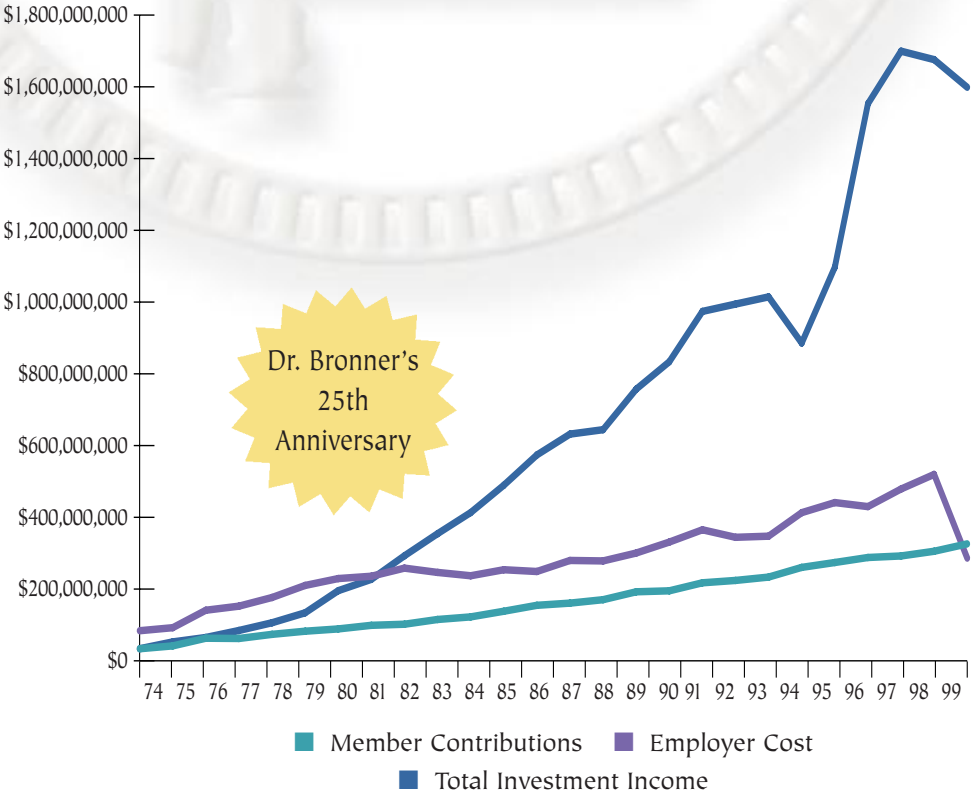
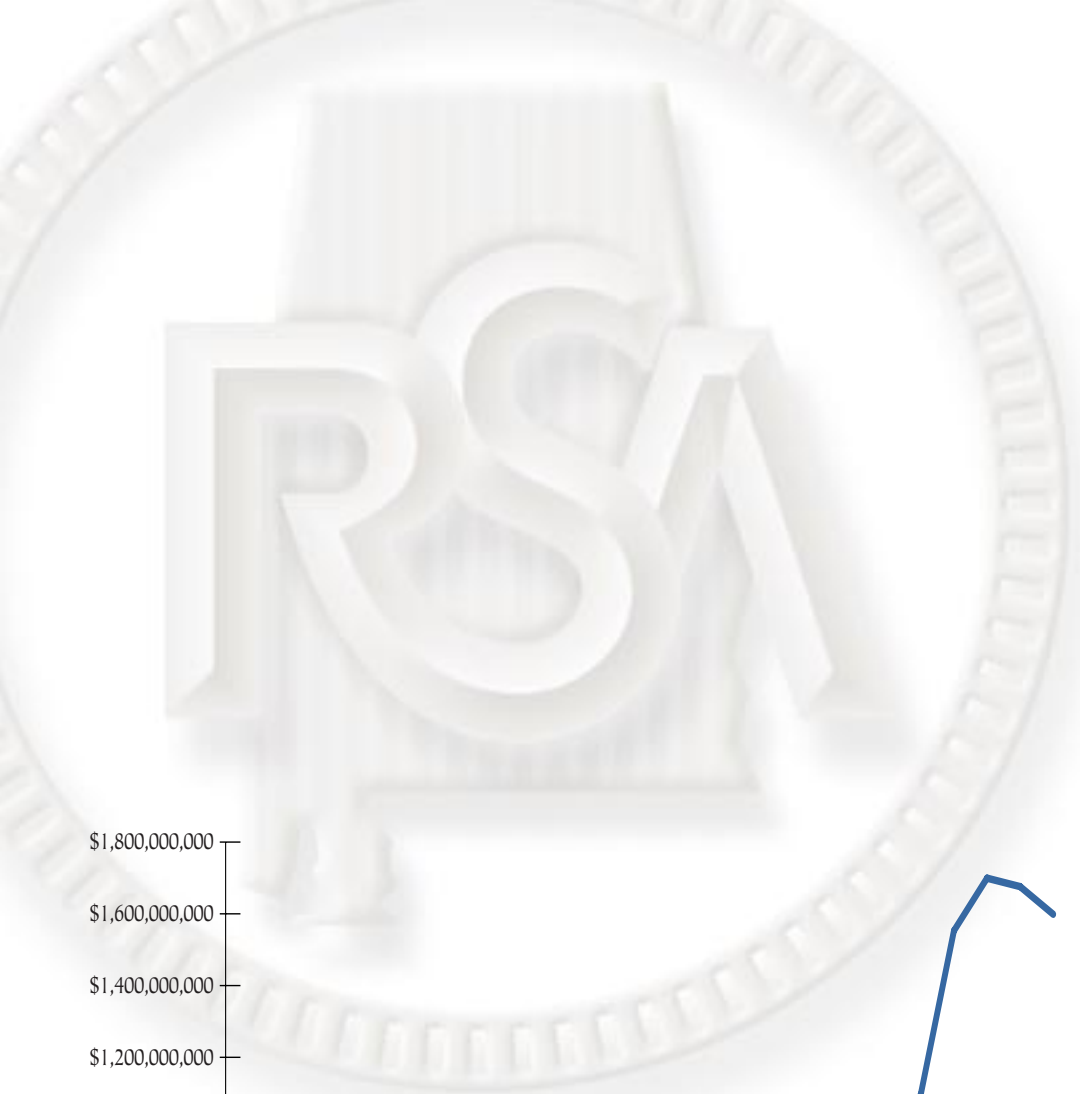


The Retirement Systems of Alabama

1999 Annual Report





Under Dr. Bronner's tenure the Retirement Systems has grown from a 25% funded, \$500 million organization to a fully funded, \$24.6 billion organization.

The Retirement Systems of Alabama

TEACHERS'
RETIREMENT
SYSTEM

EMPLOYEES'
RETIREMENT
SYSTEM

JUDICIAL
RETIREMENT
FUND

135 SOUTH UNION STREET
P. O. BOX 302150
MONTGOMERY, ALABAMA 36130-2150

(334) 832-4140 / 1-800-214-2158
<http://www.rsa.state.al.us>

MEMBERSHIP ACTIVITY FOR 1999

	Teachers'	Employees'	Judicial
New Members	13,721	10,342	28
Withdrawn Members	6,860	6,515	4
Service Retirements	2,511	909	12
Disability Retirements	257	209	2
Surviving Spouses	3	3	0
New Beneficiaries	174	171	6

TOTAL MEMBERSHIP (Totals as of September 30, 1999)

	Teachers'	Employees'	Judicial
Active	128,046	72,881	320
Retired	44,638	25,593	252
Total	172,684	98,474	572

FUNDS UNDER MANAGEMENT

	Assets (In Thousands)
Teachers' Retirement System (TRS)	\$ 15,874,621
Employees' Retirement System (ERS)	7,294,458
Judicial Retirement Fund (JRF)	230,132
Alabama Cultural Resources Preservation Trust Fund	9,727
Alabama Education Foundation for K-12	172
Alabama Game & Fish Endowment Fund	9,940
Alabama Heritage Trust Fund	498,270
Alabama Nongame Wildlife Endowment Trust	11
Alabama Underground and Aboveground Storage Tank Trust Fund	20,783
Clerks' & Registers' Supernumerary Fund	5,237
District Attorneys Spouses' Fund	2,110
PEIRAF - Deferred Compensation Plan (RSA-1)	523,794
Public Education Employees' Health Insurance Plan Fund (PEEHIP)	52,758
Public Employees' Individual Retirement Account Fund (PEIRAF)	68,375
State Docks Pension Plans	4,086
TOTAL ASSETS UNDER MANAGEMENT*	\$ 24,594,474

* Includes cash, investments at fair value, buildings net of depreciation, and land.

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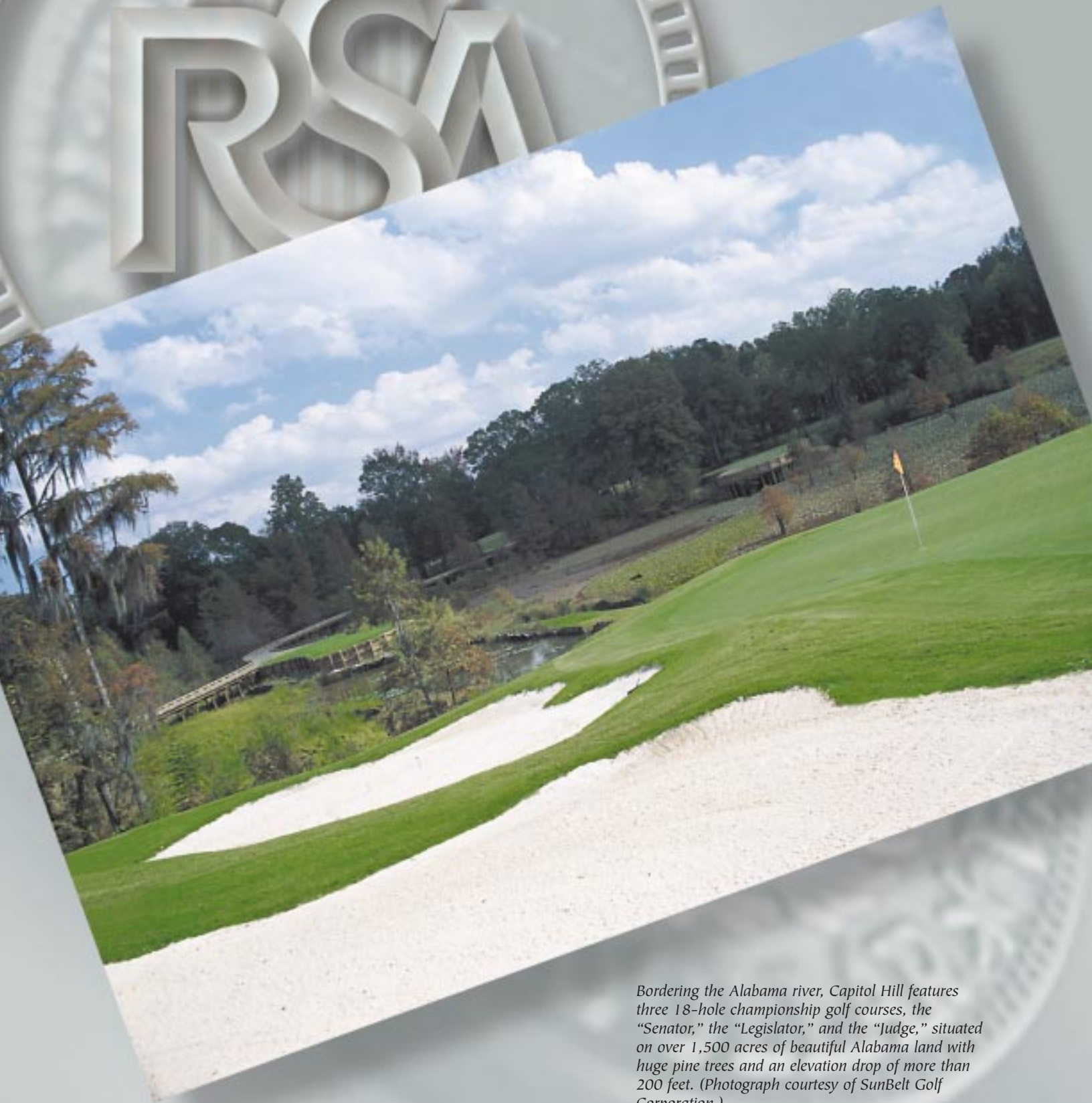
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Executive



Bordering the Alabama river, Capitol Hill features three 18-hole championship golf courses, the "Senator," the "Legislator," and the "Judge," situated on over 1,500 acres of beautiful Alabama land with huge pine trees and an elevation drop of more than 200 feet. (Photograph courtesy of SunBelt Golf Corporation.)

