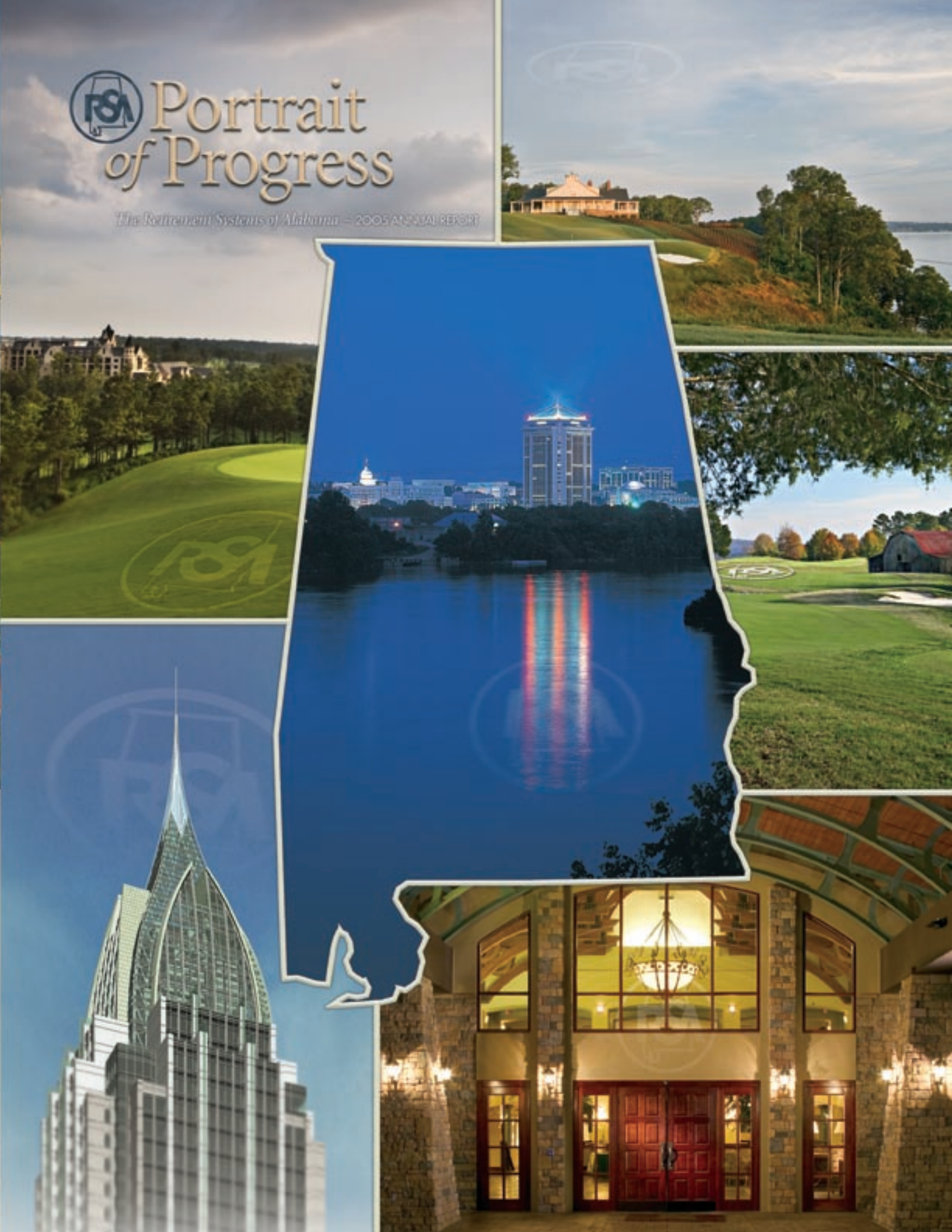




Portrait of Progress

The Retirement Systems of Alabama - 2005 ANNUAL REPORT





The Retirement Systems of Alabama
2005 ANNUAL REPORT



Portrait of Progress

The Boards of Control and the RSA staff are pleased to present the 30th Annual Report of the Retirement Systems of Alabama (RSA) for the fiscal year ended September 30, 2005.

The RSA currently manages 20 funds with aggregate assets of approximately \$29.1 billion. During fiscal year 2005, the annualized return for the fixed income portfolio and equity portfolio combined was 11.26% for the Teachers' Retirement System (TRS), 10.98% for the Employees' Retirement System (ERS), and 9.91% for the Judicial Retirement Fund (JRF), which had the highest equity weighting. TRS assets total \$18.0 billion, while ERS assets total \$8.4 billion, and JRF assets total \$231.9 million. The TRS and ERS plans remain strong and adequately funded at 89.6% and 89.7% per 2004 actuarial reports.

During the fiscal year, RSA's holdings in the media sector grew once again. Community Newspaper Holdings, Inc. (CNHI), one of the nation's largest newspaper companies by number of papers, expanded during the year by purchasing the Eagle-Tribune Publishing Company. With this acquisition,

CNHI now owns and operates 142 newspapers in 22 states.

Raycom Media also expanded its broadcast holdings by purchasing 15 stations from Liberty Corporation. Raycom

is concurrently planning to sell 12 stations to more effectively focus on and strengthen its core group of television stations in the Southeast and Midwest.

Real estate continued to be an active area for the RSA during the fiscal year. In Mobile, construction continues on the RSA Battle House Hotel and Tower. When

completed in 2006, the 35-story office tower will be the tallest building in the state of Alabama. The Renaissance Ross Bridge Resort and Spa and the four-star The Marriott Shoals Hotel and Spa on the Robert Tent Jones Golf Trail were completed and are now open for business. A partnership between the city of Montgomery and the RSA will continue the revitalization of downtown Montgomery with a project that includes a 12-story, 347-room hotel, spa and performing arts theater; the Montgomery Civic Center will be expanded and a 600-car parking deck will be built as well. Finally, the RSA continued improvement of its top performing investment, 55 Water Street, with the addition of the "Elevated Acre Park", which the *New York Times* labeled a "must see" and a vast improvement to Lower Manhattan.

Finally, on the heels of the RSA's successful settlement with advisors in the suit involving WorldCom, the RSA has also successfully settled its case against the advisors of Enron Corporation. The \$49 million settlement represents approximately 89% of the amount it was suing to collect. Like the WorldCom settlement, this recovery is considered very high for a legal settlement related to stocks and bonds of a bankrupt company; normal settlements in such litigation are usually only five to ten cents on the dollar. The RSA has and will continue to be committed to preserving the integrity of the financial markets.

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



David G. Bronner
CHIEF EXECUTIVE OFFICER

■ 55 WATER STREET / LOWER MANHATTAN, NY
The Beacon of Progress for Lower Manhattan at 55 Water's Elevated Acre Park, a highly visible addition to the RSA's top performing investment.

© 2006 Richard W. Molinaro



Birmingham / Hoover



■ ROBERT TRENT JONES GOLF TRAIL / OXMOOR VALLEY, Birmingham • VALLEY COURSE, 16th Hole
■ RENAISSANCE ROSS BRIDGE GOLF RESORT and SPA / Hoover • Opened in August 2005.
© 2005 Michael Clemmer



*Nothing great was ever achieved
without enthusiasm.*

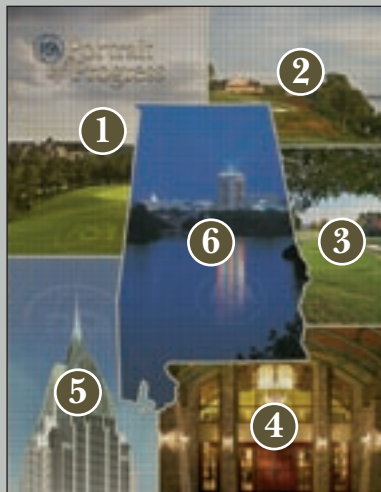
Ralph Waldo Emerson

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ON THE COVERS:

- 1 ROSS BRIDGE, Hoover
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- 2 THE SHOALS, Muscle Shoals
© MICHAEL CLEMMER
- 3 HAMPTON COVE, Huntsville
© MICHAEL CLEMMER
- 4 GRAND NATIONAL, Auburn / Opelika
- 5 RSA BATTLE HOUSE HOTEL & TOWER, Mobile
- 6 RSA TOWER, Montgomery
© MARK WRIGHT PHOTOGRAPHY
- 7 OXMOOR VALLEY, Birmingham
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- 8 SILVER LAKES, Anniston / Gadsden
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- 9 HIGHLAND OAKS, Dothan
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- 10 CAMBRIAN RIDGE, Greenville
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- 11 CAPITOL HILL, Prattville
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■ MARRIOTT SHOALS HOTEL AND SPA / THE SHOALS, Florence, opened in June 2005 • LOBBY

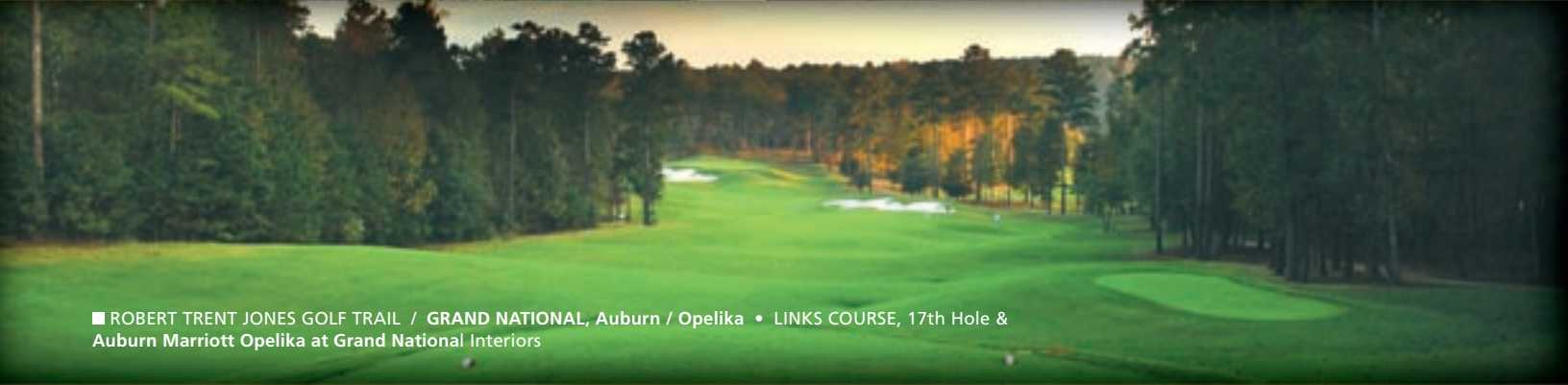
PORTRAIT *of the* RSA

The RSA will continue its investment philosophy: **“The stronger the Retirement Systems of Alabama can make Alabama, the stronger the Retirement Systems of Alabama will be.”** ●



