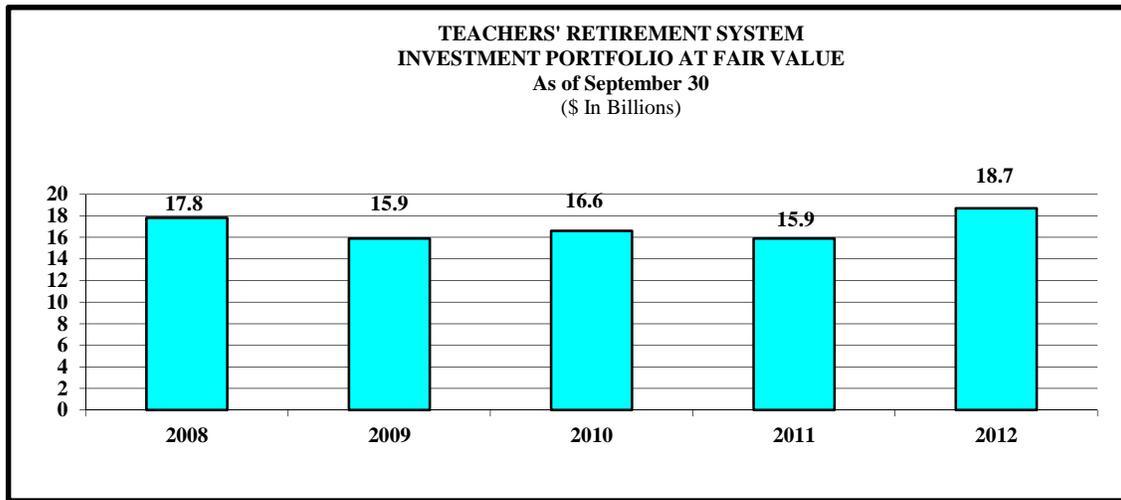
	<b>Annualized</b>			
	<b>1 Year</b>	<b>Last 3 Years</b>	<b>Last 5 Years</b>	<b>Last 10 Years</b>
<b>Total Portfolio</b>				
TRS	18.30%	9.30%	0.35%	6.46%
ERS	18.01%	9.37%	-0.04%	6.22%
JRF	19.01%	9.80%	2.60%	6.84%
<b>Total Domestic Equity</b>				
TRS	28.27%	12.95%	1.26%	8.45%
ERS	28.08%	12.88%	1.23%	8.46%
JRF	30.36%	13.57%	1.55%	8.47%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	30.20%	13.20%	1.05%	8.01%
Dow Jones Industrial Average	26.52%	14.45%	2.17%	8.59%
S&P MidCap 400	28.54%	14.33%	3.83%	10.77%
S & P 600 Smallcap	33.35%	15.14%	3.29%	10.74%
<b>Total International Equity</b>				
TRS	14.99%	2.76%	-4.22%	8.97%
ERS	15.05%	2.78%	-4.17%	8.98%
JRF	14.88%	3.07%	-3.39%	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	13.75%	2.12%	-5.24%	8.20%
<b>Total Fixed Income and Alternatives</b>				
TRS	10.11%	8.02%	1.40%	4.51%
ERS	10.16%	8.17%	0.48%	4.12%
JRF	5.53%	6.64%	5.91%	5.62%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	5.12%	6.04%	6.69%	5.46%
Barclays Aggregate	5.16%	6.19%	6.53%	5.33%

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Investment Portfolio at Fair Value

#### Five-Year Comparison

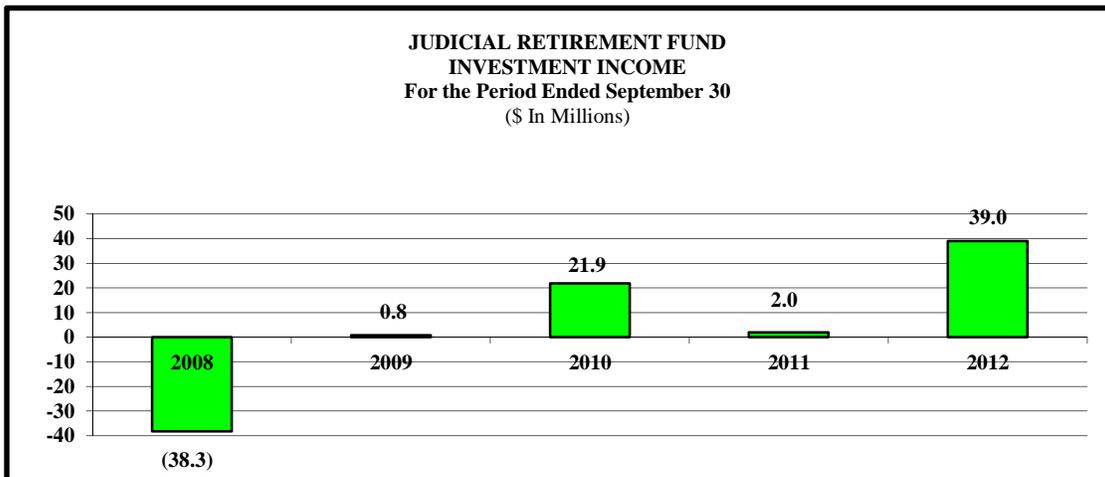
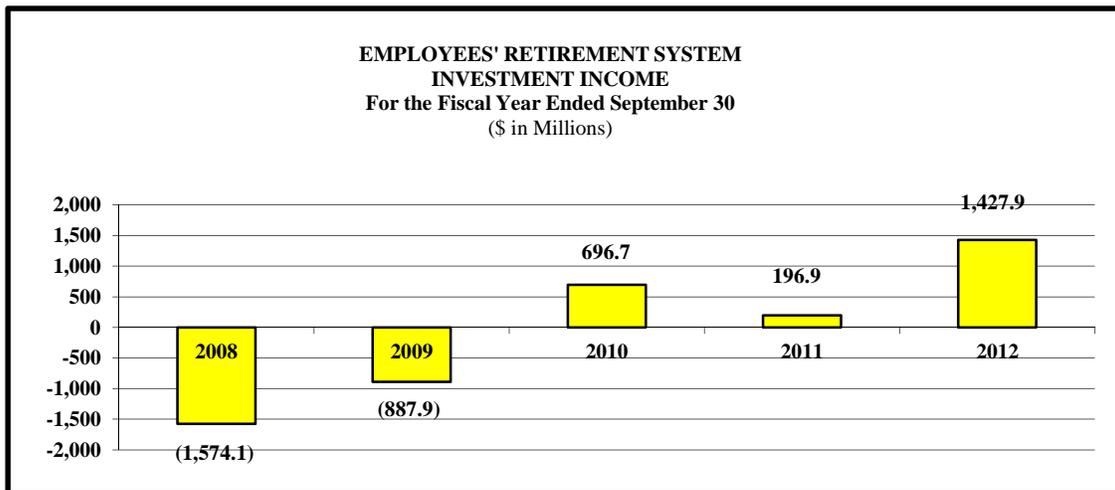
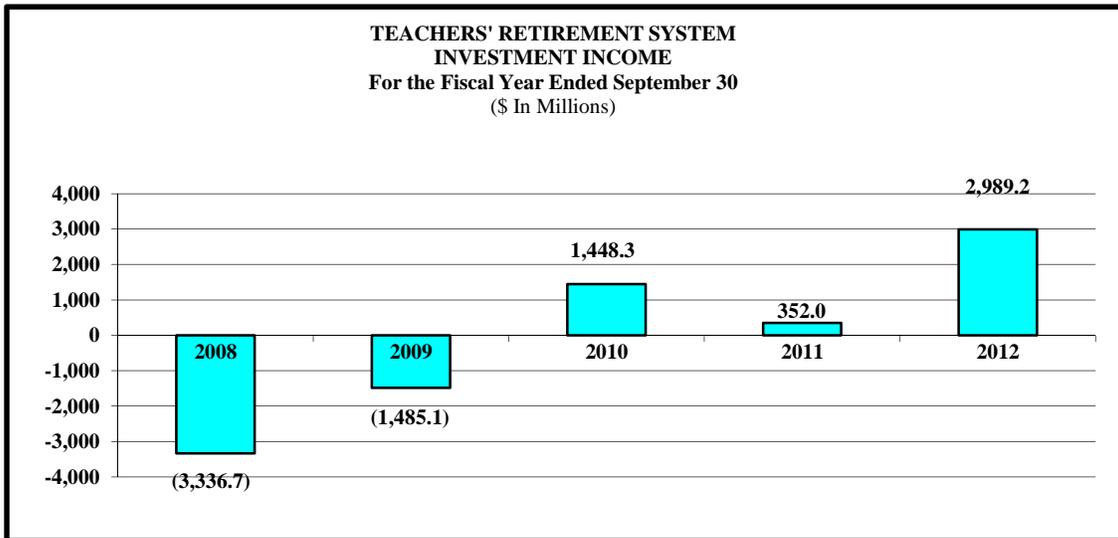