Letter from the CEO



Photograph by Paul Robertson, Jr.

Dear Member:

The Boards of Control and the staff are pleased to present the twenty-fourth *Annual Report* of the Retirement Systems of Alabama (RSA) for the fiscal year ending September 30, 1999. This year's *Annual Report* again emphasizes Alabama's achievements in tourism and industrial recruitment as well as the RSA's contributions to these accomplishments.

The RSA currently manages 15 funds with aggregate assets of \$24.6 billion. Assets increased \$2.2 billion during the year, representing a 10% increase from the previous year. During fiscal year 1999, the annualized return for the fixed income and equity portfolio combined was 12.68% for the Teachers' Retirement System (TRS) and 13.02% for the combined Employees' Retirement System (ERS) and Judicial Retirement Fund (JRF) in a year of volatile financial markets, strong domestic growth and low inflation.

During the fiscal year, the RSA staff was honored more than once for its contributions to the betterment of Alabama. Awards received included the "Howell Heflin Award" which recognized the RSA's contribution in government; an award presented by the New York District Attorney's office for the RSA's participation in the investigation and prosecution of New York City's waste removal

industry cartel; the "Attraction of the Year" award presented to the Robert Trent Jones Golf Trail by the Alabama Tourism Governor's Conference; and the RSA's induction into the Alabama Tourism Hall of Fame.

The Robert Trent Jones Golf Trail continues to have a positive impact on Alabama as nearly 4,750 positive articles have been written from Asia to Europe. *Southern Living Magazine* named "The Trail" the "best public golf" for the third year in a row. In addition, two major golfing events were held in Alabama again this year. The Magnolia Grove course in Mobile played host to the "AFLAC LPGA Tour of Champions" while the Highland Oaks course in Dothan played host to the "Nike Tour of Champions." The Alabama Bureau of Tourism and Travel estimates the economic impact of "The Trail" on the Alabama economy at \$43 million last year alone.

The RSA's media investments grew during the fiscal year. Raycom Media now owns 34 television stations in 19 states, as well as Puerto Rico, and has broadcast coverage over approximately 12% of the nation's population. Two new stations were acquired during the fiscal year, KASA-TV, the Fox affiliate in Albuquerque, New Mexico, and KHNL-TV, the NBC affiliate in Honolulu, Hawaii. Pending FCC approval, Raycom will also acquire KXRM-TV, the Fox affiliate in Colorado Springs, Colorado. Community Newspaper Holdings, Inc. (CNHI), one of the nation's largest newspaper companies, now owns and operates over 220 newspapers throughout the U.S. These investments now provide approximately \$51 million annually in free advertising to promote the state of Alabama.

The RSA also provided funding during the year for a partnership which will purchase historic hotels and resorts around the country. The concept is to find older resorts that need to be upgraded but still have a good reputation. The Grand Hotel in Point Clear, Alabama, was the first purchase.

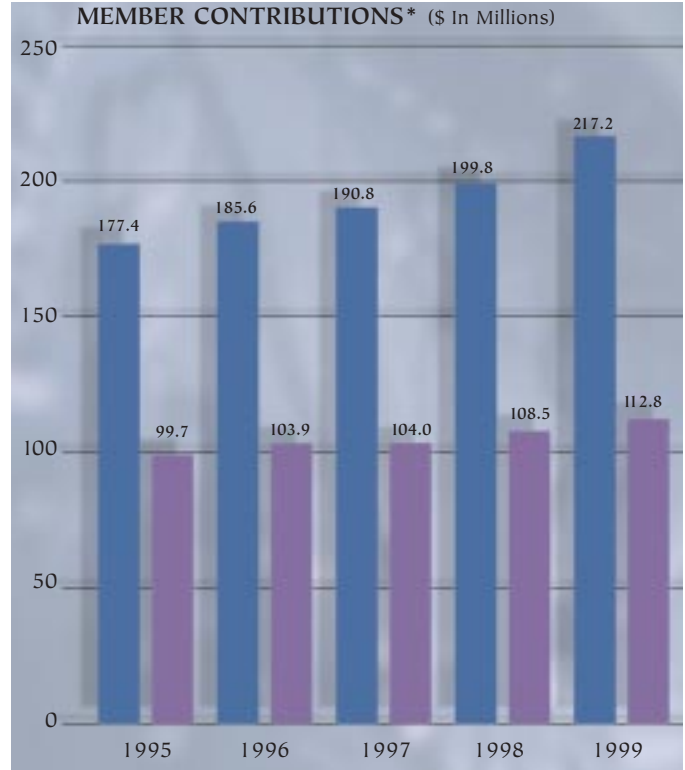
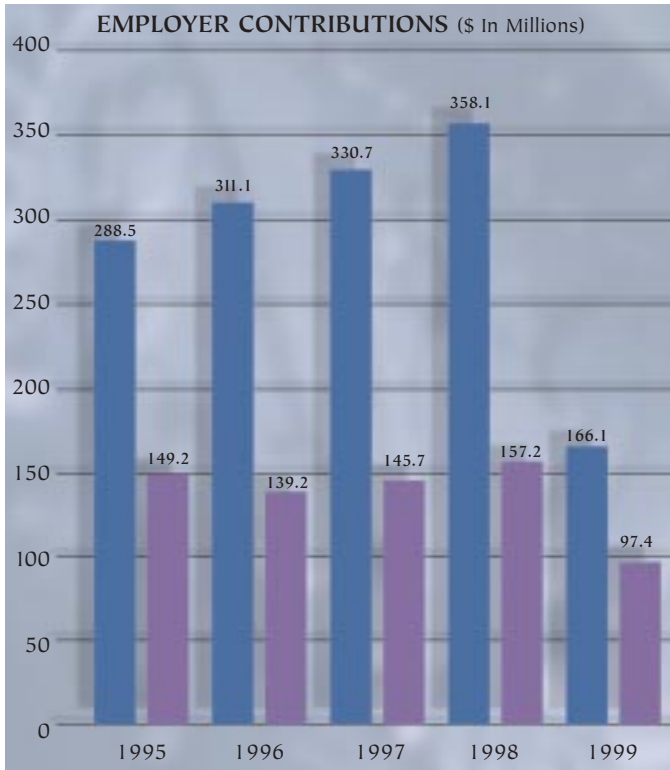
The staff will continue to purchase and develop investments that will facilitate the mission of the RSA and serve the interests of our members by preserving the excellent benefits and soundness of the Systems at the least expense to the state of Alabama and all Alabama taxpayers. With the continued cooperative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

Sincerely,

A handwritten signature in black ink, appearing to read "David G. Bronner". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

David G. Bronner
Chief Executive Officer

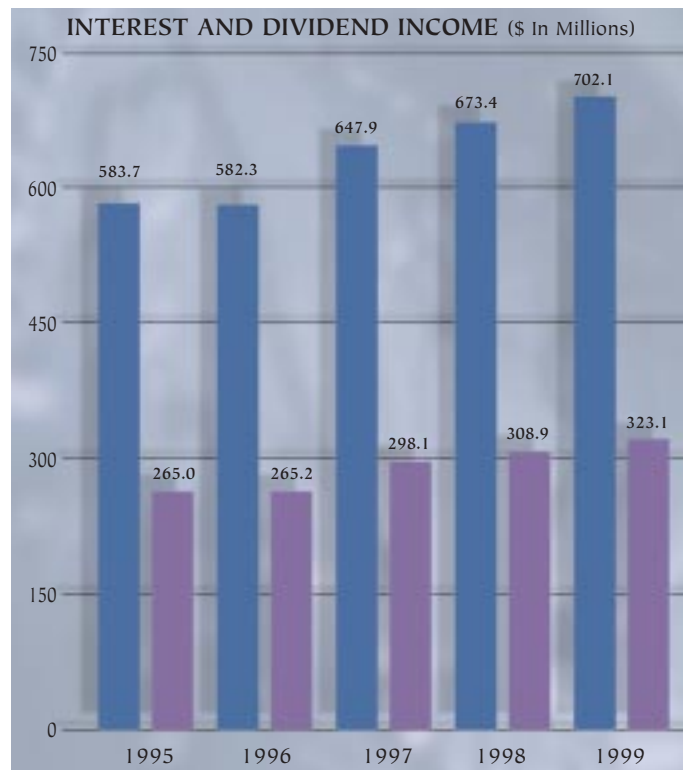
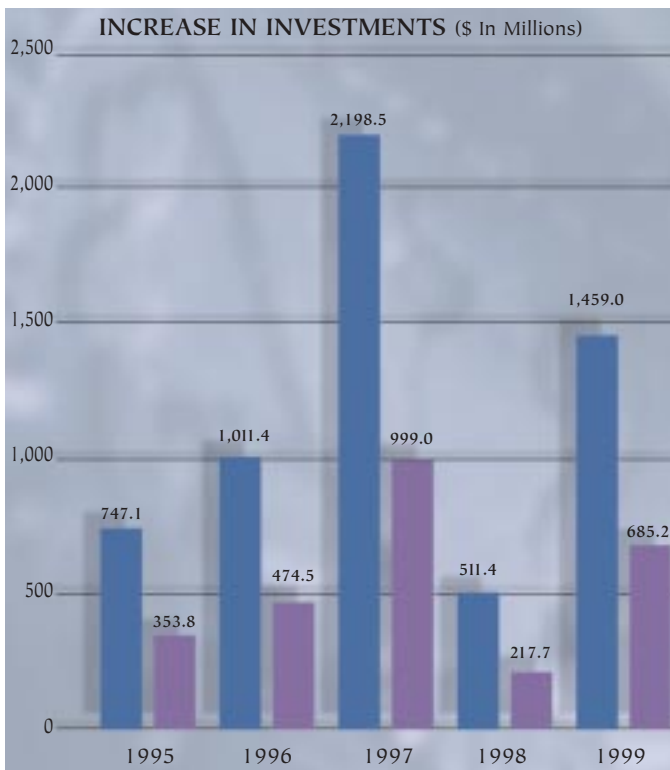
Five Year Highlights



TRS

ERS

*Includes transfers between systems.



Teachers' Retirement System Board of Control

EX OFFICIO MEMBERS



Hon. Lucy Baxley
State Treasurer



Chairman
Dr. Paul R. Hubbert
Executive Secretary
AEA



Dr. Henry C. Mabry, III
State Finance Director



Dr. Edward R. Richardson
State Superintendent
of Education

ELECTED MEMBERS



Ms. Janice Abrams
Teacher Position



Ms. Elizabeth Andress
Postsecondary Position



Mrs. Patricia Buchanan
Teacher Position



Dr. John R. Key
Superintendent Position



Dr. John Landers
Principal Position



Dr. George L. Layton
Retired Teacher
Position



Mrs. Rebecca Lee
Support Personnel
Position



Mrs. Kathy McVay
Teacher Position



Mrs. Sharon Saxon
Support Personnel
Position



Vice-Chairman
Mrs. Sarah Swindle
Retired Teacher
Position

Employees' Retirement System Board of Control

EX OFFICIO MEMBERS



Hon. Lucy Baxley
State Treasurer



Hon. Thomas G. Flowers
State Personnel Director



Dr. Henry C. Mabry, III
State Finance Director



Chairman
Hon. Don E. Siegelman
Governor

ELECTED MEMBERS



Mr. Ralph Bishop
Retired Local Employee



Mrs. Ann Gant
Active Local Employee



Mr. T. M. Jones
Active Local Employee



Ms. Mary Lou Foster
Retired State Employee



Ms. Alice Thornton
Active State Employee



Mr. Stephen C. Walkley
Active State Employee

APPOINTED MEMBERS



Lieutenant Rector Johnson



Ms. Donna Mulcahy



Vice-Chairman
Mr. John H. Wilkerson, Jr.