*Leaders should
be inspirational,
motivational, and
passionate.*

Anonymous



■ ROBERT TRENT JONES GOLF TRAIL / GRAND NATIONAL, Auburn / Opelika • LINKS COURSE, 17th Hole & Auburn Marriott Opelika at Grand National Interiors





■ MONTGOMERY MARRIOTT PRATTVILLE HOTEL AND CONFERENCE CENTER at CAPITOL HILL / Prattville • Cottage Suite



Prattville



Auburn / Opelika



Greenville

RSA PROGRESS

By investing in Alabama, the RSA is setting in motion the foundation for a strong and vibrant state that will continue to grow and strengthen for future generations. ●



■ ROBERT TRENT JONES GOLF TRAIL / CAMBRIAN RIDGE, Greenville • SHORT COURSE
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2005 TEACHERS' RETIREMENT SYSTEM BOARD OF CONTROL

Dr. J. Terry Jenkins
SUPERINTENDENT POSITION

Mr. Clyde Goode
PRINCIPAL POSITION

Dr. Joseph Morton
STATE SUPERINTENDENT
OF EDUCATION; EX OFFICIO

Mr. Russell J. Twilley
SUPPORT PERSONNEL POSITION

VICE CHAIRMAN
Mrs. Sarah S. Swindle
RETIRED POSITION

Mrs. Peggy K. Lamb
TEACHER POSITION

Mr. Jim Main
STATE FINANCE DIRECTOR
EX OFFICIO

Mrs. Judy Bell
TEACHER POSITION

Ms. Judy Rigdon
TEACHER POSITION

CHAIRMAN
Dr. Paul R. Hubbert
EXECUTIVE SECRETARY
AEA; EX OFFICIO

Dr. Susan Williams Brown
POSTSECONDARY POSITION

Mrs. Sallie Cook
RETIRED POSITION

Mrs. Sharon P. Saxon
SUPPORT PERSONNEL POSITION

■ ROBERT TRENT JONES GOLF TRAIL / CAPITOL HILL, Prattville • LEGISLATOR COURSE, 3rd Hole
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RSA Headquarters • Montgomery Skyline

The RSA's presence continues to grow in the Capital city, with construction under way on a 12-story hotel with spa and performing arts center and the new RSA Headquarters building. ●



■ SERVE ON BOTH
THE TRS and ERS
BOARDS OF CONTROL

2005 EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL

Hon. Kay Ivey
STATE TREASURER
EX OFFICIO

Mr. Robert H. Pruitt
GOVERNOR APPOINTEE

Mr. Clyde A. Sellers
RETIRED LOCAL EMPLOYEE

Ms. Alice Thornton
ACTIVE STATE EMPLOYEE

VICE CHAIRMAN

Mr. John H. Wilkerson, Jr.
GOVERNOR APPOINTEE

Mr. Stephen C. Walkley
ACTIVE STATE EMPLOYEE

Mr. Robert S. Miller
GOVERNOR APPOINTEE

CHAIRMAN

Hon. Bob Riley
GOVERNOR
EX OFFICIO

Hon. Thomas G. Flowers
STATE PERSONNEL DIRECTOR
EX OFFICIO

Mrs. Ann Gant
ACTIVE LOCAL EMPLOYEE

Ms. Mary Lou Foster
RETIRED STATE EMPLOYEE

Mr. Ronald Matthews
ACTIVE LOCAL EMPLOYEE

■ RSA BOARD and STAFF PHOTOGRAPHY
© 2005 Tim L. Phillips, CCP

THE RETIREMENT SYSTEMS OF ALABAMA

2005 STAFF, ADVISORS, and MEDICAL BOARD

CHIEF EXECUTIVE OFFICER
David G. Bronner, Ph.D., J.D.

DEPUTY DIRECTOR
Marcus H. Reynolds, Jr., J.D.

ADMINISTRATIVE STAFF

CHIEF ACCOUNTANT
AND FISCAL OFFICER
Norman D. Turnipseed
M.B.A., C.P.A.

DIRECTOR OF INFORMATION
TECHNOLOGY SERVICES
Peggi L. Douglass
M.B.A.

DIRECTOR OF COMMUNICATIONS
Michael E. Pegues
M.A.

GENERAL COUNSEL
William T. Stephens
J.D.

GENERAL COUNSEL
William F. Kelley, Jr.
J.D.

LEGISLATIVE COUNSEL
Lindy J. Beale
J.D.

TEACHERS' RETIREMENT EXECUTIVE
Donald L. Yancey
M.P.A., J.D.

EMPLOYEES' & JUDICIAL
RETIREMENT EXECUTIVE
R. Donald Nelson
M.S.

DIRECTOR OF PUBLIC EDUCATION
EMPLOYEES' HEALTH INSURANCE PLAN
Lee M. Hayes
M.B.A.

DIRECTOR OF RSA-I
Teresa B. Pettus
B.S.

ADVISORS

CERTIFIED PUBLIC ACCOUNTANTS
KPMG

AMSOUTH BANK, N.A.
Mr. Brian Sullivan

CAVANAUGH MACDONALD
CONSULTING, LLC
Mr. Edward A. Macdonald

ATTORNEY GENERAL
Hon. Troy King

CHIEF EXAMINER
Mr. Ronald L. Jones

MEDICAL BOARD

Malcolm Brown, M.D. Glenn Yates, M.D.
CHAIRMAN
Neil Stronach, M.D.



Mobile



Point
Clear

■ RSA BATTLE HOUSE HOTEL AND TOWER, Mobile, to open in 2006

■ GRAND HOTEL MARRIOTT RESORT, GOLF CLUB AND SPA, Point Clear





Legal

As RSA's investments continue to grow and diversify so does RSA's legal work, with securities litigation and airline issues dominating the year for the legal staff.

To protect RSA's assets and the integrity of the market place, the RSA has continued to actively pursue the perpetrators, aiders and abettors of securities fraud. The RSA opted out of the federal class action lawsuits relating to the Enron and WorldCom scandals and instead brought our own lawsuits in state court in Alabama, successfully recouping approximately 90% of our losses on those securities. The RSA is currently lead plaintiff in national class action securities fraud cases in federal court relating to HealthSouth and ICG Communications and is aggressively pursuing recoveries for all defrauded investors in those securities.

The legal staff continued to be involved in issues relating to US Airways, including bankruptcy proceedings and the restructuring of the airline and RSA's investment in the airline. Efforts relating to RSA's other aviation interests included the disposition of aircraft which reverted to the RSA from US Airways and United Airlines.

Several of RSA's other investments, particularly its developments in Mobile, Hoover, Montgomery, and the Shoals, have created a myriad of legal issues and challenges, including some litigation. In addition, the legal staff has continued to successfully address legal issues which arise on RSA's mature investment development projects and issues relating to potential development projects.

While the RSA again won significant court decisions in benefits litigation in state courts, perhaps the most important function of the

■ GRAND HOTEL MARRIOTT RESORT, GOLF CLUB AND SPA, Point Clear

legal staff is advising the various RSA divisions on compliance with state and federal laws and regulations. This helps avoid unnecessary litigation and ensures that our members get the benefits to which they are entitled while protecting against fraud and abuse. During the past year, the RSA legal staff has provided advice and guidance on numerous issues in the areas of benefits, administration, taxation, real estate, contracts, privacy rights, personnel, etc. ●

Legislation

There were two legislative sessions in 2005: the Regular Legislative Session, which ended in May, and a six legislative day Special Session, held in July. A majority of the Regular Session was consumed with extended filibusters in the Senate and very little was accomplished overall. The Education Trust Fund Budget did receive final passage on the last day of the Regular Session when the Legislature was successful in an "override" of the Governor's veto. The General Fund Budget passed in the Special Session. Both the Teachers' Retirement System (TRS) and the Employees' Retirement System (ERS) were funded at their actuarial recommended rates. Likewise, PEEHIP was funded at the requested rate.

Pursuant to legislation passed in both sessions, active teachers and support personnel and state employees received a six percent Cost-of-Living Adjustment (COLA). Further, TRS and ERS retirees who retired prior to October 1, 2004, received a four percent COLA (Act 2005-174 and Act 2005-316). One constitutional amendment was passed that, if approved by the voters, would allow elected officials, including sheriffs in Geneva County, to join the ERS (Act 2005-171).

The RSA members fared well in both sessions. No legislation was passed that will have any detrimental impact on our members as concerns retirement or health care benefits. In fact, legislation was passed indicating intent to grant both TRS and ERS retirees another two percent COLA during the 2006 Regular Session. ●

■ CARNIVAL'S HOLIDAY / ALABAMA CRUISE TERMINAL, Mobile



Communications

In an effort to better inform and improve overall access to benefit information, fiscal year 2005 continued to be active for the RSA's Communications Division. The highlights show a wide array of avenues the RSA used to communicate with members, agencies and the general public. ●

- The RSA Web site continues to provide RSA members with valuable information regarding their retirement benefits.
- Retirement Preparation Seminars continued to be a great success with 823 members attending 14 ERS seminars and 1,257 attending 21 TRS / PEEHIP seminars.
- Individual Counseling Sessions were conducted around the state with 31 ERS counseling days for 360 members and 95 TRS counseling days for 1,308 members.
- Securing a Better Tomorrow with RSA-1. RSA-1 Deferred Compensation Plan was presented at 35 Retirement Preparation Seminars to 2,080 members and 83 presentations to a total of 4,640 members.
- RSA publications continue to be updated to educate its members on their retirement and health care benefits.



■ ROBERT TRENT JONES GOLF TRAIL / HAMPTON COVE, Huntsville • SHORT COURSE, 1st Hole
© 2005 Michael Clemmer



■ **Raycom Media and Community Newspaper Holdings, Inc.** are located in Alabama. Raycom owns 37 TV stations in 20 states. CNHI publishes 91 daily and 51 non-daily newspapers across the U.S.



cnhi

- CNHI Weeklies
- CNHI Dailies



■ **Raycom Media** has agreed to purchase 15 network affiliates stations from Liberty Corporation by January 31, 2005.

■ **Raycom Media** Headquarters, Montgomery, Alabama / **Broadview Media** Headquarters, Montgomery, Alabama / **Raycom Sports**, Charlotte, North Carolina, Mobile, Alabama, & Sacramento, California / **Raycom Post Production**, Burbank, California.

* To be sold to strengthen markets in Southeast and Midwest.

