



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

For the Fiscal Year Ended September 30, 2010





The Retirement Systems of Alabama

Component Units of the State of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2010

The Retirement Systems of Alabama
Consists of:

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

(Each a Component Unit of The State of Alabama)

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

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Component Units of the State of Alabama
Comprehensive Annual Financial Report

INTRODUCTORY SECTION





Retirement Systems of Alabama



Teachers'

Paul R. Hubbert, Chair
Sarah Swindle, Vice Chair

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

Employees'

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

January 28, 2011

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

Dear Board Members:

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2010. The Retirement Systems of Alabama includes the Teachers' Retirement System of Alabama (TRS), the Employees' Retirement System of Alabama (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama Comprehensive Annual Financial Report.

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

Administration and Plan History

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

Financial Information

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

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

Summary Comparative Data – Management’s Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes, and required supplementary information, and summary comparative data for fiscal years 2010 and 2009. Also, an analysis of significant variances between fiscal years 2010 and 2009 is provided in the MD&A.

Plan Financial Condition

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

At the date of the latest actuarial valuations (9/30/09), the number of participants in the TRS was 229,821. ERS participants totaled 138,222 and JRF participants totaled 709. The following table compares funded status as of September 30, 2009 and 2008:

Funded Status (%)			
<u>System</u>	<u>9/30/2009</u>	<u>9/30/2008</u>	<u>% Increase/ (Decrease)</u>
TRS	74.7	77.6	(2.9)
ERS	72.2	75.7	(3.5)
JRF	74.1	80.1	(6.0)

Investment Activity

Total investments for the RSA increased in fiscal year 2010, primarily due to increases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2010 were \$16.6 billion, \$8.0 billion and \$218.5 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2009 of \$15.9 billion, \$7.6 billion, and \$208.6 million, respectively. Total pension fund investments managed by the RSA increased from \$23.6 billion at September 30, 2009 to \$24.8 billion at September 30, 2010, a 4.9% increase.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2010 was \$559.9 million, \$268.7 million, and \$6.6 million, respectively, compared to \$580.7 million, \$285.0 million, and \$7.0 million, respectively, for the fiscal year ended September 30, 2009. The increase in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2010 was \$887.0 million, \$427.4 million and \$15.3 million, respectively, compared to the decrease in fair value of investments of \$2.1 billion, \$1.2 billion, and \$6.6 million, respectively, for the fiscal year ended September 30, 2009. Additional information concerning investments, including investment policies and procedures, is located in the Investment Section.

Management’s Discussion and Analysis

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

Professional Services

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

Financial Statement Audit

Carr, Riggs and Ingram, LLC, Certified Public Accountants, issued an unqualified (“clean”) opinion on the RSA’s financial statements for the fiscal year ended September 30, 2010. The independent auditors’ report is located at the front of the financial section of this report.

Highlights and Initiatives

Several of the RSA’s properties were honored again this year by earning the prestigious Four Diamond Award from AAA. In fact, the RSA was awarded the largest number of diamonds ever given to one group by AAA Alabama. The seven Four Diamond Awards represent the top four percent of hotels and restaurants in the country, according to AAA. In RTJ Golf Trail related news, Navistar announced that they will extend the Navistar LPGA Classic in Prattville, Alabama to 2011 and 2012. This tournament brings international attention to the RTJ golf courses as well as Alabama with worldwide television coverage for four continuous days.

In other RSA real estate news, The Shops of Grand River, a retail development project brought together by the RSA, U.S Steel and Daniel Corporation had its grand opening recently. Located in Leeds, Alabama, the outlet center is expected to draw in local shoppers as well as those from up to a few hundred miles away; the center will positively affect other area businesses as well. Additionally, the RSA also welcomed the opening of Danberry at Inverness, a senior living community in Hoover, Alabama. The RSA has been a longtime supporter of innovative senior living facilities in Alabama. This new facility will further advance the recognition of Alabama as a leading retirement destination in the country.

Lastly, the RSA was honored to receive the Lifetime Achievement Award from the Governor’s Conference on Tourism during the fiscal year. About sixteen years ago, tourism in Alabama was a \$1.8 billion industry. Today, tourism contributes around \$9.8 billion to our State’s economy and provides over 163,000 jobs. This has truly become one of our state’s most important industries.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its comprehensive annual financial report for the fiscal year ended September 30, 2009. The Certificate of Achievement is a prestigious national award, which recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

The Retirement Systems received the Public Pension Coordinating Council (PPCC) Recognition Award for Funding 2010. The award recognizes organizations that meet professional standards for plan funding as set forth in the Public Pension Standards.

Acknowledgments

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

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

Sincerely,

Diane E. Scott

Diane E. Scott, CPA
Chief Accountant & Fiscal Officer

David G. Bronner

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

The Retirement Systems of Alabama

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2009

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



President

Executive Director



Public Pension Coordinating Council

***Recognition Award for Funding
2010***

Presented to

Retirement Systems of Alabama

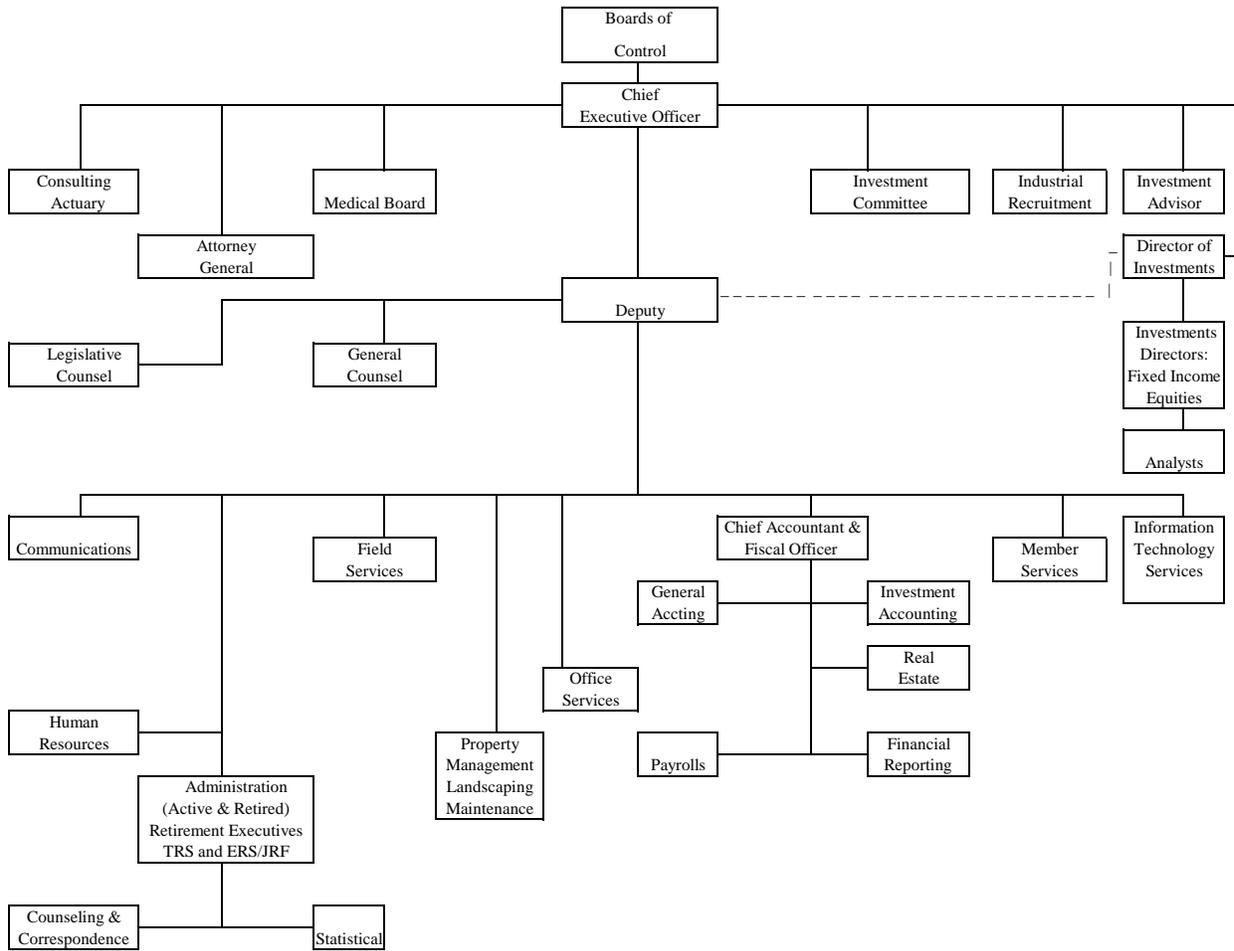
In recognition of meeting professional standards for
plan funding as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, stylized 'A' and 'W'.

Alan H. Winkle
Program Administrator



A schedule of broker commissions paid is located on page 68.

Teachers' Retirement System Board of Control

Ex Officio Members

Chairman, Dr. Paul R. Hubbert, Executive Secretary, AEA
Mr. Bill Newton, Acting State Finance Director
Hon. Kay Ivey, State Treasurer
Dr. Joseph Morton, State Superintendent of Education

Elected Members

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

Employees' Retirement System Board of Control**

Ex Officio Members

Chairman, Bob Riley, Governor
Mr. Bill Newton, Acting State Finance Director
Hon. Kay Ivey, State Treasurer
Mrs. Jackie Graham, State Personnel Director

Elected Members

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

Appointed Members

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

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

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Staff, Advisors, and Medical Board

Staff, Advisors, and Medical Board

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

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

Administrative Staff

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

Director of Information Technology Services, Michael T. Baker

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

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

Director of Member Services, Penny Wilson

Director of Field Services, Judy Utley

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

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

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

Investment Staff

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

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

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

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

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

Equity Analyst, Amy Hendrickson, M.B.A.

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

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

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

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

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

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

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

Cash Management & Operations, Nancy H. Sprayberry

Advisors

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

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

State Street Bank and Trust Company, Investment Custodian

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

Attorney General, Mr. Troy King

Chief Examiner, Mr. Ronald L. Jones

Medical Board

Chairman, Neil Stronach, M.D.

Malcolm Brown, M.D.

Glen Yates, M.D.



Component Units of the State of Alabama
Comprehensive Annual Financial Report

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying combining statement of plan net assets of the Retirement Systems of Alabama (consisting of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama, and the Judicial Retirement Fund), component units of the State of Alabama, as of September 30, 2010, and the related combining statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Retirement Systems of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative information has been derived from the Retirement Systems of Alabama's 2009 financial statements and, in our report dated January 27, 2010, we expressed an unqualified opinion on such financial statements.

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

In our opinion, the 2010 financial statements referred to above present fairly, in all material respects, the financial position of the Retirement Systems of Alabama (component units of the State of Alabama) as of September 30, 2010, and its changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The introductory section, investment section, actuarial section, statistical section and supplementary information included on pages 47 through 49 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary information included on pages 47 through 49 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section, investment section, actuarial section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on them.

Carly Riggs & Ingram, L.L.C.

January 28, 2011
Montgomery, Alabama

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis

The Retirement Systems of Alabama (RSA) is comprised of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). The following discussion provides an overview of the financial position and results of operation for the RSA as of and for the period ended September 30, 2010. For more detailed information, please refer to the financial statements, including the Notes to the Financial Statements and the Required Supplementary Information.

Financial Statements and Required Supplementary Information

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

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Comparative Summary Statements

Summary Comparative Statement of Plan Net Assets

As of September 30, 2010 and 2009

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<i>Assets</i>				
Cash	\$ 9,366	\$ 14,717	\$ (5,351)	(36.36)
Receivables	219,311	218,629	682	0.31
Investment Sales Receivable	1,348,384	25,188	1,323,196	5,253.28
Investments	24,804,395	23,624,363	1,180,032	4.99
Invested Securities Lending Collateral	2,825,922	3,445,682	(619,760)	(17.99)
Property and Equipment, Net	<u>158,623</u>	<u>164,405</u>	<u>(5,782)</u>	<u>(3.52)</u>
Total Assets	<u>29,366,001</u>	<u>27,492,984</u>	<u>1,873,017</u>	<u>6.81</u>
<i>Liabilities</i>				
Accounts Payable and Other Liabilities	7,392	8,346	(954)	(11.43)
Investment Purchases Payable	1,093,925	25,381	1,068,544	4,210.02
Other Post-employment Benefit Obligations	3,115	2,567	548	21.35
Securities Lending Collateral	<u>2,825,922</u>	<u>3,445,682</u>	<u>(619,760)</u>	<u>(17.99)</u>
Total Liabilities	<u>3,930,354</u>	<u>3,481,976</u>	<u>448,378</u>	<u>12.88</u>
<i>Net Assets</i>	<u>\$ 25,435,647</u>	<u>\$ 24,011,008</u>	<u>\$ 1,424,639</u>	<u>5.93</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Summary Comparative Statement of Changes in Plan Net Assets

For the Fiscal Years Ended September 30, 2010 and 2009

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<i>Additions</i>				
Employee Contributions	\$ 517,304	\$ 532,149	\$ (14,845)	(2.79)
Employer Contributions	1,165,133	1,214,983	(49,850)	(4.10)
Investment Income	2,166,914	(2,372,249)	4,539,163	191.34
Transfers Between Systems	3,423	4,539	(1,116)	(24.59)
Total Additions	<u>3,852,774</u>	<u>(620,578)</u>	<u>4,473,352</u>	720.84
<i>Deductions</i>				
Retirement Allowance Payments	2,317,976	2,231,511	86,465	3.87
Return of Contributions, Unit Withdrawals, and Death Benefits	77,731	75,136	2,595	3.45
Transfers Between Systems	3,423	4,539	(1,116)	(24.59)
Administrative Expense	22,630	20,970	1,660	7.92
Depreciation	6,375	6,166	209	3.39
Total Deductions	<u>2,428,135</u>	<u>2,338,322</u>	<u>89,813</u>	3.84
<i>Increase/(Decrease) in Plan Net Assets</i>	1,424,639	(2,958,900)	4,383,539	148.15
Net Assets - Beginning of Year	<u>24,011,008</u>	<u>26,969,908</u>	<u>(2,958,900)</u>	(10.97)
<i>Net Assets - End of Year</i>	<u>\$ 25,435,647</u>	<u>\$ 24,011,008</u>	<u>\$ 1,424,639</u>	5.93

Comparison of Individual Plan Net Assets

As of September 30, 2010 and 2009

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
TRS	\$ 17,037,673	\$ 16,120,988	\$ 916,685	5.69
ERS	8,176,732	7,679,005	497,727	6.48
JRF	221,242	211,015	10,227	4.85
Totals	<u>\$ 25,435,647</u>	<u>\$ 24,011,008</u>	<u>\$ 1,424,639</u>	5.93

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

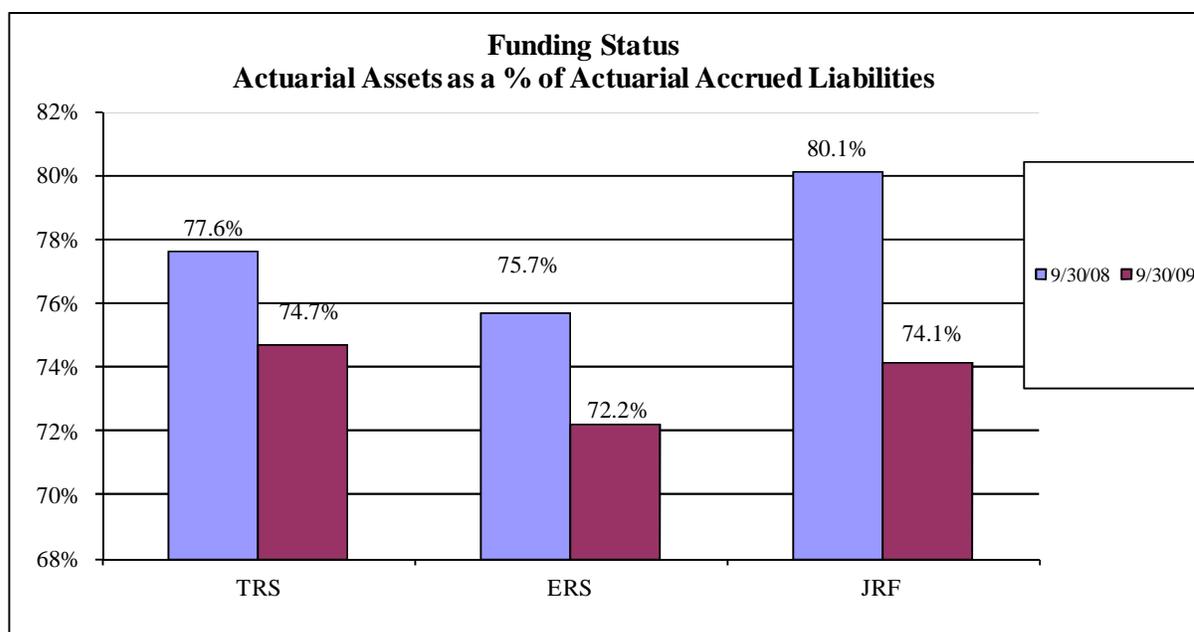
Financial Analysis

- Employer contributions decreased primarily as a result of having received a substantial lump-sum contribution from a new unit joining in fiscal year 2009. Fiscal year 2010 employer contributions did not include a substantial lump-sum contribution.
- Investment sales receivable and investment purchases payable occur as a result of trade date accounting. The increase in the receivable and payable for fiscal year 2010 was due to the value of securities traded in the current fiscal year and settling in the following fiscal year being larger than the value of the securities accounted for using trade date accounting in the previous fiscal year.
- Assets and liabilities related to securities lending decreased as a result of decreased securities lending activities.
- Investments and investment income increased mainly as a result of the increase in the fair value of investments. Specifically, fixed income and equity securities performance results contributed to the increase in both the investment and investment income during fiscal year 2010.