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Income

Five-Year Comparison

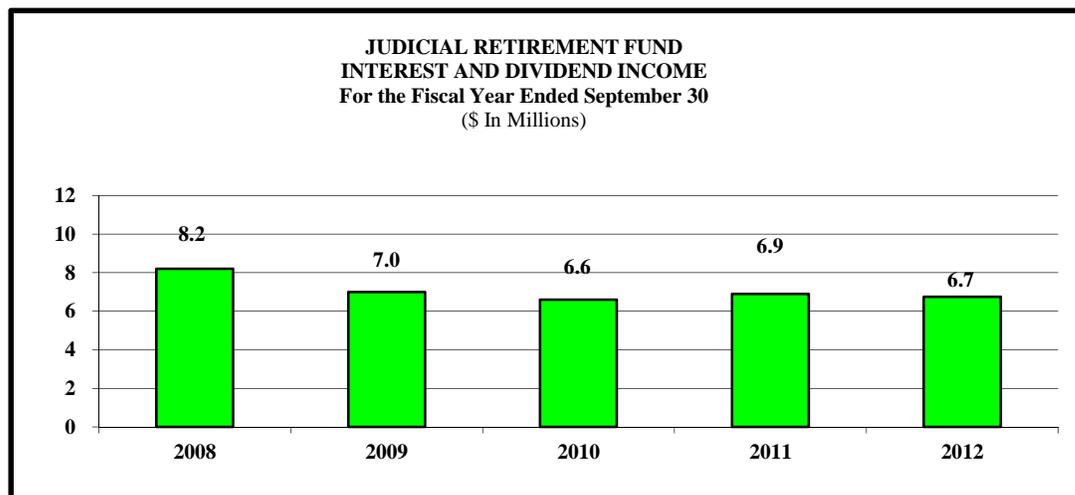
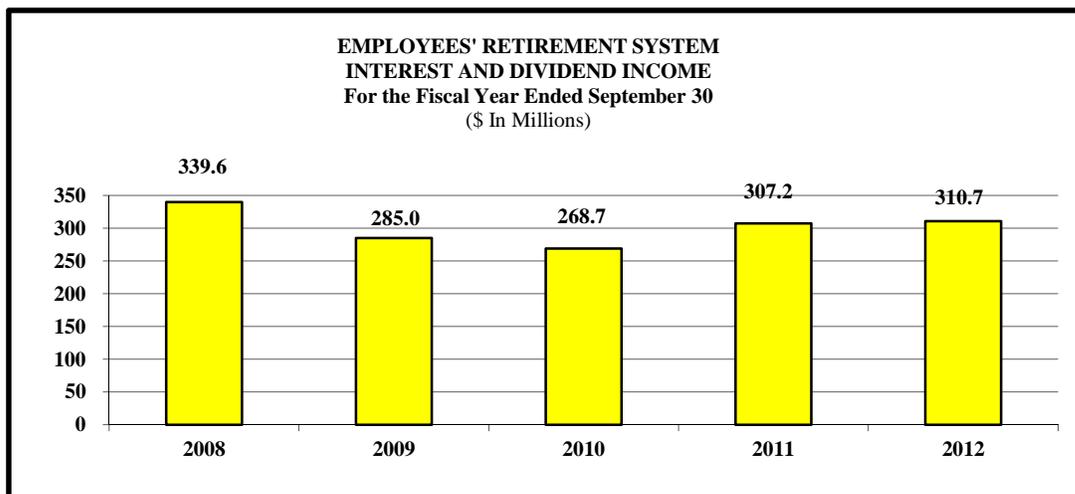
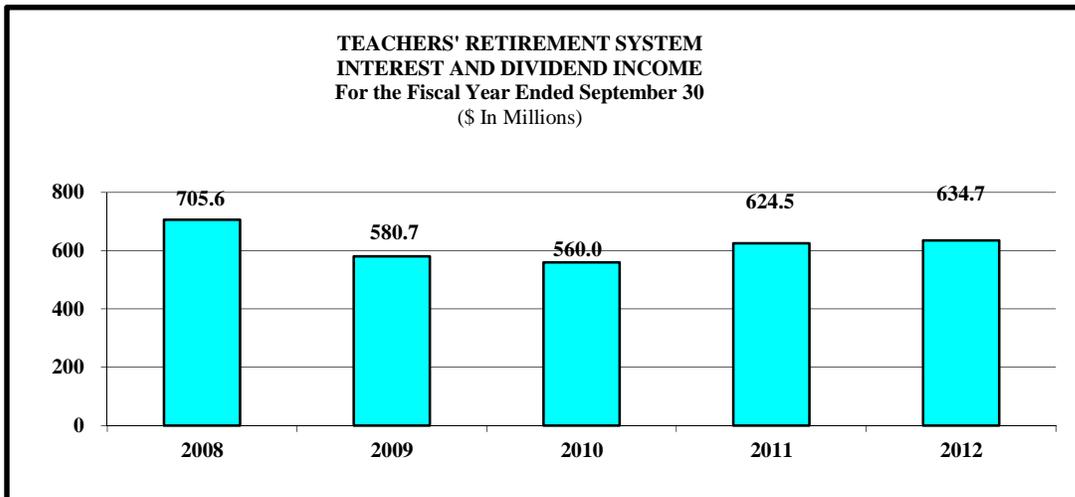


# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Interest and Dividends

#### Five-Year Comparison

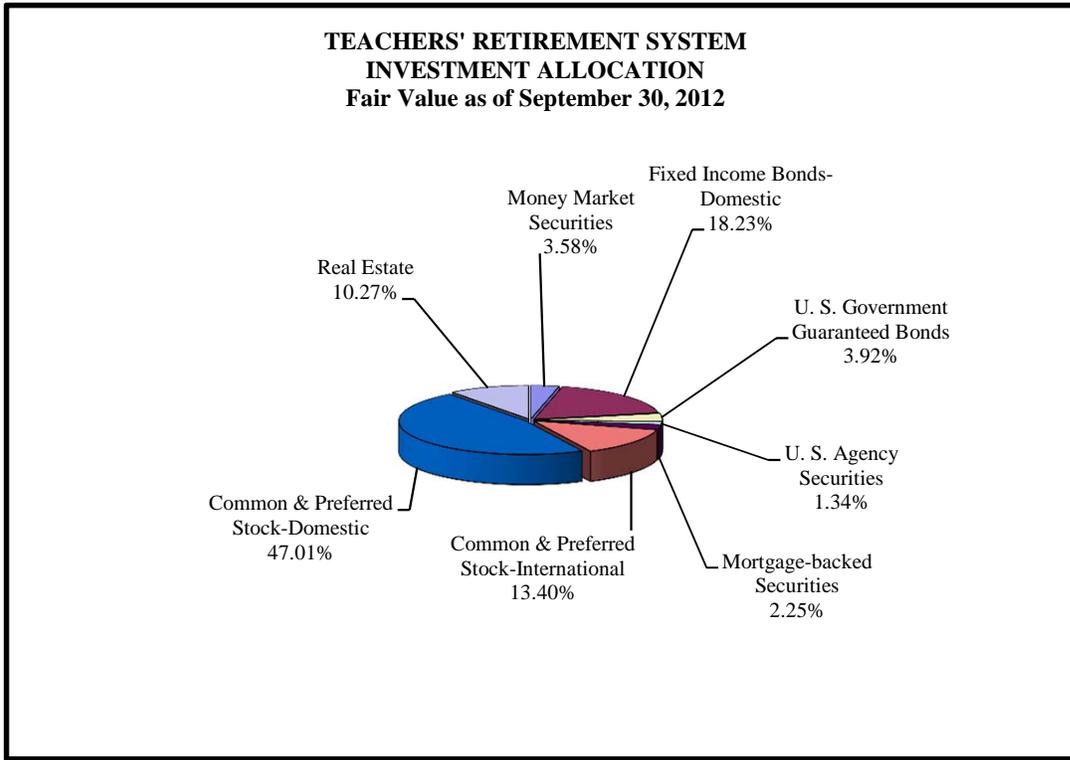


**RETIREMENT SYSTEMS OF ALABAMA**

*Investment Section*

Teachers' Retirement System

Investment Allocation and Summary



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

As of September 30, 2012

(\$ In Thousands)

	<b>Fair Value</b>	<b>% of Fair Value</b>
Money Market Securities and Mutual Funds	\$ 669,681	3.58
U.S. Government Guaranteed	731,857	3.92
U.S. Agency Securities	250,645	1.34
Mortgage-backed Securities	419,946	2.25
Fixed Income Bonds		
Domestic	3,407,258	18.23
Common and Preferred Stocks		
Domestic	8,784,802	47.01
International	2,504,647	13.40
Real Estate	1,919,222	10.27
<b>Total Investments</b>	<b>\$ 18,688,058</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, 2012

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	12	New Water Street Corporation	\$ 931,138
2)	966	Goldman Sachs Small Cap Equity Linked Note	545,725
3)	7,155	ISHARES MSCI Emerging Markets	295,661
4)	400	Apple Inc	267,221
5)	2,189	Exxon Mobile Corporation	200,141
6)	4,773	Microsoft Corporation	142,132
7)	5,256	General Electric Company	119,363
8)	103	Raycom Preferred 10% Non-Cum	117,550
9)	986	Chevron Corporation	114,884
10)	3,032	AT&T Inc	114,300

#### TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2012

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	1,246,721	Raycom Media, 8%, Due 9/30/2032	\$ 1,425,504
2)	280,244	Wise Metals Group LLC, 9%, Due 11/15/2015	280,244
3)	374,954	Community News, 8%, due 12/31/2032	174,258
4)	116,629	U S Treasury, 3.125%, Due 4/30/2017	130,137
5)	111,516	U S Treasury, 4.25%, Due 8/15/2015	124,060
6)	107,664	U S Treasury, 2.125%, Due 8/15/2021	113,888
7)	93,843	U S Treasury, 3.75%, Due 11/15/2018	110,151
8)	68,517	U S Treasury, 1.75%, Due 10/31/2018	72,194
9)	60,500	Fairway Outdoors, 11.00%, Due 10/15/2014	60,978
10)	48,583	U S Treasury, 3.375%, Due 11/15/2019	56,337

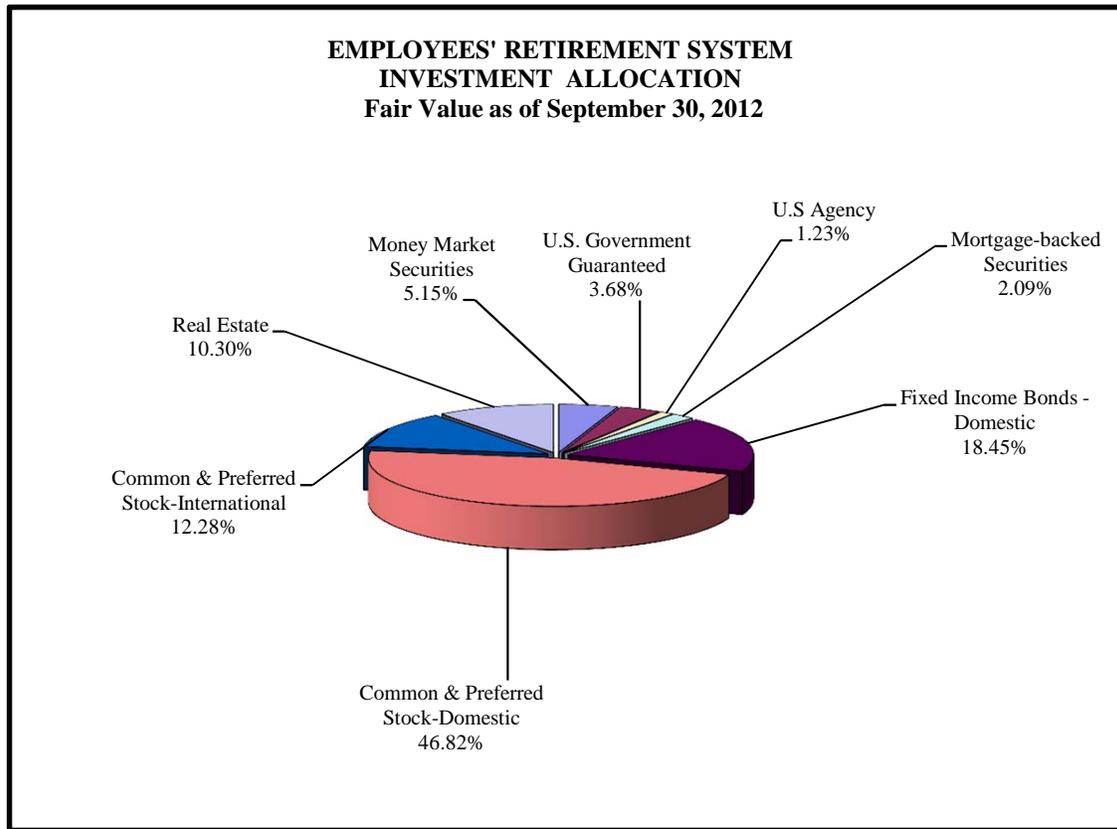
A complete list of portfolio holdings is available upon request.