■ ROBERT TRENT JONES GOLF TRAIL / SILVER LAKES, Anniston / Gadsden • SHORT COURSE, 8th Hole
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RETIREMENT SYSTEMS OF ALABAMA

TEACHERS' RETIREMENT SYSTEM EMPLOYEES' RETIREMENT SYSTEM JUDICIAL RETIREMENT FUND

MEMBERSHIP ACTIVITY for 2005

	TRS	ERS	JRF
NEW MEMBERS	14,699	11,444	21
WITHDRAWN MEMBERS	7,015	7,069	2
SERVICE RETIREMENTS	4,426	2,436	11
DISABILITY RETIREMENTS	346	318	0
SURVIVING SPOUSES	4	8	0
NEW BENEFICIARIES	241	183	8

TOTAL MEMBERSHIP for 2005 (AS OF SEPTEMBER 30, 2005)

	TRS	ERS	JRF	Total
ACTIVE	124,142	74,550	268	198,960
RETIRED	64,554	33,490	273	98,317
TOTAL	188,696	108,040	541	297,277

FUNDS UNDER MANAGEMENT (AS OF SEPTEMBER 30, 2005; \$ in Thousands)

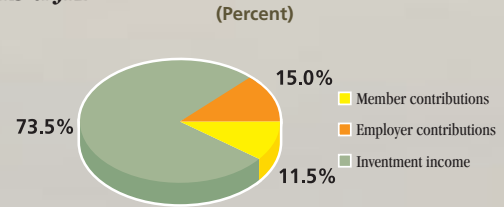
	Total Assets (1)
TEACHERS' RETIREMENT SYSTEM	\$ 17,986,740
EMPLOYEES' RETIREMENT SYSTEM	8,377,090
JUDICIAL RETIREMENT FUND	231,910
ALABAMA CULTURAL RESOURCES PRESERVATION TRUST FUNDS	7,277
ALABAMA EDUCATION FOUNDATION FOR K THROUGH 12	579
DIVISION OF WILDLIFE AND FRESHWATER FISHERIES	11,263
ALABAMA NONGAME WILDLIFE ENDOWMENT TRUST	14
ALABAMA UNDERGROUND & ABOVEGROUND STORAGE TANK TRUST FUNDS	6,004
CLERKS' & REGISTERS' SUPERNUMERARY FUND	7,165
ALABAMA SENIOR SERVICES TRUST FUND	9,995
ALABAMA STATE EMPLOYEES' HEALTH INSURANCE FUND	103,504
LOCAL GOVERNMENT HEALTH INSURANCE FUND	34,813
PEIRAF - DEFERRED COMPENSATION PLAN (RSA - 1)	870,164
PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN	136,477
PUBLIC EMPLOYEES' INDIVIDUAL RETIREMENT ACCOUNT FUND	76,689
ALABAMA MARINE RESOURCES ENDOWMENT TRUST FUND	274
ALABAMA TRUST FUND	1,102,718
CHARLOTTE THORN TRUST FUND	6,130
ALABAMA TREASURY FUND	149,592
STATE DOCKS PENSION PLANS	7,014
TOTAL ASSETS UNDER MANAGEMENT	\$ 29,125,412

(1): INCLUDES INVESTMENTS AT FAIR VALUE, CASH, BUILDINGS NET OF DEPRECIATION, AND LAND.



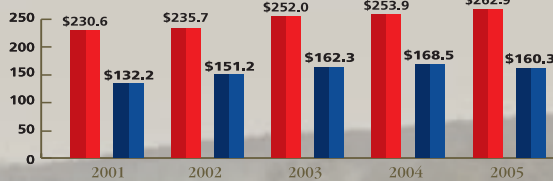
REVENUE SOURCES for TRS, ERS & JRF

	2004	2005
MEMBER CONTRIBUTIONS	\$ 424.8	425.5
EMPLOYER CONTRIBUTIONS	492.2	552.7
INVESTMENT INCOME	2,382.1	2,706.8
TOTAL	\$ 3,299.1	3,685.0



5-YEAR HIGHLIGHTS

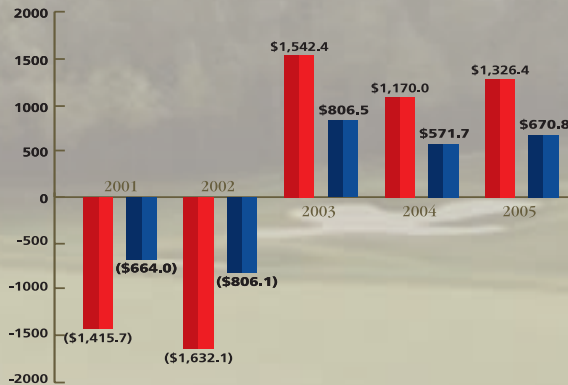
MEMBER CONTRIBUTIONS
(\$ In Millions)



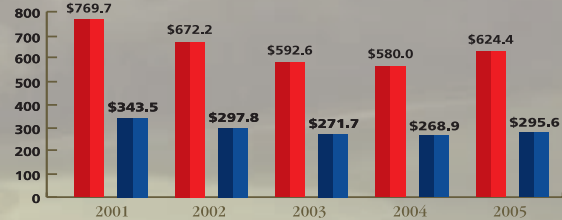
EMPLOYER CONTRIBUTIONS
(\$ In Millions)



INCREASE / (DECREASE) in INVESTMENTS
(\$ In Millions)



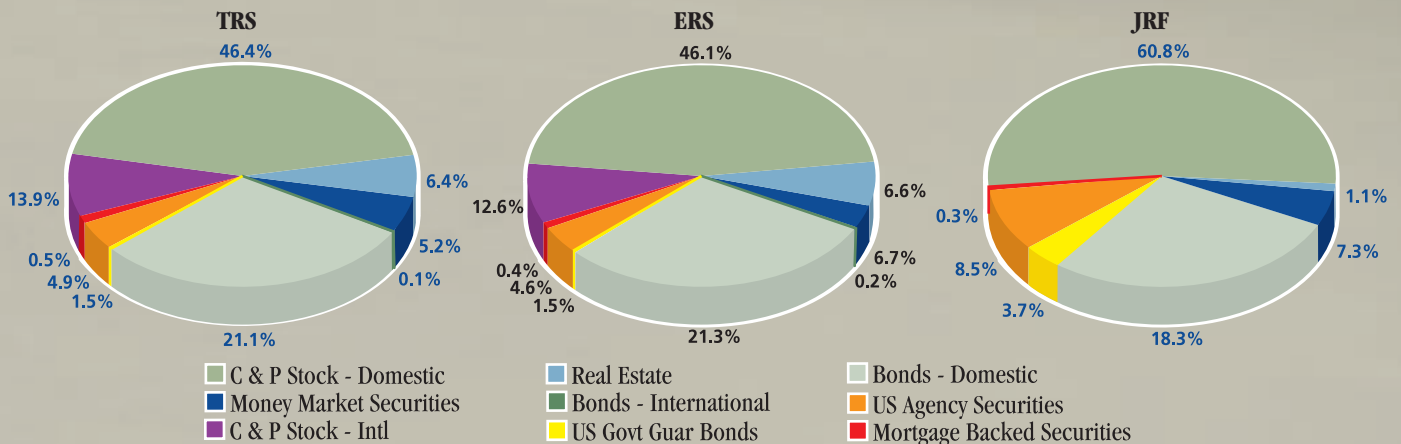
INTEREST and DIVIDEND INCOME
(\$ In Millions)



■ TRS ■ ERS

ASSET ALLOCATION
(AS OF SEPTEMBER 30, 2005)

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.



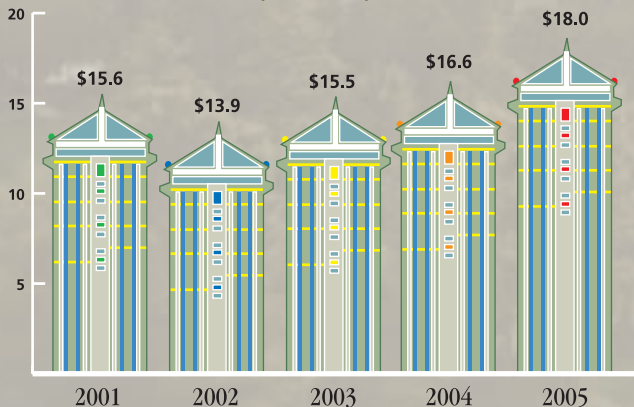
TEACHERS' RETIREMENT SYSTEM

TRS BENEFITS ADMINISTRATION

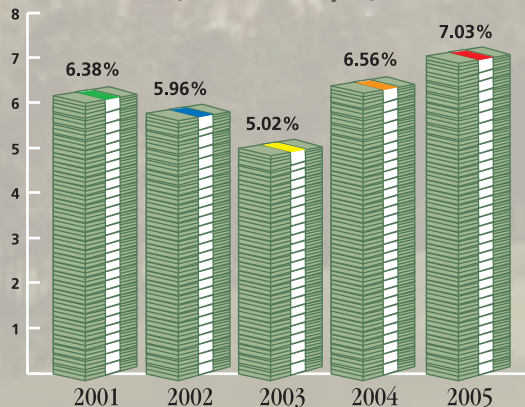
The Teachers' Retirement System of Alabama (TRS) provides retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions.

- Established in 1941
- 1975 Employer rate for TRS hit all-time high of 15.5%
- 1977 TRS named best retirement system in the nation by the National Education Association
- 1986 TRS Board of Control reached its current level of 14 members
- 1987 TRS active membership exceeded 100,000 for the first time
- 1992 TRS retired membership reached 30,000
- 2000 Assets reached \$17.0 billion for first time
- 2003 Taxpayer contributions to the TRS are only 9.4% of total TRS revenue
- 2004 Total returns for the TRS were 10.71%
- As of September 30, 2005, approximately 4,700 TRS members had entered DROP since its inception
- 2005 TRS assets totaled \$18.0 billion with an annualized return of 11.26%.