Staff, Advisors and Medical Board

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

Deputy Director and Counsel
William T. Stephens, J.D.

ADMINISTRATIVE STAFF

*Director of Information
Technology Services*
Peggi L. Douglass,
M.B.A.

*Chief Accountant and
Fiscal Officer*
Norman D. Turnipseed,
M.B.A., C.P.A.

*Legislative
Liaison*
Marcus H. Reynolds, Jr.,
J.D.

*General
Counsel*
William F. Kelley, Jr.,
J.D.

*Director of
Field Services*
Pamela T. Galluzzi,
M.B.A.

*Teachers'
Retirement Executive*
Donald L. Yancey,
M.P.A., J.D.

*Employees' & Judicial
Retirement Executive*
R. Donald Nelson,
M.S.

*Director of
Teachers' Health Insurance*
Lee M. Hayes,
M.B.A.

INVESTMENT STAFF

Acting Director of Investments
Darren J. Schulz,
M.B.A., C.F.A.

Director of Fixed Income
M. Hunter Harrell,
M.B.A., J.D., C.F.A.

Director of International
Gary T. Partridge,
M.B.A., C.F.A.

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

Assistant Director of Fixed Income/Public Bonds
Julie S. Barranco,
M.B.A.

Chief Economist
John P. Cunningham,
M.B.A.

Equity Analyst
John R. Givens,
M.B.A.

Fixed Income Analyst
W. Allen Webb,
M.B.A.

Equity Analyst
Amanda G. Renfro,
M.B.A.

Fixed Income Analyst
C. Lance Lachney,
B.S.

Cash Management & Operations
Nancy H. Sprayberry

ADVISORS

Certified Public Accountants
KPMG

AmSouth Bank, N.A.
Mr. Brian Sullivan

George B. Buck Consulting Actuaries
Mr. Edward A. Macdonald

Attorney General
Honorable Bill Pryor

Chief Examiner
Mr. Ronald L. Jones

MEDICAL BOARD



Thomas Nickles, M.D.



Chairman
Neil Stronach, M.D.



A. S. Zdanis, M.D.

Administrative



The 34 television stations of Raycom Media provide \$36 million in free advertising for the state of Alabama annually. (Courtesy of Raycom Media.)

Legal Developments

In 1999 the RSA was involved in litigation in state and federal courts involving benefit issues, investment matters, RSA properties and administrative matters.

While in the past the RSA has participated in numerous securities class action suits simply as a member of a class, in 1999, the RSA took an active role in a securities fraud case against McKesson HBOC, Inc. The RSA joined with the Utah State Retirement Board and the Public Employee Retirement Association of Colorado to seek lead plaintiff status in the McKesson case in the U.S. District Court for the Northern District of California. Although not named as a lead plaintiff in this case, the RSA continues to monitor securities fraud cases and is prepared to take an active role in such cases when necessary.

The most significant RSA case concluded in 1999 was *Johnson v. ERS Board of Control*. Overruling a prior decision and a long-standing interpretation of the law governing the JRF, the Alabama Supreme Court held that Judge Inge Johnson was entitled to receive retirement benefits from the JRF while actively serving as a federal judge. The significance of this case is the Court's holding that retired judges do not hold office and are not required to be available for recall to active service for the state. This change in interpretation is expected to lead to further litigation in the coming year.

The RSA was, and is, a nominal party in several lawsuits that do not challenge the operation or administration of the RSA, but challenge actions of employers participating in the RSA such that the remedy requested by the plaintiffs could affect the plaintiffs' retirement benefits or, in one case, simply because the RSA invests the funds that are the subject of the lawsuit.

While litigation is ongoing in some cases involving benefits issues and real estate matters, all other cases concluded in 1999 were resolved in the RSA's favor.



The "Nike Tour of Champions" was held at Dothan's Highland Oaks course on the Robert Trent Jones Golf Trail. (Photograph courtesy of SunBelt Golf Corporation.)

Legislation

During the 1999 Regular Session, The Alabama Legislature enacted a number of laws impacting the RSA.

Under Act 99-385, active, contributing ERS members may purchase credit not to exceed one year, for maternity leave without pay by paying the full actuarially determined cost. Maternity leave without pay ending on or before December 31, 1999, must be purchased no later than September 30, 2000. Maternity leave without pay ending on or after January 1, 2000, must be purchased by June 30 of the calendar year after expiration of the leave.

Effective October 1, 1999, Act 99-426 provides that a member of TRS as of July 1, 1990, who had been previously employed by an employer not participating but eligible to participate in the ERS, may purchase up to eight years of credit rendered with the non-participating employer. The TRS member must have 10 years of contributing membership service, exclusive of military service, and pay the full actuarially determined cost.

Under Act 99-576, a TRS member may purchase up to two years of service rendered between September 1, 1967, and March 31, 1969, as a full-time employee of the Southeastern Education Laboratory Program of Auburn University. The full actuarially determined cost of the service must be paid by October 1, 2000.

Effective August 1, 1999, the TRS must provide a payroll deduction for any member enrolling in a statewide group benefit plan in accordance with Act 99-383.

Act 99-387 allows active, contributing ERS or TRS members to purchase up to eight years of service for full-time employment with a non-participating agency authorized to join the TRS (for example, Community Action Agencies). The full actuarially determined cost of the service must be paid prior to September 2, 2000. The service cannot be purchased if already credited in the RSA or any other public retirement plan, except the Social Security program.

Health benefit plans, including PEEHIP, with maternity coverage must provide certain postpartum care effective August 1, 1999, under Act 99-193. Rose's Law provides medically necessary in-patient care, including a complete blood count with differential or its equivalent at admission and discharge of the mother; a hospital stay of not less than 48 hours for normal delivery; and a hospital stay of not less than 96 hours for a cesarean section.

Base pay salaries of circuit judges will be increased over three years beginning October 1, 2000, under Act 99-427. Salaries of appellate court judges and supreme court justices tied to circuit judges will also be raised. Judges will also receive a salary increase of 1.25% per year of bench experience as a state judge, phasing out existing county salary supplements and expense allowances. As a result of this base "state pay" increase, income of many retired judges will be increased accordingly.

Communications

Annual Statement of Account: Annual Statements of Account for individual members are mailed to employing agencies participating in the TRS during August and September for distribution to the members. Employing agencies participating in the ERS receive statements during December. The statement provides a summary of member and beneficiary information, member contributions, interest, creditable service and the salary equivalent to contributions received. The account balance section of the statement lists current year and accumulated totals for previously-taxed member contributions for those who made contributions prior to the implementation of the employer “pick-up” program; non-taxed member contributions through the employer “pick-up” provision; interest and the balance at year end. A brief explanation of vesting, refunds, death benefits, survivor benefits, disability retirement and service retirement estimates is also provided.

Individual Counseling: The RSA representatives are available to counsel members at 31 locations throughout the state from October through April. Appointments are scheduled for dates and locations announced in the Counseling Schedule which is distributed each fall to district offices of state agencies, public school principals, city and county superintendents of education, and public and quasi-public agencies that participate in the RSA.

Group Presentations: Representatives of the RSA are available upon request to present a general overview of the RSA administered benefits: ERS, TRS, the Public Education Employees’ Health Insurance Plan (PEEHIP), the Public Employees’ Individual Retirement Account Fund (PEIRAF) and the RSA-1 Deferred Compensation Plan (RSA-1). The RSA has participated in teacher institute days, orientations, retirement seminars, workshops, faculty meetings, conferences and various club meetings.

Summary Plan Description: An informational brochure, which is provided to each new member, presents an overview of the benefit provisions of the Retirement Systems. They include mandatory participation, vesting, disability retirement, service retirement, preretirement death benefits, postretirement employment and the purchase of creditable service.

Newsletters: Approximately 142,000 copies of the RSA newsletter, the *Advisor*, are distributed each month. Each member agency and retiree receives the *Advisor*. The *Advisor* is also provided at no charge to any interested member or person upon request.

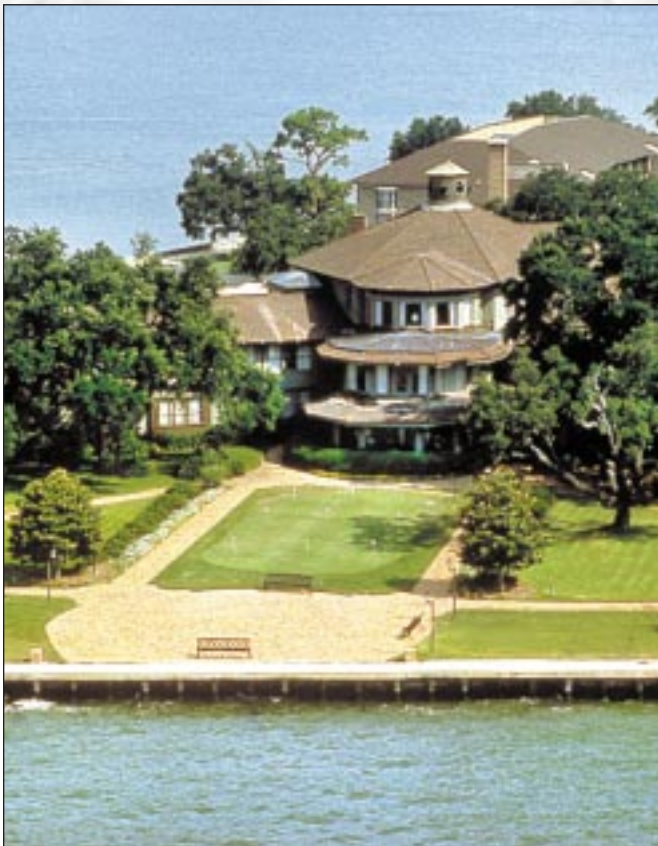
The *Advisor* informs recipients of important topics regarding the TRS, ERS, RSA-1 and PEEHIP including information about legislative updates, investments, counseling schedules and comparisons of insurance and retirement benefits provided by other states. Current information regarding such subjects as property and automobile insurance, automobile cost and maintenance, Social Security, taxes, banking and Alabama’s economic and political climate is included.

A “Speaking of Retirement” column pertaining to retirement, deferred compensation and insurance is provided for publication in periodicals distributed by the Alabama Education Association, Public Health Department, Alabama State Employees’ Association, Association of County Commissions of Alabama, the Department of Public Safety, the Forestry Commission, the Alabama Association of School Boards, the Alabama League of Municipalities, the Alabama Retired State Employees’ Association and all public four-year universities in Alabama. The monthly columns contain updates on policies and procedures, newly enacted legislation and other retirement subjects.

Internet: At the close of fiscal year 1997, the RSA established a web page (www.rsa.state.al.us) to provide information about publications such as the *Advisor* and the *Annual Report*, as well as updates on policies, procedures, new legislation, federal laws and the latest breaking news. The web site offers links to information about tourism, economy, and education in Alabama. Other links include the Department of Revenue; AlaWeb; Alabama State Government; Alabama’s Gubernatorial News and Education Service; the Internal Revenue Service; the Robert Trent Jones Golf Trail; and the National Council on Teachers’ Retirement’s (NCTR’s) LIFEPLAN. NCTR’s LIFEPLAN offers information on retirement planning, life issues, retirement transitions, financial matters, and investment basics. Thousands of people throughout the United States have visited RSA’s web site with over 1,500 persons requesting to be included on the E-mail subscriber list for the latest news and information about the RSA.

Office Of Field Services

The Office of Field Services provides general and specific information about the benefits of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), Public Education Employees' Health Insurance Plan (PEEHIP), the Public Employees' Individual Retirement Account Fund (PEIRAF) and the RSA-1 Deferred Compensation Plan (RSA-1) to all members and retirees. During fiscal year 1999, the Field Services' staff served more than 30,000 members by representing the RSA in a total of 315 seminars, orientations, meetings, workshops, faculty meetings, institute days, individual counseling sessions and conventions. During 162 individual counseling sessions held at 31 different satellite locations, the RSA assisted over 2,000 members with personal questions about retirement and benefits. The Field Services' staff also attended conventions hosted by 17 different Alabama organizations disseminating retirement information to over 18,700 convention attendants. Approximately 10,100 members were presented information about retirement in 136 seminars and meetings.