**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, 2012

(\$ In Thousands)

	<b>Fair Value</b>	<b>% of Fair Value</b>
Money Market Securities and Mutual Funds	\$ 467,012	5.15
U.S. Government Guaranteed	333,461	3.68
U.S. Agency Securities	111,445	1.23
Mortgage-backed Securities	189,702	2.09
Fixed Income Bonds		
Domestic	1,672,320	18.45
Common and Preferred Stocks		
Domestic	4,245,713	46.82
International	1,112,997	12.28
Real Estate	933,431	10.30
<b>Total Investments</b>	<b>\$ 9,066,081</b>	<b>100.00</b>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

### Employees' Retirement System

### Largest Stock and Bond Holdings

---

#### EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2012

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	\$427,831
2)	397	Goldman Sachs Small Cap Equity Linked Note	224,435
3)	3,417	ISHARES MSCI Emerging Markets	141,194
4)	188	Apple Inc	125,391
5)	103	Raycom Preferred 10% Non-Cum	117,550
6)	1,039	Exxon Mobile Corporation	95,024
7)	2,345	Microsoft Corporation	69,833
8)	2,514	General Electric Company	57,103
9)	472	Chevron Corporation	55,001
10)	1,458	AT&T Inc	54,965

#### EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2012

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	619,250	Raycom Media, 8%, Due 9/30/2032	\$ 708,053
2)	138,031	Wise Metals Group LLC, 9%, Due 11/15/2015	138,030
3)	188,774	Community News, 8%, Due 12/31/2032	87,732
4)	60,500	Fairway Outdoors, 11%, Due 10/15/2014	60,978
5)	53,068	U S Treasury, 3.125%, Due 4/30/2017	59,214
6)	50,942	U S Treasury, 4.25%, Due 8/15/2015	56,672
7)	49,001	U S Treasury, 2.125%, Due 8/15/2021	51,834
8)	42,677	U S Treasury, 3.75%, Due 11/15/2018	50,093
9)	31,183	U S Treasury, 1.75%, Due 10/31/2018	32,856
10)	22,207	U S Treasury, 3.375%, Due 11/15/2019	25,751

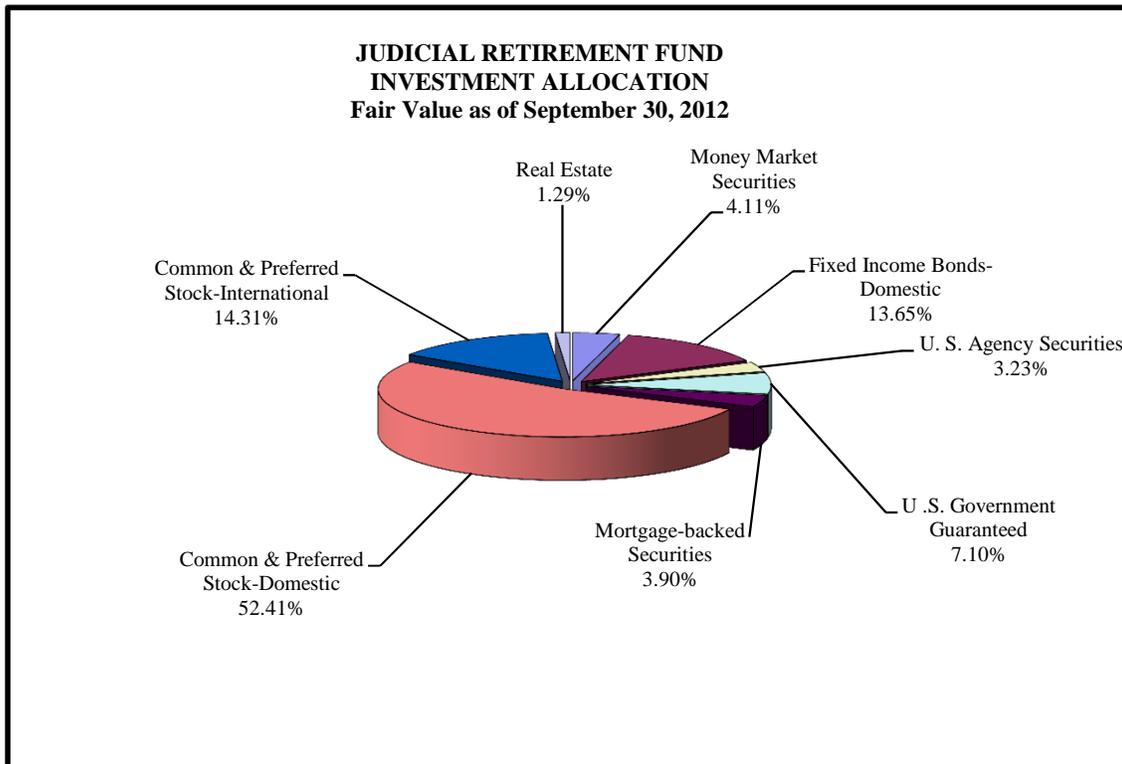
A complete list of portfolio holdings is available upon request.

**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, 2012**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 9,585	4.11
U.S. Government Guaranteed	16,536	7.10
U.S. Agency Securities	7,525	3.23
Mortgage-backed Securities	9,085	3.90
Fixed Income Bonds, Domestic	31,801	13.65
Common and Preferred Stocks, Domestic	122,145	52.41
Common and Preferred Stocks, International	33,357	14.31
Real Estate	3,016	1.29
<b>Total Investments</b>	<b>\$ 233,050</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Judicial Retirement Fund

#### Largest Stock and Bond Holdings

### JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2012

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	8	Apple Inc	\$ 5,019
2)	9	Goldman Sachs Small Cap Equity Linked Note	4,915
3)	106	ISHARES MSCI Emerging Markets	4,384
4)	38	Exxon Mobil Corporation	3,440
5)	*	New Water Street Corporation	3,016
6)	85	General Electric Company	1,936
7)	9	International Business Machines	1,925
8)	16	Chevron Corporation	1,850
9)	60	Microsoft Corporation	1,791
10)	47	AT&T Inc	1,778

\* Less than 1,000 shares

### JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2012

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	2,584	U S Treasury, 3.125%, Due 4/30/2017	\$ 2,883
2)	2,548	U S Treasury, 4.25%, Due 8/15/2015	2,835
3)	2,385	U S Treasury, 2.125%, Due 8/15/2021	2,523
4)	2,147	U S Treasury, 3.75%, Due 11/15/2018	2,520
5)	2,000	LMB Funding Ltd. (PPL Energy), 8.05%, 12/21/2013	2,145
6)	1,727	Farmer Mac Gtd, 5.125%, Due 4/19/2017	2,054
7)	1,588	General Electric Capital Corp, 5.55%, Due 5/4/2020	1,880
8)	1,579	U S Treasury, 1.75%, Due 10/31/2018	1,664
9)	1,110	U S Treasury, 3.375%, Due 11/15/2019	1,287
10)	1,079	U S Treasury, 3.50%, Due 5/15/2020	1,264

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, 2012

	Stock		Fixed		Total
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	
Bank of America	\$ 0.0326	4,273	\$ 139	\$ 25	\$ 164
Barclays	0.0368	9,050	333	70	403
Bernstein	0.0180	19,142	344	-	344
Cantor Fitzgerald	-	-	-	139	139
Caris	0.0500	650	32	-	32
Citigroup	0.0373	21,079	787	117	904
ConvergEx	0.0299	2,601	78	-	78
Cowen	0.0500	1,484	74	-	74
Credit Suisse	0.0475	4,192	199	198	397
Deutsche Bank	0.0357	13,409	479	5	484
Empirical	0.0471	2,141	101	-	101
First Discount	0.0500	340	17	-	17
Gardner Rich	0.0500	300	15	-	15
Goldman Sachs	0.0158	9,219	145	187	332
Harbor	0.0500	155	8	-	8
Howard Weil	0.0475	2,135	102	-	102
ISI	0.0418	16,184	676	-	676
Issuer Designated	-	-	-	120	120
Jefferies	0.0322	5,583	180	-	180
JP Morgan	0.0384	9,443	363	185	548
Keefe Bruyette	0.0481	1,259	61	-	61
Keybank	0.0489	2,725	133	42	175
Leerink Swann	0.0401	1,296	52	-	52
Meyers	0.0500	385	19	-	19
Montrose	0.0500	325	16	-	16
Morgan Keegan	0.0500	950	48	-	48
Morgan Stanley	0.0259	47,588	1,231	40	1,271
NBC Securities	0.0500	1,210	60	-	60
Oppenheimer	0.0437	5,170	226	-	226
Raymond James	0.0500	1,000	50	146	196
RBC Securities	0.0471	705	33	-	33
Renmac	0.0500	852	43	-	43
Sandler O'Neill	0.0456	2,553	116	-	116
Securities Cap	0.0500	325	16	-	16
Southcoast	0.0459	1,627	75	-	75
Southwest	0.0500	275	14	-	14
Sterne Agee	0.0492	3,509	172	69	241
Stifel Nicolaus	0.0494	3,271	162	64	226
Strategas	0.0454	9,250	420	-	420
UBS	0.0500	540	27	-	27
Wells Fargo	0.0423	7,443	315	92	407
Wolfe Trahan	0.0500	662	33	-	33
<b>Totals</b>		<b>214,300</b>	<b>\$ 7,394</b>	<b>\$ 1,499</b>	<b>\$ 8,893</b>

**Average Commission  
Per Share of Stock =**

**\$ 0.0345**



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

# ACTUARIAL SECTION





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 11, 2012

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, 2011 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, 2011, 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. Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience investigation for the five-year period ending September 30, 2010. These revised assumptions were adopted by the Board on January 27, 2012. In addition, subsequent to the valuation, the System has been amended to provide a new benefit structure for members hired on or after January 1, 2013. It is anticipated that employer contribution rates will differ for these members.

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 3.25% 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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June 11, 2012  
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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

**Investment Rate of Return:** 8% per annum, compounded annually, including inflation at 3%.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 3.25% per annum:

Years of Service	Annual Rate (%)
0	8.25
1	6.50
2	5.75
3	5.50
4	5.25
5	5.00
6	5.00
7	4.75
8 to 13	4.50
14 to 18	4.00
19 & Over	3.50

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

Male							
Annual Rate (%) of							
Age	Death †	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.02	0.04		30.00			
25	0.02	0.05		15.68	10.00		
30	0.03	0.05		14.25	5.40	5.00	
35	0.05	0.10		14.25	5.40	3.00	
40	0.07	0.18		14.00	5.40	2.50	1.00
45	0.09	0.31	0.10	14.00	5.00	2.50	1.00
50	0.12	0.51	0.10	12.50	4.50	2.50	1.00
55	0.20	0.96	0.10	12.00	4.00	2.50	1.00
60	0.40	0.50	0.10	12.00	4.00		
65	0.77			12.00	6.00		
69	1.20			12.00	6.00		

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females with an adjustment factor of 0.75% for males and 0.50% for females.