TRS PORTFOLIO GROWTH
(\$ in Billions)



TRS EMPLOYER RATE
(% Of Covered Payroll)

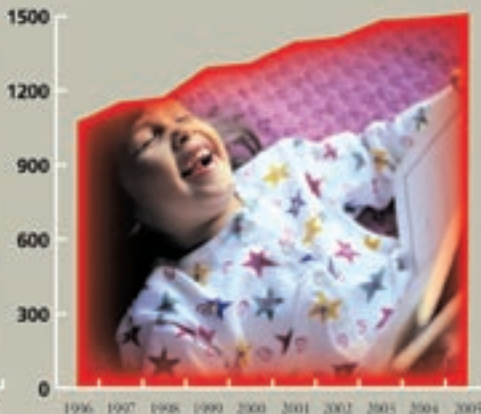


TRS RETIREMENT BENEFITS

TRS TOTAL ANNUAL PAYMENTS
(\$ in Millions)



TRS AVERAGE MONTHLY BENEFITS
(\$ in Actual Dollars)

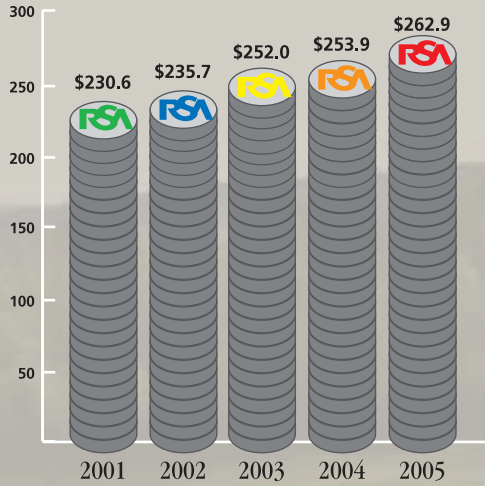


TRS PRERETIREMENT DEATH BENEFITS
(\$ in Millions)

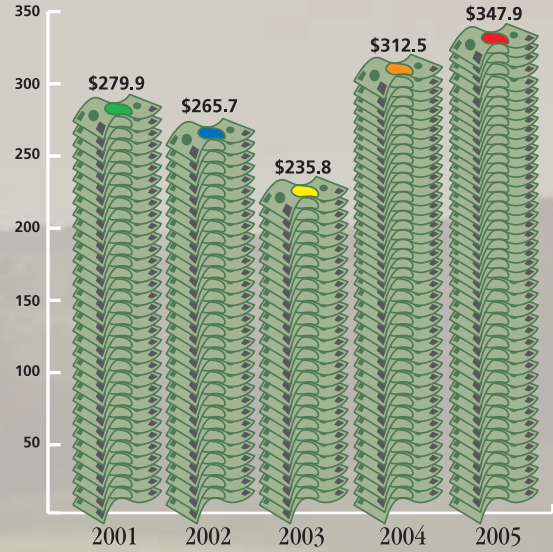


TRS REVENUE SOURCES

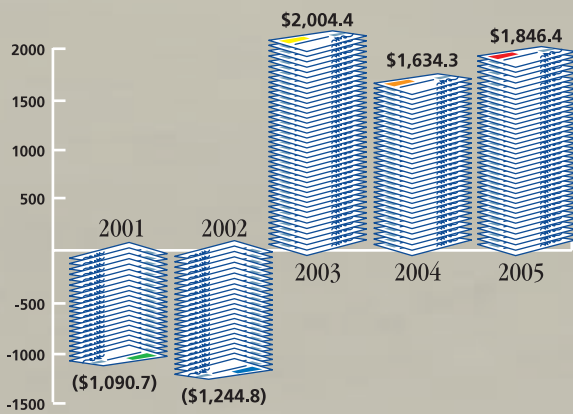
TRS MEMBER CONTRIBUTIONS
(\$ in Millions)



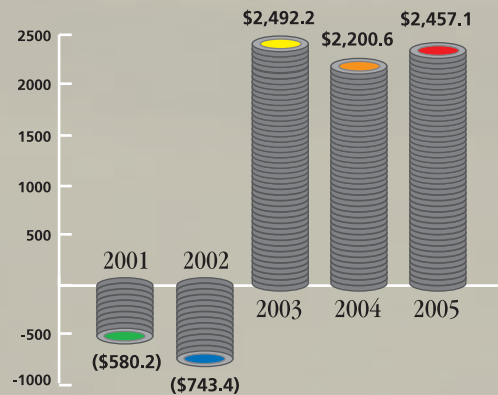
TRS EMPLOYER CONTRIBUTIONS
(\$ in Millions)



TRS INVESTMENT INCOME
(\$ in Millions)



TRS TOTAL REVENUES
(\$ in Millions)



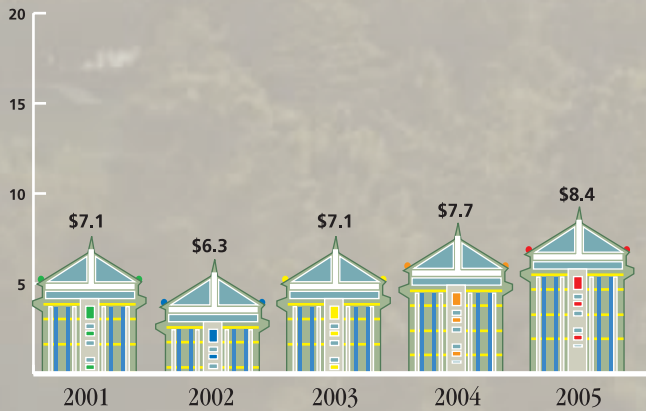
EMPLOYEES' RETIREMENT SYSTEM

ERS BENEFITS ADMINISTRATION

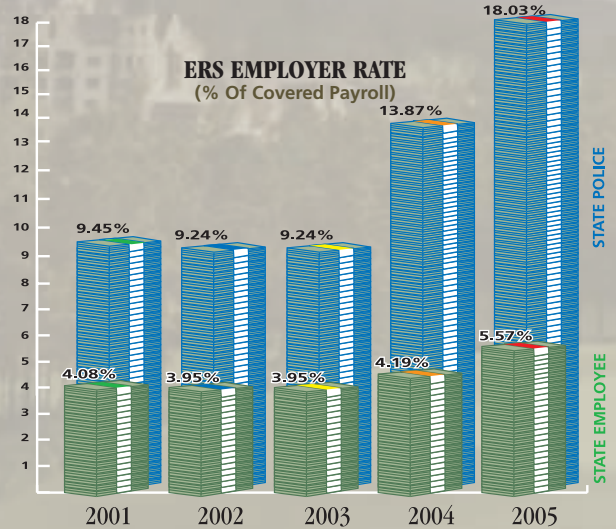
The Employees' Retirement System of Alabama (ERS) provides retirement allowances and other specified benefits for qualified state employees, State Police and on an elective basis, employees of cities, counties, towns and quasi-public organizations.

- Established in 1945
- 1945 Employees of cities, towns, counties and quasi-public agencies became eligible for membership in the ERS
- 1979 Employer rate for ERS hit an all-time high of 10.33%; Employer Rate for State Troopers hit all-time high of 21.02%
- 1988 The first Cost-of-Living Adjustment (COLA) passed on to beneficiaries
- 1994 ERS retirees totaled over 20,000
- 2000 ERS total assets reached \$7.8 billion for first time
- 2003 Taxpayers contributed only 12.3% of total revenue of the ERS
- 2004 Total returns for the ERS were 10.06%
- 2005 DROP participants totaled 1,707 since its inception
- 2005 ERS assets totaled \$8.4 billion with an annualized return of 10.98%.

ERS PORTFOLIO GROWTH
(\$ in Billions)

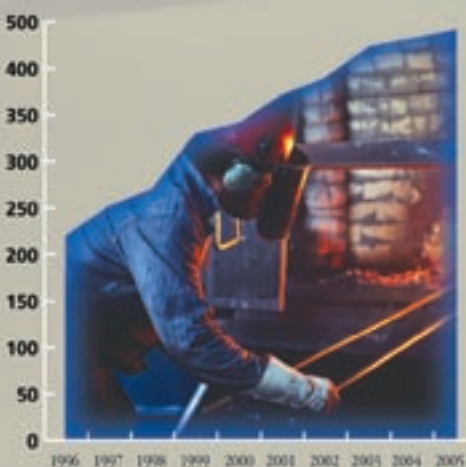


ERS EMPLOYER RATE
(% Of Covered Payroll)



ERS RETIREMENT BENEFITS

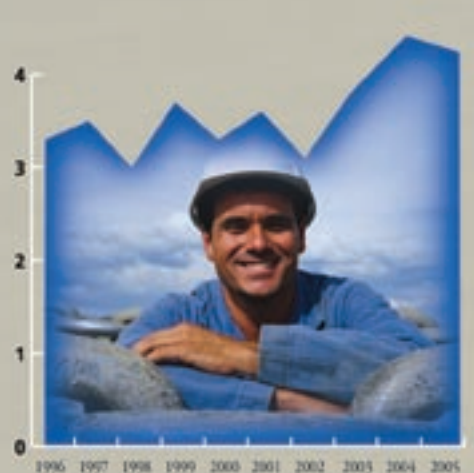
ERS TOTAL ANNUAL PAYMENTS
(\$ in Millions)



ERS AVERAGE MONTHLY BENEFITS
(\$ in Actual Dollars)

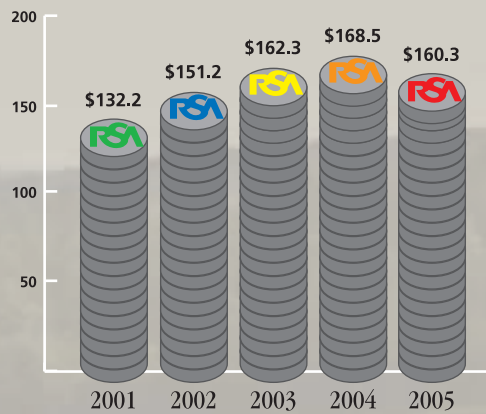


ERS PRERETIREMENT DEATH BENEFITS
(\$ in Millions)

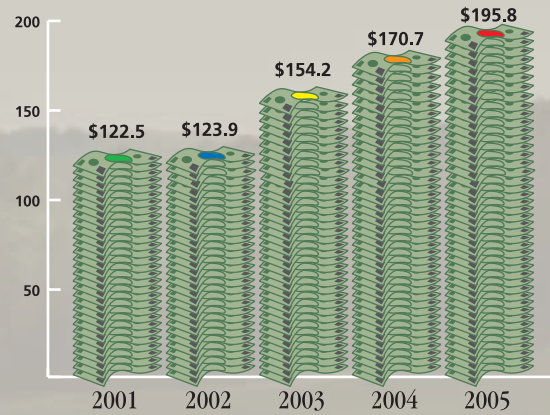


ERS REVENUE SOURCES

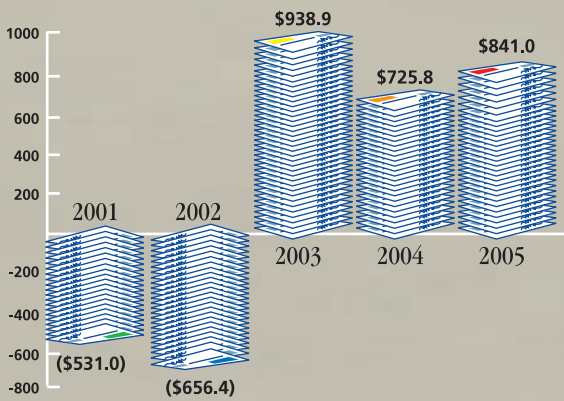
ERS MEMBER CONTRIBUTIONS
(\$ in Millions)