Funding Status

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

The ratio of actuarial assets to actuarial liabilities provides an excellent indication as to whether sufficient assets are being accumulated to pay benefits when due. The following bar graph provides comparisons of the funded ratio (actuarial assets to actuarial liabilities) as of the last two valuations for each System (September 30, 2009 and September 30, 2008). The funded ratios decreased slightly in the most recent valuations. However, as reflected by the following graph, the TRS, ERS, and JRF continue to operate on an actuarially sound basis and accumulated funds are sufficient to continue to provide benefits as they become due.



RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Financial Highlights

- Net assets held in trust of \$25.4 billion at 9/30/10 were available to meet future benefit payments.
- The funding level (actuarial value of assets as a percent of actuarial accrued liabilities) as of the latest actuarial valuations was 74.7% for the TRS, 72.2% for the ERS, and 74.1% for the JRF.
- The investment section contains a detailed schedule of investment returns and related benchmarks.



RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Plan Net Assets
September 30, 2010 with comparative figures for 2009

(Amounts in Thousands)

	2010			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash (Note 4)	\$ 4,843	\$ 3,262	\$ 1,261	\$ 9,366
Receivables				
Employee Contributions	25,796	15,197	114	41,107
Employer Contributions	64,509	30,329	369	95,207
Investment Sales Receivable	923,111	425,256	17	1,348,384
Real Estate Investment Receivable	1,135	567	-	1,702
Dividends and Interest	54,922	25,280	1,093	81,295
Total Receivables	<u>1,069,473</u>	<u>496,629</u>	<u>1,593</u>	<u>1,567,695</u>
Investments, at Fair Value (Note 5)				
Domestic Equities	7,426,861	3,573,333	106,307	11,106,501
Domestic Fixed Income	4,318,947	2,065,758	68,050	6,452,755
International Equities	2,488,588	1,101,393	33,219	3,623,200
Real Estate	1,893,380	923,235	2,686	2,819,301
Short-term	485,804	308,581	8,253	802,638
Total Investments	<u>16,613,580</u>	<u>7,972,300</u>	<u>218,515</u>	<u>24,804,395</u>
Invested Securities Lending Collateral (Note 5)	1,942,174	854,386	29,362	2,825,922
Property and Equipment less				
Accumulated Depreciation (Note 8)	<u>105,810</u>	<u>52,813</u>	<u>-</u>	<u>158,623</u>
Total Assets	<u>19,735,880</u>	<u>9,379,390</u>	<u>250,731</u>	<u>29,366,001</u>
Liabilities				
Accounts Payable and Other Liabilities	4,517	2,790	85	7,392
Investment Purchases Payable	750,027	343,876	22	1,093,925
Other Post-employment Benefit Obligations (Note 9)	1,489	1,606	20	3,115
Securities Lending Collateral (Note 5)	<u>1,942,174</u>	<u>854,386</u>	<u>29,362</u>	<u>2,825,922</u>
Total Liabilities	<u>2,698,207</u>	<u>1,202,658</u>	<u>29,489</u>	<u>3,930,354</u>
Net Assets Held in Trust for Pension Benefits (Notes 3 & 6)	<u>\$ 17,037,673</u>	<u>\$ 8,176,732</u>	<u>\$ 221,242</u>	<u>\$ 25,435,647</u>

See accompanying Notes to the Financial Statements .

	2009			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash	\$ 6,400	\$ 7,162	\$ 1,155	\$ 14,717
Receivables				
Employee Contributions	25,381	14,640	117	40,138
Employer Contributions	61,263	29,616	351	91,230
Investment Sales Receivable	16,498	8,690	-	25,188
Dividends and Interest	<u>59,047</u>	<u>27,166</u>	<u>1,048</u>	<u>87,261</u>
 Total Receivables	 <u>162,189</u>	 <u>80,112</u>	 <u>1,516</u>	 <u>243,817</u>
Investments, at Fair Value				
Domestic Equity	7,002,023	3,378,526	109,305	10,489,854
Domestic Fixed Income	4,604,039	2,173,828	64,026	6,841,893
International Equities	2,383,873	1,050,599	15,112	3,449,584
Real Estate	1,404,652	683,221	2,530	2,090,403
Short-term	<u>471,177</u>	<u>263,860</u>	<u>17,592</u>	<u>752,629</u>
 Total Investments	 <u>15,865,764</u>	 <u>7,550,034</u>	 <u>208,565</u>	 <u>23,624,363</u>
Invested Securities Lending Collateral	2,394,634	1,027,835	23,213	3,445,682
Property and Equipment less Accumulated Depreciation	<u>109,637</u>	<u>54,768</u>	<u>-</u>	<u>164,405</u>
 Total Assets	 <u>18,538,624</u>	 <u>8,719,911</u>	 <u>234,449</u>	 <u>27,492,984</u>
Liabilities				
Accounts Payable and Other Liabilities	5,151	2,993	202	8,346
Investment Purchases Payable	16,613	8,768	-	25,381
Other Post-employment Benefits	1,238	1,310	19	2,567
Securities Lending Collateral	<u>2,394,634</u>	<u>1,027,835</u>	<u>23,213</u>	<u>3,445,682</u>
 Total Liabilities	 <u>2,417,636</u>	 <u>1,040,906</u>	 <u>23,434</u>	 <u>3,481,976</u>
 Net Assets Held in Trust for Pension Benefits	 <u>\$ 16,120,988</u>	 <u>\$ 7,679,005</u>	 <u>\$ 211,015</u>	 <u>\$ 24,011,008</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2010 with comparative figures for 2009

(Amounts in Thousands)

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

See accompanying Notes to the Financial Statements .

	2009			
	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Additions				
Contributions				
Employee	\$ 321,100	\$ 208,446	\$ 2,603	\$ 532,149
Employer	753,518	451,139	10,326	1,214,983
Transfers from Teachers' Retirement System	-	1,767	-	1,767
Transfers from Employees' Retirement System	2,606	-	98	2,704
Transfers from Judicial Retirement Fund	-	68	-	68
Total Contributions	<u>1,077,224</u>	<u>661,420</u>	<u>13,027</u>	<u>1,751,671</u>
Investment Income				
<i>From Investing Activities</i>				
Net Decrease in Fair Value of Investments	(2,083,048)	(1,180,523)	(6,612)	(3,270,183)
Interest and Dividends	580,656	285,022	7,026	872,704
Total Investment Income from Investing Activities	(1,502,392)	(895,501)	414	(2,397,479)
Less: Investment Expenses	5,419	2,651	11	8,081
Net Investment Income from Investing Activities	<u>(1,507,811)</u>	<u>(898,152)</u>	<u>403</u>	<u>(2,405,560)</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	33,782	15,335	543	49,660
Less Securities Lending Expenses:				
Borrower Rebates	6,685	3,070	119	9,874
Management Fees	4,412	1,994	69	6,475
Total Securities Lending Expenses	<u>11,097</u>	<u>5,064</u>	<u>188</u>	<u>16,349</u>
Net Income from Securities Lending Activities	<u>22,685</u>	<u>10,271</u>	<u>355</u>	<u>33,311</u>
Total Net Investment Income	<u>(1,485,126)</u>	<u>(887,881)</u>	<u>758</u>	<u>(2,372,249)</u>
Total Additions	<u>(407,902)</u>	<u>(226,461)</u>	<u>13,785</u>	<u>(620,578)</u>
Deductions				
Retirement Allowance Payments	1,512,260	695,430	23,821	2,231,511
Return of Contributions and Death Benefits	42,337	32,640	145	75,122
Unit Withdrawals	-	14	-	14
Transfers to Employees' Retirement System	1,767	-	68	1,835
Transfers to Teachers' Retirement System	-	2,606	-	2,606
Transfers to Judicial Retirement Fund	-	98	-	98
Administrative Expenses	11,005	9,413	552	20,970
Depreciation	4,128	2,038	-	6,166
Total Deductions	<u>1,571,497</u>	<u>742,239</u>	<u>24,586</u>	<u>2,338,322</u>
Net Decrease	(1,979,399)	(968,700)	(10,801)	(2,958,900)
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	18,100,387	8,647,705	221,816	26,969,908
End of Year	<u>\$ 16,120,988</u>	<u>\$ 7,679,005</u>	<u>\$ 211,015</u>	<u>\$ 24,011,008</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2010

(Dollar Amounts in Thousands)

1) PLAN DESCRIPTION

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

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

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

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

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

At September 30, 2010, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	287	-
Counties	-	65	67
Other Public Entities	-	517	-
Universities	13	-	-
Post-Secondary Institutions	30	-	-
City and County Bds of Education	132	-	-
State Agencies & Other	<u>32</u>	<u>1</u>	<u>1</u>
Totals	<u>207</u>	<u>870</u>	<u>68</u>

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

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Retirees and beneficiaries currently receiving benefits:			
General	69,281	18,498	320
State Police	-	772	-
Employees of Local Employers	-	17,143	-
Deferred Retirement Option Plan (DROP)	5,340	2,371	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	17,265	3,778	47
State Police	-	20	-
Employees of Local Employers	-	7,993	-
Active employees:			
General	137,935	32,659	342
State Police	-	814	-
Employees of Local Employers	-	54,174	-
Totals	<u>229,821</u>	<u>138,222</u>	<u>709</u>

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS, ERS, and JRF. Benefits for TRS and ERS members vest after 10 years of credited service. Teachers and state employees who retire after age 60 (52 for state police) with 10 years or more of credited service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of credited service or with 25 or 30 years of service (regardless of age), depending on the particular entity's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS and ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service. State Police are allowed 2.875% for each year of state police service in computing the formula method. The JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at

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

(Dollar Amounts in Thousands)

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Investments

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

future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals or cost which approximates fair value. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an appraisal is performed to determine the fair value of the private placements.

C. Comparative Combining Statements

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

D. Interfund Transfers

Interfund transfers result from transfers of members between retirement systems.

E. New Accounting Pronouncements

The Governmental Accounting Standards Board issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, with implementation effective for fiscal year 2010. RSA's derivative transactions are discussed in Note 5 E.

F. Use of Estimates

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

3) LEGALLY REQUIRED RESERVES

A. Annuity Savings

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

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

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

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

B. Pension Accumulation

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

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

C. Pre-retirement Death Benefit

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

D. Term Life Insurance

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

E. Expense

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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2010

(Dollar Amounts in Thousands)

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

F. Deferred Retirement Option Plan (DROP)

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

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

G. Reserves

The reserves of the RSA are funded to the full extent required by statute. The reserve balances as of September 30, 2010, are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Annuity Savings	\$ 3,498,957	\$ 2,050,095	\$ 33,950
Pension Accumulation	12,667,970	5,759,472	186,137
Preretirement Death Benefit	24,787	18,883	-
Term Life Insurance	12,817	-	-
Deferred Retirement Option Plan	721,954	293,417	-
Expense	5,377	2,053	1,155

4) CASH

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

or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Virtually all cash on hand at September 30, 2010 was restricted for administrative expenses.

5) INVESTMENTS

A. Investment Risks

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

Interest Rate Risk – The fair value of fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods. The Systems do not have a formal policy regarding interest rate risks. However, the Systems' intent is to hold all fixed maturity investments until maturity, and as such, fixed maturity investments are classified in the following tables as if they will be held to maturity.

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

Credit Quality – Nationally recognized statistical rating organizations provide ratings of debt securities quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. Domestic fixed-maturity investments may consist of rated or non-rated

securities. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

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

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

- Domestic Fixed Income – Limited to 50% of the fair value of the aggregate portfolio for each System.
- International Fixed Income – Limited to 10% of the fair value of each System's total portfolio.
- Domestic Equity – Limited to 65% of the fair value of each System's aggregate portfolio.
- International Equity – The aggregate fair value of international equities is limited to 25% of the aggregate fair value of each System's total portfolio. Also, each System may not purchase or hold more than 5% of any class of the outstanding stock of a company.
- Real Estate – The range may not exceed 15% of the book value of each System's portfolio.

RETIREMENT SYSTEMS OF ALABAMA

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Notes to the Financial Statements

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(Dollar Amounts in Thousands)

- Alternative Investments (mezzanine financing, LBO's, venture capital, limited partnerships, futures, commodities and derivative investments)
 - Limited to 10% of the book value of each System's aggregate portfolio.
- Short-term Investments – Limited to 20% of the fair value of each System's aggregate portfolio.