<b>Female</b>							
<b>Annual Rate (%) of</b>							
<b>Age</b>	<b>Death †</b>	<b>Disability</b>		<b>Withdrawal</b>			
		<b>Years of Service</b>		<b>Years of Service</b>			
		<b>0-24</b>	<b>25+</b>	<b>0-4</b>	<b>5-9</b>	<b>10-20</b>	<b>20+</b>
20	0.01	0.10		28.50			
25	0.01	0.10		14.00	8.00		
30	0.01	0.10		14.00	5.80	4.00	
35	0.02	0.15		14.00	5.00	3.00	
40	0.03	0.16		12.00	4.50	2.10	1.10
45	0.04	0.33	0.15	11.50	3.75	2.10	0.75
50	0.06	0.63	0.15	11.00	3.75	2.10	0.75
55	0.11	0.99	0.15	11.00	3.75	2.50	0.75
60	0.21	0.25	0.25	12.00	4.50		
65	0.40			14.00	6.00		
69	0.62			14.00	6.00		

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females with an adjustment factor of 0.75% for males and 0.50% for females.

**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>Age</b>	<b>Annual Rate (%)</b>	
	<b>Male §</b>	<b>Female *</b>
47 & Under	20.0	25.0
48	20.0	17.0
49	20.0	16.0
50 to 52	15.0	16.0
53 to 54	14.0	16.0
55 to 59	15.0	20.0
60	15.0	15.0
61	20.0	25.0
62	35.0	35.0
63	30.0	25.0
64	25.0	30.0

§ Retirement rates are increased by 7% in the year first eligible for unreduced retirement from age 50 through age 54 and by 10% from age 55 through age 60.

\* Retirement rates are increased by 7% in the year first eligible for unreduced retirement from age 50 through age 54 and by 20% from age 55 through age 60.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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

Age	Annual Rate (%)	
	Male	Female
60	13.0	20.0
61	12.0	15.0
62	28.0	25.0
63	20.0	20.0
64	15.0	18.0
65	30.0	30.0
66	28.0	30.0
67	20.0	25.0
68	20.0	28.0
69	20.0	22.0
70	20.0	25.0
71 to 74	20.0	22.0
75 & Above	100.0	100.0

**Deaths after Retirement:** Rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females. Rates of mortality for the period after disability retirement are according to the RP-2000 Disabled Mortality Table, adjusted for males by a factor of 0.85. Representative values of the assumed annual rates of death after retirement are as follows:

Age	Annual Rate (%) of Death After			
	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
35	0.07	0.04	1.92	0.75
40	0.10	0.05	1.92	0.75
45	0.12	0.08	1.92	0.75
50	0.16	0.12	2.46	1.15
55	0.27	0.21	3.01	1.65
60	0.53	0.41	3.57	2.18
65	1.03	0.80	4.26	2.80
70	1.77	1.38	5.32	3.76
75	3.06	2.26	6.98	5.22
80	5.54	3.74	9.30	7.23
85	9.97	6.35	12.04	10.02
90	17.27	11.39	15.59	14.00
95	25.96	17.74	22.74	19.45

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**Spousal Benefits:** For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit payable from the death benefit fund and 25% will elect the spousal benefit payable from the pension accumulation fund and included in the liabilities of the System.

**Benefits Payable Upon Separation from Service:** For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity. 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 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:** Individual 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 "individual 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 each 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 (TRS) 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 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 payments.

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## Benefits

### Service Retirement Allowance

**Condition for Allowance** A retirement allowance is payable upon the request of a 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 the 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")

### 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 disability 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.

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")

### Benefits Payable on Separation of Service

A 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 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 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 retirement contributions were made for the previous scholastic year (July 1-June 30).\*

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan Provisions (Continued)

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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 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 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 member had applied for a refund of member 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.

#### Special Privileges at Retirement

In lieu of the full retirement allowance, a 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 the 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 calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits and 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.

Term Life Insurance

Upon the death of a contributing member, there is paid a term life insurance benefit of \$15,000 (pro-rated for part-time members)

Member Contributions

Prior to October 1, 2011, regular members contributed 5.0% of salary and certified police officers and firefighters contributed 6.0% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and regular interest upon retirement.

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

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

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.

“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 16-25-14-(g)(1)).

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:

**SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll</b>	<b>Annual Average Pay</b>	<b>% Increase (Decrease) in Average Pay</b>
09/30/11	† 135,768	\$ 5,807,655,862	\$ 42,776	(0.12)
09/30/10	‡ 136,290	5,836,902,762	42,827	(0.01)
09/30/09	φ 137,935	5,908,098,156	42,832	1.55
09/30/08	£ 141,528	5,969,302,850	42,178	6.56
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

† In addition, there are 5,625 employees with annual compensation of \$351,906,404 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

‡ 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.

φ 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.

£ 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.

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

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

<b>Valuation Date</b>	<b>Aggregate Accrued Liabilities For</b>				<b>Reported Assets</b>	<b>% of Accrued Liabilities Covered by Reported Assets</b>		
	<b>(1) Active Member Contributions</b>	<b>(2) Retirants and Beneficiaries</b>	<b>(3) Active Members (Employer Financed Portions)</b>	<b>Reported Assets</b>		<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
09/30/11 #	\$ 3,620,301	\$ 17,245,088	\$ 7,910,927	\$ 19,430,135	100	92	0.0	
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	

‡ Reflects pay increase payable under Act 2007-296.

# Reflects changes in actuarial assumptions.

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

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

Fiscal Year Ended	Retirees Added § *		Retirees Removed		Retirees - Year-end *		% Increase in Annual Allowances	Average Annual Allowance
	Annual		Annual		Annual			
	Number	(000s)	Number	(000s)	Number	(000s)		
2011	4,088	\$ 87,692	1,212	\$ 25,189	73,384	\$ 1,355,509	4.83	\$ 18,471
2010	3,447	71,293	1,104	22,736	70,508	1,293,006	3.90	18,338
2009	3,188	63,584	1,180	24,121	68,165	1,244,449	3.27	18,256
2008	3,390	68,131	1,289	26,928	66,157	1,204,986	3.54	18,214
2007	3,709	77,421	1,359	27,397	64,056	1,163,783	4.49	18,168
2006	3,388	69,558	1,408	26,422	61,706	1,113,759	4.03	18,049

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

\* Does not include active DROP participants.

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2010	\$ 8,166,744
Normal Cost for 2011 Plan Year	335,884
Contributions Received During the Year	(755,944)
Interest to Year End	<u>653,339</u>
Expected Unfunded Actuarial Liability as of September 30, 2011	<u>8,400,023</u>
Actuarial Losses During the Year	
From Investments	1,643,750
From Actuarial Liabilities	<u>(697,592)</u>
Total Actuarial Losses During the Year	<u>946,158</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2011</b>	<b><u><u>\$ 9,346,181</u></u></b>



# Cavanaugh Macdonald

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*The experience and dedication you deserve*

June 11, 2012

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, 2011 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, 2011, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience investigation for the five-year period ending September 30, 2010. These revised assumptions were adopted by the Board on January 27, 2012. The System has been amended to provide a new benefit structure for members hired on or after January 1, 2013. It is anticipated that employer contribution rates will differ for these members.

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 12.02% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 35.81% of payroll for the fiscal year ending September 30, 2014. The contribution rates for local employers for the fiscal year beginning October 1, 2013 will be submitted in a separate report and will include the impact of all assumption changes and employer-elected changes through September 30, 2011.

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 3.25% 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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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', enclosed in a thin black rectangular border.

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:jcj

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods

**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

**Investment Rate of Return:** 8% per annum, compounded annually, including inflation at 3%.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 3.25% per annum:

Years of Service	Annual Rate (%)
0	7.25
1	7.25
2	6.00
3	5.50
4	5.25
5	5.25
6	5.25
7	5.00
8	5.00
9 to 13	4.75
14 to 16	4.50
17	4.00
18 & Over	3.75

The assumed annual rate of future salary increases for State Policemen is 5% per year for all years of service.

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

State and Local Employees - Male							
Annual Rate (%) of							
Age	Death †	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.03	0.04		28.00			
25	0.03	0.06		19.50	10.00		
30	0.05	0.08		17.50	7.00	5.00	
35	0.08	0.10		16.00	6.00	4.75	
40	0.10	0.27		15.50	4.50	3.50	2.50
45	0.14	0.42	0.25	14.00	4.00	3.00	2.25
50	0.20	0.77	0.25	13.00	4.00	2.75	2.00
55	0.36	1.53	0.25	12.00	3.75	2.75	2.00
60	0.71	2.50	0.25	12.00	4.25		
65	1.30			16.00	7.00		
69	1.99			17.00	7.00		

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90% for males and 0.70% for females.

**State and Local Employees - Female**  
**Annual Rate (%) of**

Age	Death †	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.01	0.04		34.00			
25	0.01	0.06		24.00	12.00		
30	0.02	0.08		20.00	8.25	6.50	
35	0.03	0.14		18.00	7.25	6.00	
40	0.04	0.29		16.00	6.00	4.00	3.00
45	0.07	0.43	0.25	14.75	5.25	3.75	2.50
50	0.10	0.69	0.25	14.00	4.50	3.50	2.50
55	0.19	1.24	0.25	14.00	4.00	3.00	2.50
60	0.38	0.25	0.25	14.00	4.00		
65	0.71			14.00	8.50		
69	1.09			14.00	8.50		

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90% for males and 0.70% for females.

**State Policemen**

**Annual Rate (%) of**

Age	Death †		Disability	Withdrawal ‡
	Male	Female		
	20	0.03		
25	0.03	0.01	0.10	3.00
30	0.05	0.02	0.14	2.50
35	0.08	0.03	0.22	1.75
40	0.10	0.04	0.34	1.75
45	0.14	0.07	0.46	1.75
50	0.20	0.10	0.60	
55	0.36	0.19		
60	0.71	0.38		
62	0.91	0.50		
65	1.30	0.71		

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90% for males and 0.70% for females.

‡ A rate of 4.00% is assumed during the first four years of employment.

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</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>
47 & Under	16.00	13.00		
48 to 51	11.00	11.00		
52 to 54	10.00	10.00		
55 to 59	16.00	16.00		
60	16.00	25.00	12.00	16.00
61	20.00	16.00	11.00	13.00
62	42.00	32.00	28.00	26.00
63	35.00	28.00	23.00	20.00
64	30.00	25.00	18.00	15.00
65			30.00	28.00
66			30.00	28.00
67			25.00	23.00
68 to 74			23.00	23.00
75 & Above			100.00	100.00

§ Rates are increased by 10% in year when member attains 25 years of service at or before age 60.

\* Rates are increased by 7% in year when member attains 25 years of service at or before age 60.

<b>State Policemen</b>			
<b>Annual Rate (%) of Service Retirement</b>			
<b>Age</b>	<b>Under age 60 with less than 20 years of service &amp; All over age 60</b>	<b>Under age 60 with between 20 and 24 years of service</b>	<b>Under Age 60 with 25 or more years of service</b>
	40		
45			25.00
50			25.00
55	10.00	15.00	25.00
60	40.00		
62	40.00		
65	100.00		

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**Death after Retirement:** The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Mortality Table.

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

**Benefits Payable Upon Separation from Service:** For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity.

**Unused Sick Leave:** 2.25% load on service retirement 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:** Individual 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 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 2.5 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 "individual 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 each 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 Employees' Retirement System of Alabama (ERS) 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 three highest years in the last 10 years of creditable service.

Membership Service – all service rendered while a member of the 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 a 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.

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 – All Members")

### 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 disability 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.