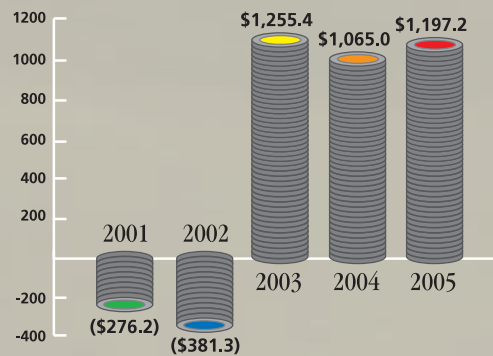
ERS EMPLOYER CONTRIBUTIONS
(\$ in Millions)



ERS INVESTMENT INCOME
(\$ in Millions)



ERS TOTAL REVENUES
(\$ in Millions)

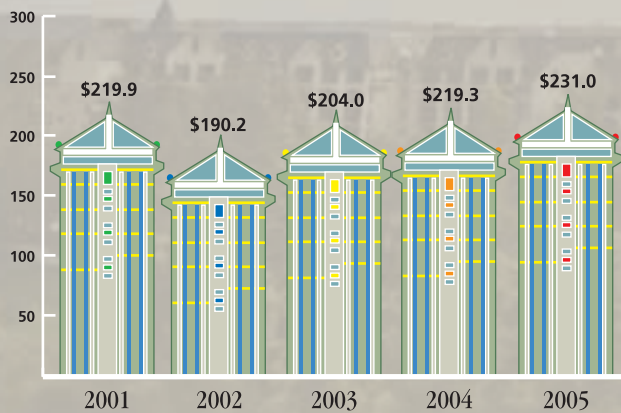


JUDICIAL RETIREMENT FUND

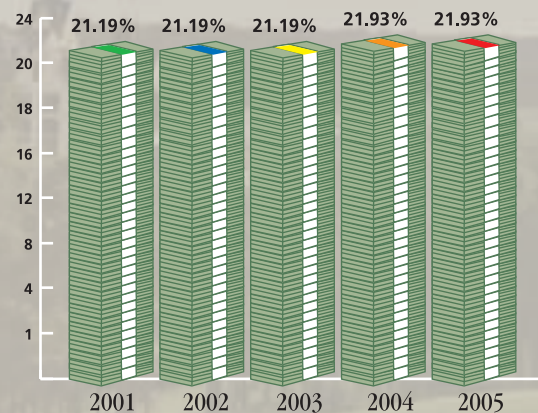
JRF BENEFITS ADMINISTRATION

- Established in 1973 for Supreme Court Justices, Court of Appeals Judges and Circuit Court Judges
- 1981-1983 Reached highest employer rate of 44.0%
- 1998 Total annual benefits reached \$10.0 million
- 1999 Employer rate at all-time low of 9.16%
- 2002 Average monthly benefit payment over \$5,000
- 2004 Total returns were 11.34%
- 2005 Total returns were 9.91%

JRF PORTFOLIO GROWTH
(\$ in Millions)



JRF EMPLOYER RATE
(% Of Covered Payroll)



JRF RETIREMENT BENEFITS

JRF TOTAL ANNUAL PAYMENTS
(\$ in Millions)

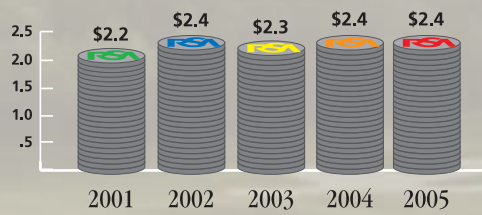


JRF AVERAGE MONTHLY BENEFITS
(\$ in Actual Dollars)



JRF REVENUE SOURCES

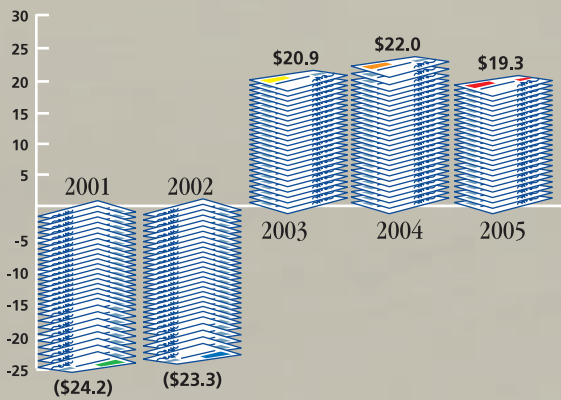
JRF MEMBER CONTRIBUTIONS
(\$ in Millions)



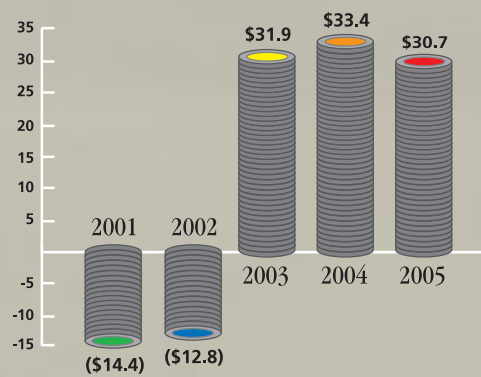
JRF EMPLOYER CONTRIBUTIONS
(\$ in Millions)



JRF INVESTMENT INCOME
(\$ in Millions)



JRF TOTAL REVENUES
(\$ in Millions)



PUBLIC EMPLOYEES' INDIVIDUAL RETIREMENT ACCOUNT FUND

RSA-1 / DEFERRED COMPENSATION PLAN

- Established in 1986 to allow members of the RSA and certain other eligible public employees to defer receipt of a percentage of their salary, thereby deferring payment of taxes on that income.

RSA-1 HIGHLIGHTS

12-MONTH PERIOD ENDING	INCOME YIELD* (in %)	MARKET VALUE CHANGE* (in %)	TOTAL RETURN* (in %)	TOTAL ASSETS* (in \$)	PARTICIPATING MEMBERS
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	8.84	1.55	10.39	536,609,859	23,490
SEPTEMBER 30, 2000	8.43	-3.24	5.19	586,876,397	24,336
SEPTEMBER 30, 2001 (FIXED INVESTMENT OPTION)	8.34	3.41	11.75	614,039,965	24,938
SEPTEMBER 30, 2001 (STOCK INVESTMENT OPTION)	1.10	-21.09	-19.99	51,080,583	5,291
SEPTEMBER 30, 2002 (FIXED INVESTMENT OPTION)	7.39	-5.71	1.68	625,407,137	25,571
SEPTEMBER 30, 2002 (STOCK INVESTMENT OPTION)	1.42	-18.69	-17.27	47,197,854	5,599
SEPTEMBER 30, 2003 (FIXED INVESTMENT OPTION)	6.18	-1.36	4.82	676,945,292	25,793
SEPTEMBER 30, 2003 (STOCK INVESTMENT OPTION)	1.87	20.01	21.88	62,452,172	5,767
SEPTEMBER 30, 2004 (FIXED INVESTMENT OPTION)	5.63	0.36	5.99	709,604,675	26,057
SEPTEMBER 30, 2004 (STOCK INVESTMENT OPTION)	1.75	11.30	13.05	98,038,346	8,568
SEPTEMBER 30, 2005 (FIXED INVESTMENT OPTION)	6.92	-2.40	4.52	758,012,066	28,379
SEPTEMBER 30, 2005 (STOCK INVESTMENT OPTION)	2.57	9.84	12.41	122,690,568	10,201

* ASSETS ARE VALUED AT COST THROUGH SEPTEMBER 30, 1998, AND AT MARKET THEREAFTER.

■ ROBERT TRENT JONES GOLF TRAIL / HAMPTON COVE, Huntsville • River Course, 9th Hole
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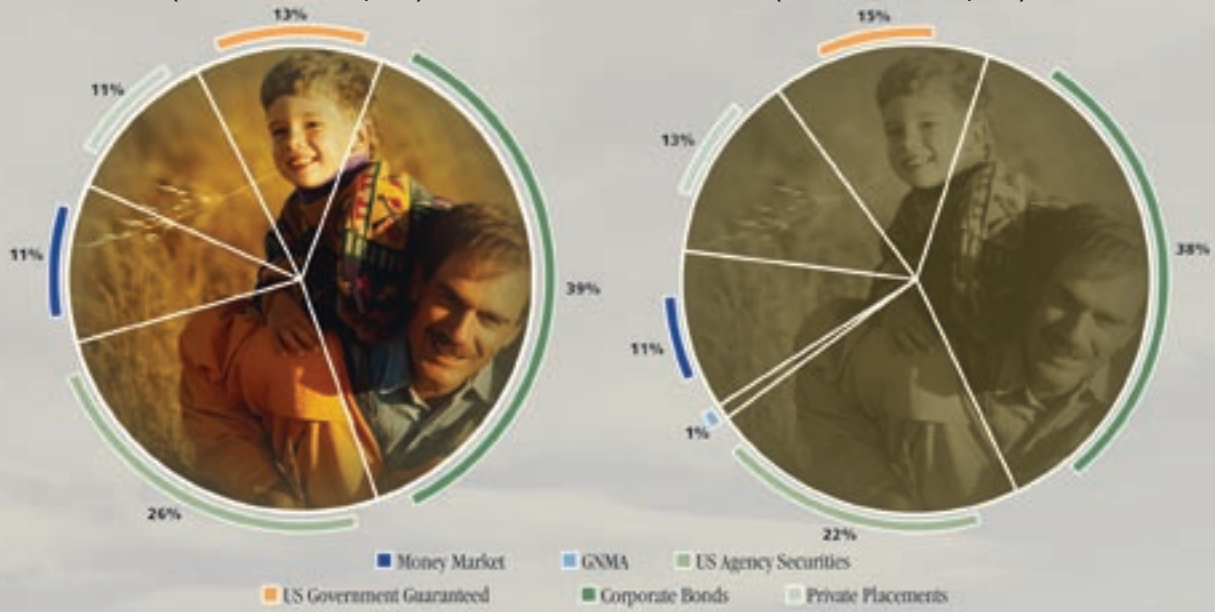
PEIRAF / DEDUCTIBLE EMPLOYEE CONTRIBUTION PLAN

The Public Employees' Individual Retirement Account Fund (PEIRAF) was established 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. PEIRAF has operated as a fixed income portfolio since its creation in 1982. Funds are invested in fixed income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper.