The following tables provide information as of September 30, 2010, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS						
TRS						
Type of Investment	Maturity in Years at Fair value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 347,431	\$ -	\$ -	\$ -	\$ 347,431	\$ 347,431
U.S. Government Guaranteed	-	361,847	297,090	37,983	696,920	641,432
U.S. Agency	35,036	144,701	154,749	48,191	382,677	356,949
Corporate Bonds	97,239	435,883	564,057	244,073	1,341,252	1,225,800
Private Placements	92,342	134,018	98,295	1,257,145	1,581,800	2,118,726
GNMAs	36	355	560	49,911	50,862	46,348
CMOs	-	2,018	14,890	248,528	265,436	257,620
Money Market Funds	138,373	-	-	-	138,373	138,373
Total Domestic Fixed Maturity	<u>\$ 710,457</u>	<u>\$ 1,078,822</u>	<u>\$ 1,129,641</u>	<u>\$ 1,885,831</u>	<u>4,804,751</u>	<u>5,132,679</u>
<i>Equities</i>						
Domestic						
					7,276,391	6,169,046
Private						
					150,470	277,022
International						
United Kingdom - Pound Sterling					467,444	437,776
Japan - Yen					488,549	526,298
France - Euro					243,399	221,657
Germany - Euro					183,667	153,837
Switzerland - Franc					181,204	122,150
Netherlands - Euro					69,433	63,441
Italy - Euro					67,054	91,821
Spain - Euro					88,945	77,528
Australia - U.S. Dollar					193,540	120,088
Singapore - U.S. Dollar					37,173	26,363
Belgium - Euro					22,253	29,834
Finland - Euro					26,796	27,891
Hong Kong - U.S. Dollar					63,619	40,917
Sweden - Krona					73,138	45,674
Denmark - Krone					22,642	11,056
Portugal - Euro					5,835	7,320
Ireland - Euro					4,444	9,816
Israel - Shekel					16,796	15,432
Norway - Krone					19,643	11,042
Greece - Euro					5,926	9,890
Austria - Euro					8,356	8,177
New Zealand - Dollar					1,686	2,679
Emerging Markets					197,046	165,569
Total International Equities					<u>2,488,588</u>	<u>2,226,256</u>
Total Equities					<u>9,915,449</u>	<u>8,672,324</u>
Real Estate						
					1,893,380	1,625,572
Total Investments					<u>\$ 16,613,580</u>	<u>\$ 15,430,575</u>

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(Dollar Amounts in Thousands)

Type of Investment	INVESTMENTS				Total Fair Value	Cost
	ERS					
	Maturity in Years at Fair Value					
Less Than 1	1-5	6-10	More Than 10			
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 229,985	\$ -	\$ -	\$ -	\$ 229,985	\$ 229,985
U.S. Government Guaranteed	-	165,698	136,543	17,416	319,657	294,188
U.S. Agency	16,333	69,398	71,767	21,942	179,440	167,293
Corporate Bonds	43,681	199,294	257,597	111,533	612,105	559,304
Private Placements	45,325	98,157	46,443	622,223	812,148	1,079,092
GNMAs	4	244	494	20,864	21,606	19,822
CMOs	-	836	6,759	113,207	120,802	117,331
Money Market Funds	78,596	-	-	-	78,596	78,596
Total Domestic Fixed Maturity	<u>\$ 413,924</u>	<u>\$ 533,627</u>	<u>\$ 519,603</u>	<u>\$ 907,185</u>	<u>2,374,339</u>	<u>2,545,611</u>
<i>Equities</i>						
Domestic					3,437,166	2,924,034
Private					136,167	222,735
International						
United Kingdom - Pound Sterling					205,392	191,028
Japan - Yen					214,656	231,809
France - Euro					107,353	97,118
Germany - Euro					80,703	67,391
Switzerland - Franc					79,616	52,991
Netherlands - Euro					30,509	27,326
Italy - Euro					29,463	40,137
Spain - Euro					39,083	33,312
Australia - U.S. Dollar					85,042	52,728
Singapore - U.S. Dollar					16,336	11,551
Belgium - Euro					9,777	13,029
Finland - Euro					11,774	12,421
Hong Kong - U.S. Dollar					27,952	18,048
Sweden - Krona					32,136	20,179
Denmark - Krone					9,946	4,839
Portugal - Euro					2,564	3,198
Israel - Shekel					7,377	6,778
Ireland - Euro					1,953	4,295
Norway - Krone					8,631	4,940
Greece - Euro					2,604	4,361
Austria - Euro					3,672	3,652
New Zealand - Dollar					741	1,196
Emerging Markets					94,113	79,080
Total International Equities					<u>1,101,393</u>	<u>981,407</u>
Total Equities					<u>4,674,726</u>	<u>4,128,176</u>
Real Estate					<u>923,235</u>	<u>813,057</u>
Total Investments					<u>\$ 7,972,300</u>	<u>\$ 7,486,844</u>

INVESTMENTS						
JRF						
Type of Investment	Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Commercial Paper	\$ 2,999	\$ -	\$ -	\$ -	\$ 2,999	\$ 2,999
U.S. Government Guaranteed	-	8,298	6,657	836	15,791	14,551
U.S. Agency	1,415	2,798	4,672	1,099	9,984	9,248
Corporate Bonds	680	10,926	14,736	5,141	31,483	28,897
Private Placements	202	2,280	618	1,130	4,230	4,863
GNMAs	-	18	-	637	655	625
CMOs	-	76	327	5,504	5,907	5,735
Money Market Funds	5,254	-	-	-	5,254	5,254
Total Domestic Fixed Maturity	<u>\$ 10,550</u>	<u>\$ 24,396</u>	<u>\$ 27,010</u>	<u>\$ 14,347</u>	<u>76,303</u>	<u>72,172</u>
<i>Equities</i>						
Domestic						
					<u>106,307</u>	<u>75,741</u>
International						
United Kingdom - Pound Sterling					6,246	6,481
Japan - Yen					6,466	7,295
France - Euro					3,076	3,197
Germany - Euro					2,444	2,349
Switzerland - Franc					2,408	2,268
Netherlands - Euro					924	943
Italy - Euro					893	1,119
Spain - Euro					1,184	1,133
Australia - U.S. Dollar					2,577	2,218
Singapore - U.S. Dollar					476	389
Belgium - Euro					296	384
Finland - Euro					357	372
Hong Kong - U.S. Dollar					837	657
Sweden - Krona					973	819
Denmark - Krone					291	230
Portugal - Euro					78	82
Israel - Shekel					223	205
Ireland - Euro					59	100
Norway - Krone					261	215
Greece - Euro					79	121
Austria - Euro					111	121
New Zealand - Dollar					22	26
Emerging Markets					2,938	2,469
Total International Equities					<u>33,219</u>	<u>33,193</u>
Total Equities					<u>139,526</u>	<u>108,934</u>
Real Estate					<u>2,686</u>	<u>892</u>
Total Investments					<u>\$ 218,515</u>	<u>\$ 181,998</u>

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For the Fiscal Year Ended September 30, 2010

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2010, concerning credit risk:

RATINGS OF FIXED MATURITIES

TRS

Moody's Ratings[§] (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	\$ 747,782	\$ 687,779	15.563
Aaa	628,209	593,505	13.075
Aa1	28,164	26,574	0.586
Aa2	106,504	98,963	2.217
Aa3	19,033	15,604	0.396
P-1	138,374	138,374	2.880
P-2	347,431	347,431	7.231
A1	165,673	145,222	3.448
A2	214,627	195,395	4.467
A3	163,815	146,773	3.409
A (SP)	5,782	5,055	0.120
Baa1	287,505	250,297	5.984
BBB+ (SP)	23,674	20,027	0.493
Baa2	181,008	162,963	3.767
Baa3	85,705	83,665	1.784
Ba1	53,170	48,177	1.107
Ba2	37,542	39,390	0.781
Ba3	43,053	40,797	0.896
B1	20,507	20,390	0.427
B2	297	279	0.006
‡ Not Rated	1,506,896	2,066,019	31.363
Totals	\$ 4,804,751	\$ 5,132,679	100.000

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

‡ Primarily consists of private placements.

**RATINGS OF FIXED MATURITIES
ERS**

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	\$ 341,262	\$ 314,010	14.372
Aaa	290,779	274,653	12.247
Aa1	13,224	12,481	0.557
Aa2	49,093	45,603	2.068
Aa3	8,655	7,096	0.365
A1	75,724	66,365	3.189
A2	98,536	89,702	4.150
P-1	78,596	78,596	3.310
P-2	229,985	229,985	9.686
A3	73,880	66,234	3.112
A (SP)	2,694	2,355	0.113
Baa1	132,438	115,376	5.578
BBB+ (SP)	10,429	8,822	0.439
Baa2	82,598	74,286	3.479
Baa3	38,953	37,975	1.641
Ba1	25,143	22,685	1.059
Ba2	17,847	18,729	0.752
Ba3	19,602	18,572	0.826
B1	9,346	9,293	0.394
B2	122	115	0.005
Caa2	61	64	0.003
‡ Not Rated	775,372	1,052,614	32.655
Totals	<u>\$ 2,374,339</u>	<u>\$ 2,545,611</u>	<u>100.000</u>

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

‡ Primarily consists of private placements.

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(Dollar Amounts in Thousands)

RATINGS OF FIXED MATURITIES

JRF

Moody's Ratings§ (Unless Noted)	Fair Value	Cost	Fair Value as a Percent of Total Fixed Maturity Fair Value
US Govt Guaranteed Securities	\$ 16,446	\$ 15,176	21.554
Aaa	13,262	12,500	17.381
Aa1	3,071	2,823	4.025
Aa2	2,895	2,650	3.794
Aa3	453	371	0.594
A1	3,470	3,107	4.548
A2	5,102	4,588	6.686
P-1	5,254	5,254	6.886
P-2	2,999	2,999	3.930
A3	3,595	3,211	4.711
Baa1	7,304	6,466	9.572
Baa2	3,796	3,405	4.975
Baa3	1,488	1,450	1.950
Ba1	3,366	3,010	4.411
Ba2	344	360	0.451
Ba3	780	734	1.022
Caa2	932	981	1.221
‡ Not Rated	1,746	3,087	2.289
Totals	<u>\$ 76,303</u>	<u>\$ 72,172</u>	<u>100.000</u>

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

‡ Primarily consists of private placements.

B. Concentration of Investments

As of September 30, 2010, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 6.15% and 6.86%, respectively, of the TRS and ERS investments and Goldman Sachs which represented approximately 6.63% of the TRS investments and 6.06% of the ERS investments.

C. Securities Lending Program

The TRS, ERS, and JRF are authorized by the Boards of Control to participate in a securities lending program. The Systems' custodian, State Street Bank

and Trust Company (State Street), administers the program. Certain securities from the TRS, ERS, and JRF are loaned to borrowers approved by the Systems for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non U.S. equities and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received), a value of

102% or 105% of the fair value of the loaned securities, or such other value, but not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business day employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF).

The following describes the QDF's guidelines. The QDF's average effective duration is restricted to 90 days or less. The maximum option-adjusted duration of any variable rate security investment of the QDF shall be 2.5 years or less. All fixed rate instruments must have an option-adjusted duration not to exceed 18 months. At the time of purchase, all securities with maturities of 13 months or less must qualify as first tier securities and all securities with maturities in excess of 13 months will be rated A or better by at least two nationally recognized statistical rating organizations (NRSROs), or, if not rated, be of comparable quality. The QDF may invest in other State Street managed investment vehicles provided they conform to QDF guidelines. As of September

30, 2010, the average term of the loans secured by QDF was 8, 8, and 9 days, respectively for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2010, the fair value of the securities on loan was \$2,750,556, \$1,211,706, and \$40,874 for the TRS, ERS, and JRF, respectively. The fair value of the collateral pledged by the borrowers was \$2,832,612, \$1,247,073 and \$41,944 for the TRS, ERS, and JRF, respectively. Since the amounts owed by the TRS, ERS, and JRF exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2010. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the Systems. Securities pledged as collateral are held by the custodian agent, but not in the name of the Systems. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. Tri Party collateral is held by a third party bank in the name of the custodial agent. State Street, as custodial agent, is authorized to request a third party bank to establish and maintain a borrower's account and a State Street account wherein all collateral, including cash shall be maintained by a third party bank in accordance with the terms of the agreement. The following table provides information as of September 30, 2010, concerning securities lent:

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(Dollar Amounts in Thousands)

SECURITIES LENDING - INVESTMENTS LENT AND COLLATERAL RECEIVED

(at Fair Value)

Type of Investment Lent	TRS	ERS	JRF	Totals
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 937,716	\$ 341,575	\$ 15,142	\$ 1,294,433
Domestic Equity	820,323	432,801	12,585	1,265,709
International Equity	138,681	59,682	968	199,331
Total Lent for Cash Collateral	1,896,720	834,058	28,695	2,759,473
<i>For Non-cash Collateral</i>				
Domestic Fixed Securities	391,295	190,099	7,360	588,754
Domestic Equity	151,994	76,034	2,979	231,007
International Equity	310,547	111,515	1,840	423,902
Total Lent for Non-cash Collateral	853,836	377,648	12,179	1,243,663
Total Securities Lent	\$ 2,750,556	\$ 1,211,706	\$ 40,874	\$ 4,003,136
Type of Collateral Received				
<i>Cash Collateral - Invested in State Street Quality D Fund</i>	\$ 1,942,174	\$ 854,386	\$ 29,362	\$ 2,825,922
<i>Non-cash Collateral</i>				
For Lent Domestic Fixed Securities	403,615	195,455	7,530	606,600
For Lent Domestic Equity Securities				
Securities Collateral - USD	157,978	78,930	3,098	240,006
For Lent International Equity Securities				
Securities Collateral				
US Dollar	328,845	118,302	1,954	449,101
Total Non-cash Collateral	890,438	392,687	12,582	1,295,707
Total Collateral Received	\$ 2,832,612	\$ 1,247,073	\$ 41,944	\$ 4,121,629

D. Mortgage-backed Securities

As of September 30, 2010, the TRS, ERS, and JRF had investments in mortgage-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities.

E. Investment Derivatives

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

The following table presents the investment derivative instruments outstanding as of September 30, 2010 (in thousands), as reported in the System's Statement of Plan Net Assets and Statement of Changes in Plan Net Assets:

INVESTMENT DERIVATIVE INSTRUMENTS					
	Changes in Fair Value		Fair Value as of September 30, 2010		
	Classification	Amount	Classification	Amount	Notional
TRS					
Domestic Options Written	Investment Income	\$ 160	Domestic Equity	\$ (50)	9,228
International Options Written	Investment Income	207	International Equity	(228)	85,157
Total Options Written		<u>367</u>		<u>(278)</u>	<u>94,385</u>
ERS					
Domestic Options Written	Investment Income	86	Domestic Equity	(27)	4,973
International Options Written	Investment Income	99	International Equity	(109)	40,672
Total Options Written		<u>185</u>		<u>(136)</u>	<u>45,645</u>
JRF					
International Options Written	Investment Income	3	International Equity	(3)	1,271
Total Options Written		<u>3</u>		<u>(3)</u>	<u>1,271</u>

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Notes to the Financial Statements

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(Dollar Amounts in Thousands)

6) FUNDED STATUS AND FUNDING PROGRESS

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

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

FUNDED STATUS						
Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll (B-A)/C
TRS						
9/30/2009	\$ 20,582,348	\$ 27,537,400	\$ 6,955,052	74.7%	\$ 6,236,922	111.5%
ERS						
9/30/2009	9,928,104	13,756,176	3,828,072	72.2	3,620,243	105.7
JRF						
9/30/2009	252,646	340,978	88,332	74.1	43,234	204.3

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

Additional information as of the latest actuarial valuation follows:

	ACTUARIAL ASSUMPTIONS		
	TRS	ERS	JRF
Valuation date	September 30, 2009	September 30, 2009	September 30, 2009
Actuarial cost method	Entry Age Normal	Entry Age Normal	Projected unit credit
Asset valuation method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization method	Level percent open	Level percent open	Level percent open
Remaining amortization period	30 years	Within 30 years - varies by employer	30 years
Actuarial assumptions:			
Investment rate of return ‡	8.00%	8.00%	8.00%
Projected salary increases ‡	5.00%-7.75%	4.61%-7.75%	5.00%
Cost of living adjustments	None	None	None

‡ Includes inflation at 4.50%

7) CONTRIBUTIONS REQUIRED AND MADE

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

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

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

For the JRF, the normal contribution is determined using the "projected accrued benefit" (unit-credit) method. Under this method, the benefits of each

individual included in an actuarial valuation are allocated by a consistent formula to valuation years. The actuarial gains (losses), as they occur, generally reduce (increase) the unfunded actuarial accrued liability.

The 2010 retirement contributions were made in accordance with actuarially determined contribution requirements.

8) PROPERTY AND EQUIPMENT

Plan assets used in plan operations are reported at historical cost less accumulated depreciation. Depreciation is determined on the straight-line basis using estimated useful lives of 30 years for buildings and 3 to 10 years for furniture and equipment.