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 – All Members")

### Benefits Payable on Separation of Service

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

### 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 under "Special Privileges at Retirement – All Members" 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 retirement contributions were made for the previous fiscal year (October 1 – September 30).\*

## RETIREMENT SYSTEMS OF ALABAMA

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### *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 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 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 of death.\*

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 earned interest 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 member had applied for a refund of member 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)

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 calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits and 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

Prior to October 1, 2011, regular members contributed 5.0% of salary. Certified police officers and firefighters contributed 6.0% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and regular interest upon retirement.

Beginning October 1, 2011, the contribution rates were increased to 7.25% for regular members and 8.25% for police officers and firefighters for all State employees and for local employees whose employers elect to do so.

Beginning October 1, 2012, the contribution rates will increase to 7.50% for regular members and 8.50% for police officers and firefighters for all State employees and for local employees whose employers elect to do so.

If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the

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System, the Retirement Systems of Alabama shall first reduce the employee contribution rate.

“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 36-27-16.3(c)(1)).

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

#### Service Retirement Allowance

**Condition of Allowance** A retirement allowance is payable upon the request of a 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 creditable service.

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 employment in the line of duty without regard to 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 disability 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 creditable service.

# 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

A member who withdraws from service is entitled to receive a return of member 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 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 Members" 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 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 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 the member made retirement contributions 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 of death.\*

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 earned interest 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 member had applied for a refund of member 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 and 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

Each member contributes 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, a 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 the 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 the 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>
09/30/11	† 85,633	\$ 3,377,717,419	\$ 39,444	(1.00)
09/30/10	‡ 86,967	3,464,913,031	39,842	0.39
09/30/09	φ 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	* 86,668	3,169,432,161	36,570	4.65
09/30/06	§ 84,482	2,952,186,813	34,945	3.05

† In addition, there are 2,708 members with compensation of \$162,963,178 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

‡ 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.

φ 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.

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

§ In addition, there are 1,905 members with compensation of \$115,812,131 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>Reported Assets</u>	<u>% of Accrued Liabilities Covered by Assets</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active (Employer Financed Portion)</u>				
09/30/11 #	\$ 2,112,356	\$ 7,722,942	\$ 4,531,498	\$9,456,158	100	95	0.0
09/30/10	2,050,051	7,130,938	4,535,113	9,739,331	100	100	12.3
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 #	1,705,372	5,540,766	4,211,426	9,287,531	100	100	48.5

# Reflects changes in actuarial assumptions.

‡ Reflects pay increases payable under Act 2007-297.

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
	Annual		Annual		Annual			
	Number	(000s)	Number	(000s)	Number	(000s)		
2011	2,444	\$ 53,821	921	\$ 17,227	38,582	\$ 643,636	6.03	\$ 16,682
2010	2,030	43,341	958	17,571	37,059	607,042	4.43	16,380
2009	1,942	40,446	619	11,290	35,987	581,272	5.28	16,152
2008	1,830	37,593	867	15,568	34,664	552,116	4.15	15,928
2007	2,128	40,084	1,056	18,365	33,701	530,091	4.27	15,729
2006	1,945	38,924	830	13,491	32,629	508,372	5.27	15,580

§ 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, 2010	\$ 4,544,788
Normal Cost for 2011 Plan Year	155,434
Contributions Received During the Year	(383,316)
Interest to Year End	363,583
Expected Unfunded Actuarial Liability as of September 30, 2011	<u>4,680,489</u>
Actuarial Losses During the Year	
From Investments	805,409
From Actuarial Liabilities	(575,260)
Total Actuarial Losses During the Year	<u>230,149</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2011</b>	<b><u>\$ 4,910,638</u></b>



# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

June 11, 2012

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, 2011 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, 2011, 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. Since the previous valuation, various assumptions and methods have been revised to reflect the results of the experience investigation for the five-year period ending September 30, 2010. These revised assumptions were adopted by the board on January 27, 2012.

The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 30-year period, on the assumption that payroll will increase by 3.25% 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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June 11, 2012  
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:dmw

**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation are based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

**Investment Rate of Return:** 8% per annum, compounded annually, including inflation at 3%.

**Salary Increases:** 4% per annum, compounded annually, including wage inflation at 3.25%.

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

Age	Annual Rate (%) of			
	Withdrawal	Death †		Disability ‡
		Male	Female	
30	2.50	0.03	0.02	0.04
35	2.50	0.05	0.03	0.08
40	2.50	0.07	0.04	0.14
45	2.50	0.09	0.07	0.22
50	2.50	0.12	0.10	0.33
55	2.50	0.20	0.19	0.50
60	2.50	0.40	0.38	0.79
64	2.50	0.69	0.63	1.14

† Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward one year for females with an adjustment factor of 0.75% for males and 0.70% for females.

‡ Disability rates turn off at retirement eligibility.

**Rates of Retirement:** Before age 70, 30% of members are assumed to retire in the first year of eligibility and 10% in each year thereafter. 50% of the remaining members are assumed to retire each year between age 70 and 74, and all remaining members are assumed to retire at age 75.

**Deaths after Retirement:** Rates of mortality for the period after service retirement are according to the RP-2000 Mortality Table with projection scale AA to 2015 set forward one year for females. The RP-2000 Disabled Mortality Table adjusted for males by a factor of 0.85 is used for the period after disability retirement. Representative values of assumed mortality are as follows:

Age	Annual Rate (%) of Death After			
	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
55	0.27	0.27	3.01	1.65
60	0.53	0.54	3.57	2.18
65	1.03	1.02	4.27	2.80
70	1.77	1.72	5.32	3.76
75	3.06	2.75	6.98	5.22
80	5.54	4.57	9.30	7.23
85	9.97	7.89	12.04	10.02
90	17.27	13.82	15.59	14.01

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**Percent Married:** 85% of active members are assumed to be married with the husband 4 years older than the wife.

**Actuarial Method:** Individual Entry age normal. Gains and losses are reflected in the unfunded accrued liability.

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

**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 the salaries prescribed by law for the position are assumed to increase by 3.25% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

For district judges, a factor of 1.5% is applied to the liability for prospective spouses benefits to account for salary increases expected to occur between the member's retirement and death.

**Benefits Payable upon Separation from Service:** Active members who terminated from service prior to becoming eligible for a benefit are assumed to receive a refund of contributions with interest assumed to be 4% per year.

## Summary of Plan Provisions as Interpreted for Valuation Purposes

The Judicial Retirement Fund (JRF) was established 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 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 a 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.

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 a member who becomes permanently, physically or mentally, unable to carry out his 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 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 creditable 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 of the former member for each year of service, not to exceed 30% of such salary.</p> <p>The death benefit payable to 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>The death benefit for the spouse of a probate judge is a yearly benefit equal to the greater of \$480 for each year of credited service to a maximum of 10 years, or 3% of the member's salary at the time of separation from service for each year of credited service not to exceed 30% of such salary.</p>

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Judicial Retirement Fund

#### Summary of Plan Provisions (Continued)

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The benefit is payable for the spouse's life or until his or her 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 benefits for which the member has sufficient creditable service upon reaching an eligible retirement age.

A member terminating service prior to reaching eligibility for retirement benefits may elect to receive a return of contributions and accrued interest. "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 36-27-16.3(c)(1)).

#### 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.

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

#### State Contributions

The State makes contributions, which, in addition to the members' contributions, are sufficient to carry out the provisions of the Act.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules

**Supporting Schedules**

The following schedule presents six years of active member valuation data:

**JUDICIAL RETIREMENT FUND  
SCHEDULE OF ACTIVE MEMBER VALUATION DATA**

Valuation Date	Number	Annual † Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
09/30/11	334	\$ 41,826,338	\$ 125,229	(1.70)
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)

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

The following schedule presents six years of solvency tests:

**JUDICIAL RETIREMENT FUND  
SOLVENCY TEST**

(\$ in Thousands)

**Aggregate Accrued Liabilities For**

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion (%) of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
09/30/11	\$ 32,898	\$ 250,731	\$ 110,006	\$ 235,870	100	81	0.0
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

§ Reflect additional allowance payable under Act 2006-510.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

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

<b>JUDICIAL RETIREMENT FUND</b>								
<b>SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS</b>								
<b>Fiscal Year Ended</b>	<b>Retirees Added</b>		<b>Retirees Removed</b>		<b>Retirees - Year-end</b>		<b>% Increase in Annual Allowances</b>	<b>Average Annual Allowance</b>
	<b>Number</b>	<b>Annual Allowances (000s)</b>	<b>Number</b>	<b>Annual Allowances (000s)</b>	<b>Number</b>	<b>Annual Allowances (000s)</b>		
2011	28	\$ 2,448	10	\$ 655	343	\$ 24,623	7.85	\$ 71,787
2010	15	1,205	11	698	325	22,830	2.27	70,246
2009	19	1,541	10	624	321	22,323	4.28	69,542
2008	12	897	6	365	312	21,406	2.55	68,609
2007	35	2,481	3	180	306	20,874	12.39	68,216
2006	7	586	7	399	274	18,573	1.02	67,785

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

<b>JUDICIAL RETIREMENT FUND</b>	
<b>ANALYSIS OF ACTUARIAL GAINS AND LOSSES</b>	
(Amounts in Thousands)	
	<b>Amount</b>
Unfunded Actuarial Liability as of September 30, 2010	\$ 112,262
Normal Cost for 2011 Plan Year	7,431
Contributions Received During the Year	(10,367)
Interest to Year End	8,981
Expected Unfunded Actuarial Liability as of September 30, 2011	<u>118,307</u>
Actuarial Losses During the Year	
From Investments	16,094
From Actuarial Liabilities	<u>23,363</u>
Total Actuarial Losses During the Year	<u>39,457</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2011</b>	<b><u>\$ 157,764</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 (%)		
2012	\$ 458,534	\$ 618,306	10.00	\$2,989,162	\$ 4,066,002
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

**EMPLOYEES' RETIREMENT SYSTEM  
ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions				Investment Income	Total
		Amount	Employer Rate (%)		Local		
			Regular	Law			
2012	\$ 216,870	\$ 317,520	9.42	29.92	*	\$ 1,427,858	\$ 1,962,248
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

**JUDICIAL RETIREMENT FUND  
ADDITIONS BY SOURCE**

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate (%)		
2012	\$ 3,681	\$ 10,747	24.35	\$ 39,011	\$ 53,439
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

§ 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>
2012	\$ 1,800,805	\$ 49,453	\$ 1,937	\$ 11,555	\$ 4,344	\$ 1,868,094
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

**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>
2012	\$ 848,464	\$ 40,746	\$ 2,180	\$ 10,616	\$ 1,981	\$ 903,987
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

**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>
2012	\$ 27,183	\$ 253	\$ -	\$ 257	\$ -	\$ 27,693
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

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
2012	\$ 1,692,169	\$ 55,109	\$ 53,527	\$ 11,269	\$ 38,184
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

**EMPLOYEES' RETIREMENT SYSTEM  
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 763,881	\$ 36,161	\$ 48,422	\$ 8,969	\$ 31,777
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

**JUDICIAL RETIREMENT FUND  
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2012	\$ 23,307	\$ 3,501	\$ 375	\$ -	\$ 253
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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2011