The Tax Reform Act of 1986 prohibited 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. ●

RSA-1 / INVESTMENT ALLOCATION FIXED FUND
 (AS OF SEPTEMBER 30, 2005) • (AS OF SEPTEMBER 30, 2004)

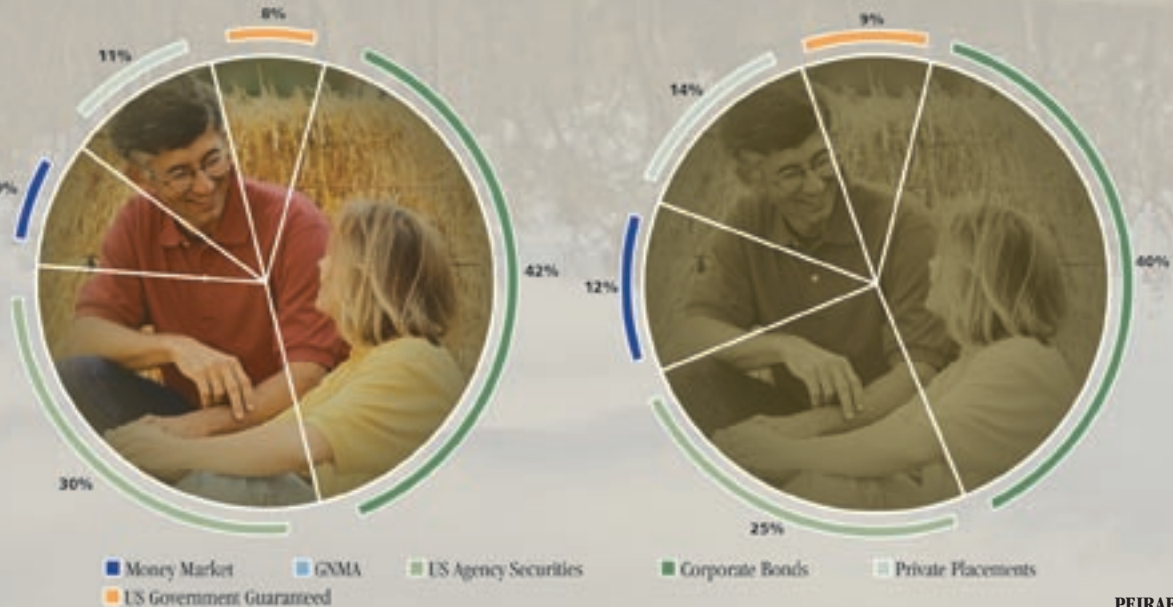
Retirement Systems of Alabama



RSA-1 / INVESTMENT ALLOCATION STOCK FUND
 (AS OF SEPTEMBER 30, 2005) • (AS OF SEPTEMBER 30, 2004)



PEIRAF / INVESTMENT ALLOCATION
 (AS OF SEPTEMBER 30, 2005) • (AS OF SEPTEMBER 30, 2004)

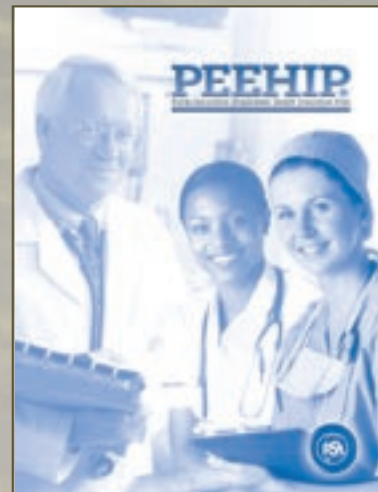


PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN

PEEHIP

The RSA administers the Public Education Employees' Health Insurance Plan (PEEHIP) for approximately 100,000 active and 49,000 retired public education employees. PEEHIP covers K-12 active employees, one state university's employees, and all retirees from K through the university level. Over the years, PEEHIP has implemented various cost containment measures such as case management, bill audits, co-payments, deductibles, prescription drug utilization review, second pre-approved hospital admissions, second surgical opinion, discharge and wellness planning, health maintenance organizations and preferred provider organizations. In 2005, many changes were instituted by PEEHIP in an effort to confront the growing costs of health care and to offer members more options regarding their benefits. ●

- **Established in 1983.** Southland National Corporation named administrator for supplemental coverages. Blue Cross and Blue Shield named administrator for hospital/medical plan.
- **1987.** The first Health Maintenance Organization offered to PEEHIP members. Added \$75 co-pay for outpatient surgery and \$25 co-pay for Urgi-care clinic at an annual savings of \$20 million.
- **1988.** Saved \$15 million annually by hiring the Alabama Quality Assurance Fund to perform Concurrent Utilization Review.
- **1990.** Because of Precertification and Utilization review, hospital days per thousand decreased for a savings of \$20 million over 2 years.
- **1991.** Eliminated coverage for Radial Keratotomy eye procedure saving \$2 million annually.
- **1992.** Instituted benefit changes at an annual savings of over \$19 million.
- **1993.** Family Medical Leave Act began.
- **1994.** Implemented new drug formulary which resulted in annual savings of \$1.7 million.
- **1995.** PEEHIP implemented HIPPA.
- **2000.** Increased out-of-pocket premium for active and retired members saving \$7 million annually. Added \$50 deductible per year for prescription drugs saving \$15.6 million annually.
- **2001.** Drug formulary and dental and vision network created savings of \$1.0 million annually.
- **2002.** Passage of generic drug bill increased generic utilization.
- **2003.** Increased drug co-payments and added \$20 office visit co-pay for Medicare eligible retirees saving \$20 million annually. Required university systems to pay for their own retirees which saved \$25 million in the K-12 education budget.
- **2004.** PEEHIP Board approved Express Scripts, Inc. to administer the prescription drug benefit.
- **2005.** Implemented the Non-Tobacco User Discount, Retiree Sliding Scale Premium, Retiree Other Group Health Insurance Coverage, Supplemental Coverage Plan, Federal Poverty Assistance Program, Children's Health Insurance Program and Flexible Benefits Program (FLEX).



■ ROBERT TRENT JONES GOLF TRAIL / GRAND NATIONAL, Auburn / Opelika • Lake Course, 7th Hole
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INVESTMENTS

FIXED INCOME ACTIVITY

At the beginning of fiscal year 2005, the federal funds rate was yielding 1.75%, following the third consecutive hike by Alan Greenspan and the Federal Reserve. These actions were set in motion in June of 2004 and have yet to cease. At this point, the 2-year treasury was yielding close to 2.50%, with the spread differential between 2s and 10s hovering around 155-basis points. During this time, we felt the yield curve had considerable room to flatten in an environment characterized by stable employment and economic output, accompanied by a Fed that was poised to raise rates at a "measured pace".

Interest rates rose steadily throughout the end of the calendar year as the labor market gradually improved and the economy grew at a moderate rate. At this point, market participants began to closely monitor the shape of the yield curve and assessing the ramifications of a flatter curve in the future. What was more interesting was the narrowing trend in the long end. The 10s/30s curve collapsed considerably during this time due to changes in long-term inflation expectations, mortgage-related buying, and participation of foreign creditors. This phenomenon also caught the eye of the Fed chairman, which Greenspan later described as a "conundrum".

While acknowledging that pressures on inflation have picked up, this has not directly fed through to core consumer prices. As the Fed has systematically raised rates, long-term inflation expectations have remained relatively unchanged. This has led to a substantial flattening of the yield curve. During this time, the Treasury Department has also reinstated the issuance of the long bond. It is looking to raise \$20-30 billion through semi-annual offerings beginning in the first quarter of 2006. The department has been under considerable pressure since its cancellation in 2001. This comes as a relief to many insurance companies and pension funds that need long duration securities to better match liabilities. It also provides a way to hold down borrowing costs and stabilize the average maturity of outstanding treasury debt that has shrunk to 53 months.

Within the corporate bond market, we have tried to take advantage of pullbacks in the market to selectively add to some industries where we have been underweight versus the benchmark. We have also used treasury rallies to monetize gains in issues we felt further gains were limited, in particular high yield securities. Over the past couple of years, corporations have pulled back on capital expenditures and retained cash, pushing default rates to 8-year lows. This in turn has sparked shareholder-friendly initiatives and questions regarding optimal capital structures. As a result, risks of leveraged buyouts have been rampant over the last several months, hurting spreads in select names and sectors.

Currently, the federal funds rate is 3.75%, the result of eleven consecutive hikes. During this time, the 2-year treasury has risen 175-basis points, driving the spread differential between 2s and 10s inside of 15-basis points. Further rate moves are expected for the last two meetings of this calendar year, with 50- 75-basis points priced in by mid-2006. So the question at this point is if and when will we see an inverted curve. It should be noted that the existence of an inverted curve has preceded four out of the last five recessions. This, coupled with a new chairman at the Federal Reserve, should lead to some interesting and important moments early in 2006.

In fiscal year 2005, the RSA purchased approximately \$2.6 billion in additional securities for the fixed income portfolio. As of September 30, 2005, the RSA's fixed income portfolio had a market value of \$10.7 billion, of which 14% was in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were 4.50% for the TRS, 4.75% for the ERS and 5.22% for the JRF versus 2.80% for the Lehman Aggregate Index. The five-year annualized returns were 6.11% for the TRS, 5.81% for the ERS and 4.09% for the JRF, versus 6.62% for the Lehman Aggregate Index. The ten-year annualized returns were 6.47% for the TRS, 6.36% for the ERS and 5.73% for the JRF versus 6.55% for the Lehman Aggregate Index. ●

LONG-TERM FIXED SECURITIES PURCHASED (\$ In Millions)

MONTHS	TRS	ERS	JRF	TOTAL
OCTOBER THROUGH MARCH	\$ 1,010.4	452.7	17.4	1,480.5
APRIL THROUGH SEPTEMBER	755.2	348.1	8.3	1,111.6
TOTAL	\$ 1,765.6	800.8	25.7	2,592.1



MATURITY STRUCTURE

The management of maturities for the bond portfolio is an integral part of the RSA's objective of providing a stable cashflow 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. ●

MATURITY DISTRIBUTION (In %)

Years to Maturity	TRS			ERS		
	2005	2004	2003	2005	2004	2003
0 TO <5	28	17	8	27	17	7
5 TO <10	25	33	26	24	32	25
10 TO <15	32	32	43	34	34	46
15 TO <20	1	4	5	1	3	4
20 TO <25	5	7	12	5	6	10
25 TO <30	9	6	5	9	7	7
≥30	0	1	1	0	1	1

QUALITY EVALUATION

The RSA continued 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. Times have changed dramatically over the past decade and few companies today have a rating of AAA to A. Many companies are now rated BAA or lower. ●

QUALITY DISTRIBUTION (In %)

Rating	TRS			ERS		
	2005	2004	2003	2005	2004	2003
AAA	26	21	14	25	21	14
AA	2	3	2	2	3	3
A	8	8	9	8	8	9
BAA	16	18	14	17	17	14
NOT RATED	48	50	61	48	51	60

INVESTMENTS

EQUITY STRATEGY

In much the same fashion as 2004, the stock markets came out of the gates ripping in the first fiscal quarter of 2005. About 66% of domestic returns and 60% of international returns came in the December ending quarter. Looking back there was no single factor that began the rally, although the finality of the presidential election coincided with the start. Corporate earnings continued to come in quite strong, and the economy chugged along at a good pace despite the withdrawal of liquidity from the markets as the Federal Reserve raised rates throughout the year. Despite the rising short-term rates, the long end of the yield curve remained relatively flat over the course of the year. Thus, the “housing bubble” blowup that was so talked about never occurred.