Property and equipment was comprised of the following amounts as of September 30, 2010:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,069	53,534
Furniture and Equipment	<u>3,499</u>	<u>1,696</u>
Total Property and Equipment	115,653	57,765
Less Accum Depreciation	<u>(9,843)</u>	<u>(4,952)</u>
Net Property and Equipment	<u>\$ 105,810</u>	<u>\$ 52,813</u>

9) OTHER POSTEMPLOYMENT BENEFITS

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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2010

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

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

The *Code of Alabama 1975, Section 36-29-7*, authorizes the employer contributions to the plan. Each year, the Legislature sets the appropriation in the annual appropriation bill required to be paid by employers on behalf of each active member. A portion of the premium is used to assist in funding retiree benefits. The fiscal year 2010 rate set by the State Employees' Insurance Board was \$805 per active member per month.

The *Code of Alabama, Section 36-29-19.7* authorizes the retiree contributions to the plan. Required monthly contribution rates for FY2010 were as follows (the following amounts are not in thousands):

Required Member Rates

- Individual Coverage/Non-Medicare Eligible – \$181
- Family Coverage/Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$393
- Family Coverage/Non-Medicare Eligible Retired Member and Dependent Medicare Eligible – \$302
- Individual Coverage/Medicare Eligible Retired Member – \$0
- Family Coverage/Medicare Eligible Retired Member and Non-Medicare Eligible Dependents(s) – \$212
- Family Coverage/Medicare Eligible Retired Member and Dependent Medicare Eligible – \$121
- For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

Surviving Spouse Rates

- Surviving Spouse Non-Medicare Eligible – \$302
- Surviving Spouse Non-Medicare Eligible and Dependent Non-Medicare Eligible – \$514
- Surviving Spouse Non-Medicare Eligible and Dependent Medicare Eligible – \$423
- Surviving Spouse Medicare Eligible – \$121
- Surviving Spouse Medicare Eligible and Dependent Non-Medicare Eligible – \$333
- Surviving Spouse Medicare Eligible and Dependent Medicare Eligible – \$242

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

	Fiscal Year	Annual	Percentage
	Ended	Required	Contributed
		Contributions	
TRS	2010	\$ 729	45.33
	2009	745	29.40
	2008	1,259	17.30
ERS	2010	814	43.57
	2009	796	29.10
	2008	1,259	18.10
JRF	2010	6	45.00
	2009	11	29.30
	2008	18	18.30

10) PENSION PLAN FOR RSA EMPLOYEES

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

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

	Fiscal Year	Annual	Percentage
	Ended	Required	Contributed
		Contributions	
TRS	2010	\$ 1,233	100
	2009	1,215	100
	2008	1,060	100
ERS	2010	930	100
	2009	976	100
	2008	809	100

11) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and Mobile and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2029. Rental payments and other agreed upon payments (reported as investment income) from leases with state agencies totaled \$27,501,182 during the 2010 fiscal year.

(Dollar Amounts in Thousands)

1) CONTRIBUTIONS

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

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

2) ANALYSIS OF FUNDING PROGRESS

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

(Dollar Amounts in Thousands)

The following schedules provide information concerning funding progress through September 30,2009, employer contributions, and actuarial assumptions:

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
	(A)	(B)	(B-A)	(A/B)	(C)	((B-A)/C)
TRS						
9/30/2009	\$ 20,582,348	\$ 27,537,400	\$ 6,955,052	74.7	\$ 6,236,922	111.5
9/30/2008	20,812,477	26,804,117	5,991,640	77.6	6,294,341	95.2
** 9/30/2007	20,650,916	25,971,534	5,320,618	79.5	6,310,616	84.3
9/30/2006	19,821,133	23,945,100	4,123,967	82.8	5,458,443	75.6
* 9/30/2005	19,248,207	23,027,338	3,779,131	83.6	5,326,408	71.0
9/30/2004	18,704,009	20,886,190	2,182,181	89.6	4,846,677	45.0
ERS						
9/30/2009	\$ 9,928,104	\$ 13,756,176	\$ 3,828,072	72.2	\$ 3,620,243	105.7
9/30/2008	9,905,766	13,078,687	3,172,921	75.7	3,553,330	89.3
9/30/2007	9,770,897	12,370,342	2,599,445	79.0	3,389,156	76.7
9/30/2006	9,287,531	11,457,564	2,170,033	81.1	3,070,146	70.7
9/30/2005	8,935,358	10,634,976	1,699,618	84.0	2,982,122	57.0
9/30/2004	8,563,945	9,546,478	982,533	89.7	2,702,393	36.4
JRF						
9/30/2009	\$ 252,646	\$ 340,978	\$ 88,333	74.1	\$ 43,234	204.3
9/30/2008	259,071	323,428	64,357	80.1	41,167	156.3
9/30/2007	265,189	315,941	50,752	83.9	41,318	122.8
9/30/2006	260,664	301,592	40,928	86.4	39,185	104.4
9/30/2005	256,091	299,664	43,573	85.5	40,144	108.5
9/30/2004	251,844	293,055	41,211	85.9	39,419	104.5

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

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

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2010

(Dollar Amounts in Thousands)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
TRS		
9/30/2010	\$ 776,421	100
9/30/2009	753,518	100
9/30/2008	729,995	100
9/30/2007	540,847	100
9/30/2006	434,195	100
9/30/2005	347,862	100
ERS		
9/30/2010	377,898	100
9/30/2009	451,139	100
9/30/2008	329,339	100
9/30/2007	277,254	100
9/30/2006	241,750	100
9/30/2005	195,846	100
JRF		
9/30/2010	10,814	100
9/30/2009	10,326	100
9/30/2008	9,880	100
9/30/2007	9,307	100
9/30/2006	8,916	100
9/30/2005	8,943	100

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Personnel Services:				
Salaries	\$ 6,642	\$ 5,941	\$ 218	\$ 12,801
Employee Fringe Benefits	2,309	2,323	45	4,677
Total Personnel Services	<u>8,951</u>	<u>8,264</u>	<u>263</u>	<u>17,478</u>
Professional Services:				
Actuarial	119	295	27	441
Accounting and Auditing	36	45	15	96
Information Technology	278	163	-	441
Education & Training	16	18	-	34
Mailing Services	96	75	-	171
Legal Services	-	2	-	2
Personnel Services	70	-	-	70
Other Professional Services and Fees	75	10	-	85
Total Professional Services	<u>690</u>	<u>608</u>	<u>42</u>	<u>1,340</u>
Communications and Travel:				
Telecommunications	70	35	-	105
Postage	984	669	-	1,653
Travel	67	62	-	129
Total Communications and Travel	<u>1,121</u>	<u>766</u>	<u>-</u>	<u>1,887</u>
Rentals:				
Office Space	167	111	10	288
Equipment Leasing	27	28	-	55
Total Rentals	<u>194</u>	<u>139</u>	<u>10</u>	<u>343</u>
Miscellaneous:				
Supplies	964	527	2	1,493
Maintenance	59	30	-	89
Total Miscellaneous	<u>1,023</u>	<u>557</u>	<u>2</u>	<u>1,582</u>
Total Administrative Expenses	<u>\$ 11,979</u>	<u>\$ 10,334</u>	<u>\$ 317</u>	<u>\$ 22,630</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

	<u>Teachers'</u> <u>Retirement</u> <u>System</u>	<u>Employees'</u> <u>Retirement</u> <u>System</u>	<u>Judicial</u> <u>Retirement</u> <u>Fund</u>	<u>Totals</u>
<i>Investment Activity</i>				
Investment Management Fees:				
Salaries and Benefits	\$ 4,431	\$ 1,964	\$ -	\$ 6,395
Dues, Subscriptions and Supplies	401	309	-	710
Travel	18	3	-	21
Professional Services:				
Investment Advisor	60	30	-	90
Real Estate Appraisal	513	282	-	795
Investment Activity Expenses before Reimbursement	<u>5,423</u>	<u>2,588</u>	-	<u>8,011</u>
Less: Reimbursement for Investment Management Fees	8	190	-	198
Total Investment Activity Expenses	<u>5,415</u>	<u>2,398</u>	-	<u>7,813</u>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	2,820	1,271	45	4,136
Securities Lending Management Fees	2,910	1,305	37	4,252
Total Securities Lending Activity Expenses	<u>5,730</u>	<u>2,576</u>	<u>82</u>	<u>8,388</u>
Total Investment Expenses	<u>\$ 11,145</u>	<u>\$ 4,974</u>	<u>\$ 82</u>	<u>\$ 16,201</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2010

(Amounts in Thousands)

<u>Professional/Consultant</u>	<u>Nature of Service</u>	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Cavanaugh MacDonald	Actuary	\$ 119	\$ 295	\$ 27	\$ 441
Carr, Riggs & Ingram	Auditor	36	45	15	96
Action in Mailing Inc.	Mail	71	49	-	120
VR Election Services	Mail	-	14	-	14
State Personnel Department	Personnel	70	-	-	70
Fine & Geddie	Consultant	50	-	-	50
Alabama Dept of Finance	Information Technology	19	18	-	37
Auburn Montgomery	Information Technology	249	122	-	371
Various	Other	76	65	-	141
Total Professional/Consultant Fees-Admin Services		690	608	42	1,340
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services	Real Estate Appraisor	165	110	-	275
Houlihan, Lokey, Zukin Fin. Advisors	Investment Appraisor	348	172	-	520
Total Professional/Consultant Fees-Investment Services		573	312	-	885
Total Professional/Consultant Fees		\$ 1,263	\$ 920	\$ 42	\$ 2,225





Component Units of the State of Alabama
Comprehensive Annual Financial Report

INVESTMENT SECTION



RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2010

Dear Members,

I humbly present the following report on investment activity for the fiscal year ended September 30, 2010. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®). Performance returns calculated by the custodian use month end market based valuations, and performance returns are computed using the internal rate of return method (BAI-IRR). For periods longer than a month, these monthly returns are geometrically linked to provide longer term time-weighted rates of return. All performance calculations provided to RSA use security level trade date accounting data with full interest and dividend accruals included.

Fiscal year 2010 can be likened to a turbulent airplane ride that finally ends with a safe landing. All the passengers are disoriented and worn out, but happy with the final result. Most broad asset classes experienced two or three wild swings throughout the year, and the final results on September 30th proved positive. Both stocks and bonds posted returns above their long term averages, in spite of all the macroeconomic challenges they had to hurdle. Correlations within asset classes were unusually high. High and low quality securities sold off in lockstep, and lower quality assets generally picked up a performance edge during rallies. Our bias towards large cap, high quality equity was a slight drag on performance, while our overweighting in corporate credit picked up some of the slack in total performance.

Some of the normal variables we use still point to better returns ahead. Sentiment measures show that investors are at least nervous, if not still bearish on U.S. equities. Money flows in stocks have continued to flow overseas, mainly to emerging markets. Interest rates should continue to stay low, if you believe the Federal Reserve. This begs the question of what are the investable themes looking forward? We plan to continue with an overweight on large capitalization domestic stocks on the equity side. On fixed income, we will remain overweight corporates, as balance sheets remain in stellar shape on average. It is not hard to envision another few quarters just like those we have just experienced. With high likelihood of continued subpar GDP growth and above normal unemployment, the market will have to continue to climb the proverbial wall of worry. Global discord on monetary policy will escalate, as disparate views on rates and liquidity amongst the world central bankers will continue. Hopefully this doesn't escalate into currency and trade wars, which is never good for capital markets. With all the continued uncertainty, we will continue to demand the best execution from all our counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama.

RSA Performance Summary

As of September 30, 2010, aggregate defined benefit assets under management totaled \$25.1 billion. During fiscal year 2010, annualized total returns of the Teachers' Retirement System, Employees' Retirement System, and the Judicial Retirement Fund were 8.42%, 8.47%, and 10.73% respectively.

Equities

With another twelve months having passed, many of the macroeconomic challenges we faced are still lingering or have morphed into another problem. It is quite easy to be negative on the economy in the U.S., but overlaying that negativity onto the equity markets has been the wrong view. There have been numerous times over the fiscal year that the double-dippers grabbed the steering wheel, but continued strong earnings out of corporate America overwhelmed the doubters. With near record margins, earnings growth in the SP500 was better than 30% year-over-year. The market had to digest healthcare reform, financial reform, numerous sovereign crises, a strong dollar, a weak dollar, and serious doubts about the long term ramifications of the Federal Reserve's ample use of liquidity in the U.S. When the smoke cleared, the broad market as measured by the S&P 500 was up over 10% for the year. Midcap and smallcap fared even better, up 17% and 14% respectively. As for international equities, the gap in

performance between developed and emerging markets was large. The MSCI EAFE index was up over 3%, nearly identical to last year, while emerging markets were up north of 21%.

The RSA continued to stick with the large cap bias for fiscal year 2010. Correlations across and within asset classes continued to stay at elevated levels. The biggest opportunity to outperform in the year was through changing your exposure, not through stock picking.

In review, the year began and ended with the total global equity allocation at 58%. Domestic equities edged up to 43.6% of the total portfolio and international equities are 14.5%. We continued to slowly add to our emerging market allocation before the markets ran up in the fiscal fourth quarter. Our hedges from 2009 were both unwound and matured, and we will continue to evaluate hedging opportunities going forward.

For the year, the RSA domestic equity portfolios increased 11.43%, 11.41%, and 11.41% for TRS, ERS, and JRF funds, respectively. International equity returns lagged domestic returns for the year, with TRS up 4.58%, ERS up 4.65%, and JRF up 5.75%. The combined total return for the overall equity portfolios were 9.67%, 9.77%, and 11.72% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were (6.76%), 1.61%, and 2.14% for TRS, (6.71%), 1.61%, and 2.14% for ERS, and (6.11%), 1.50%, and 0.48% for JRF, respectively.

Fixed Income

At the beginning of fiscal year 2010, the outperformance of risk assets had hit full stride as investors continued their flight away from safety. Earlier in the calendar year, the Federal Reserve increased its open market purchases of agency debt and mortgages, coupled with announcement of its intention to purchase up to \$300 billion in treasury securities. The culmination of these actions led to monumental returns for corporate bonds, emerging markets, and commodities throughout the end of the previous fiscal year. Uncertainty regarding the federal budget, the financing of the deficit, and the potential inflation from the printing of money weighed heavily on government securities during this time.

The month of September was largely a continuation of the uptrend in risk assets on the heels of strong manufacturing data. At the Federal Open Market Committee meeting late in the month, policymakers announced a gradual slowing of agency and mortgage purchases and anticipated the program's completion by the end of the first quarter of 2010. Once again, high yield bonds were the best performing asset within fixed income despite heavy issuance. The treasury yield curve was historically steep as the front end was anchored by easy monetary policy, while the long end inched higher in response to a general improvement in economic conditions. Corporate credit continued to rally during this time amid heavy inflows into bond mutual funds.

In what typically is an inactive month due to holiday and year-end preparation, December provided fixed income participants with its first substantial sell-off in over a year. Treasury securities lost over 2.5% with the benchmark 10yr gapping out 30 basis points in the last two weeks. Fortunately, the new calendar year provided a welcome relief and investors were able to recoup a good portion of their December losses. While China attempted to curb excess lending due to concerns about property speculation and inflation, the struggles of a former Mediterranean empire came to the forefront. Concerns began to surface over the ability of the Greek government to honor its debt obligations after years of fiscal mishaps. Questions about the government's ability to roll \$30bn in debt coming due in the spring caused Greek yields to soar versus its German counterparts. The finances of other struggling European countries were also being questioned as their state of affairs were very similar- low growth prospects, high unemployment, and ballooning public debt. The European crisis led to a global sell-off in equities and capital flight to safety. After months of speculation, the European Central Bank and the International Monetary Fund provided a bailout for Greece as it agreed to further budgets cuts and deficit reduction measures. European policymakers also announced a \$1 trillion loan package for other countries in need to help solve the region's sovereign debt crisis.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity (Continued) For the Fiscal Year Ended September 30, 2010

Coupled with weak macroeconomic signals and European sovereign credit risks, treasury yields experienced strong declines by the end of spring. Corporate outperformance also slowed as the SEC investigation into Goldman Sachs and the BP oil spill weighed on the market. Investor sentiment came back pretty quickly however as fears of a European financial crisis dissipated and the BP oil leak was halted by late July. Agency and mortgage spreads also compressed during this time as the lack of supply and reach for yield took hold. Treasury returns were able to hold in considerably well as economic data exhibited further weakness. The intermediate and long end of the curve flattened during this period in the wake of low inflation and weak equity returns.