The Grand Hotel in Point Clear, known as the "Queen of Southern Resorts," was purchased in August with plans to add 100 new rooms and upgrade the present 306 rooms. The 151-year-old historic hotel has survived the Civil War and several hurricanes. (Photograph courtesy of SunBelt Golf Corporation.)

Member Services

Activity	Number Conducted	Number Served	
		ERS	TRS
Conventions/Conferences	17	1,682	17,100
Counseling Sessions	162	250	1,788
Seminars/Meetings	136	3,157	6,952
Total	315	5,089	25,840

New Member Agencies

Eligible public agencies that are not currently participating in the ERS continue to seek membership. Currently, 715 public agencies participate in the ERS. Of those, 64 are counties, 243 are cities/towns, and 408 are miscellaneous public agencies. Agencies which began participation during fiscal year 1999 are:

Cities and Towns

Town of Brilliant	Town of Hackleburg
City of Heflin	Town of Holly Pond
Town of North Bibb	Town of St. Florian
City of Thomasville	Town of White Hall

Public Agencies

- Anniston Housing Authority
- Chambers County Emergency Management Communications District
- Clay County E-911
- Columbiana Water Works Board
- Enterprise Housing Authority
- Fayette County Water Coordinating and Fire Prevention Authority
- Franklin County Soil and Water Conservation District
- Greenhill Water and Fire Protection Authority
- Hanceville Water Works and Sewer Board
- Hartford Housing Authority
- Jackson County Water Authority
- Loachapoka Water Authority
- Pickens County E-911 Board
- Winston County E-911 Communications District

Counseling And Correspondence

The staff of the Counseling and Correspondence divisions, which is composed of 26 counselors, serves as the liaison between the RSA and its members. The counselors and support staff provide information to members and employers during office visits, field counseling appointments and group presentations. In addition, approximately 175,000 telephone inquiries are received annually precipitated by the utilization of the toll-free telephone number, 1-800-214-2158. Staff representatives are available to provide information or to make presentations at conventions, conferences and seminars. The RSA representatives also provide, from October through April, individual counseling sessions at 31 different satellite locations throughout the state.

The staff is responsible for retirement calculations and estimates, service purchase calculations, refund requests, death benefit claims and replies to written and telephone inquiries. The RSA staff processed a total of 3,906 retirement applications between October 1998 and September 1999. Of this amount, 1,121 retired under the ERS; 2,771 retired under the TRS; and 14 retired under the JRF.

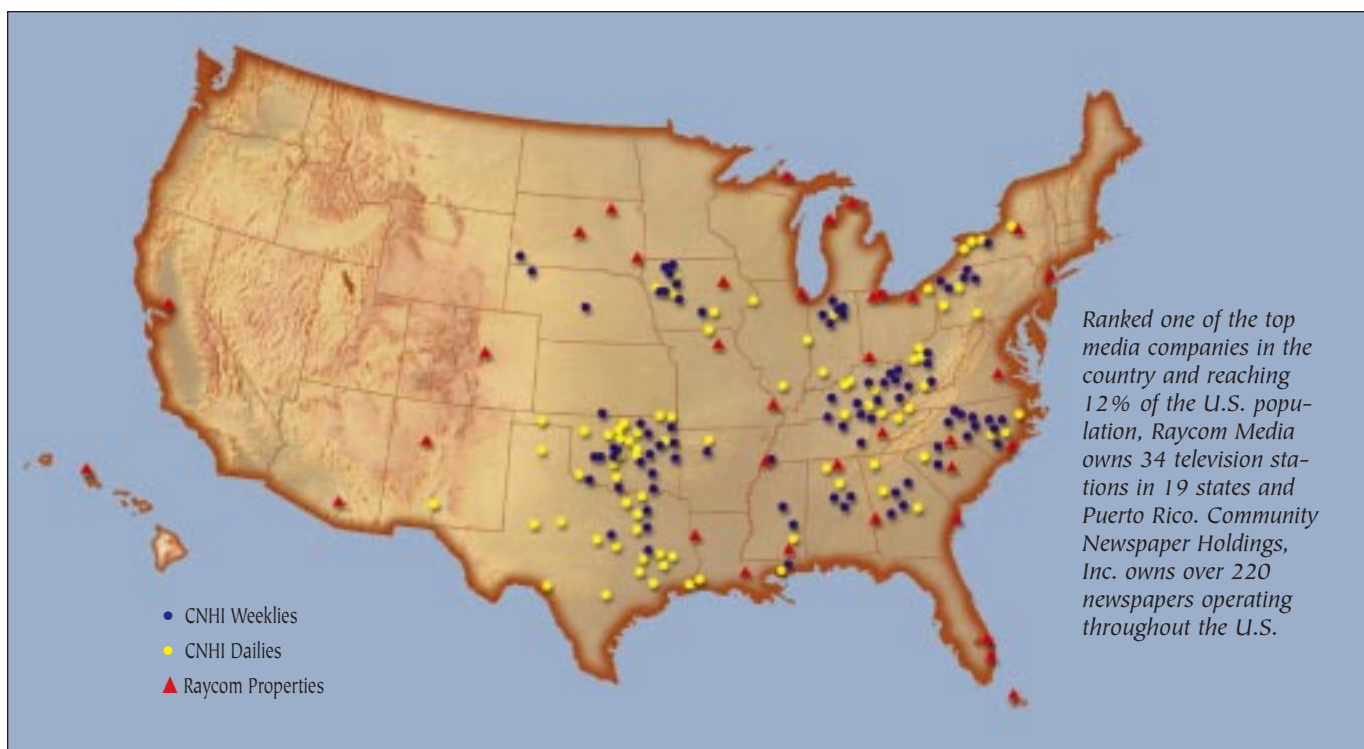
Member accounts are audited to guarantee accuracy of current and future benefits to the membership. Benefit recipient accounts are periodically adjusted to include ad hoc cost-of-living increases granted by the Alabama Legislature. Additionally, information on RSA administered programs, for example, PEIRAF, RSA-1, PEEHIP and the Group Term Life Insurance Benefit, was disseminated to

members and employers.

Under the provisions of Section 36-27-6, Code of Alabama 1975, the public agencies in the state are eligible to participate in the ERS. Operating in conjunction with the Office of Field Services, the staff provides benefits and cost data to the prospective member agencies upon request. Cost data include actuarial valuations prepared by Buck Consultants of Atlanta, Georgia. Currently, 715 public agencies participate in the ERS.

Computer imaging technology is a state-of-the-art technology which allows any staff member to view the historical and current document(s) contained in each member's file through a personal computer monitor. This technological enhancement gives the RSA the tools necessary to offer our members superior service in the twenty-first century.

The computer imaging technology provides RSA and its members the most comprehensive imaging and operations management system available in the industry. This is a significant operational change which makes the RSA one of the most technologically advanced retirement systems in the country. Accessing the member's history file electronically enables the retirement counselor, in most cases, to perform the requested task instantly. Before, counselors awaited receipt of microfiche records to complete the member's request. Providing a faster response to member inquiries improves productivity while reducing operational costs.



Public Employees' Individual Retirement Account Fund

PEIRAF - DEDUCTIBLE EMPLOYEE CONTRIBUTION PLAN

The PEIRAF, the only plan of its kind in the United States, was created by the Alabama Legislature (Act 82-776) to allow public employees to conveniently and economically receive the fullest benefits offered by the Economic Recovery Tax Act (ERTA) of 1981 as it relates to individual retirement accounts. ERTA allowed an employee to deduct, for income tax purposes, voluntary employee contributions to a government plan, such as PEIRAF.

The Tax Reform Act of 1986 prohibits contributions to deductible voluntary employee contribution plans, such as PEIRAF, for years after 1986. Accordingly, the PEIRAF Board of Control discontinued receiving contributions to this plan after December 31, 1986. However, the PEIRAF continues to reinvest the interest earnings of existing PEIRAF member accounts.

PEIRAF - DEFERRED COMPENSATION PLAN (RSA-1)

Act 86-685 of the Alabama Legislature provided for the establishment of the RSA-1 Deferred Compensation Plan (RSA-1) as described in Section 457 of the Internal Revenue Code.

The RSA-1 allows members of the RSA and certain other eligible public employees to defer receipt of income and thus, payment of taxes as a portion of compensation. As of January 1, 1998, eligible employees may defer the lesser of \$8,000 or 25% of salary. The salary used to determine the percentage limit does not include retirement contributions picked-up by the employer or any other salary not includable as federal wages but does include the salary to be deferred. Beginning January 1, 1997, RSA-1 deferrals are not taxed for Alabama Income Tax purposes.

The RSA-1 investments are managed in a manner similar to those of the original PEIRAF plan with participant's funds held in trust since October 1, 1997. RSA-1 and PEIRAF are fixed income portfolios. Effective October 1998, accounts were valued monthly at market with interest posted monthly to member accounts based on daily average account balances with statements issued each quarter. Beginning October 1, 1999, statements will be issued semi-annually. RSA-1 highlights shown below reflect the yield, total assets and number of participating members at each fiscal year end.

RSA-1 HIGHLIGHTS

12 - Month Period Ending	Yield (In %)	Total Assets* (In \$)	Participating Members
September 30, 1987	13.74	3,426,417	1,931
September 30, 1988	16.74	12,528,575	3,029
September 30, 1989	13.29	27,006,789	4,404
September 30, 1990	12.44	46,225,862	5,702
September 30, 1991	11.68	72,976,574	7,471
September 30, 1992	11.41	106,992,250	9,269
September 30, 1993	10.68	146,812,159	10,945
September 30, 1994	9.86	192,710,264	12,680
September 30, 1995	9.35	247,264,015	15,054
September 30, 1996	8.96	308,584,100	17,089
September 30, 1997	8.93	376,357,423	19,293
September 30, 1998	8.90	451,813,800	21,166
September 30, 1999	10.39	536,609,859	23,490

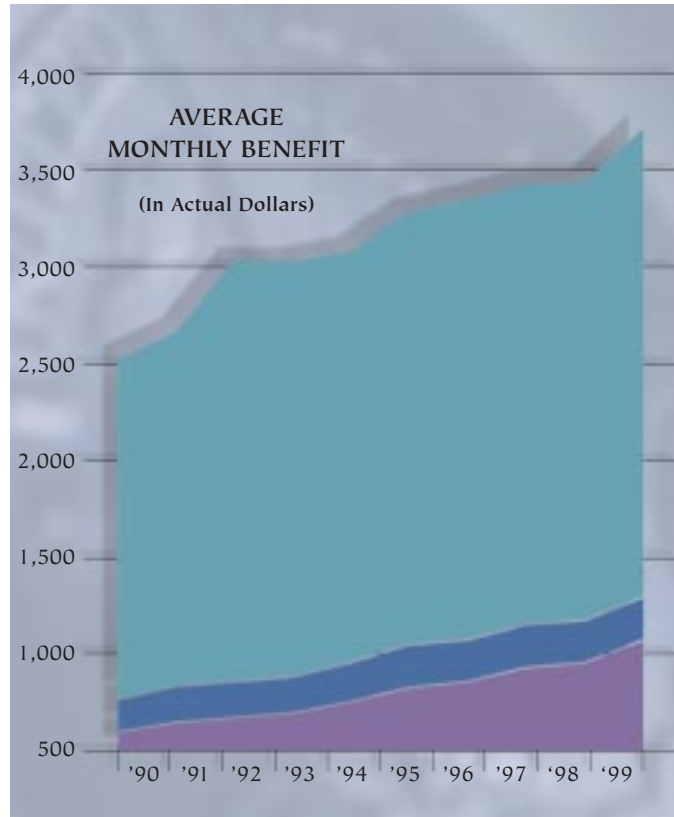
* Assets are valued at cost through September 30, 1998, and at market thereafter.

Benefits

Benefits distributed by the Retirement Systems totaled \$1,020,121,000 during fiscal year 1999, a 19% increase from fiscal 1998 payments of \$856,967,000. Benefit payments during fiscal 1999 averaged \$2,795,000 per day. Social Security benefits for TRS, ERS and JRF retirees are in addition to this amount. State Police are excluded from Social Security benefits on State Police service.