The remainder of the year saw the market gyrate up and down as it digested the various economic figures. The market changed its colors seemingly monthly regarding what was deemed good news for the stock market and what was bad news. Strong data could be good in that it would help corporate earnings growth, or it could be bad because it would prolong the Federal Reserve’s quest to slow down the economy. The market fought several headwinds throughout the year including rising energy prices, a strengthening dollar, and peak corporate margins. All of these combined resulted in price-to-earnings multiple compression for domestic equities, especially in the large capitalization sector.

As far as activity, close to 1% was added to international equities in October, and the Special Situations Fund size was increased. We are well into the fifth year of small capitalization stocks outperforming large cap stocks, and we are looking for that trend to reverse itself sometime in the near future. We overweight large capitalization stocks to a higher degree than our peer group. Given that corporate profit margins are at cyclical highs, productivity gains have been astronomical, and pension and healthcare costs are growing, the larger capitalization sector seems to offer better protection in the event of a slowdown.

In review, the RSA equity allocation began the year at roughly 54%, and closed out fiscal 2005 at 57.5% on average across the three funds. Domestic equities account for over 44% of the fund, and international equities are now over 13% of the total. The smaller market capitalization indices fared better than the larger capitalization ones, a trend that has been ongoing for five years. The S&P 500 index was up 12.25%, the S&P 400 Midcap index was up 22.16%, and the S&P Smallcap 600 index was up 21.22%. The MSCI EAFE index was up 25.79%, again outperforming the broad domestic equity indices.

For the year, the RSA domestic equity portfolios increased 14.21%, 14.39%, and 13.35% for the TRS, ERS, and JRF funds, respectively. International equity returns fared better, posting 25.97% for both TRS and ERS. The combined total return for the overall equity portfolios were 16.79%, 16.86%, and 13.35% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 19.51%, 2.68%, and 9.77% for TRS, 19.50%, 2.67%, and 9.73% for ERS, and 17.39%, 1.14%, and 10.96% for JRF. ●

INVESTMENT RETURNS / FOR THE PERIOD ENDED SEPTEMBER 30, 2005 (Percent)

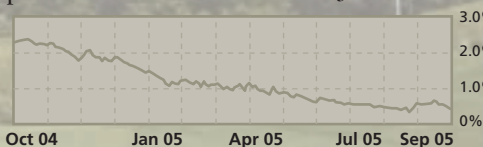
	1-YEAR	3-YEARS	5-YEARS	10-YEARS
EQUITY RETURNS				
TRS	16.79	19.51	2.68	9.77
ERS	16.86	19.50	2.67	9.73
JRF	13.35	17.39	1.14	10.96
FIXED INCOME RETURNS				
TRS	4.50	6.68	6.11	6.47
ERS	4.75	6.66	5.81	6.36
JRF	5.22	4.16	4.09	5.73
TOTAL RSA RETURNS				
TRS	11.26	12.86	4.48	7.92
ERS	10.98	12.74	4.01	7.78
JRF	9.91	10.99	2.09	7.54
BENCHMARKS				
S&P 500	12.25	16.72	(1.49)	9.49
DJIA	7.22	14.18	1.92	10.37
MIDCAP 400	22.16	22.12	7.06	14.13
SMALLCAP 600	21.22	24.20	10.96	12.17
MSCI EAFE	25.79	24.62	3.16	5.83
CITIGROUP BIG	2.92	4.07	6.67	6.57
LEHMAN BROTHERS AGGREGATE INDEX	2.80	3.96	6.62	6.55

■ US Treasury 2-Year Note (yield)

■ US Treasury 30-Year Bond (yield)



□ Spread Difference Between 2-Year & 30-Year Treasuries



■ Dow Jones Industrial Average

■ S&P 500 Index



FINANCIAL STATEMENTS

TEACHERS' RETIREMENT SYSTEM / STATEMENT OF PLAN NET ASSETS AS OF SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ASSETS			
CASH	\$ 12,508		\$ 15,109
RECEIVABLES			
EMPLOYEE CONTRIBUTIONS	21,478		19,840
EMPLOYER CONTRIBUTIONS	30,264		26,127
DIVIDENDS AND INTEREST	134,163		147,543
TOTAL RECEIVABLES	<u>185,905</u>		<u>193,510</u>
INVESTMENTS, AT FAIR VALUE			
DOMESTIC EQUITY SECURITIES	8,329,184		7,743,769
DOMESTIC FIXED INCOME SECURITIES	5,030,232		4,980,577
INTERNATIONAL SECURITIES	2,523,056		1,936,147
REAL ESTATE	1,147,347		1,060,523
SHORT-TERM INVESTMENTS	941,540		923,947
TOTAL INVESTMENTS	<u>17,971,359</u>		<u>16,644,963</u>
INVESTED SECURITIES LENDING COLLATERAL	1,460,243		1,098,881
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	2,873		2,599
TOTAL ASSETS	<u>19,632,888</u>		<u>17,955,062</u>
LIABILITIES			
ACCOUNTS PAYABLE AND OTHER LIABILITIES	4,122		3,032
SECURITIES LENDING COLLATERAL	<u>1,460,243</u>		<u>1,098,881</u>
TOTAL LIABILITIES	<u>1,464,365</u>		<u>1,101,913</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 18,168,523</u>		<u>\$ 16,853,149</u>

SEPARATELY ISSUED, AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST.

TEACHERS' RETIREMENT SYSTEM / STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ADDITIONS			
CONTRIBUTIONS			
EMPLOYEE	\$ 260,149		\$ 251,714
EMPLOYER	347,862		312,474
TRANSFERS FROM EMPLOYEES' RETIREMENT SYSTEM	2,707		2,146
TOTAL CONTRIBUTIONS	<u>610,718</u>		<u>566,334</u>
INVESTMENT INCOME			
<i>FROM INVESTMENT ACTIVITIES</i>			
NET INCREASE IN FAIR VALUE OF INVESTMENTS	1,221,059		1,055,525
INTEREST AND DIVIDENDS	624,397		580,000
TOTAL INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>1,845,456</u>		<u>1,635,525</u>
LESS: INVESTMENT EXPENSE	4,278		4,079
NET INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>1,841,178</u>		<u>1,631,446</u>
<i>FROM SECURITIES LENDING ACTIVITIES</i>			
SECURITIES LENDING INCOME	40,399		10,704
SECURITIES LENDING EXPENSES			
BORROWER REBATES	33,559		7,206
MANAGEMENT FEES	1,620		630
TOTAL SECURITIES LENDING EXPENSES	<u>35,179</u>		<u>7,836</u>
NET INCOME FROM SECURITIES LENDING ACTIVITIES	<u>5,220</u>		<u>2,868</u>
TOTAL INVESTMENT INCOME	<u>1,846,398</u>		<u>1,634,314</u>
TOTAL ADDITIONS	<u>2,457,116</u>		<u>2,200,648</u>
DEDUCTIONS			
RETIREMENT ALLOWANCE PAYMENTS	1,092,723		987,761
RETURN OF CONTRIBUTIONS AND DEATH BENEFITS	36,350		35,983
TRANSFERS TO EMPLOYEES' RETIREMENT SYSTEM	1,829		1,575
ADMINISTRATIVE EXPENSE	10,372		7,361
DEPRECIATION	468		439
TOTAL DEDUCTIONS	<u>1,141,742</u>		<u>1,033,119</u>
NET INCREASE	1,315,374		1,167,529
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
BEGINNING OF THE YEAR	16,853,149		15,685,620
END OF THE YEAR	<u>\$ 18,168,523</u>		<u>\$ 16,853,149</u>

FINANCIAL STATEMENTS

EMPLOYEES' RETIREMENT SYSTEM / STATEMENT OF PLAN NET ASSETS AS OF SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ASSETS			
CASH	\$ 3,696		\$ 4,710
RECEIVABLES			
EMPLOYEE CONTRIBUTIONS	10,624		9,269
EMPLOYER CONTRIBUTIONS	15,042		11,461
DIVIDENDS AND INTEREST	64,084		69,537
TOTAL RECEIVABLES	<u>89,750</u>		<u>90,267</u>
INVESTMENTS, AT FAIR VALUE			
DOMESTIC EQUITY SECURITIES	3,861,335		3,636,637
DOMESTIC FIXED INCOME SECURITIES	2,327,077		2,317,072
INTERNATIONAL SECURITIES	1,068,022		832,907
REAL ESTATE	553,441		512,355
SHORT-TERM INVESTMENTS	561,290		401,353
TOTAL INVESTMENTS	<u>8,371,165</u>		<u>7,700,324</u>
INVESTED SECURITIES LENDING COLLATERAL	644,950		526,821
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	<u>2,229</u>		<u>2,016</u>
TOTAL ASSETS	<u>9,111,790</u>		<u>8,324,138</u>
LIABILITIES			
ACCOUNTS PAYABLE AND OTHER LIABILITIES	2,325		1,719
SECURITIES LENDING COLLATERAL	<u>644,950</u>		<u>526,821</u>
TOTAL LIABILITIES	<u>647,275</u>		<u>528,540</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 8,464,515</u>		<u>\$ 7,795,598</u>

SEPARATELY ISSUED, AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST.