Issuance of high yield debt was robust in late summer with investor appetite for incremental yield being the driving force. By the end of August, junk-rated issuance had already surpassed the previous record of \$164bn sold in 2009. In late August, Chairman Ben Bernanke gave a speech in Jackson Hole stating that the Fed would reinvest the principal received from its agency securities into longer-term treasuries and the "Committee is prepared to provide additional monetary accommodation through unconventional measures if it proves necessary". This statement created a huge surge in risk assets as it opened up the possibility and probability of another round of quantitative easing. It also sparked an increase in inflation expectations as well as a sell-off in the dollar. Since this time, the yield curve has started to steepen dramatically with the long end leading the way. The hope for the Fed is that easier financial conditions will promote economic growth as lower rates encourage investment and elevate stock prices. This in turn, will hopefully bolster consumer wealth, increase confidence and spending, and ultimately lead to higher incomes, profits, and job growth. At this point, it is up for debate on the size or assets that would be involved in such a program. It is also highly uncertain if another program would be successful as some of the problems within the economy are structural in nature rather than cyclical. It seems that uncertainty will reign in fiscal 2011.

As of September 30, 2010, the RSA's fixed income portfolio had a market value of \$7.3 billion, of which 11% was in money market securities. For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 10.44% for the TRS and 10.41% for the ERS and 11.39% for the JRF. The five-year annualized returns were 7.13% for the TRS and 7.17% for the ERS and 7.32% for the JRF. The ten-year annualized returns were 7.23% for the TRS and 7.18% for the ERS and 5.32% for the JRF.

Sincerely,



Marc Green
Director of Investments

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Policies and Procedures

For the Fiscal Year Ended September 30, 2010

I. Board Objectives

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

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

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

II. Asset Allocation

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

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

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

A. Domestic Fixed Income

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

B. International Fixed Income

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

Investment Section

Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2010

C. Domestic Equity

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

D. International Equity

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

E. Real Estate

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

F. Alternative Investments

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

G. Short-term Investments

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

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

III. Procedures

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

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2010

	Annualized			
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Total Portfolio				
TRS	8.42%	-5.47%	1.55%	3.00%
ERS	8.47%	-6.12%	1.12%	2.56%
JRF	10.73%	-1.67%	3.46%	2.77%
Total Domestic Equity				
TRS	11.43%	-6.28%	1.14%	0.67%
ERS	11.41%	-6.28%	1.15%	0.68%
JRF	11.41%	-6.35%	1.17%	0.32%
<i>Domestic Equity Benchmarks:</i>				
S&P 500	10.16%	-7.16%	0.64%	-0.43%
Dow Jones Industrial Average	14.12%	-5.37%	3.13%	2.52%
S&P MidCap 400	17.78%	-1.67%	3.77%	5.40%
S & P 600 Smallcap	14.22%	-4.18%	1.62%	6.18%
Total International Equity				
TRS	4.58%	-8.06%	3.07%	3.45%
ERS	4.65%	-8.00%	3.11%	3.46%
JRF	5.75%	-6.67%	n/a	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	3.27%	-9.51%	1.97%	2.56%
Total Fixed Income and Alternatives				
TRS	6.50%	-3.25%	1.58%	3.82%
ERS	6.66%	-4.78%	0.79%	3.27%
JRF	9.18%	6.25%	6.60%	5.34%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	7.77%	7.71%	6.40%	6.54%
Barclays Aggregate	8.16%	7.42%	6.20%	6.41%

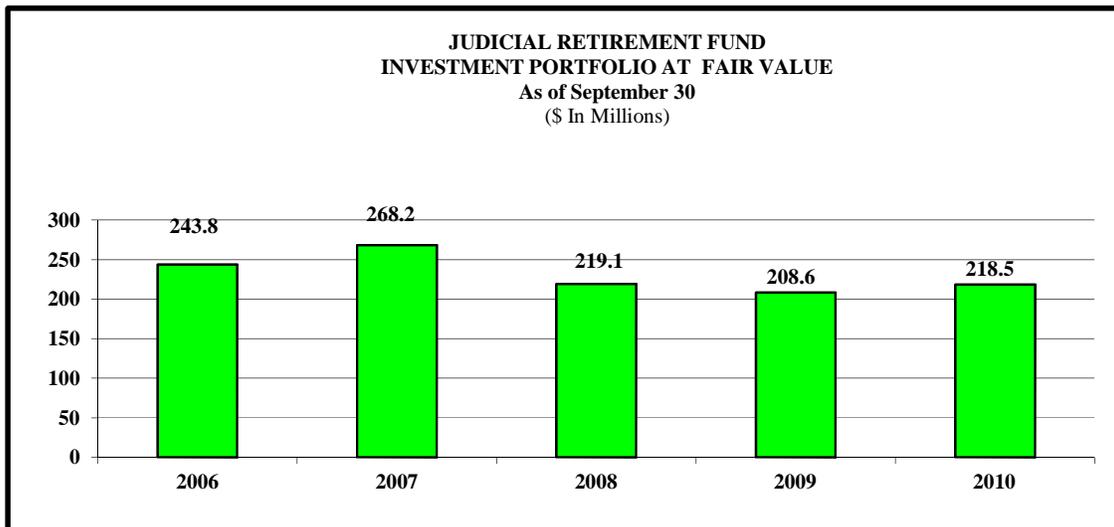
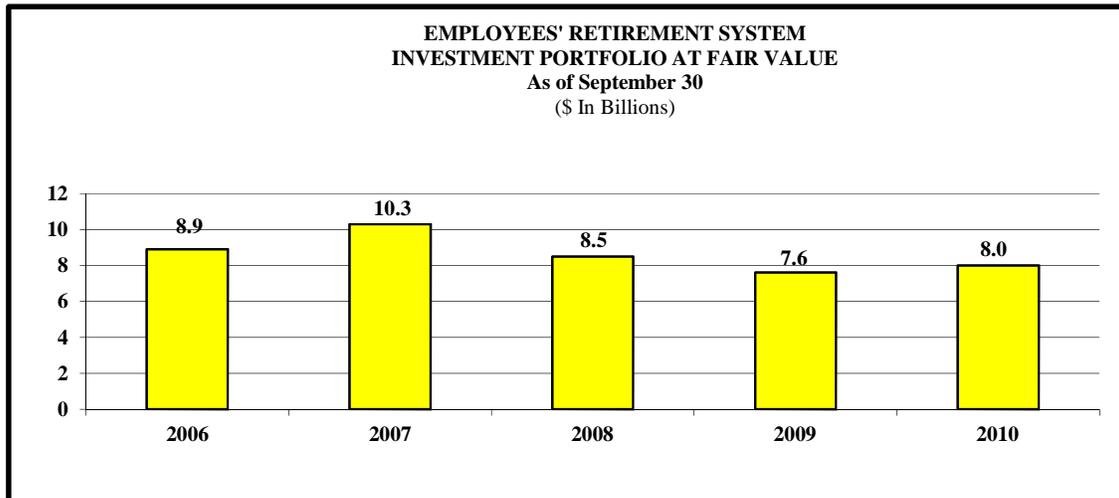
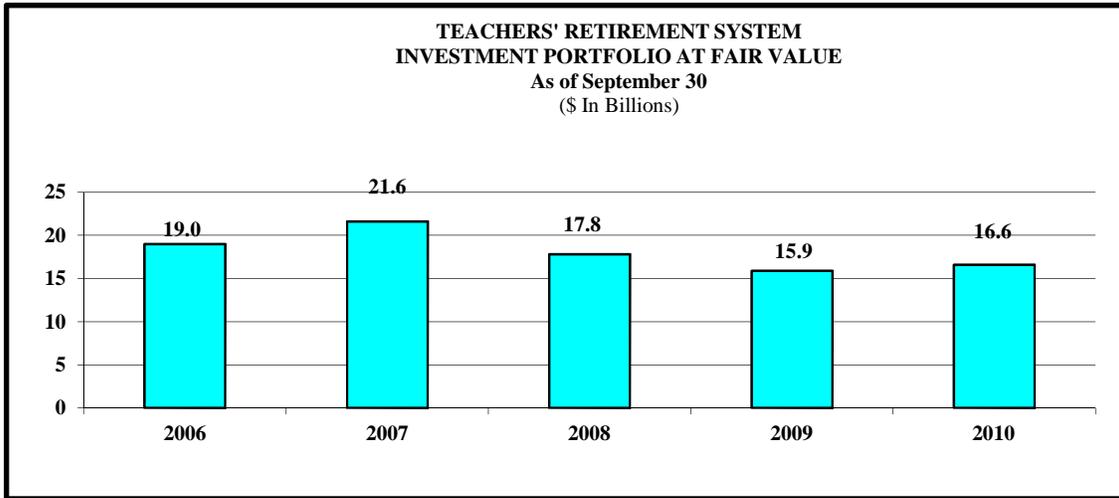
The custodian calculated rates of return based on the standards set forth by the Global Investment Performance Standards (GIPS®). Performance returns calculated by the custodian use month end market based valuations, and performance returns are computed using the internal rate of return method (BAI-IRR).

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Portfolio at Fair Value

Five-Year Comparison

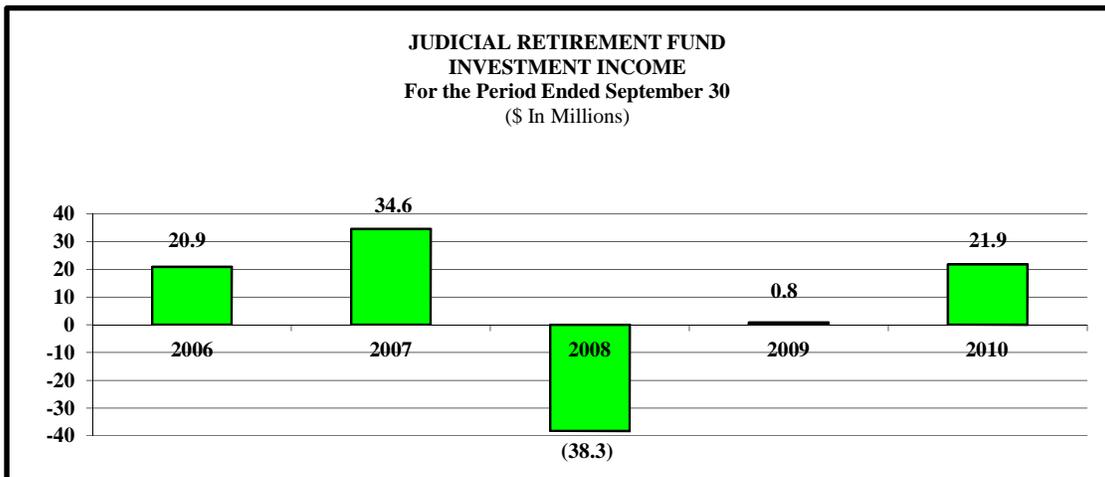
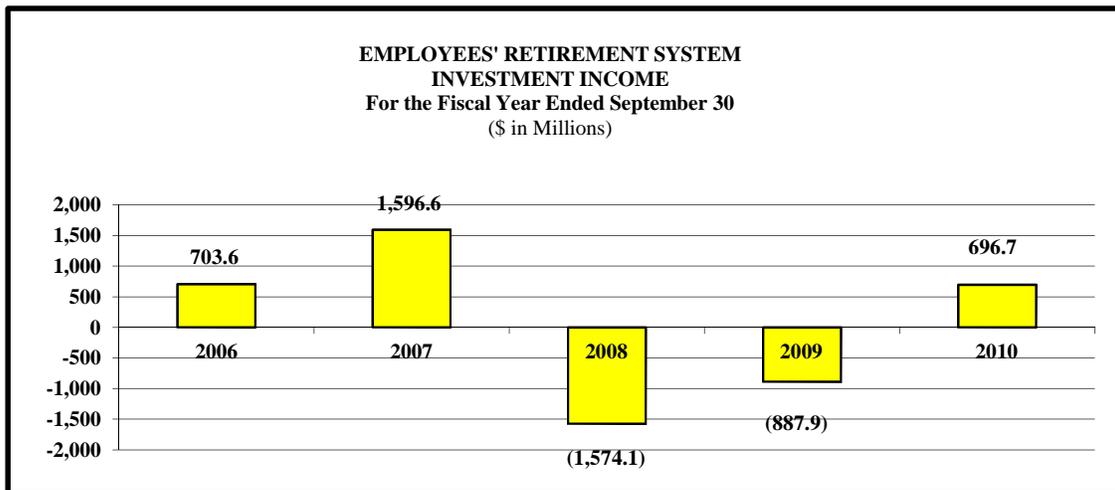
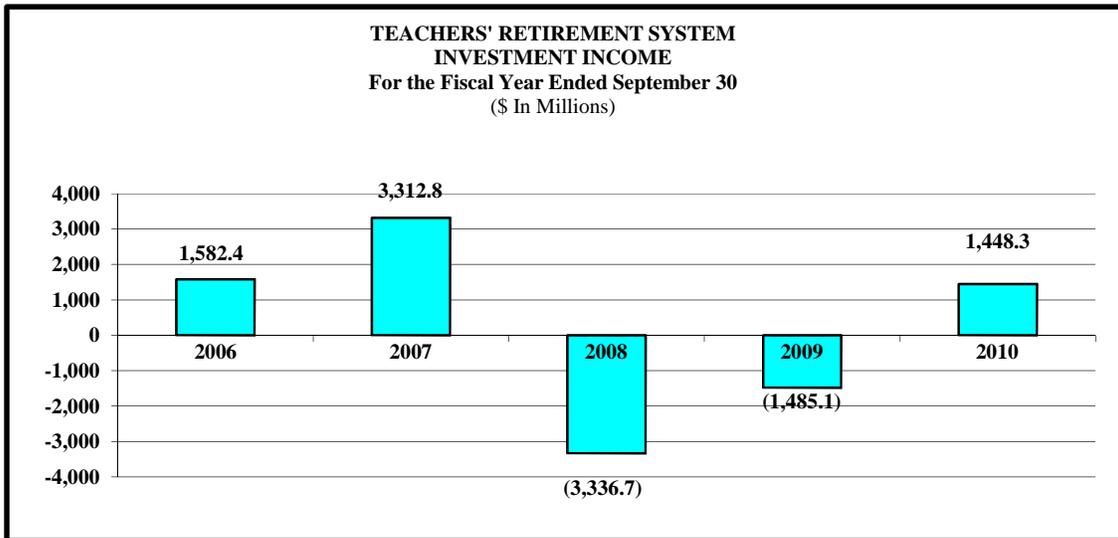