Service retirement benefits are calculated by two methods with the member receiving payments under the method which yields the highest monthly benefit: minimum guaranteed or formula.

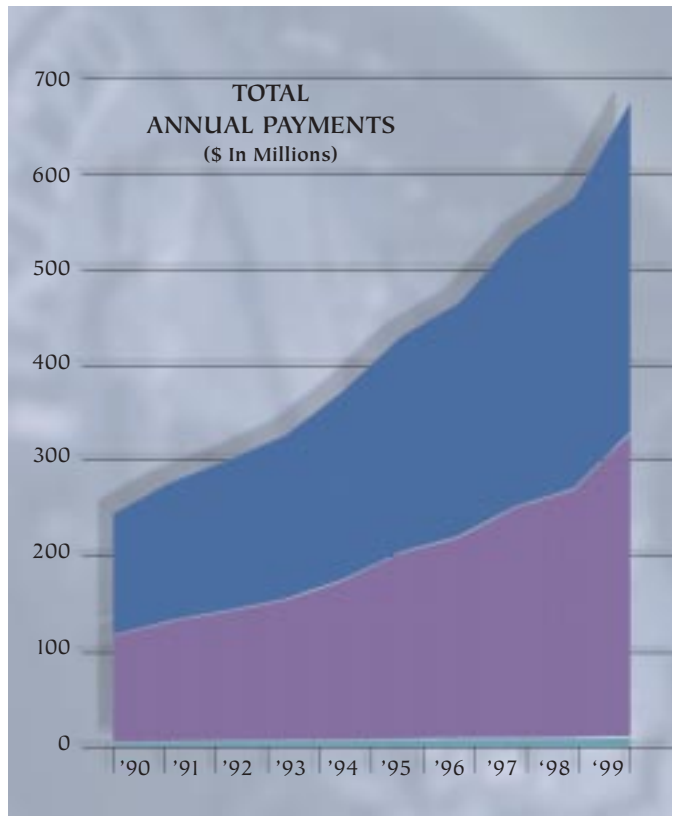
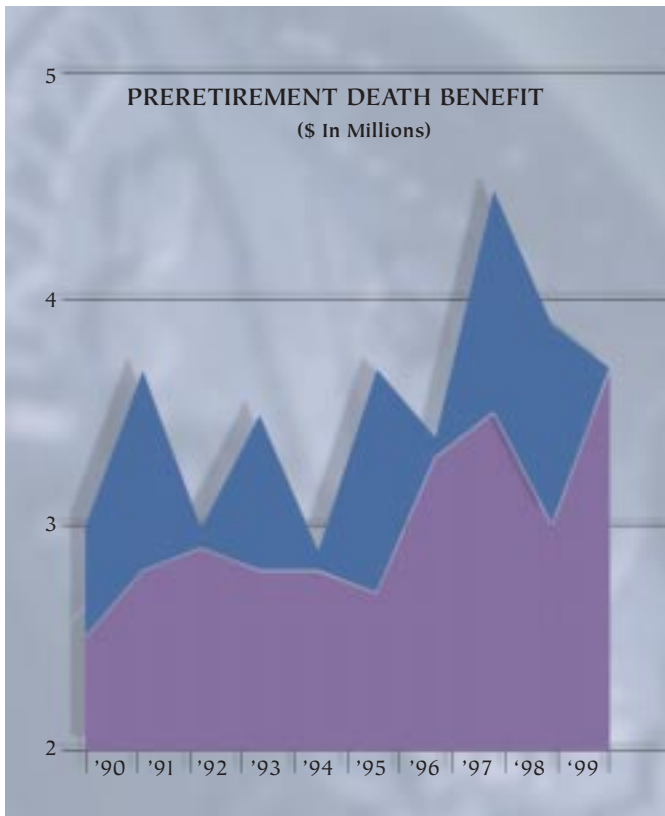
A preretirement death benefit is paid in addition to the return of accumulated contributions and interest in accordance with state statutes upon the death of a member. Annual preretirement death benefit payments are reflected in the following graphs.



TRS

ERS

JRF



Public Education Employees' Health Insurance Plan

The RSA manages the Public Education Employees' Health Insurance Plan (PEEHIP) for approximately 91,000 active and 37,000 retired public education employees.

The plan was established in 1983 under the provisions of Act 83-455 of the Alabama Legislature to provide health insurance benefits for active and retired employees of Alabama's public educational institutions which provide (or provided) instruction at any combination of grades K-14, exclusively under the auspices of the State Board of Education. PEEHIP is a self-funded plan with the benefits and rates being determined by a 14-member Board.

The Board also employs a third party administrator to properly pay claims within the scope of benefits determined by the Board. The third party administrator has no financial risk for the plan, but simply pays claims with PEEHIP funds. Blue Cross & Blue Shield of Alabama has been the claims administrator for the hospital/medical plan since October 1, 1992. Southland National Corporation has been the third party claims administrator for the supplemental/optional coverages since the incep-

tion of PEEHIP in 1983.

The PEEHIP offers a traditional hospital/medical plan which provides generous basic medical coverage for 365 days of care during each hospital confinement. The plan also provides for physicians' benefits, outpatient care, prescription drugs and mental health benefits. The supplemental/optional coverages that may be chosen in addition to or in lieu of the hospital/medical benefits are Hospital Indemnity, Cancer, Dental and Vision.

Since October 1, 1987, public education active and retired members in certain service areas have had the option of enrolling in the Health Maintenance Organization (HMO), United HealthCare, in lieu of the traditional hospital/medical plan. Since October 1, 1995, a second HMO, Health Partners, Inc., has been offered to public education employees and since October 1, 1998, a third HMO, Viva Health Plan, has been offered to active and retired members in certain service areas. These HMO plans provide certain dental and vision benefits, as well as hospital/medical benefits. Of the total members enrolled in hospital/medical coverage, approximately 7% are



enrolled in one of the HMO plans.

The monthly premiums for employee and dependent coverage are determined annually by the Board after reviewing the plan's actuarial recommendations and projections of anticipated claims for the upcoming year considering the available reserve balances. The State previously paid directly from the Special Education Trust Fund substantially all the premium for active employees enrolled in PEEHIP. However, for fiscal year 1996, the method of funding PEEHIP was changed in accordance with Act 95-537, whereby the appropriation is now paid to each educational institution and school system. Accordingly, each system is responsible for paying the insurance cost directly to PEEHIP at the time premiums are submitted each month. The appropriation paid to each system includes a significant portion of the health care premiums for active and retired employees. The balance of the premium is paid by the participating active and retired member. Coverage is also available to dependents of active and retired employees with the dependent premium paid by the employee.

Approximately 71,000 active public education employees participate in one of the hospital/medical plans with approximately 56% of the participants electing family coverage. Of the 71,000 PEEHIP participants who have one of the hospital/medical plans, approximately 37,000 also purchase one or more of the optional coverages. Approximately 19,000 public education employees covered by PEEHIP are using the state allocation solely to purchase the four supplemental/optional coverages which are paid in full by the state allocation.

With the traditional hospital/medical plan, a member or eligible dependent is able to go to any physician and any hospital of choice. However, members receive higher benefits when physicians participating in the preferred provider organization are used. A member may visit any non-participating physician with benefits payable under the Major Medical provisions at 80% of the usual, customary and reasonable (UCR) charges after satisfying a \$100 deductible each calendar year.

The PEEHIP Board and staff continue to strive to offer members a comprehensive benefit plan at an affordable price and to research and implement medical management programs. Over the years, PEEHIP has implemented various cost containment measures such as medical case management, bill audits, copays, deductibles, prescription drug utilization review, second surgical opinion, discharge and wellness planning, health maintenance organizations and preferred provider organizations. In addition, benefit changes have been made to slow the growth in rising costs.

The traditional Scottish-style layout of the "Senator" course at Capitol Hill in Prattville includes over 200 pot-hole bunkers and 20 to 40-foot high mounds cleverly hiding the cart path. Capitol Hill also includes an innovative circular driving range, a Robert Trent Jones Academy of Golf teaching facility and soon the largest clubhouse on "The Trail." (Photograph courtesy of SunBelt Golf Corporation.)

Revenue Sources

Public employee retirement systems are established by law to pay retirement benefits and to accumulate the resources with which to pay such benefits. The RSA accumulates its resources through collection of member and employer contributions and income earned on investments. Contributions and investment income for fiscal year 1999 totaled \$3.3 billion.

Income from investments continues to be a large share of the total revenue of the Systems. Investment income totaled \$2.7 billion in the 1999 fiscal year representing approximately 82% of the total revenue of the Systems. Employer contributions, which comprised 8% of 1999 RSA revenue sources, increased \$1.65 billion from fiscal year 1998. Member contributions during fiscal year 1999 increased \$21.8 million over the prior fiscal year representing 10% of the total revenues of the Systems.

REVENUE SOURCES (\$ in Millions)

	<u>1998</u>	<u>1999</u>
Member Contributions	\$ 309.8	\$ 331.6
Employer Contributions	520.7	266.3
Investment Income	<u>836.0</u>	<u>2,715.1</u>
	<u>\$1,666.5</u>	<u>\$3,313.0</u>

MEMBER CONTRIBUTIONS (\$ In Millions)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
TRS	\$177.4	\$185.6	\$190.8	\$199.8	\$217.2
ERS	99.7	103.9	104.0	108.5	112.8
JRF	1.6	1.5	1.7	1.5	1.6

EMPLOYER CONTRIBUTIONS (\$ In Millions)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
TRS	\$288.5	\$311.1	\$330.7	\$358.1	\$166.1
ERS	149.2	139.2	145.7	157.2	97.4
JRF	6.9	6.2	5.4	5.4	2.9

EMPLOYER RATE (% Of Covered Payroll)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
TRS	6.31%	9.23%	9.23%	9.66%	4.03%
ERS					
-State Employees	6.99	6.99	6.99	7.56	3.11
-State Police	15.22	15.22	15.17	15.74	6.85
JRF	27.01	23.05	19.71	19.71	9.16

INVESTMENT INCOME (\$ In Millions)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
TRS	\$762.4	\$1,086.7	\$2,313.4	\$564.3	\$1,829.9
ERS	348.1	501.8	1,056.3	254.3	857.4
JRF	10.5	14.7	36.3	17.4	27.8

TOTAL REVENUES BY FUND (\$ In Millions)

	<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
TRS	\$1,228.4	\$1,583.4	\$2,834.9	\$1,122.2	\$2,213.2
ERS	597.0	744.9	1,306.0	520.0	1,067.5
JRF	18.9	22.4	43.4	24.3	32.3

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. Changes in any of these factors can have a direct impact on employer cost rates. The employer rates for fiscal year 2000 are set at 6.38% for TRS, 4.08% for State Employees, 21.19% for JRF, and 9.45% for the State Police. Rates for local agencies participating in the ERS under Section 36-27-6, Code of Alabama 1975, differ for each agency.

Investments



Community Newspaper Holdings, Inc., a \$1.3 billion company, owns over 220 newspapers across the country - more than any other company in the nation. (Courtesy of Community Newspaper Holdings, Inc.)