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	1,209	744	333	132	248	286	334	340	1
251 - 500	8,371	6,240	811	1,320	2,530	3,596	1,246	994	5
501 - 750	7,502	6,037	583	882	2,127	3,304	1,190	875	6
751 - 1,000	6,143	5,013	469	661	1,574	2,704	1,003	857	5
1,001 - 1,250	5,227	4,341	359	527	1,177	2,294	989	763	4
1,251 - 1,500	5,152	4,418	312	422	1,119	2,149	1,146	737	1
1,501 - 1,750	6,613	6,053	233	327	1,215	3,009	1,512	874	3
1,751 - 2,000	8,357	7,984	169	204	1,486	4,152	1,588	1,126	5
2,001 - 2,250	7,797	7,575	130	92	1,244	4,044	1,463	1,044	2
2,251 - 2,500	6,044	5,900	88	56	959	3,215	1,098	768	4
2,501 - 2,750	4,256	4,151	68	37	654	2,184	873	543	2
2,751 - 3,000	3,078	2,988	66	24	473	1,499	654	450	2
3,001 - 3,250	2,353	2,296	49	8	349	1,097	553	349	5
3,251 - 3,500	1,729	1,684	41	4	257	779	435	257	1
3,501 - 3,750	1,354	1,320	30	4	203	612	352	184	3
3,751 - 4,000	1,060	1,032	25	3	155	491	252	157	5
4,001 - 4,250	903	885	16	2	126	422	210	143	2
4,251 - 4,500	670	654	15	1	93	289	169	116	3
4,501 - 4,750	515	503	12	-	67	215	135	97	1
4,751 - 5,000	374	367	7	-	48	158	109	57	2
Over 5,000	1,541	1,507	30	4	205	532	470	318	16
<b>Totals <sup>3</sup></b>	<b>80,248</b>	<b>71,692</b>	<b>3,846</b>	<b>4,710</b>	<b>16,309</b>	<b>37,031</b>	<b>15,781</b>	<b>11,049</b>	<b>78</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 5,625 DROP

participants as of September 30, 2011.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2011

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	190	220	26	81	59	75	205	16
251 - 500	3,703	2,247	1,042	414	971	919	772	969	72
501 - 750	4,806	3,302	709	795	1,536	1,579	758	821	112
751 - 1,000	4,448	3,146	451	851	1,456	1,596	575	710	111
1,001 - 1,250	4,748	3,822	328	598	1,202	1,893	753	753	147
1,251 - 1,500	4,143	3,538	229	376	977	1,722	719	623	102
1,501 - 1,750	3,827	3,427	146	254	843	1,577	682	639	86
1,751 - 2,000	3,313	3,094	89	130	678	1,447	516	601	71
2,001 - 2,250	2,703	2,565	50	88	574	1,122	470	481	56
2,251 - 2,500	2,161	2,037	57	67	429	922	385	382	43
2,501 - 2,750	1,684	1,619	27	38	326	739	285	295	39
2,751 - 3,000	1,324	1,275	30	19	246	589	210	258	21
3,001 - 3,250	1,064	1,034	21	9	209	478	151	206	20
3,251 - 3,500	768	751	10	7	139	354	119	142	14
3,501 - 3,750	618	608	6	4	130	275	84	120	9
3,751 - 4,000	412	406	3	3	73	195	49	85	10
4,001 - 4,250	349	347	2	-	63	167	43	67	9
4,251 - 4,500	271	266	2	3	54	124	38	51	4
4,501 - 4,750	218	217	1	-	45	96	30	41	6
4,751 - 5,000	173	170	2	1	41	65	22	42	3
Over 5,000	624	621	2	1	134	269	74	138	9
<b>Totals <sup>3</sup></b>	<b>41,793</b>	<b>34,682</b>	<b>3,427</b>	<b>3,684</b>	<b>10,207</b>	<b>16,187</b>	<b>6,810</b>	<b>7,629</b>	<b>960</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 2,708 DROP participants as of September 30, 2011.

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, 2011

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	1	-	1	-	-	1
751 - 1,000	5	-	4	1	1	4
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	7	-	7	-	-	7
1,501 - 1,750	7	1	6	-	-	7
1,751 - 2,000	7	-	7	-	-	7
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	7	4	3	-	2	5
3,251 - 3,500	17	4	13	-	-	17
3,501 - 3,750	32	2	30	-	1	31
3,751 - 4,000	4	2	1	1	1	3
4,001 - 4,250	6	6	-	-	3	3
4,251 - 4,500	6	5	1	-	2	4
4,501 - 4,750	9	5	2	2	2	7
4,751 - 5,000	10	6	4	-	-	10
Over 5,000	206	204	-	2	36	170
<b>Totals</b>	<b>342</b>	<b>241</b>	<b>94</b>	<b>7</b>	<b>50</b>	<b>292</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>2011</b>					
Average monthly benefit	\$ 721	\$ 1,230	\$ 1,660	\$ 2,448	\$ 3,362
Average final average salary	\$ 36,580	\$ 43,817	\$ 47,340	\$ 58,430	\$ 64,558
Number of active retirants	797	595	632	1,674	732
<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

\*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>2011</b>					
Average monthly benefit	\$ 728	\$ 1,230	\$ 1,871	\$ 2,423	\$ 3,207
Average final average salary	\$ 38,584	\$ 43,878	\$ 49,583	\$ 55,598	\$ 59,990
Number of active retirants	529	341	434	975	459
<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

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	30+
<b>2011</b>				
Average monthly benefit	\$ 7,940	\$ 8,658	\$ 8,381	\$ 10,897
Average final average salary	\$ 127,032	\$ 138,522	\$ 134,096	\$ 174,352
Number of active retirants	7	9	5	2
<b>2010</b>				
Average monthly benefit	\$ 6,796	\$ 8,819	\$ 9,319	-
Average final average salary	\$ 108,736	\$ 141,102	\$ 149,104	-
Number of active retirants	3	2	3	-
<b>2009</b>				
Average monthly benefit	\$ 7,247	\$ 7,899	\$ 8,020	\$ 10,750
Average final average salary	\$ 115,950	\$ 126,376	\$ 128,320	\$ 172,000
Number of active retirants	6	2	5	1
<b>2008</b>				
Average monthly benefit	\$ 7,189	\$ 5,741	\$ 9,054	-
Average final average salary	\$ 115,028	\$ 91,863	\$ 144,864	-
Number of active retirants	3	2	1	-
<b>2007</b>				
Average monthly benefit	\$ 6,761	\$ 8,167	\$ 7,786	\$ 7,507
Average final average salary	\$ 108,168	\$ 130,679	\$ 124,576	\$ 120,112
Number of active retirants	5	9	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 retirants	2	1	5	-
<b>2005</b>				
Average monthly benefit	\$ 8,611	\$ 8,990	\$ 10,434	\$ 12,454
Average final average salary	\$ 137,776	\$ 143,840	\$ 166,944	\$ 199,264
Number of active retirants	1	3	3	1
<b>2004</b>				
Average monthly benefit	\$ 1,568	-	\$ 6,367	-
Average final average salary	\$ 25,088	-	\$ 101,878	-
Number of active retirants	1	-	3	-
<b>2003</b>				
Average monthly benefit	\$ 5,778	\$ 8,339	\$ 8,726	-
Average final average salary	\$ 92,448	\$ 133,424	\$ 139,616	-
Number of active retirants	2	4	4	-
<b>2002</b>				
Average monthly benefit	\$ 7,840	\$ 7,446	\$ 8,711	-
Average final average salary	\$ 125,440	\$ 119,136	\$ 139,376	-
Number of active retirants	1	3	1	-

**RETIREMENT SYSTEMS OF ALABAMA**

*Statistical Section*

Employees' Retirement System

Largest Employers

Ten-Year History

<b>Units</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b>1) Unit</b>	State of Alabama				
# of Active Members	33,885	35,147	35,200	35,767	35,566
% of Total Active Members	38.36%	39.24%	39.10%	39.53%	40.03%
<b>2) Unit</b>	Huntsville, City of				
# of Active Members	2,195	2,175	2,227	2,293	2,185
% of Total Active Members	2.48%	2.43%	2.47%	2.53%	2.46%
<b>3) Unit</b>	Mobile County				
# of Active Members	1,672	1,678	1,699	1,664	1,614
% of Total Active Members	1.89%	1.87%	1.89%	1.84%	1.82%
<b>4) Unit</b>	Mobile, City of				
# of Active Members	1,310	1,335	1,421	1,337	1,288
% of Total Active Members	1.48%	1.49%	1.58%	1.48%	1.45%
<b>5) Unit</b>	Madison County				
# of Active Members	1,162	1,133	1,060	1,102	1,068
% of Total Active Members	1.32%	1.27%	1.18%	1.22%	1.20%
<b>6) Unit</b>	Dothan, City of	Hellen Keller Hosp	Hellen Keller Hosp	Hellen Keller Hosp	Dothan, City of
# of Active Members	957	984	1,034	1,023	962
% of Total Active Members	1.08%	1.10%	1.15%	1.13%	1.08%
<b>7) Unit</b>	Helen Keller Hosp	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hosp
# of Active Members	956	961	970	972	893
% of Total Active Members	1.08%	1.07%	1.08%	1.07%	1.01%
<b>8) Unit</b>	Montgomery County	Montgomery County	Montgomery County	Tuscaloosa, City of	Tuscaloosa, City of
# of Active Members	794	848	806	710	710
% of Total Active Members	0.90%	0.95%	0.89%	0.78%	0.79%
<b>9) Unit</b>	*Altapointe Health	Tuscaloosa, City of	Tuscaloosa, City of	*Altapointe Health	Hoover, City of
# of Active Members	762	745	732	674	636
% of Total Active Members	0.86%	0.83%	0.81%	0.74%	0.72%
<b>10) Unit</b>	Tuscaloosa, City of	*Altapointe Health	*Altapointe Health	Baldwin County	Mobile-Wash MHB
# of Active Members	757	668	685	655	631
% of Total Active Members	0.86%	0.75%	0.76%	0.72%	0.70%
<b>Total # of Active Members</b>	<b>88,341</b>	<b>89,560</b>	<b>90,018</b>	<b>90,472</b>	<b>88,849</b>

\* Formerly Mobile-Wash MHB

Source: Retirement Systems of Alabama records

<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>
State of Alabama				
34,429	33,756	33,741	34,659	34,526
39.63%	39.87%	40.80%	41.54%	42.10%
Huntsville, City of				
2,188	2,174	2,050	2,124	2,251
2.52%	2.57%	2.48%	2.55%	2.74%
Mobile County				
1,589	1,626	1,622	1,658	1,627
1.83%	1.92%	1.96%	1.99%	1.98%
Mobile, City of				
1,278	1,272	1,297	1,334	1,388
1.47%	1.50%	1.57%	1.60%	1.69%
Madison County				
1,073	1,071	1,055	1,035	963
1.24%	1.26%	1.28%	1.24%	1.17%
Dothan, City of	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp
955	923	785	766	746
1.10%	1.09%	0.95%	0.92%	0.91%
Helen Keller Hosp	Helen Keller Hosp	Tuscaloosa, City of	Jefferson Co Health	Jefferson Co Health
817	816	684	668	698
0.94%	0.96%	0.83%	0.80%	0.85%
Tuscaloosa, City of	Tuscaloosa, City of	Jefferson Co Health	Tuscaloosa, City of	Baldwin County
695	680	599	655	640
0.80%	0.80%	0.72%	0.79%	0.78%
Hoover, City of	Hoover, City of	Gadsden, City of	Gadsden, City of	Tuscaloosa, City of
633	616	587	613	634
0.73%	0.73%	0.71%	0.73%	0.77%
Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB	Hoover, City of	Bessemer, City of
704	713	611	602	595
0.81%	0.84%	0.74%	0.72%	0.73%
86,874	84,674	82,708	83,429	82,016