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Income

Five-Year Comparison

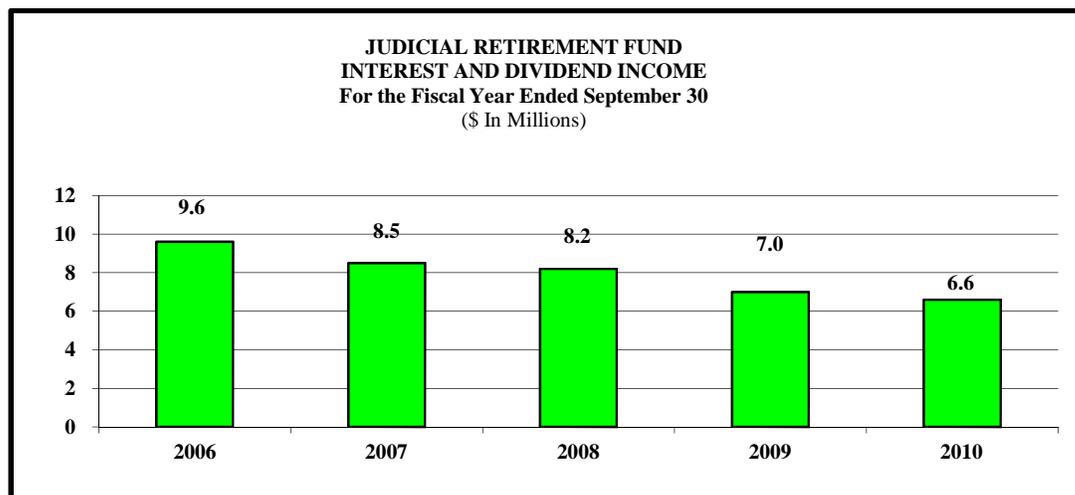
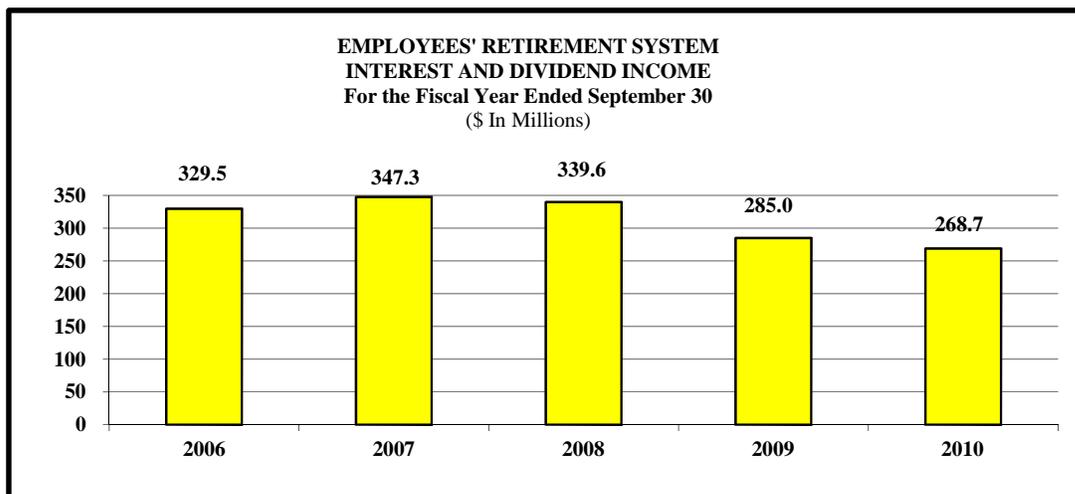
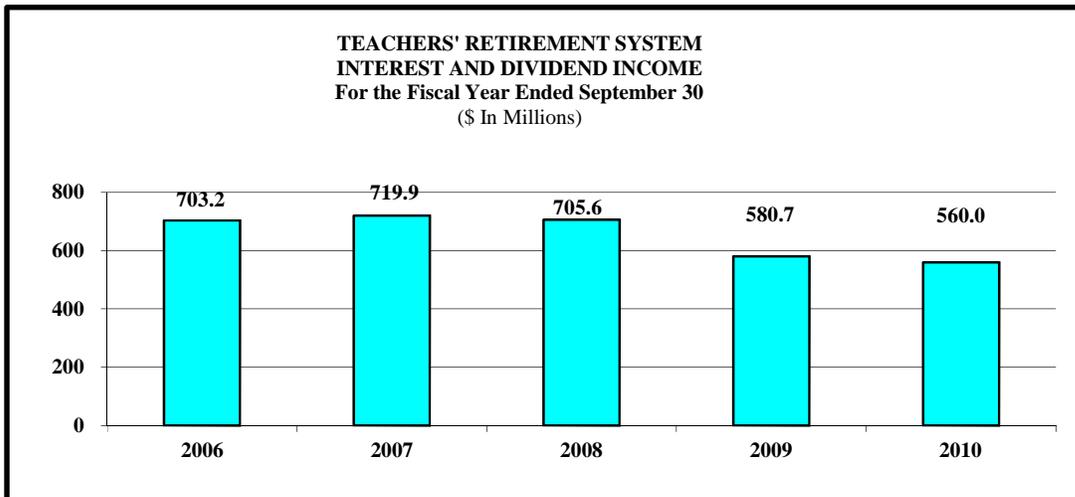


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividends

Five-Year Comparison

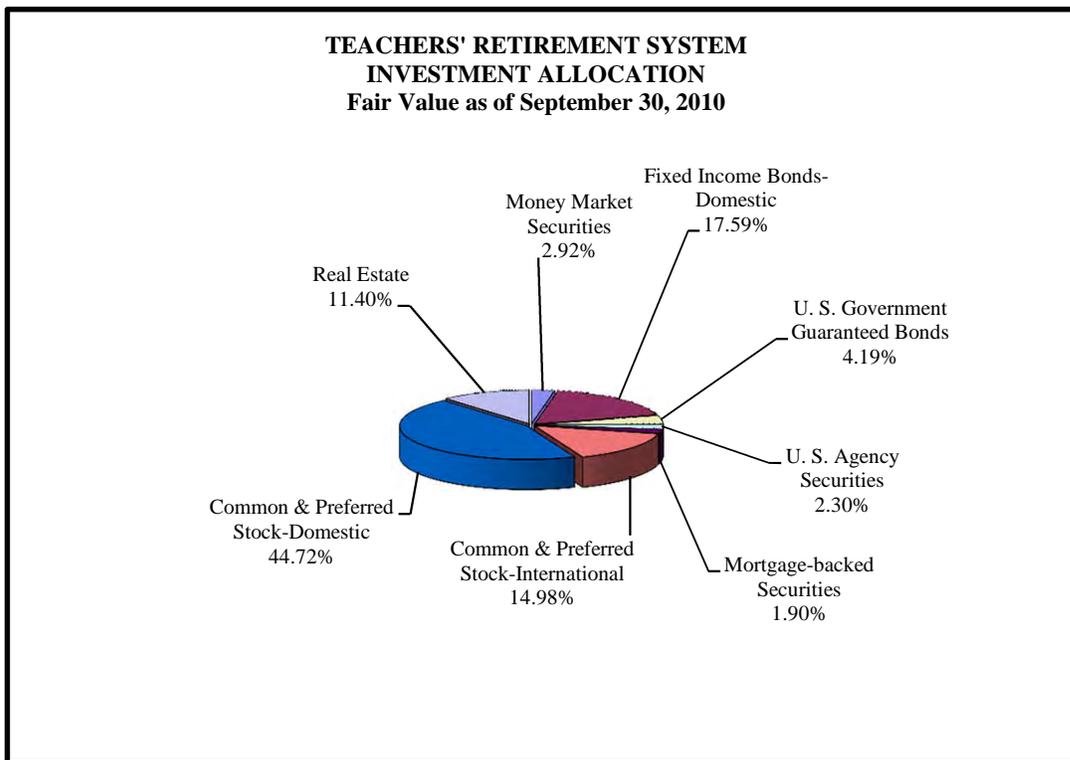


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



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

As of September 30, 2010

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 485,804	2.92
U.S. Government Guaranteed	696,921	4.19
U.S. Agency Securities	382,678	2.30
Mortgage-backed Securities	316,296	1.90
Fixed Income Bonds		
Domestic	2,923,052	17.59
Common and Preferred Stocks		
Domestic	7,426,861	44.72
International	2,488,588	14.98
Real Estate	1,893,380	11.40
Total Investments	\$ 16,613,580	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Largest Stock and Bond Holdings

TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2010

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	12	New Water Street Corporation	\$ 829,234
2)	2	Goldman Sachs West Street 2010-7 Trust	621,750
3)	391	Goldman Sachs Small Cap Equity Linked Note	404,686
4)	*	National Alabama Corporation	369,339
5)	4,406	ISHARES MSCI Emerging Markets	197,275
6)	2,456	Exxon Mobil Corp	151,765
7)	407	Apple Inc	115,542
8)	3,723	Microsoft Corp	91,173
9)	5,180	General Electric Co	84,176
10)	2,209	J P Morgan Chase & Co	84,108

* Less than 1,000 shares

TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2010

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	1,250,201	Raycom Media, 8% Due 9/30/2032	\$ 940,927
2)	330,209	Community News, 8% Due 9/30/2032	182,654
3)	110,737	U S Treasury, 4.125% Due 5/15/2015	125,535
4)	104,450	U S Treasury, 4.25% Due 8/15/2015	119,407
5)	110,265	U S Treasury, 2.50% Due 4/30/2015	116,905
6)	71,318	U S Treasury, 3.75% Due 11/15/2018	79,675
7)	64,320	Wise Metals Group Tranche D, 10.00% Due 5/05/2011	65,344
8)	60,500	RSA Holdings Fairway Outdoors, 11% Due 12/31/2014	62,914
9)	48,833	U S Treasury, 3.125% Due 4/30/2017	52,849
10)	48,328	U S Treasury, 3.50% Due 5/15/2020	52,458

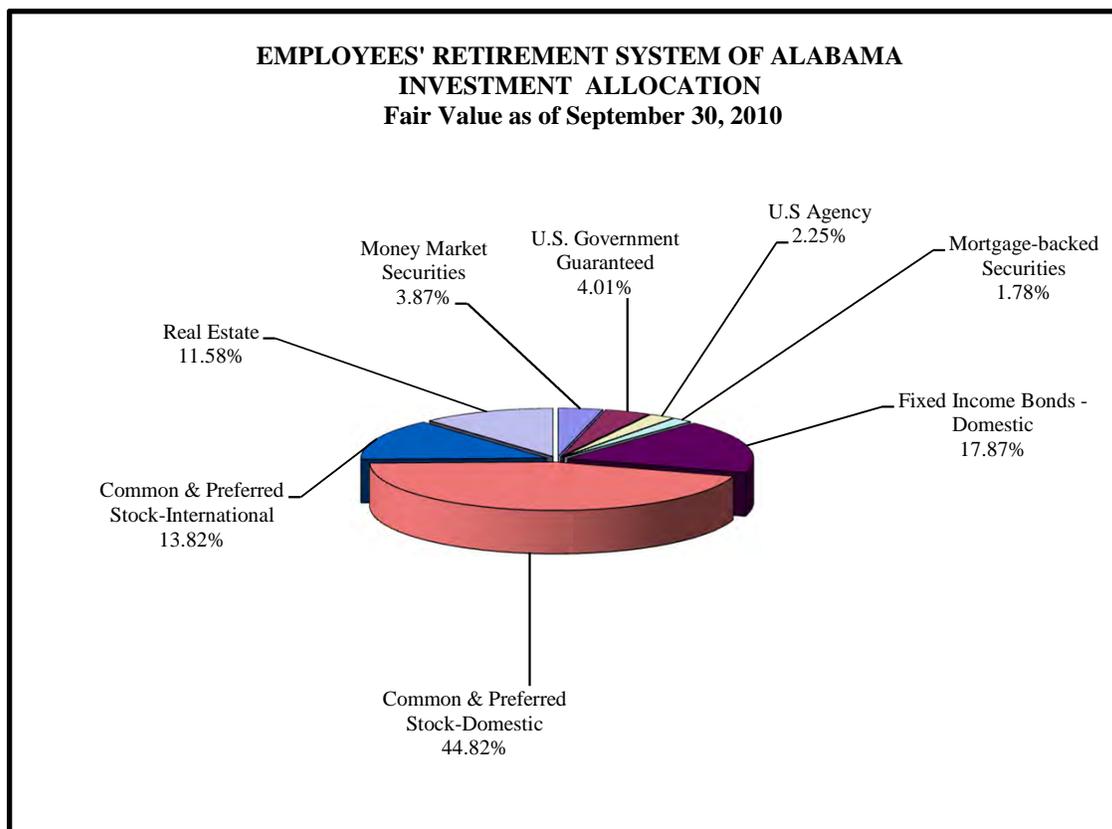
A complete list of portfolio holdings is available upon request.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System

Investment Allocation and Summary



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

As of September 30, 2010

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 308,581	3.87
U.S. Government Guaranteed	319,656	4.01
U.S. Agency Securities	179,440	2.25
Mortgage-backed Securities	142,408	1.78
Fixed Income Bonds		
Domestic	1,424,254	17.87
Common and Preferred Stocks		
Domestic	3,573,333	44.82
International	1,101,393	13.82
Real Estate	923,235	11.58
Total Investments	\$ 7,972,300	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Largest Stock and Bond Holdings

EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2010

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	\$ 381,009
2)	1	Goldman Sachs West Street 2010-7 Trust	282,000
3)	*	National Alabama Corporation	181,913
4)	161	Goldman Sachs Small Cap Equity Linked Note	166,431
5)	2,105	ISHARES MSCI Emerging Markets	94,222
6)	104	Raycom Preferred 10% Non Cum	78,240
7)	1,175	Exxon Mobil Corp	72,581
8)	193	Apple Inc	54,873
9)	1,783	Microsoft Corp	43,665
10)	1,075	J P Morgan Chase & Co	40,938

* Less than 1,000 shares

EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2010

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	621,030	Raycom Media, 8% Due 9/30/2032	\$ 467,400
2)	166,739	Community News, 8% Due 9/30/2032	92,231
3)	60,500	RSA Holdings Fairway Outdoors, 11% Due 12/31/2014	62,914
4)	50,832	U S Treasury, 4.125% Due 5/15/2015	57,625
5)	47,687	U S Treasury, 4.25% Due 8/15/2015	54,516
6)	50,515	U S Treasury, 2.50% Due 4/30/2015	53,557
7)	32,737	U S Treasury, 3.75% Due 11/15/2018	36,573
8)	31,680	Wise Metals Group Tranche D, 10.00% Due 5/05/2011	32,184
9)	22,417	U S Treasury, 3.125%, Due 4/30/2017	24,260
10)	22,143	U S Treasury, 3.50% Due 5/15/2020	24,035

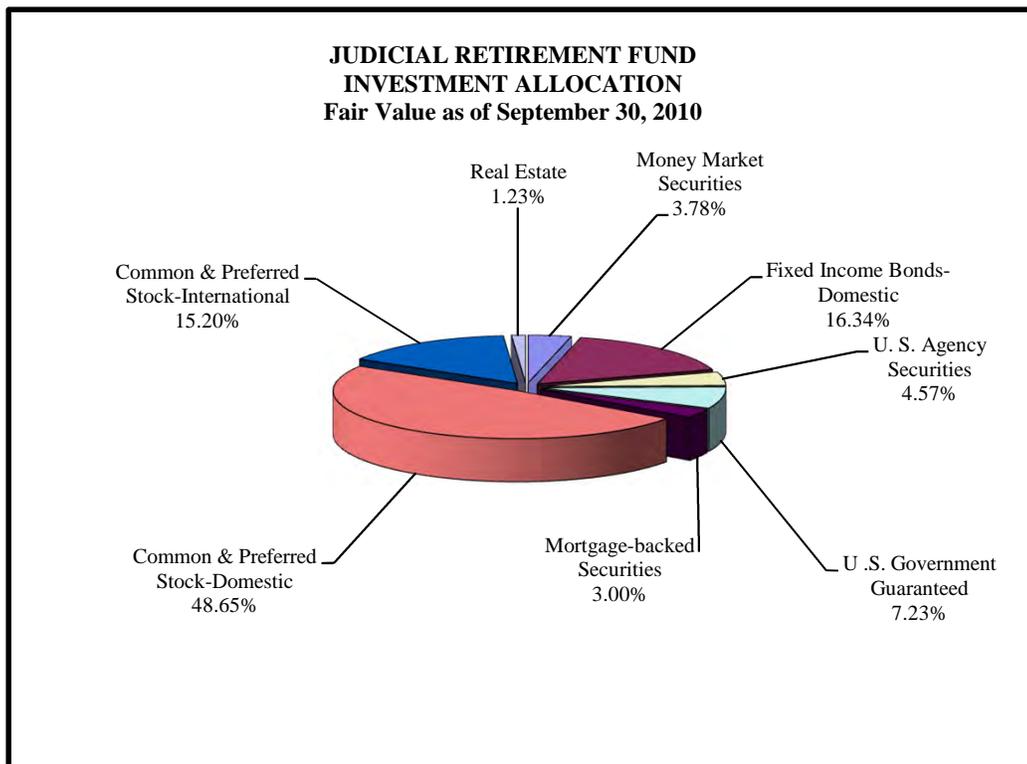
A complete list of portfolio holdings is available upon request.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2010**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 8,253	3.78
U.S. Government Guaranteed	15,791	7.23
U.S. Agency Securities	9,984	4.57
Mortgage-backed Securities	6,562	3.00
Fixed Income Bonds, Domestic	35,713	16.34
Common and Preferred Stocks, Domestic	106,307	48.65
Common and Preferred Stocks, International	33,219	15.20
Real Estate	2,686	1.23
Total Investments	<u>\$ 218,515</u>	<u>100.00</u>