Asset Allocation

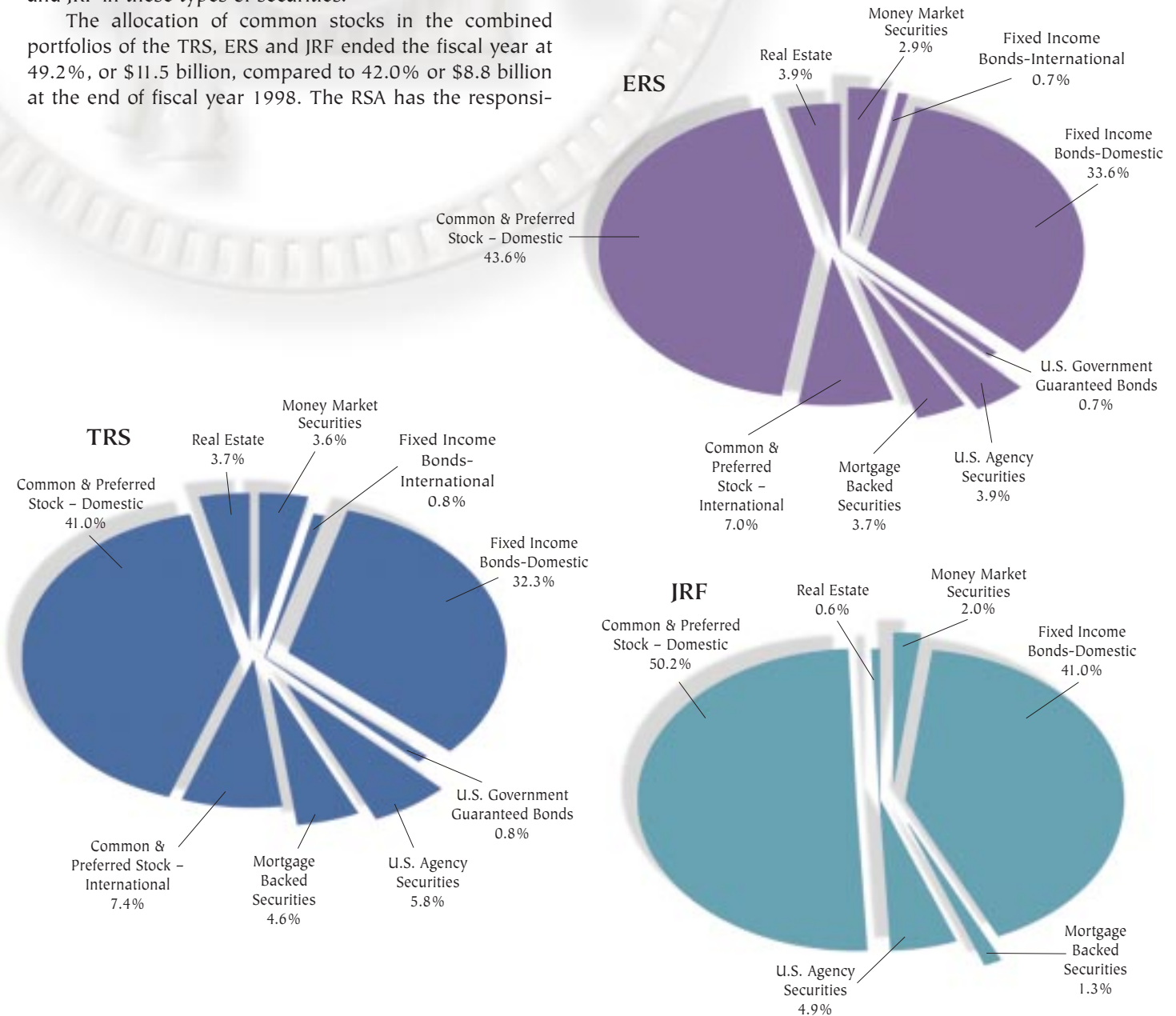
Asset allocation is a strategic long-term decision in the pension investment management process. The RSA is dedicated to preserving the sound financial position it has established over the years through a diversified investment program. The objective of the RSA is to allocate investments in the most effective way that reflects policy standards while maximizing returns.

The largest asset class for the RSA continues to be fixed income securities, which includes corporate bonds, private placements, mortgage backed securities, U.S. government guaranteed securities, real estate and money market instruments. At fiscal year end, the RSA held 50.8%, or \$11.9 billion, of the combined portfolios of the TRS, ERS and JRF in these types of securities.

The allocation of common stocks in the combined portfolios of the TRS, ERS and JRF ended the fiscal year at 49.2%, or \$11.5 billion, compared to 42.0% or \$8.8 billion at the end of fiscal year 1998. The RSA has the responsi-

bility to invest and reinvest available funds, through the Secretary-Treasurer and Investment Committee, in bonds, mortgages, common and preferred stock or 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.

The combined fixed income and equity total returns for fiscal year 1999 were 12.68% for the TRS and 13.02% for the ERS and JRF combined. The five-year annualized return was 13.30% for the TRS and 13.51% for the ERS and JRF combined. The ten-year annualized return was 11.73% for the TRS and 11.81% for the ERS and JRF combined.

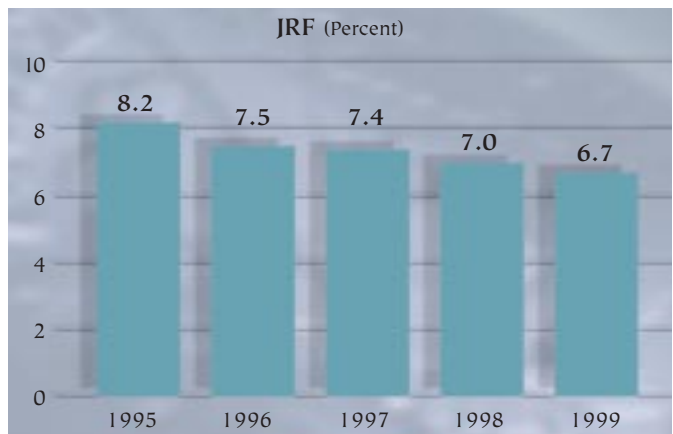
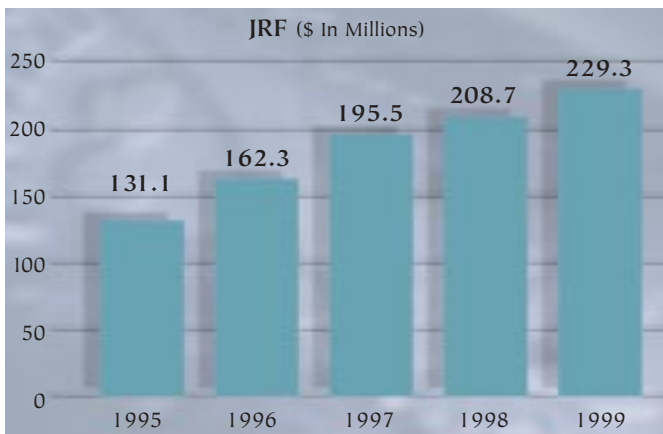
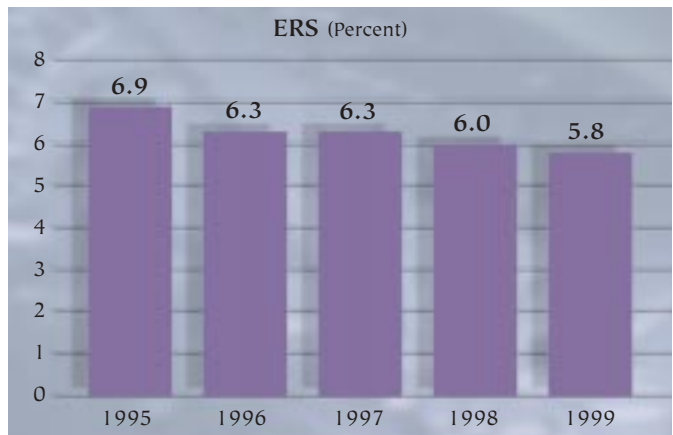
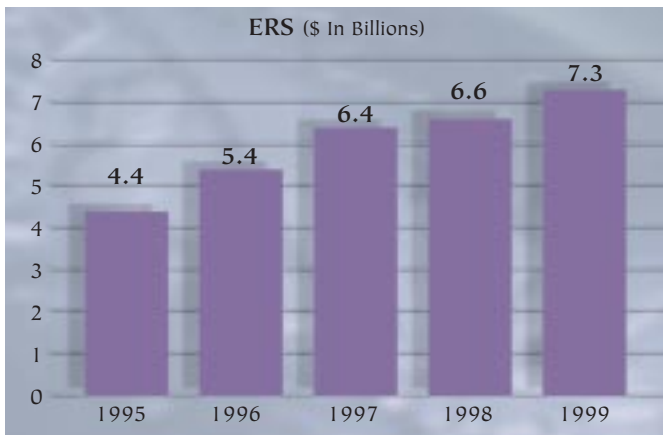
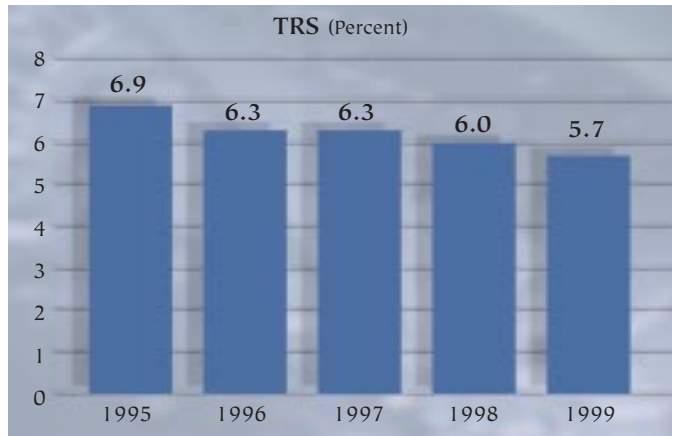
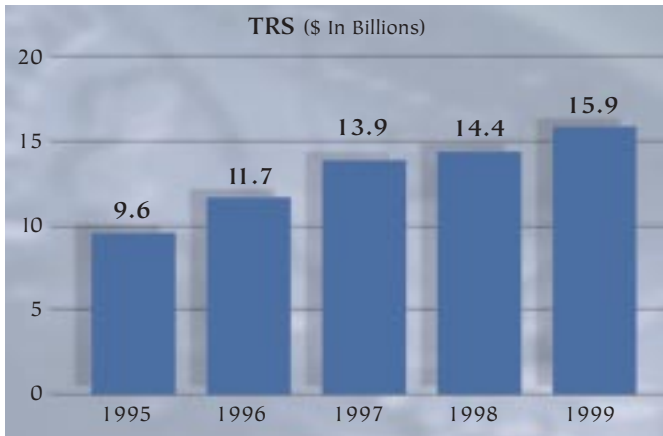


Portfolio Growth

Total assets of the TRS, ERS, and JRF portfolios continued to exhibit strong growth. The combined fair market value of these three portfolios on September 30, 1999, was approximately \$23.4 billion, a 10.4% increase from the balance at year end 1998.

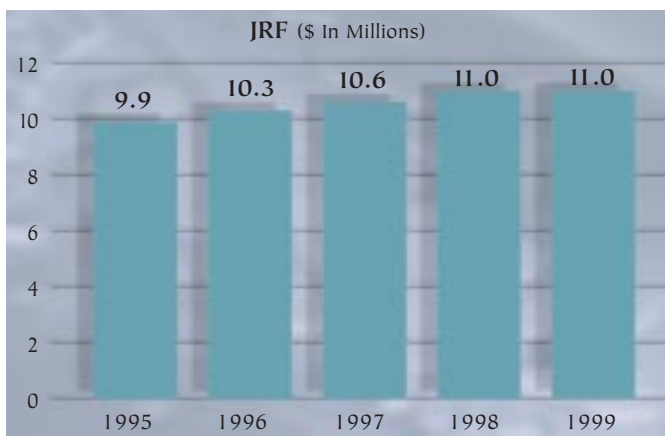
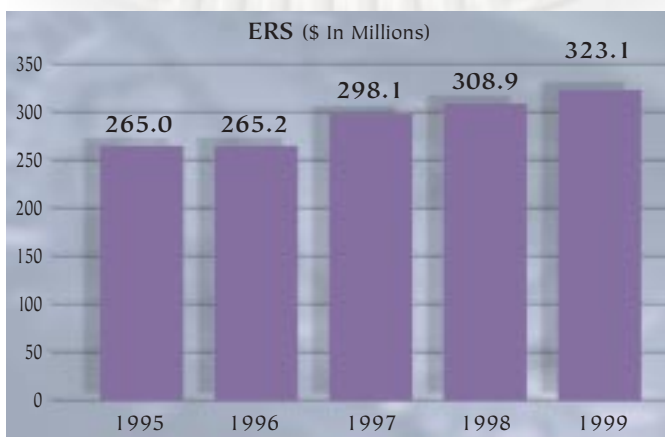
Average Yield

The average combined yield earned on stocks and bonds for 1999 was 5.8%, compared to 6.0% in 1998. For the fiscal year 1999, the average yield has been affected by lower interest rates, bond calls and the increased allocation to stocks.