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

(Amounts in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Additions</b>					
Contributions					
Employee	\$ 456,518	\$ 321,137	\$ 319,770	\$ 321,100	\$ 323,822
Employer	618,306	779,644	776,421	753,518	729,995
Transfers from Employees' Retirement System	2,016	2,059	-	2,606	3,182
Transfers from Judicial Retirement Fund	-	-	1,633	-	-
Total Contributions	<u>1,076,840</u>	<u>1,102,840</u>	<u>1,097,824</u>	<u>1,077,224</u>	<u>1,056,999</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	2,349,955	(278,407)	886,997	(2,083,048)	(4,057,823)
Interest and Dividends	634,695	624,546	559,941	580,656	705,555
Total Investment Income from Investing Activities	2,984,650	346,139	1,446,938	(1,502,392)	(3,352,268)
Less: Investment Expenses, Net	5,260	5,305	5,415	5,419	5,990
Net Investment Income from Investing Activities	<u>2,979,390</u>	<u>340,834</u>	<u>1,441,523</u>	<u>(1,507,811)</u>	<u>(3,358,258)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	13,670	15,643	12,519	33,782	83,588
Less Securities Lending Expenses:					
Borrower Rebates	433	1,261	2,820	6,685	57,695
Management Fees	3,465	3,251	2,910	4,412	4,332
Total Securities Lending Expenses	<u>3,898</u>	<u>4,512</u>	<u>5,730</u>	<u>11,097</u>	<u>62,027</u>
Net Income from Securities Lending Activities	<u>9,772</u>	<u>11,131</u>	<u>6,789</u>	<u>22,685</u>	<u>21,561</u>
Total Investment Income	<u>2,989,162</u>	<u>351,965</u>	<u>1,448,312</u>	<u>(1,485,126)</u>	<u>(3,336,697)</u>
Total Additions	<u>4,066,002</u>	<u>1,454,805</u>	<u>2,546,136</u>	<u>(407,902)</u>	<u>(2,279,698)</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,800,805	1,673,881	1,567,790	1,512,260	1,486,871
Return of Contributions and Death Benefits	49,453	49,304	43,628	42,337	37,317
Transfers to Employees' Retirement System	1,937	2,012	1,790	1,767	1,683
Transfers to Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	11,555	10,820	11,979	11,005	12,216
Depreciation	4,344	4,243	4,264	4,128	578
Total Deductions	<u>1,868,094</u>	<u>1,740,260</u>	<u>1,629,451</u>	<u>1,571,497</u>	<u>1,538,665</u>
<b>Net Increase/(Decrease)</b>	2,197,908	(285,455)	916,685	(1,979,399)	(3,818,363)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>16,752,218</u>	<u>17,037,673</u>	<u>16,120,988</u>	<u>18,100,387</u>	<u>21,918,750</u>
<b>End of Year</b>	<b><u>\$ 18,950,126</u></b>	<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>

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

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

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

(Amounts in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Additions</b>					
Contributions					
Employee	\$ 214,933	\$ 193,697	\$ 194,968	\$ 208,446	\$ 189,785
Employer	317,520	394,998	377,898	451,139	329,339
Transfers from Teachers' Retirement System	1,937	2,012	1,790	1,767	1,683
Transfers from Judicial Retirement Fund	-	-	-	68	186
Total Contributions	<u>534,390</u>	<u>590,707</u>	<u>574,656</u>	<u>661,420</u>	<u>520,993</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	1,114,737	(112,758)	427,365	(1,180,523)	(1,919,746)
Interest and Dividends	310,748	307,152	268,667	285,022	339,578
Total Investment Income from Investing Activities	1,425,485	194,394	696,032	(895,501)	(1,580,168)
Less: Investment Expenses, Net	2,256	2,308	2,398	2,651	3,747
Net Investment Income from Investing Activities	<u>1,423,229</u>	<u>192,086</u>	<u>693,634</u>	<u>(898,152)</u>	<u>(1,583,915)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	6,445	6,891	5,619	15,335	38,458
Less Securities Lending Expenses:					
Borrower Rebates	174	517	1,271	3,070	26,649
Management Fees	1,642	1,521	1,305	1,994	1,988
Total Securities Lending Expenses	<u>1,816</u>	<u>2,038</u>	<u>2,576</u>	<u>5,064</u>	<u>28,637</u>
Net Income from Securities Lending Activities	<u>4,629</u>	<u>4,853</u>	<u>3,043</u>	<u>10,271</u>	<u>9,821</u>
Total Investment Income	<u>1,427,858</u>	<u>196,939</u>	<u>696,677</u>	<u>(887,881)</u>	<u>(1,574,094)</u>
Total Additions	<u>1,962,248</u>	<u>787,646</u>	<u>1,271,333</u>	<u>(226,461)</u>	<u>(1,053,101)</u>
<b>Deductions</b>					
Retirement Allowance Payments	848,464	782,957	725,660	695,430	655,467
Return of Contributions and Death Benefits	40,746	36,798	33,868	32,640	31,387
Unit Withdrawals	-	-	-	14	-
Transfers to Teachers' Retirement System	2,016	2,059	1,633	2,606	3,182
Transfers to Judicial Retirement Fund	164	98	-	98	173
Administrative Expenses	10,616	10,002	10,334	9,413	9,892
Depreciation	1,981	2,029	2,111	2,038	311
Total Deductions	<u>903,987</u>	<u>833,943</u>	<u>773,606</u>	<u>742,239</u>	<u>700,412</u>
<b>Net Increase/(Decrease)</b>	1,058,261	(46,297)	497,727	(968,700)	(1,753,513)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	8,130,435	8,176,732	7,679,005	8,647,705	10,401,218
End of Year	<u>\$ 9,188,696</u>	<u>\$ 8,130,435</u>	<u>\$ 8,176,732</u>	<u>\$ 7,679,005</u>	<u>\$ 8,647,705</u>

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

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

(Amounts in Thousands)

	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
<b>Additions</b>					
Contributions					
Employee	\$ 3,517	\$ 2,556	\$ 2,566	\$ 2,603	\$ 2,534
Employer	10,747	10,906	10,814	10,326	9,880
Transfers from Teachers' Retirement System	-	-	-	-	-
Transfers from Employees' Retirement System	164	98	-	98	173
Total Contributions	<u>14,428</u>	<u>13,560</u>	<u>13,380</u>	<u>13,027</u>	<u>12,587</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	32,112	(4,961)	15,287	(6,612)	(46,910)
Interest and Dividends	6,748	6,853	6,551	7,026	8,206
Total Investment Income from Investing Activities	38,860	1,892	21,838	414	(38,704)
Less: Investment Expenses	-	-	-	11	8
Net Investment Income from Investing Activities	<u>38,860</u>	<u>1,892</u>	<u>21,838</u>	<u>403</u>	<u>(38,712)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	215	201	169	543	1,765
Less Securities Lending Expenses:					
Borrower Rebates	12	22	45	119	1,298
Management Fees	52	49	37	69	77
Total Securities Lending Expenses	<u>64</u>	<u>71</u>	<u>82</u>	<u>188</u>	<u>1,375</u>
Net Income from Securities Lending Activities	<u>151</u>	<u>130</u>	<u>87</u>	<u>355</u>	<u>390</u>
Total Investment Income	<u>39,011</u>	<u>2,022</u>	<u>21,925</u>	<u>758</u>	<u>(38,322)</u>
Total Additions	<u>53,439</u>	<u>15,582</u>	<u>35,305</u>	<u>13,785</u>	<u>(25,735)</u>
<b>Deductions</b>					
Retirement Allowance Payments	27,183	26,379	24,526	23,821	22,587
Return of Contributions and Death Benefits	253	34	235	145	83
Transfers to Employees' Retirement System	-	-	-	68	186
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	257	276	317	552	526
Total Deductions	<u>27,693</u>	<u>26,689</u>	<u>25,078</u>	<u>24,586</u>	<u>23,382</u>
<b>Net Increase/(Decrease)</b>	25,746	(11,107)	10,227	(10,801)	(49,117)
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	210,135	221,242	211,015	221,816	270,933
End of Year	<u>\$ 235,881</u>	<u>\$ 210,135</u>	<u>\$ 221,242</u>	<u>\$ 211,015</u>	<u>\$ 221,816</u>

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Additions</b>					
Contributions					
Employee	\$ 2,416	\$ 2,338	\$ 2,350	\$ 2,370	\$ 2,342
Employer	9,307	8,916	8,943	8,994	8,637
Transfers from Teachers' Retirement System	-	26	-	-	-
Transfers from Employees' Retirement System	220	133	48	64	-
Total Contributions	<u>11,943</u>	<u>11,413</u>	<u>11,341</u>	<u>11,428</u>	<u>10,979</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	25,988	11,215	11,877	14,736	12,905
Interest and Dividends	8,500	9,598	7,420	7,218	7,969
Total Investment Income from Investing Activities	34,488	20,813	19,297	21,954	20,874
Less: Investment Expenses	<u>2</u>	<u>2</u>	<u>2</u>	<u>12</u>	<u>28</u>
Net Investment Income from Investing Activities	<u>34,486</u>	<u>20,811</u>	<u>19,295</u>	<u>21,942</u>	<u>20,846</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	1,945	908	422	109	61
Less Securities Lending Expenses:					
Borrower Rebates	1,832	861	362	83	50
Management Fees	<u>18</u>	<u>7</u>	<u>8</u>	<u>4</u>	<u>2</u>
Total Securities Lending Expenses	<u>1,850</u>	<u>868</u>	<u>370</u>	<u>87</u>	<u>52</u>
Net Income from Securities Lending Activities	<u>95</u>	<u>40</u>	<u>52</u>	<u>22</u>	<u>9</u>
Total Investment Income	<u>34,581</u>	<u>20,851</u>	<u>19,347</u>	<u>21,964</u>	<u>20,855</u>
Total Additions	<u>46,524</u>	<u>32,264</u>	<u>30,688</u>	<u>33,392</u>	<u>31,834</u>
<b>Deductions</b>					
Retirement Allowance Payments	21,356	18,777	18,201	17,903	17,964
Return of Contributions and Death Benefits	183	45	51	103	83
Transfers to Employees' Retirement System	-	-	356	-	103
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	<u>474</u>	<u>432</u>	<u>381</u>	<u>344</u>	<u>322</u>
Total Deductions	<u>22,013</u>	<u>19,254</u>	<u>18,989</u>	<u>18,350</u>	<u>18,472</u>
<b>Net Increase/(Decrease)</b>	24,511	13,010	11,699	15,042	13,362
<b>Net Assets Held in Trust for Pension Benefits:</b>					
Beginning of Year	<u>246,422</u>	<u>233,412</u>	<u>221,713</u>	<u>206,671</u>	<u>193,309</u>
End of Year	<u>\$ 270,933</u>	<u>\$ 246,422</u>	<u>\$ 233,412</u>	<u>\$ 221,713</u>	<u>\$ 206,671</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 Water & Gas Board
Abbeville Housing Authority	Ashville, Town of
Abbeville Water Works Board	Association of County Commissioners
Adamsville, City of	Athens, City of
Addison, Town of	Athens/Limestone County Emergency Management Communication District
Alabama Elk River Development Agency	Athens/Limestone Public Library Authority
Alabama Historic Ironworks Commission	Athens Utilities Board
Alabama League of Municipalities	Atmore, City of
Alabama Municipal Electric Authority	Atmore Housing Authority
Alabama Music Hall of Fame	Atmore Utilities Board
Alabama Regional Communications System	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	