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Largest Stock and Bond Holdings

JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2010

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	4	Goldman Sachs Small Cap Equity Linked Note	\$ 3,645
2)	46	Exxon Mobil Corp	2,828
3)	66	ISHARES MSCI Emerging Markets	2,942
4)	*	New Water St Corp	2,686
5)	8	Apple Inc	2,292
6)	68	Microsoft Corp	1,665
7)	26	Proctor & Gamble	1,552
8)	95	General Electric Co	1,545
9)	11	International Business Machines	1,531
10)	25	Johnson & Johnson	1,519

* Less than 1,000 shares

JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2010

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	2,568	U S Treasury, 4.125% Due 5/15/2015	\$ 2,911
2)	2,504	U S Treasury, 4.25% Due 8/15/2015	2,863
3)	2,381	U S Treasury, 2.50% Due 4/30/2015	2,524
4)	2,000	LMB Funding (PPL Energy), 8.05% Due 12/21/2013	2,280
5)	1,727	Farmer Mac Gtd, 5.125% Due 4/19/2017	1,943
6)	1,654	U S Treasury, 3.75% Due 11/15/2018	1,848
7)	1,588	General Electric Capital Corp, 5.55% Due 5/04/2020	1,740
8)	1,075	U S Treasury, 3.125% Due 4/30/2017	1,163
9)	1,079	U S Treasury, 3.375% Due 11/15/2019	1,162
10)	1,044	U S Treasury, 3.50% Due 5/15/2020	1,133

A complete list of portfolio holdings is available upon request.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Broker Commissions Paid

For the Fiscal Year Ended September 30, 2010

	Stock		Fixed		Total
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	
Anderson Studwick-Collins	\$ 0.0500	289	\$ 14	\$ -	\$ 14
Banc of America	-	-	-	122	122
Barclays	0.0282	22,306	624	-	624
Benchmark-Sine	0.0500	262	13	-	13
Bernstein	0.0208	32,334	672	-	672
Cantor Fitzgerald	-	-	-	107	107
Citigroup	0.0377	16,998	642	110	752
Cowen	0.0506	1,955	99	-	99
Credit Suisse	0.0209	17,203	360	156	516
Deutsche Bank	0.0330	5,173	171	106	277
Empirical	0.0457	2,053	94	-	94
First Discount-Rosdick	0.0500	277	14	-	14
Gardner Rich	0.0500	262	13	-	13
Goldman Sachs	0.0130	8,602	112	191	303
Harbor Financial-Whitehead	0.0500	75	4	-	4
Howard Weil	0.0485	2,082	101	-	101
ISI	0.0374	20,933	784	-	784
Issuer Designated	-	-	-	12	12
Jeffries	0.0308	10,268	317	-	317
JP Morgan	0.0342	10,627	363	177	540
Keefe Bruyette	0.0500	1,033	52	-	52
Keybank	0.0491	2,735	134	42	176
Merrill	0.0399	11,945	476	-	476
Morgan Keegan-Rogers	0.0500	982	49	-	49
Morgan Stanley	0.0229	34,042	778	23	801
NBC-Falkenburg	0.0500	1,006	50	-	50
Oppenheimer	0.0472	4,532	214	-	214
Raymond James-Maddox	0.0500	1,043	52	268	320
Sandler O'Neill	0.0468	2,524	118	-	118
Securities Corp-Jones	0.0500	351	18	-	18
Southcoast	0.0451	2,534	114	-	114
Southwest-Schramme	0.0500	305	15	-	15
Sterne Agee	0.0489	5,524	270	-	270
Stifel Nicholas	0.0488	2,935	143	-	143
Strategas	0.0793	4,308	342	-	342
UBS Warburg-Young	0.0500	420	21	-	21
Wells Fargo	0.0436	8,601	375	13	388
Totals		236,519	\$ 7,618	\$ 1,327	\$ 8,945
Average Commission Per Share of Stock =		\$ 0.0322			



Component Units of the State of Alabama
Comprehensive Annual Financial Report

ACTUARIAL SECTION





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

June 21, 2010

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

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of September 30, 2009 in accordance with Section 367(15) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the System as of September 30, 2009, to recommend rates of State contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 12.75% of payroll for the fiscal year ending September 30, 2012, based on a 30-year amortization period.

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

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

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

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

Phone (678) 388-1700 • Fax (678) 388-1730

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June 21, 2010
Board of Control
Page 2

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

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald', written in a cursive style.

Edward A. Macdonald, ASA, FCA, MAAA
President

EAM/mjn

A handwritten signature in blue ink, appearing to read 'Cathy Turcot', written in a cursive style.

Cathy Turcot
Principal and Managing Director

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 21, 2007.

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

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

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

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

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

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

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

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

Age	Annual Rate (%) *	
	Male	Female
45	30.0	30.0
50	15.0	16.0
55	48.0	53.0
60	40.0	49.0
62	50.0	55.0

*Retirement rates increase by 7% in year when member first becomes eligible for unreduced service retirement on or after age 50 but before age 60.

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

Actuarial Cost Method and Summary of Plan Provisions

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

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

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

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

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

Actuarial Cost Method

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

Summary of Plan Provisions as Interpreted for Valuation Purposes

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

Definitions

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

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

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

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

Pension - payments for life derived from employer contributions.

Retirement Allowance - the sum of the annuity and pension.

Benefits

Service Retirement Allowance

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

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

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

Disability Retirement Allowance

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

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

Benefits Payable on Separation of Service

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

Benefits Payable upon Death In Active Service

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

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

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

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

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

Special Privileges at Retirement

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

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

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

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

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

Deferred Retirement Option Plan
(DROP)

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

Member Contributions

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules

Supporting Schedules

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

TEACHERS' RETIREMENT SYSTEM SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase (Decrease) in Average Pay</u>
09/30/09 #	137,935	\$ 5,908,098,156	\$ 42,832	1.55
09/30/08 †	141,528	5,969,302,850	42,178	6.55
09/30/07 ‡	141,217	5,589,726,297	39,583	7.41
09/30/06 ϕ	138,613	5,108,187,755	36,852	5.20
06/30/05 £	135,126	4,733,415,807	35,030	2.73
06/30/04 *	131,814	4,494,548,521	34,098	(1.48)

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

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

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

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

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

* In addition, there are 4,468 employees with annual compensation of \$252,128,959 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

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

**TEACHERS' RETIREMENT SYSTEM
SOLVENCY TEST**

(\$ in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)				
09/30/09	\$ 3,233,664	\$ 15,328,508	\$ 8,975,228	\$ 20,582,348	100	100	22.5
09/30/08	3,153,859	14,678,975	8,971,283	20,812,477	100	100	33.2
09/30/07 ‡	3,038,296	14,048,525	8,884,713	20,650,916	100	100	40.1
09/30/06 #	2,943,588	13,408,294	7,593,218	19,821,133	100	100	45.7
06/30/05 †	2,856,983	12,998,138	7,172,217	19,248,207	100	100	47.3
06/30/04 *	2,779,858	11,491,556	6,614,776	18,704,009	100	100	67.0

‡ Reflects pay increase payable under Act 2007-296.

Reflects changes in actuarial assumptions.

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

* Reflects additional allowance payable under Act 2005-174.

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

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

Fiscal Year Ended	Retirees Added § *		Retirees Removed		Retirees - Year-end *		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2009	4,679	\$ 112,627	1,555	\$ 23,841	69,281	\$ 1,437,160	6.58	\$ 20,744
2008	3,271	64,288	1,170	17,852	66,157	1,348,374	3.80	20,381
2007	3,679	78,490	1,329	19,755	64,056	1,299,028	11.64	20,280
2006	3,168	65,235	1,188	17,672	61,706	1,163,614	8.09	18,857
2005	4,423	83,973	1,419	20,712	59,726	1,076,506	6.24	18,024
2004	3,610	67,418	1,298	17,303	56,722	1,013,245	5.20	17,863

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

* Does not include active DROP participants.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System Supporting Schedules (Continued)

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2008	\$ 5,991,640
Normal Cost for 2009 Plan Year	366,164
Contributions Received During the Year	(728,822)
Interest to Year End	<u>479,331</u>
Expected Unfunded Actuarial Liability as of September 30, 2009	<u>6,108,313</u>
Actuarial (Gains)/Losses During the Year	
From Investments	1,367,132
From Actuarial Liabilities	<u>(520,393)</u>
Total Actuarial Losses During the Year	<u>846,739</u>
Actual Unfunded Actuarial Liability as of September 30, 2009	<u><u>\$ 6,955,052</u></u>





Cavanaugh Macdonald
CONSULTING, LLC
The experience and dedication you deserve

June 17, 2010

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

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the Employees' Retirement System of Alabama, prepared as of September 30, 2009 in accordance with Section 36-27-23(p) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the system as of September 30, 2009, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability.

On the basis of this valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 12.31% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 30.57% of payroll for the fiscal year ending September 30, 2012. The contribution rates for local employers for the fiscal year beginning October 1, 2011 will be submitted in a separate report and will not include the impact of any employer-elected benefit improvements after September 30, 2009.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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

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

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

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

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

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA
President

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

Cathy Turcot
Principal and Managing Director

EAM/CT:kc

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005 submitted to and adopted by the Board on May 30, 2007.

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

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

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

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

State and Local Employees with DROP Coverage
Annual Rate (%)

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

State Policemen

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

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

Local Employees with No DROP Coverage

Age	Annual Rate (%)							
	Death		Disability		Withdrawal (Years of Service)			
	Male	Female	Male	Female	Male		Female	
				0-4	5+	0-4	5+	
20	0.06	0.03	0.06	0.06	26.00		37.00	
25	0.08	0.03	0.08	0.13	21.00	11.00	30.00	15.00
30	0.08	0.04	0.11	0.19	19.00	8.50	25.00	12.00
35	0.09	0.06	0.13	0.25	17.00	6.50	22.00	9.50
40	0.14	0.08	0.20	0.28	16.00	4.50	19.00	7.50
45	0.21	0.11	0.42	0.36	15.00	4.25	18.00	6.50
50	0.36	0.17	0.77	0.43	13.00	4.00	17.00	6.00
55	0.63	0.29	1.41	0.82	13.00	4.25	16.00	6.00
60	1.15	0.58			13.00	5.00	16.00	5.50
62	1.45	0.76			15.00	6.20	16.00	7.30
65	1.99	1.08			18.00	8.00	16.00	10.00
69	2.85	1.50			18.00	8.00	16.00	10.00

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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

State and Local Employees with DROP Coverage				
Annual Rate (%) of Service Retirement				
Age	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
	Male §	Female †	Male	Female
45	15.00	15.00		
50	10.00	10.00		
55	48.00	51.00		
60	42.00	48.00	16.00	22.00
62	56.00	58.00	32.00	31.00
64	28.00	50.00	25.00	24.00
65			36.00	36.00
70			27.00	30.00
72			23.00	30.00
75			100.00	100.00

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

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

State Policemen		
Annual Rate (%) of Service Retirement		
Age	< 25 Years	25+ Years
40		19.00
45		19.00
50		18.00
55	20.00	65.00
60	20.00	100.00
62	20.00	100.00
65	100.00	100.00

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

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

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

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

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

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

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

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

Actuarial Cost Method

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

Summary of Plan Provisions as Interpreted for Valuation Purposes

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

Definitions

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

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

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

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

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

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

Benefits – Members Classified as Other Than State Policemen

Service Retirement Allowance

Condition for Allowance

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

Amount of Allowance	<p>Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Disability Retirement Allowance	
Condition for Allowance	<p>A disability retirement allowance may be granted to a member who has 10 or more years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for service retirement.</p>
Amount of Allowance	<p>Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of the member's creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.</p> <p>The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).</p>
Benefits Payable on Separation of Service	<p>Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60.</p>
Benefits Payable upon Death in Active Service	<p>In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). *</p> <p>In the event of the death of a member with more than one year of service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member retirement contributions were made for the previous fiscal year (October 1 – September 30). *</p> <p>In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable</p>

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs. *

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

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

Deferred Retirement Option Plan (DROP)

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

Member Contributions

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

Benefits – Members Classified as State Policemen

Service Retirement Allowance

Condition of Allowance

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

Amount of Allowance

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

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

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

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

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

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

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

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance

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

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

Benefits Payable upon Separation from Service

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

Benefits Payable upon Death in Active Service

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Supporting Schedules

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

Deferred Retirement Option Plan (DROP)

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

Member Contributions

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

Special Privileges at Retirement – All Members

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

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

Supporting Schedules

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

EMPLOYEES' RETIREMENT SYSTEM SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual	% Increase
			Average Pay	in Average Pay
09/30/09 §	87,647	\$ 3,478,635,402	\$ 39,689	3.65
09/30/08 *	88,002	3,369,696,707	38,291	4.71
09/30/07 ‡	86,668	3,169,432,161	36,570	4.65
09/30/06 †	84,482	2,952,186,813	34,945	3.05
09/30/05 γ	82,830	2,808,823,045	33,911	4.94
09/30/04 φ	81,249	2,625,617,551	32,316	1.18

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

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

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

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

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

φ In addition, there are 1,440 members with compensation of \$76,775,883 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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

EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA SOLVENCY TEST

(\$ in Thousands)

Valuation Date	Aggregate Accrued Liabilities For				Portion (%) of Accrued Liabilities Covered by Assets		
	(1)	(2)	(3)	Reported Assets	(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active (Employer Financed Portion)				
09/30/09	\$ 1,973,511	\$ 6,707,240	\$ 5,075,425	\$ 9,928,104	100	100	24.6
09/30/08 ‡	1,860,095	6,275,136	4,943,455	9,905,766	100	100	35.8
09/30/07 ‡	1,777,331	5,911,861	4,681,149	9,770,897	100	100	44.5
09/30/06 γ	1,705,372	5,540,766	4,211,426	9,287,531	100	100	48.5
09/30/05 †	1,616,410	5,076,621	3,941,945	8,935,568	100	100	56.9
09/30/04 φ	1,533,055	4,496,854	3,516,569	8,563,945	100	100	72.1

‡ Reflects pay increases payable under Act 2007-297.

γ Reflects changes in actuarial assumptions.

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

φ Reflects COLA granted effective October 1, 2005 under Act 2005-316. Active member contributions exclude \$20,500,000 of employee lump sum contributions made by local employers before September 30, 2004 not recognized for valuation purposes.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System
Supporting Schedules (Continued)

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

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

Fiscal Year Ended	Retirees Added § *		Retirees Removed		Retirees - Year-end *		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
	2009	2,710	\$ 59,178	961	\$ 12,809	36,413		
2008	1,905	39,401	942	14,689	34,664	619,196	4.91	17,863
2007	1,997	39,636	925	12,075	33,701	590,203	10.38	17,513
2006	1,998	39,636	883	10,511	32,629	534,682	9.23	16,387
2005	2,362	42,823	857	9,975	31,514	489,491	7.19	15,532
2004	2,015	35,634	926	9,624	30,009	456,643	6.04	15,217

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

* Does not include active DROP participants.