Interest and Dividend Income

Interest and dividend income grew marginally during 1999 despite the low interest rate environment. Interest and dividend income for the TRS and ERS increased 4.3% and 4.5%, respectively, and remained flat for the JRF. These numbers reflect only income received during the fiscal year and do not include any net appreciation in the market value of the investments.



Fixed Income Activity

During the first half of the 1999 fiscal year, the U.S. bond market spent the majority of its time unwinding the massive rally in Treasury Bonds that occurred in the fall of 1998. At that time, Treasury Bonds were trading at yields lower than any that had ever been seen before. In the spring of 1999, as economies around the world began to recover and liquidity fears subsided, bond investors generally sold their treasury position and bought spread products (corporate bonds, agency bonds and mortgages). The RSA benefited from this trend, as more of its assets are traditionally invested in spread products than in Treasury Bonds. The bond market was stable through the end of the second quarter as benign inflation and moderate growth outweighed worries over a tight labor market. The Fed was able to remain on the sidelines for the first half of the year as early inflationary worries turned out to be unfounded.

The second half of the year started very poorly for the bond market as the Fed raised interest rates by 25 basis points on June 30. This was the first Fed tightening since February 1997 and a foreshadowing of more to come. The Fed raised interest rates by 25 basis points again on August 24 in response to continued strong GDP growth and the strongest NAPM survey in two years. In addition, the Fed kept a tightening bias as Alan Greenspan vowed that the Fed would move "promptly and forcefully" in response to any signs of higher inflation. As expected, the Treasury Bond market reacted very poorly to the hike in interest rates. Conversely, corporate bonds and agency bonds performed better as higher yields and dwindling supplies attracted participants into those market sectors. The net result for the U.S. bond market was a move in Treasury from all-time lows in October 1998 to two-year highs in August 1999. As the end of the 1999 fiscal year approached, the bond market was focusing on two conflicting issues. First, would inflation begin to rise as the U.S. continues to experience economic growth (Treasury market negative)? Second, would investors flock to "safe-haven" Treasury Bonds in an effort to protect themselves from potential Y2K problems as the year 2000 approaches (Treasury market positive)?

During fiscal 1999, 3-month Treasury bill rates ranged from a low of 3.62% to a high of 4.99% and ended the year at 4.85%. The 30-year Treasury Bond rates ranged from a low of 4.72% to a high of 6.28% before closing the year at a 6.05% yield. The slope of the yield curve, as measured by the 2-year Treasury Bond/30-year Treasury Bond spread, flattened from a spread of 73 basis points at the beginning of the year to a spread of 45.5 basis points at the end of the year. This flattening makes intuitive sense, as the slope of the Treasury curve tends to flatten when the Federal Reserve is raising interest rates.

In fiscal 1999, the RSA purchased approximately \$2.8 billion in additional securities for the fixed income portfolio. The average yield on the entire fixed income portfolio at year end was 8.0%. As of September 30, 1999, the RSA's fixed income portfolio had a book value of \$11.6 billion, of which 6.7% is in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were 2.42% for the TRS and 2.45% for the ERS and JRF combined versus (-0.27%) for the Salomon Brothers Broad Investment Grade Index (Salomon BIG). The five-year annualized returns were 8.56% for the TRS and 8.63% for the ERS and JRF combined, comparing favorably to 7.86% for the Salomon BIG Index. The ten-year annualized returns were 9.00% for the TRS and 9.03% for the combined ERS and JRF portfolios versus 8.16% for the Salomon BIG Index.

Coupon Distribution

The primary objective of the RSA bond portfolio is to provide income to the funds and to maximize the income return of the portfolio. The RSA bond portfolio continues to own a significant portion of its assets in securities that provide excellent current income to the funds. These securities have contributed to the RSA's superior performance and helped to provide excellent benefits at a very low cost to the state.

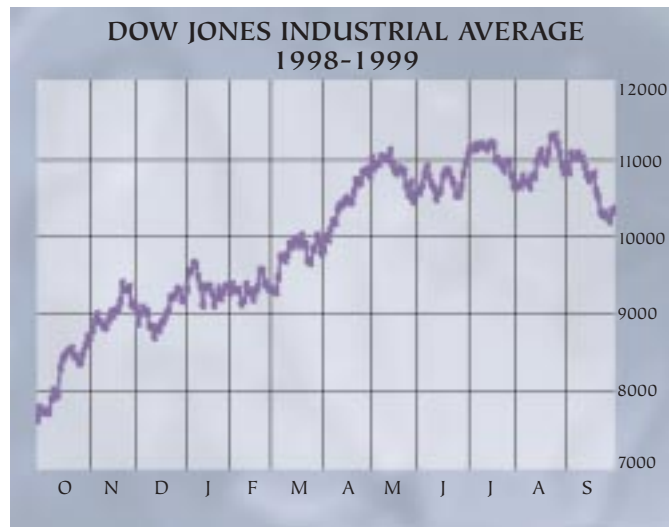
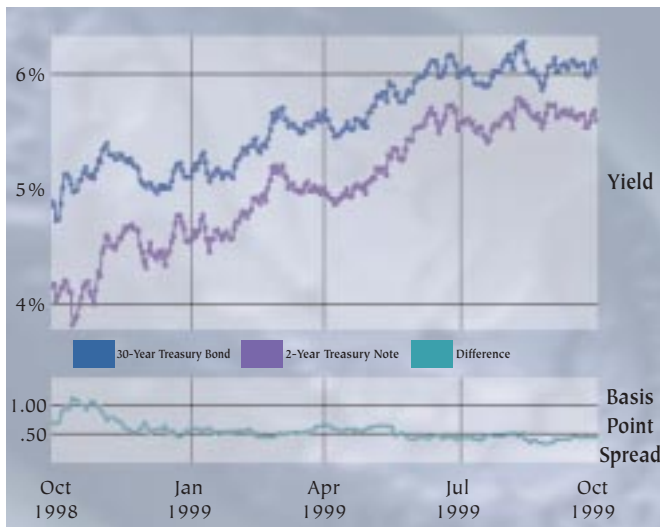
During 1999, the RSA made investments in high-quality corporate issues, private placements and Treasury bills, notes and bonds.

Coupon	TRS (In %)			ERS (In %)		
	1999	1998	1997	1999	1998	1997
0%	3	1	2	3	1	1
> 0 and < 5%	2	0	0	2	0	0
≥ 5 and < 10%	72	68	63	68	64	60
≥ 10%	23	31	35	27	35	39

Maturity Structure

The management of maturities for the bond portfolio is an integral part of the RSA's objective of providing a stable cash flow to meet retirement benefit needs. The RSA has historically structured its purchases in longer-term securities with intermediate call protection or average lives in order to meet its retirement obligations.

Years to Maturity	TRS (In %)			ERS (In %)		
	1999	1998	1997	1999	1998	1997
0 to < 5	18	7	9	13	6	8
5 to < 10	7	7	5	8	5	3
10 to < 15	10	9	8	10	9	9
15 to < 20	34	35	26	39	41	31
20 to < 25	11	7	9	11	8	8
25 to < 30	16	30	39	14	25	35
≥ 30	4	5	4	5	6	6



Quality Evaluation

The RSA continues its long-standing policy of investing in high-quality fixed income products. Bond ratings, however, provide only a starting point in the evaluation of the relative investment qualities of a bond. A thorough credit analysis is undertaken to determine if the investment is suitable for the RSA's portfolio. In addition, any bond that is subsequently downgraded is reviewed to ascertain the potential for further credit erosion.

Rating	TRS (In %)			ERS (In %)		
	1999	1998	1997	1999	1998	1997
Aaa	27	25	31	22	21	27
Aa	6	8	8	6	7	7
A	15	16	21	14	15	20
Baa & Below	19	19	21	20	20	23
Not Rated	33	32	19	38	37	23



The 1999 Investment Staff (Seated left to right: Darren Schulz, Amanda Renfro, Hunter Harrell and John Cunningham. Standing left to right: Marc Green, Nancy Sprayberry, John Givens, Gary Partridge and Lance Lachney. Not pictured: Julie Barranco and Allen Webb.) (Photograph by Paul Robertson, Jr.)

Equity Activity

After last year's market tumult, U.S. equities staged an impressive turnaround, proving that market panics end as quickly as they begin. The restoration came in the form of lower interest rates from the Federal Reserve restoring both liquidity and confidence to the financial markets, and forcing the U.S. central bank to reverse its accommodative stance. The RSA domestic equity portfolios achieved fiscal year returns of 27.8% and 28.0% for the TRS and ERS/JRF Funds, respectively, pacing the S&P 500 benchmark return of 27.8%. Combined with international equity returns, global equity performance posted 28.3% for TRS and 28.4% for ERS/JRF.

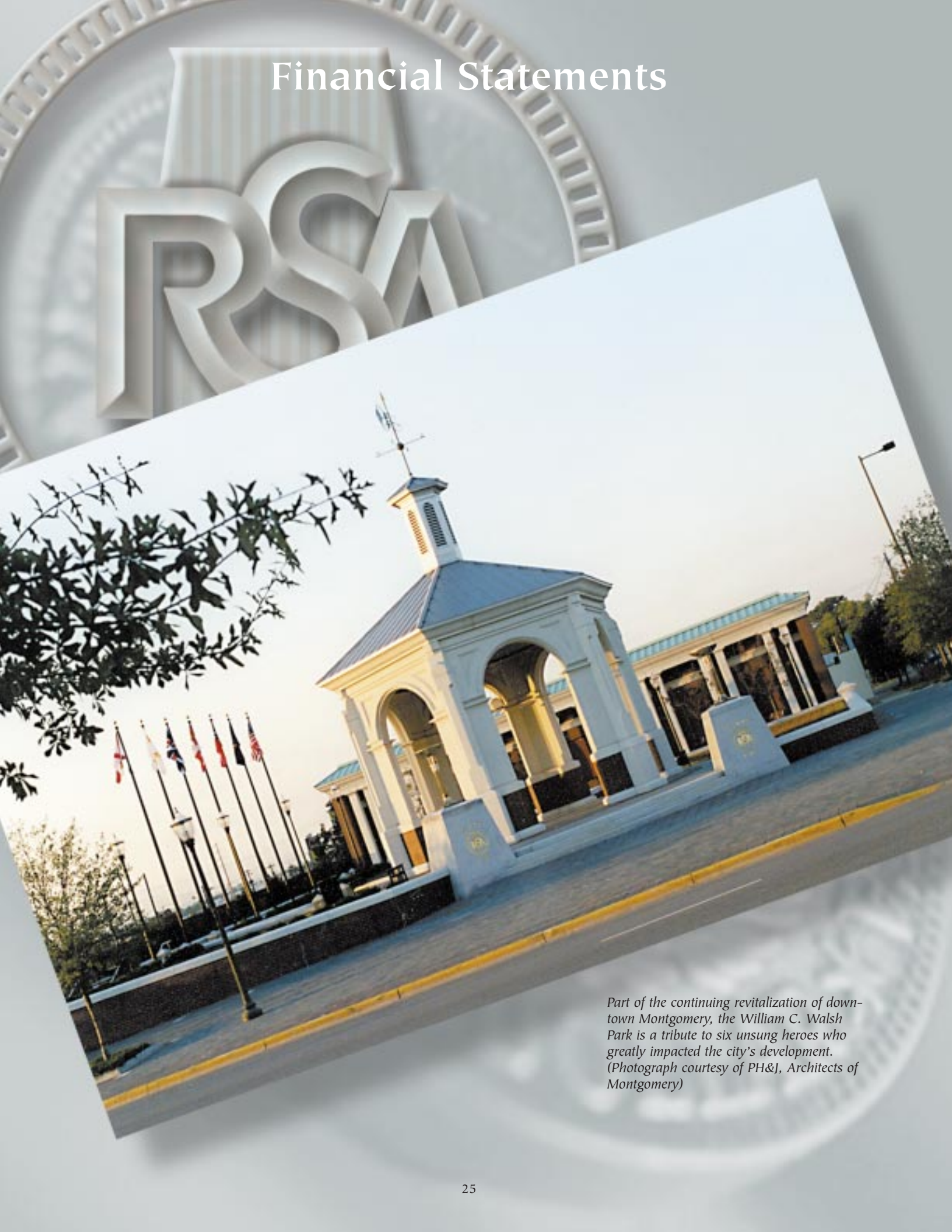
Despite a brief rotation into the long-rejected small cap and value stocks, the market preference for mega-cap growth stocks, especially technology, returned with a vengeance. This preference was evidenced by the relative underperformance of the Russell 2000 and S&P Midcap, which gained 19.1% and 25.5%, respectively.