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Beauregard Water & Fire Protection Authority  
Berry, Town of  
Bessemer, City of  
Bibb County Commissioners Court  
Bibb County Emergency Management Communication District  
Big Will's Water Authority  
Billingsley, Town of  
Birmingham Racing Commission  
Birmingham Regional Planning Commission  
Black Warrior Solid Waste Disposal Authority  
Blount County Communication District  
Blount County Commissioners Court  
Blount County Industrial Development Board  
Blount County Water Authority  
Blountsville Utility Board  
Blountsville, Town of  
Boaz Water & Sewer Commissioners Board  
Boaz, City of  
Boldo Water & Fire Protection Authority  
Boston Housing Authority  
Brantley Housing Authority  
Brent Housing Authority  
Brent, City of  
Brewton Housing Authority  
Brewton, City of  
Bridgeport Housing Authority  
Bridgeport Utilities Board  
Bridgeport, City of  
Brilliant, Town of  
Brookwood, Town of  
Brundidge, City of  
Buhl-Elrod-Holman Water Authority  
Bullock County Commissioners Court  
Butler County Commissioners Court  
Butler County Emergency Communication District  
Butler, City of  
Cahaba Center for Mental Health & Mental Retardation

Cahaba Valley Fire & Emergency Medical Rescue District  
Calera, City of  
Calhoun County 911 District  
Calhoun County Commission  
Calhoun County Water & Fire Protection Authority  
Calhoun/Cleburne Mental Health Board  
Calhoun County Community Punishment and Corrections Authority  
Calhoun County Economic Development Council  
Camden, City of  
Camp Hill, City of  
Carbon Hill Utilities Board  
Carbon Hill, City of  
Carl Elliot Regional Library  
Carroll's Creek Water Authority  
Carrollton, Town of  
Castleberry, Town of  
Cedar Bluff, Town of  
Cedar Bluff Utilities Board and Solid Water Authority  
Center Point, City of  
Center Point Fire District  
Central Alabama Aging Consortium  
Central Alabama Regional Planning & Development Commission  
Central Alabama Youth Services  
Central Elmore Water Authority  
Central Talladega County Water District  
Centre Water Works & Sewer Board  
Centre, City of  
Centreville, City of  
Chambers County Commissioners Court  
Chambers County Emergency Management Communications District  
Chambers County Library Board  
Chatom, City of  
Cheaha Regional Library  
Cheaha Regional Mental Health-Mental Retardation Board  
Chelsea, City of  
Cherokee County Commission

## 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  
Millerville Water and Fire Prot. Authority  
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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Northport, City of	Phenix City, City of
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 Water, Gas & Sewer
Ohatchee, Town of	Piedmont, City of
Oneonta Housing Authority	Pike County Commissioners Court
Oneonta Utilities	Pike County Communications District
Oneonta, City of	Pike County Soil & Water Conservation District
Opelika Housing Authority	Pike County Water Authority
Opelika Utilities Board	Pike Road, Town of
Opelika, City of	Pine Bluff Water Authority
Opp Utilities Board	Pine Hill, Town of
Opp, City of	Pine Level Water & Fire Protection Authority
Orange Beach Water, Sewer & Fire Protection Authority	Pinson, City of
Orange Beach, Town of	Pisgah, Town of
Owens Cross Roads	Pleasant Grove, City of
Oxford, City of	Prattville Housing Authority
Oxford Emergency Management Services, Inc.	Prattville Water Works Board
Ozark Utilities Board	Prattville, City of
Ozark, City of	Priceville, Town of
Ozark/Dale E-911	Prichard Housing Authority
Parrish, Town of	Quint-Mar Water & Fire Protection Authority
Parrish Water Works and Sewer Board	Ragland, Town of
Pelham, City of	Ragland Water Works Board
Pell City Housing Authority	Rainbow City Gas, Water & Sewer Board
Pell City, City of	Rainbow City, City of
Pennington, City of	Rainsville, City of
Pennington Utilities Board	Randolph County Commissioners Court
Perry County Capital Improvement Cooperative District	Randolph County E-911
Perry County Commissioners Court	Red Bay Housing Authority
Perry County Emergency Communications District	Red Bay Water & Gas Board
Perry County Water Authority	Red Bay, City of
	Reform Housing Authority
	Reform, City of

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Regional Housing Authority of Lawrence,  
Cullman, and Morgan Counties  
Rehobeth, City of  
Remlap/Pine Mountain Water Authority  
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  
Smiths Station, City of  
Snead, Town of  
Somerville, Town of  
South Alabama Gas District  
South Alabama Regional Planning  
Commission  
South Central Alabama Development  
Commission  
South Central Alabama Mental Health  
Center  
South Central Alabama Regional Housing  
Authority  
South Crenshaw County Water Authority  
South Marengo County Water & Fire  
Protection Authority  
Southeast Alabama Regional Planning &  
Development Commission  
Southeast Alabama Solid Waste Disposal  
Authority  
Southeast Alabama Youth Services  
Southern Alabama Regional Council on  
Aging  
Southside Water & Sewer Board  
Southside, City of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Southwest Alabama Water Authority  
Spanish Fort, City of  
Spectracare  
Springville, Town of  
St. Clair County Commissioners Court  
St. Clair Co. Comm. Pun. & Corrs. Auth.  
St. Clair County Industrial Development Board  
St. Clair Regional Library  
St. Clair County Soil & Water Conservation District  
St. Florian, Town of  
Star-Mindingall Water & Fire Protection Authority  
Steele, Town of  
Stevenson Housing Authority  
Stevenson Utilities Board  
Stevenson, City of  
Stewartville Water Authority  
Sulligent, City of  
Sulligent Housing Authority  
Sumiton Housing Authority  
Sumiton Water Works Board  
Sumiton, City of  
Summerdale, Town of  
Sumter County Board of Commissioners  
Sumter County Industrial Development Authority  
Sumter County Soil & Water Cons District  
Sumter County Water Authority  
Sylacauga Recreation Authority  
Sylacauga Utilities Board  
Sylacauga, City of  
Sylvan Springs, Town of  
Sylvania, Town of  
Talladega County Board of Revenue  
Talladega County Emergency Management Communications District  
Talladega County Soil & Water Conservation District  
Talladega Water & Sewer Board  
Talladega, City of  
Tallapoosa County Court of Commissioners

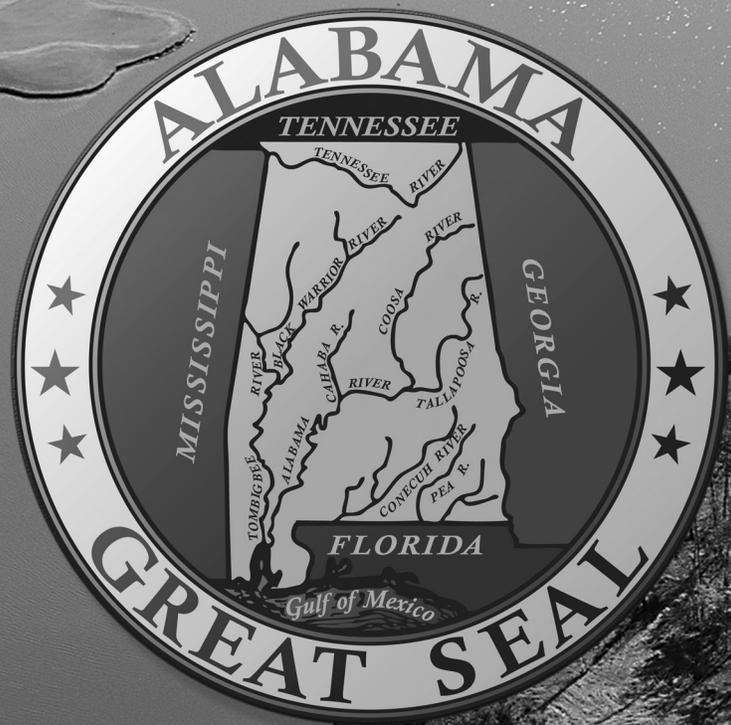
Tallapoosa County Emergency Management Communications District  
Tallasse, City of  
Tarrant City Electric System  
Tarrant City, City of  
Tarrant City Housing Authority  
Taylor, Town of  
Tennessee Valley Exhibit Commission  
Thomaston, Town of  
Thomasville, City of  
Thorsby, Town of  
Top of Alabama Regional Council of Governments  
Town Creek, Town of  
Triana, City of  
Tri-County Mental Retardation-Development Disability Board  
Trinity, Town of  
Troy, City of  
Trussville Utilities Board  
Trussville, City of  
Turnerville Water and Fire Protection District  
Tuscaloosa, City of  
Tuscaloosa County Board of Revenue  
Tuscaloosa Housing Authority  
Tuscaloosa County Industrial Dev Auth  
Tuscaloosa County Park and Recreation Board  
Tuscaloosa County Parking & Transit Authority  
Tuscaloosa County Public Defenders Office  
Tuscaloosa County Soil & Water Conservation District  
Tuscaloosa County Special Tax Board  
Tuscaloosa Public Library  
Tuscumbia, City of  
Tuskegee, City of  
Tuskegee Utilities  
Union Grove Utilities Board  
Union Springs Utilities Board  
Union Springs, City of  
Uniontown Housing Authority  
Uniontown Utilities Board

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Uniontown, City of  
USS Alabama Battleship Commission  
Valley Head, Town of  
Valley Head Water Works Board  
Valley Housing Authority  
Valley, City of  
Vance, Town of  
Vernon Housing Authority  
Vernon, City of  
Vestavia Hills, City of  
Vincent, City of  
Von Braun Civic Center  
Walker County Commission  
Walker County E911 District  
Walker County Housing Authority  
Walker County Mental Retardation Board  
Walker County Soil & Water Conservation  
District  
Wall Street Water Authority  
Walnut Hill Water Authority  
Warrior River Water & Fire Protection  
Authority  
Warrior, City of  
Washington County Commissioners Court  
Washington County E-911 District  
Washington County Soil & Water  
Conservation District  
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 Clarke 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  
Woodstock, Town of  
York Housing Authority  
York, City of







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