EMPLOYEES' RETIREMENT SYSTEM / STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ADDITIONS			
CONTRIBUTIONS			
EMPLOYEE	\$ 158,128		\$ 166,973
EMPLOYER	195,846		170,713
TRANSFERS FROM TEACHERS' RETIREMENT SYSTEM	1,829		1,575
TRANSFERS FROM JUDICIAL RETIREMENT FUND	356		0
TOTAL CONTRIBUTIONS	<u>356,159</u>		<u>339,261</u>
INVESTMENT INCOME			
<i>FROM INVESTMENT ACTIVITIES</i>			
NET INCREASE IN FAIR VALUE OF INVESTMENTS	545,826		457,981
INTEREST AND DIVIDENDS	295,631		268,876
TOTAL INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>841,457</u>		<u>726,857</u>
LESS: INVESTMENT EXPENSE	2,652		2,390
NET INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>838,805</u>		<u>724,467</u>
<i>FROM SECURITIES LENDING ACTIVITIES</i>			
SECURITIES LENDING INCOME	17,604		4,892
SECURITIES LENDING EXPENSES			
BORROWER REBATES	14,948		3,318
MANAGEMENT FEES	448		283
TOTAL SECURITIES LENDING EXPENSES	<u>15,396</u>		<u>3,601</u>
NET INCOME FROM SECURITIES LENDING ACTIVITIES	<u>2,208</u>		<u>1,291</u>
TOTAL INVESTMENT INCOME	<u>841,013</u>		<u>725,758</u>
TOTAL ADDITIONS	<u>1,197,172</u>		<u>1,065,019</u>
DEDUCTIONS			
RETIREMENT ALLOWANCE PAYMENTS	487,348		448,658
RETURN OF CONTRIBUTIONS AND DEATH BENEFITS	30,960		31,406
UNIT WITHDRAWALS	0		3,798
TRANSFERS TO TEACHERS' RETIREMENT SYSTEM	2,707		2,146
TRANSFERS TO JUDICIAL RETIREMENT FUND	48		64
ADMINISTRATIVE EXPENSE	6,898		5,892
DEPRECIATION	294		269
TOTAL DEDUCTIONS	<u>528,255</u>		<u>492,233</u>
NET INCREASE	668,917		572,786
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
BEGINNING OF THE YEAR	7,795,598		7,222,812
END OF THE YEAR	<u>\$ 8,464,515</u>		<u>\$ 7,795,598</u>

FINANCIAL STATEMENTS

JUDICIAL RETIREMENT FUND / STATEMENT OF PLAN NET ASSETS AS OF SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ASSETS			
CASH	\$ 910		\$ 695
RECEIVABLES			
EMPLOYEE CONTRIBUTIONS	114		110
EMPLOYER CONTRIBUTIONS	304		308
DIVIDENDS AND INTEREST	1,216		1,378
TOTAL RECEIVABLES	<u>1,634</u>		<u>1,796</u>
INVESTMENTS, AT FAIR VALUE			
DOMESTIC EQUITY SECURITIES	140,393		126,199
DOMESTIC FIXED INCOME SECURITIES	71,211		73,036
REAL ESTATE	2,473		2,429
SHORT-TERM INVESTMENTS	16,923		17,669
TOTAL INVESTMENTS	<u>231,000</u>		<u>219,333</u>
INVESTED SECURITIES LENDING COLLATERAL	<u>19,058</u>		<u>14,783</u>
TOTAL ASSETS	<u>252,602</u>		<u>236,607</u>
LIABILITIES			
ACCOUNTS PAYABLE AND OTHER LIABILITIES	132		111
SECURITIES LENDING COLLATERAL	<u>19,058</u>		<u>14,783</u>
TOTAL LIABILITIES	<u>19,190</u>		<u>14,894</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u>\$ 233,412</u>		<u>\$ 221,713</u>

SEPARATELY ISSUED, AUDITED FINANCIAL STATEMENTS ARE AVAILABLE UPON REQUEST.



JUDICIAL RETIREMENT FUND / STATEMENT OF CHANGES IN PLAN NET ASSETS
FOR THE YEARS ENDED SEPTEMBER 30, 2005 AND 2004

	2005	(\$ In Thousands)	2004
ADDITIONS			
CONTRIBUTIONS			
EMPLOYEE	\$ 2,350		\$ 2,370
EMPLOYER	8,943		8,994
TRANSFERS FROM EMPLOYEES' RETIREMENT SYSTEM	48		64
TOTAL CONTRIBUTIONS	<u>11,341</u>		<u>11,428</u>
INVESTMENT INCOME			
<i>FROM INVESTMENT ACTIVITIES</i>			
NET INCREASE IN FAIR VALUE OF INVESTMENTS	11,877		14,736
INTEREST AND DIVIDENDS	7,420		7,218
TOTAL INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>19,297</u>		<u>21,954</u>
LESS: INVESTMENT EXPENSE	2		12
NET INVESTMENT INCOME FROM INVESTING ACTIVITIES	<u>19,295</u>		<u>21,942</u>
<i>FROM SECURITIES LENDING ACTIVITIES</i>			
SECURITIES LENDING INCOME	422		109
SECURITIES LENDING EXPENSES			
BORROWER REBATES	362		83
MANAGEMENT FEES	8		4
TOTAL SECURITIES LENDING EXPENSES	<u>370</u>		<u>87</u>
NET INCOME FROM SECURITIES LENDING ACTIVITIES	<u>52</u>		<u>22</u>
TOTAL INVESTMENT INCOME	<u>19,347</u>		<u>21,964</u>
TOTAL ADDITIONS	<u>30,688</u>		<u>33,392</u>
DEDUCTIONS			
RETIREMENT ALLOWANCE PAYMENTS	18,201		17,903
RETURN OF CONTRIBUTIONS AND DEATH BENEFITS	51		103
TRANSFERS TO EMPLOYEES' RETIREMENT SYSTEM	356		0
ADMINISTRATIVE EXPENSE	381		344
TOTAL DEDUCTIONS	<u>18,989</u>		<u>18,350</u>
NET INCREASE	11,699		15,042
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS			
BEGINNING OF THE YEAR	221,713		206,671
END OF THE YEAR	<u>\$ 233,412</u>		<u>\$ 221,713</u>

COMMISSIONS PAID REPORT / FISCAL YEAR 2005

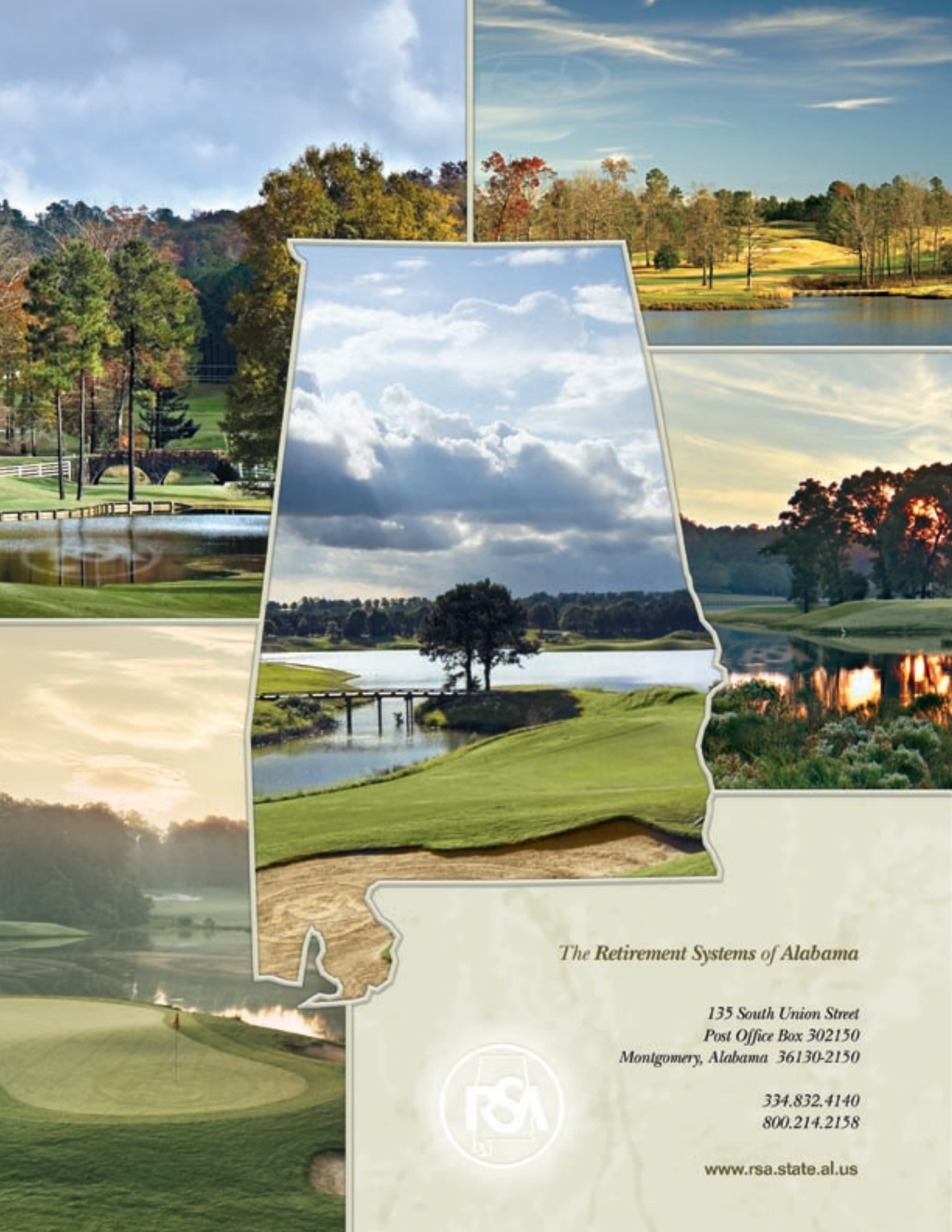
	VOLUME OF BUSINESS PRIVATE PLACEMENTS AGENCIES (\$ IN MILLIONS)	COMMISSIONS STOCK TRANSACTIONS	COMMISSIONS BOND TRANSACTIONS
ACON PARTNERS	\$ 5	\$	\$
BANC OF AMERICA	176		282,479
BEAR STEARNS	148	478,173	278,594
CENTENNIAL CAPITAL		14,750	
CITIGROUP	104	572,559	554,896
CITIGROUP - MONTGOMERY	3		4,500
CNHI	230		
CONCORD EQUITY		14,830	
CREDIT SUISSE FIRST BOSTON	28	209,534	265,822
DEUTSCHE BANK	68	73,828	73,230
EMPIRICAL RESEARCH		18,950	
FIRST DISCOUNT		13,625	
GARDNER RICH		21,365	
GOLDMAN SACHS	85	169,663	343,135
HOWARD WEIL		54,658	
ISSUER DESIGNATED			109,466
ISI		177,371	
JANNEY MONTGOMERY SCOTT		7,500	
JP MORGAN CHASE	35	298,900	386,718
KEEFE BRUYETTE		125,910	
LEHMAN BROTHERS, INC	188	371,525	293,797
MCDONALD & COMPANY	151	22,455	160,250
MERRILL LYNCH, PIERCE, FENNER & SMITH, INC.	163	540,862	273,398
MORGAN KEEGAN	2	58,215	3,000
MORGAN STANLEY - MONTGOMERY	2		3,000
MORGAN STANLEY DEAN WITTER	245	564,933	179,037
MORGAN STANLEY DEAN WITTER INTERNATIONAL		139,670	
NBC SECURITIES, INC.	3	60,000	4,500
NBC CAPITAL MARKETS	528		298,270
NED DAVIS		24,600	
QUINTUS SECURITIES		12,350	
RAYMOND JAMES	93	59,735	65,100
ROBERT THOMAS		2,500	
SANDLER O'NEIL		137,595	
S. C. BERNSTEIN		520,060	
SECURITIES CAPITAL		21,250	
SIMMONS		45,315	
SOUTHWEST SECURITIES		13,550	
STERNE, AGEE & LEACH	4	70,985	6,000
SUSQUEHANNA		4,920	
UBS WARBURG	249	164,542	391,988
WACHOVIA SECURITIES	2	73,320	3,000
TOTAL	\$2,512	\$5,159,998	\$3,980,180



Dothan



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