International equities ended 1999 on a high note, due in part to central bank rate cuts in North America, continental Europe and Japan, which offset the contractionary effects of the temporary market meltdown last fall. Global economic growth recovered faster than most economists anticipated. Japan, the surprising star of the year, emerged from its malaise spurring significant capital inflows into the region. Europe, although lagging the gains of the U.S. and Pacific Basin market, continued to register healthy performance as corporate restructurings and merger activity sparked investor interest.

The resurgence in global economic growth was recognized by stock markets worldwide. The TRS and ERS international equity portfolios garnered healthy returns of 32.0% and 32.3%, respectively, for 1999. This performance compared favorably to its benchmark, the Morgan Stanley Capital International's Europe-Australasia-Far East (EAFE) Index, which saw a 30.9% annualized total return. Outperformance by both funds can be attributed to an emphasis on Japan in the early part of 1999.

On September 30, 1999, the total book value of equity assets for the TRS was \$5.28 billion, representing 40.9% of total assets. Comprising 39.0% of total assets, the ERS/JRF book value amounted to \$2.47 billion. Market values of the TRS and ERS/JRF portfolios totaled \$7.45 billion and \$3.55 billion, representing 47.1% and 47.4% of total assets, respectively. Three, five and ten-year annualized returns were 18.6%, 20.2% and 14.2%, respectively, for the TRS and ERS/JRF Funds.

Financial Statements



Part of the continuing revitalization of downtown Montgomery, the William C. Walsh Park is a tribute to six unsung heroes who greatly impacted the city's development. (Photograph courtesy of PH&J, Architects of Montgomery)

Teachers' Retirement System of Alabama

STATEMENT OF PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

Assets	1999	(In Thousands)	1998
Cash (restricted to payment of administrative expenses)	\$ 12,674		9,663
Receivables			
Employer and employee contributions	31,781		47,065
Dividends and interest	199,945		151,785
Total receivables	<u>231,726</u>		<u>198,850</u>
Investments, at fair value	15,859,126		14,400,090
Securities lending collateral	488,308		—
Property and equipment, less accumulated depreciation	<u>3,624</u>		<u>4,043</u>
Total assets	<u>16,595,458</u>		<u>14,612,646</u>
Liabilities			
Accounts payable and other liabilities	1,984		1,521
Securities lending collateral	<u>488,308</u>		<u>—</u>
Total liabilities	<u>490,292</u>		<u>1,521</u>
Net assets held in trust for pension benefits	<u>\$ 16,105,166</u>		<u>14,611,125</u>

Separately issued, audited financial statements are available upon request.

Teachers' Retirement System of Alabama

STATEMENT OF CHANGES IN PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

	1999	(In Thousands)	1998
Additions			
Contributions			
Employee	\$ 215,531		198,025
Employer	166,100		358,088
Transfers from Employees' Retirement System	1,674		1,755
Total contributions	<u>383,305</u>		<u>557,868</u>
Investment income			
<i>From investing activities</i>			
Net appreciation (depreciation) in fair value of investments	1,130,761		(107,404)
Interest and dividends	702,131		673,445
Total investment income from investing activity	1,832,892		566,041
Less: Investment expense	3,038		2,806
Net investment income from investing activities	<u>1,829,854</u>		<u>563,235</u>
<i>From securities lending activities</i>			
Securities lending income	377		14,251
Securities lending expenses			
Borrower rebates	338		12,662
Management fees	10		493
Total securities lending expenses	<u>348</u>		<u>13,155</u>
Net income from securities lending activities	<u>29</u>		<u>1,096</u>
Total investment income	<u>1,829,883</u>		<u>564,331</u>
Total additions	<u>2,213,188</u>		<u>1,122,199</u>
Deductions			
Retirement allowance payments	678,740		576,463
Return of contributions and death benefits			
Resignation and other	22,757		23,465
Death before retirement	8,550		9,171
Transfer to Employees' Retirement System	1,781		1,116
Transfer to Judicial Retirement Fund	19		—
Administrative expense	6,563		7,076
Debt service interest	—		66
Depreciation	737		481
Total deductions	<u>719,147</u>		<u>617,838</u>
Net increase	1,494,041		504,361
Net assets held in trust for pension benefits			
Beginning of year	14,611,125		14,106,764
End of year	<u>\$ 16,105,166</u>		<u>14,611,125</u>

Separately issued, audited financial statements are available upon request.

Employees' Retirement System of Alabama

STATEMENT OF PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

Assets	1999	(In Thousands)	1998
Cash (restricted to payment of administrative expenses)	\$ 3,186		3,091
Receivables			
Employer and employee contributions	15,666		18,031
Dividends and interest	94,223		<u>71,567</u>
Total receivables	<u>109,889</u>		<u>89,598</u>
Investments, at fair value	7,288,979		6,603,734
Securities lending collateral	460,339		—
Property and equipment, less accumulated depreciation	<u>2,718</u>		<u>2,937</u>
Total assets	<u>7,865,111</u>		<u>6,699,360</u>
Liabilities			
Accounts payable and other liabilities	1,242		1,019
Securities lending collateral	<u>460,339</u>		<u>—</u>
Total liabilities	<u>461,581</u>		<u>1,019</u>
Net assets held in trust for pension benefits	<u>\$ 7,403,530</u>		<u>6,698,341</u>

Separately issued, audited financial statements are available upon request.

Employees' Retirement System of Alabama

STATEMENT OF CHANGES IN PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

	1999	(In Thousands)	1998
Additions			
Contributions			
Employee	\$ 110,998		107,216
Employer	97,373		157,246
Transfers from Teachers' Retirement System	1,781		1,116
Transfers from Judicial Retirement Fund	—		145
Total contributions	<u>210,152</u>		<u>265,723</u>
Investment income			
<i>From investing activities</i>			
Net appreciation (depreciation) in fair value of investments	535,674		(53,662)
Interest and dividends	323,062		308,932
Total investment income from investing activity	<u>858,736</u>		<u>255,270</u>
Less: Investment expense	1,367		1,432
Net investment income from investing activities	<u>857,369</u>		<u>253,838</u>
<i>From securities lending activities</i>			
Securities lending income	151		6,780
Securities lending expenses			
Borrower rebates	139		6,067
Management fees	3		221
Total securities lending expenses	<u>142</u>		<u>6,288</u>
Net income from securities lending activities	<u>9</u>		<u>492</u>
Total investment income	<u>857,378</u>		<u>254,330</u>
Total additions	<u>1,067,530</u>		<u>520,053</u>
Deductions			
Retirement allowance payments	330,231		270,469
Return of contributions and death benefits			
Resignation and other	19,096		20,779
Death before retirement	6,195		5,252
Transfer to Teachers' Retirement System	1,674		1,755
Transfer to Judicial Retirement Fund	—		2
Administrative expense	4,812		4,855
Debt service interest	—		66
Depreciation	333		285
Total deductions	<u>362,341</u>		<u>303,463</u>
Net increase	705,189		216,590
Net assets held in trust for pension benefits			
Beginning of year	6,698,341		6,481,751
End of year	<u>\$ 7,403,530</u>		<u>6,698,341</u>

Separately issued, audited financial statements are available upon request.

Judicial Retirement Fund

STATEMENT OF PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

	1999	(In Thousands)	1998
Assets			
Cash (restricted to payment of administrative expenses)	\$ 867		645
Receivables			
Employer and employee contributions	184		260
Dividends and interest	<u>2,626</u>		<u>2,520</u>
Total receivables	<u>2,810</u>		<u>2,780</u>
Investments, at fair value	<u>229,265</u>		<u>208,720</u>
Total assets	<u>232,942</u>		<u>212,145</u>
Liabilities			
Accounts payable and other liabilities	<u>75</u>		<u>65</u>
Total liabilities	<u>75</u>		<u>65</u>
Net assets held in trust for pension benefits	\$ <u>232,867</u>		<u>212,080</u>

Separately issued, audited financial statements are available upon request.

Judicial Retirement Fund

STATEMENT OF CHANGES IN PLAN NET ASSETS

September 30, 1999, with comparative figures for 1998

	1999	(In Thousands)	1998
Additions			
Contributions			
Employee	\$ 1,575		1,465
Employer	2,870		5,417
Transfers from Teachers' Retirement System	19		—
Transfers from Employees' Retirement System	—		2
Total contributions	<u>4,464</u>		<u>6,884</u>
Investment income			
Net appreciation (depreciation) in fair value of investments	16,856		6,402
Interest and dividends	10,968		10,995
Total investment income	<u>27,824</u>		<u>17,397</u>
Less: Investment expense	24		19
Net investment income	<u>27,800</u>		<u>17,378</u>
Total additions	<u>32,264</u>		<u>24,262</u>
Deductions			
Retirement allowance payments	11,150		10,035
Return of contributions			
Resignation and other	101		155
Transfers to Employees' Retirement System	—		145
Administrative expense	<u>226</u>		<u>245</u>
Total deductions	<u>11,477</u>		<u>10,580</u>
Net increase	20,787		13,682
Net assets held in trust for pension benefits			
Beginning of year	212,080		198,398
End of year	<u>\$ 232,867</u>		<u>212,080</u>

Separately issued, audited financial statements are available upon request.

Commissions Paid Report

	Fiscal Year 1999		
	Volume of Business Private Placements, Agencies	Commissions Stock Transactions	Commission Bond Transactions
AmSouth Bank Escrow	\$ 15mm		
Bear Stearns & Co.	237mm	\$ 88,050	\$ 331,250
Bradford, J. C. & Co., Inc.	15mm	28,092	128,750
Centennial Capital		11,192	
Chapman		12,392	
Community Newspaper Holdings, Inc.	596mm		
Concord Equity		3,568	
Credit Suisse First Boston Corp.	184mm	212,933	67,223
Donaldson, Lufkin & Jenrette	102mm	232,099	
Edwards, A. G. & Sons	5mm	11,506	36,875
Farrior Co.	1mm		
Gardner Rich	10mm	20,142	41,875
Glennon Associates	10mm		20,000
Goldman Sachs & Co.	760mm		645,633
International Strategy & Investment	321mm	4,000	
Interstate Securities	124mm	20,500	91,250
IPSCO	100mm		
J. P. Morgan	336mm		208,585
J. Roe Burton & Co.	5mm	8,536	16,875
Lazard Freres	482mm		201,400
Lehman Brothers	247mm	196,314	286,950
McDonald & Co.	1,757mm	2,500	155,150
Merrill Lynch, Pierce, Fenner & Smith, Inc.	616mm	193,565	895,700
Morgan Keegan	5mm	12,321	36,875
Morgan Stanley Dean Witter	50mm	299,432	152,500
Morgan Stanley International Trust		37,223	
NBC Securities	10mm	19,242	102,275
Oppenheimer Co., Inc.		166,087	
Paine, Webber, Mitchell Hutchins, Inc.		81,415	
Parsons & Whittemore	14mm		
Prudential Bache	5mm	107,703	10,000
Quick & Reilly		8,061	
Raycom Media	148mm		
Robert Thomas	5mm	5,000	10,000
Robinson-Humphrey/American Express		14,892	6,875
Salomon Smith Barney		282,439	
S. C. Bernstein		204,216	
Securities Capital	5mm	11,642	10,000
Southwest		3,750	
Sterne, Agee & Leach, Inc.	5mm	6,136	16,875
Warburg Dillon Reed	91mm		196,125
Wheat First		8,750	26,875
TOTAL	\$ <u>6,261mm</u>	\$ <u>2,313,698</u>	\$ <u>3,695,916</u>