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

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

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

	Amount
Unfunded Actuarial Liability as of September 30, 2008	\$ 3,172,920
Normal Cost for 2009 Plan Year	169,070
Contributions Received During the Year	(444,395)
Interest to Year End	253,834
Expected Unfunded Actuarial Liability as of September 30, 2009	<u>3,151,429</u>
Actuarial (Gains)/Losses During the Year	
From Investments	685,875
From Actuarial Liabilities	(9,232)
Total Actuarial Losses During the Year	<u>676,643</u>
Actual Unfunded Actuarial Liability as of September 30, 2009	<u><u>\$ 3,828,072</u></u>





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

June 17, 2010

Board of Control
Alabama Judicial Retirement Fund
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2009 in accordance with Section 36-27-23(p) of the act governing the operation of the Fund.

The purpose of this report is to provide a summary of the funded status of the Fund as of September 30, 2009, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). Data regarding the membership of the Fund for use as a basis of the valuation was furnished by the Retirement Fund office. While not verifying the data at source, the actuary performed tests for consistency and reasonability. On the basis of this valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 26.59% of payroll for the fiscal year ending September 30, 2012.

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

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

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June 17, 2010
Board of Control
Page 2

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

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

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

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald', written in a cursive style.

Edward A. Macdonald, ASA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'Cathy Turcot', written in a cursive style.

Cathy Turcot
Principal and Managing Director

EAM:dmw

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Actuarial Assumptions and Methods and Summary of Plan Provisions

Summary of Actuarial Assumptions and Methods

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

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

Salary Increases: 5% per annum, compounded annually.

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

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

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

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

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

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

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

Summary of Plan Provisions as Interpreted for Valuation Purposes

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

Membership

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

Credited Service

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

Benefits

Service Retirement Benefit

Condition of Benefit

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

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

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

- Completed 12 years of credited service and attained age 65, or
- Completed at least 15 years of credited service and attained age 60, and whose age plus service equals or exceeds 77
- Completed 10 years of credited service and attained age 70
- Completed 25 years of service or 24 years of service provided the member purchases one year of service prior to retirement, regardless of age.

Amount of Benefit

The service retirement benefit for a member is equal to:

- (a) For circuit or appellate judges who were members prior to July 30, 1979, 75% of the salary prescribed by law for the position from which the member retires.
- (b) For circuit and appellate judges who assumed office on or after July 30, 1979, 75% of the member's salary at the time of separation from service.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Plan Provisions (Continued) and Supporting Schedules

- (c) For district judges, 75% of the position's salary immediately prior to retirement.
- (d) For probate judges, 75% of the member's salary at the time of separation from service.

Disability Retirement Benefit

Condition of Benefit	A disability retirement benefit is payable to any member who becomes permanently unable, physically or mentally, to carry out their duties on a full-time basis, provided the member has completed five or more years of credited service.
Amount of Benefit	The disability retirement benefit for a judge is equal to 25% of the salary prescribed by law for the position at the time of retirement from which the member retires on disability plus 10% of such salary for each year of credited service in excess of five years. The disability retirement benefit is subject to a 30% minimum and a 75% maximum of such salary. The retirement benefit for a circuit judge and for an appellant judge who assumed office prior to July 30, 1979, is adjusted as current salaries are adjusted.

Spousal Benefits

Condition of Benefit	Upon the death of an active, inactive, or retired member with at least 5 years of credited service, a death benefit is payable to the member's spouse.
Amount of Benefit	<p>The death benefit for the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position for each year of service of the former member, not to exceed 30% of such salary.</p> <p>The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the position's salary prescribed by law at the time of death for each year of service not to exceed 30% of such salary.</p> <p>For the spouse of a probate judge, the yearly benefit is equal to the greater of \$480 for each year of credited service to a maximum of 10 year, or 3% of the judge's salary at the time of their separation from service for each year of credited service not to exceed 30% of such salary.</p> <p>The benefit is payable for the spouse's life or until remarriage.</p>

Benefit Payable on Separation from Service

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

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

Member Contributions

Each member contributes 6% of salary.

State Contributions

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

Supporting Schedules

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

JUDICIAL RETIREMENT FUND SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number</u>	<u>Annual † Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase (Decrease) in Average Pay</u>
09/30/09	342	\$ 43,234,239	\$ 126,416	3.18
09/30/08	336	41,167,248	122,522	3.19
09/30/07	348	41,318,229	118,731	0.60
09/30/06	332	39,184,897	118,027	(0.04)
09/30/05	340	40,144,335	118,072	(0.56)
09/30/04	332	39,419,414	118,733	0.98

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

The following schedule presents six years of solvency tests:

JUDICIAL RETIREMENT FUND SOLVENCY TEST

(\$ in Thousands)

<u>Valuation Date</u>	<u>Aggregate Accrued Liabilities For</u>			<u>Reported Assets</u>	<u>Portion (%) of Accrued Liabilities Covered by Reported Assets</u>		
	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active Members (Employer Financed Portion)</u>				
09/30/09	\$ 32,533	\$ 215,730	\$ 92,715	\$ 252,646	100	100	4.7
09/30/08	32,585	203,062	87,781	259,071	100	100	26.7
09/30/07	30,286	202,835	82,820	265,189	100	100	38.7
09/30/06	31,569	180,555	89,468	260,664	100	100	54.3
09/30/05 §	29,027	183,797	86,840	256,092	100	100	49.8
09/30/04 *	27,492	178,446	87,118	251,844	100	100	52.7

§ Reflect additional allowance payable under Act 2006-510.

* Reflects COLA granted under Act 2005-316.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

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

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

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase in Annual Allowances	Average Annual Allowance
	Number	Annual	Number	Annual	Number	Annual		
		(000s)		Allowances		(000s)		
2009	18	\$ 1,885	10	\$ 275	320	\$ 24,261	7.11	\$ 75,816
2008	12	1,076	6	392	312	22,651	2.78	72,599
2007	35	2,978	2	146	306	22,038	16.54	72,020
2006	9	753	10	399	273	18,911	2.66	69,271
2005	10	967	8	408	274	18,421	3.13	67,230
2004	7	551	11	692	272	17,862	(0.78)	65,669

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

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

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2008	\$ 64,357
Normal Cost for 2009 Plan Year	6,378
Contributions Received During the Year	(9,787)
Interest to Year End	5,149
Expected Unfunded Actuarial Liability as of September 30, 2009	<u>66,097</u>
Actuarial Losses During the Year	
From Investments	15,100
From Actuarial Liabilities	<u>7,136</u>
Total Actuarial Losses During the Year	<u>22,236</u>
Actual Unfunded Actuarial Liability as of September 30, 2009	<u>\$ 88,333</u>



Component Units of the State of Alabama
Comprehensive Annual Financial Report

STATISTICAL SECTION



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

Financial Trends

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

- Additions by Source-Ten Year History - page 105
- Deductions by Type-Ten Year History – page 106
- Benefit by Type-Ten Year History – page 107
- Ten Year History of Additions, Reductions, and Changes in Net Assets – page 116

Retirees and Beneficiaries

These schedules provide information concerning the retirees and beneficiaries receiving benefits

- Retired Members by Type of Benefit – page 108
- Ten Year History of Average Monthly Benefit Payments – page 111

Participating Units

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

- Largest Employers–Ten Year History – page 114
- Local Participating Employers – page 122

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section
 Additions by Source
 Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
 ADDITIONS BY SOURCE**

<u>Fiscal Year</u>	<u>Member Contributions §</u>	<u>Employer Contributions</u>		<u>Investment Income</u>	<u>Total</u>
		<u>Amount</u>	<u>Rate (%)</u>		
2010	\$ 321,403	\$ 776,421	12.51	\$ 1,448,312	\$ 2,546,136
2009	323,706	753,518	12.07	(1,485,126)	(407,902)
2008	327,004	729,995	11.75	(3,336,697)	(2,279,698)
2007	305,086	540,847	9.36	3,312,796	4,158,729
2006	281,455	434,195	8.17	1,582,359	2,298,009
2005	262,856	347,862	7.03	1,846,398	2,457,116
2004	253,860	312,474	6.56	1,634,314	2,200,648
2003	252,018	235,786	5.02	2,004,431	2,492,235
2002	235,726	265,670	5.96	(1,244,757)	(743,361)
2001	230,618	279,880	6.38	(1,090,706)	(580,208)

**EMPLOYEES' RETIREMENT SYSTEM
 ADDITIONS BY SOURCE**

<u>Fiscal Year</u>	<u>Member Contributions §</u>	<u>Employer Contributions</u>				<u>Investment Income</u>	<u>Total</u>
		<u>Amount</u>	<u>Employer Rate (%)</u>		<u>Local</u>		
			<u>State</u>	<u>Regular</u>			
2010	\$ 196,758	\$ 377,898	11.94	30.57	*	\$ 696,677	\$ 1,271,333
2009	210,281	451,139	11.88	30.99	*	(887,881)	(226,461)
2008	191,654	329,339	10.26	30.42	*	(1,574,094)	(1,053,101)
2007	184,140	277,254	7.78	24.12	*	1,596,592	2,057,986
2006	187,126	241,750	6.77	21.36	*	703,604	1,132,480
2005	160,313	195,846	5.57	18.03	*	841,013	1,197,172
2004	168,548	170,713	4.19	13.87	*	725,758	1,065,019
2003	162,284	154,218	3.95	9.24	*	938,921	1,255,423
2002	151,221	123,887	3.95	9.24	*	(656,360)	(381,252)
2001	132,238	122,483	4.08	9.45	*	(530,968)	(276,247)

**JUDICIAL RETIREMENT FUND
 ADDITIONS BY SOURCE**

<u>Fiscal Year</u>	<u>Member Contributions §</u>	<u>Employer Contributions</u>		<u>Investment Income</u>	<u>Total</u>
		<u>Amount</u>	<u>Rate (%)</u>		
2010	\$ 2,566	\$ 10,814	24.20	\$ 21,925	\$ 35,305
2009	2,701	10,326	23.23	758	13,785
2008	2,707	9,880	23.05	(38,322)	(25,735)
2007	2,636	9,307	22.50	34,581	46,524
2006	2,497	8,916	21.93	20,851	32,264
2005	2,398	8,943	21.93	19,347	30,688
2004	2,434	8,994	21.93	21,964	33,392
2003	2,342	8,637	21.19	20,855	31,834
2002	2,356	8,222	21.19	(23,333)	(12,755)
2001	2,212	7,598	21.19	(24,197)	(14,387)

§ Includes transfers from other systems.

* Local agency rates differ for each participating agency.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section
Deductions by Type
Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
DEDUCTIONS BY TYPE**

Fiscal Year	Benefit Payments	Contribution				Other	Total
		Refunds & Death Benefits	Service Transfers	Administrative Expenses			
2010	\$ 1,567,790	\$ 43,628	\$ 1,790	\$ 11,979	\$ 4,264	\$ 1,629,451	
2009	1,512,260	42,337	1,767	11,005	4,128	1,571,497	
2008	1,486,871	37,317	1,683	12,216	578	1,538,665	
2007	1,397,808	37,474	2,406	9,614	480	1,447,782	
2006	1,207,251	36,683	3,008	11,325	462	1,258,729	
2005	1,092,723	36,350	1,829	10,372	468	1,141,742	
2004	987,761	35,983	1,575	7,361	439	1,033,119	
2003	932,687	32,084	2,418	7,011	367	974,567	
2002	858,383	35,510	2,091	6,845	391	903,220	
2001	811,896	34,156	1,207	6,023	1,002	854,284	

**EMPLOYEES' RETIREMENT SYSTEM
DEDUCTIONS BY TYPE**

Fiscal Year	Benefit Payments	Unit				Other	Total
		Contribution Refunds & Death Benefits	Withdrawals & Service Transfers	Administrative Expenses			
2010	\$ 725,660	\$ 33,868	\$ 1,633	\$ 10,334	\$ 2,111	\$ 773,606	
2009	695,430	32,640	2,718	9,413	2,038	742,239	
2008	655,467	31,387	3,355	9,892	311	700,412	
2007	615,661	31,829	3,034	7,813	298	658,635	
2006	551,793	31,780	3,368	7,850	337	595,128	
2005	487,348	30,960	2,755	6,898	294	528,255	
2004	448,658	31,406	6,008	5,892	269	492,233	
2003	423,027	25,056	2,842	5,843	278	457,046	
2002	389,856	24,965	10,410	5,582	235	431,048	
2001	371,715	24,906	4,074	4,578	330	405,603	

**JUDICIAL RETIREMENT FUND
DEDUCTIONS BY TYPE**

Fiscal Year	Benefit Payments	Contribution				Other	Total
		Refunds & Death Benefits	Service Transfers	Administrative Expenses			
2010	\$ 24,526	\$ 235	\$ -	\$ 317	\$ -	\$ 25,078	
2009	23,821	145	68	552	-	24,586	
2008	22,587	83	186	526	-	23,382	
2007	21,356	183	-	474	-	22,013	
2006	18,777	45	-	432	-	19,254	
2005	18,201	51	356	381	-	18,989	
2004	17,903	103	-	344	-	18,350	
2003	17,964	83	103	322	-	18,472	
2002	16,770	29	-	306	-	17,105	
2001	15,655	79	163	272	-	16,169	

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Ten-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2010	\$ 1,469,927	\$ 49,287	\$ 48,576	\$ 13,032	\$ 30,596
2009	1,419,727	46,085	46,448	12,293	30,044
2008	1,395,060	44,628	47,183	12,007	25,310
2007	1,313,092	40,432	44,284	11,695	25,779
2006	1,131,936	35,228	40,087	10,523	26,160
2005	1,024,372	31,482	36,869	11,931	24,419
2004	923,893	29,066	34,802	10,240	25,743
2003	872,992	27,020	32,675	10,035	22,049
2002	804,822	24,076	29,485	12,390	23,120
2001	762,007	22,104	27,785	10,949	23,207

**EMPLOYEES' RETIREMENT SYSTEM
BENEFITS BY TYPE**

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

**JUDICIAL RETIREMENT FUND
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2010	\$ 20,763	\$ 3,388	\$ 375	\$ -	\$ 235
2009	19,856	3,589	376	-	145
2008	18,807	3,387	393	-	83
2007	17,918	3,093	345	-	183
2006	15,367	3,093	317	-	45
2005	14,911	2,972	318	-	51
2004	14,722	2,864	317	-	103
2003	14,823	2,801	340	-	83
2002	13,655	2,746	369	-	29
2001	12,711	2,543	401	-	79

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2009

Amount of Monthly Benefit	Number of Retirants	Type of Retirement ¹			Option Selected ²				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,121	687	303	131	226	279	306	308	2
251 - 500	8,162	6,105	805	1,252	2,468	3,553	1,156	979	6
501 - 750	7,051	5,691	555	805	2,042	3,148	1,033	821	7
751 - 1,000	5,698	4,637	444	617	1,486	2,572	849	785	6
1,001 - 1,250	4,875	4,071	322	482	1,130	2,189	854	699	3
1,251 - 1,500	4,927	4,235	286	406	1,107	2,125	1,002	692	1
1,501 - 1,750	6,400	5,904	201	295	1,192	2,985	1,377	844	2
1,751 - 2,000	8,027	7,695	153	179	1,403	4,132	1,436	1,051	5
2,001 - 2,250	7,226	7,032	116	78	1,202	3,846	1,232	943	3
2,251 - 2,500	5,516	5,392	74	50	904	3,029	888	690	5
2,501 - 2,750	3,796	3,698	58	40	613	2,000	688	492	3
2,751 - 3,000	2,702	2,629	56	17	436	1,342	549	373	2
3,001 - 3,250	2,054	2,009	39	6	315	983	444	307	5
3,251 - 3,500	1,546	1,508	36	2	231	705	362	247	1
3,501 - 3,750	1,219	1,189	26	4	188	581	284	163	3
3,751 - 4,000	928	903	22	3	139	439	208	137	5
4,001 - 4,250	808	793	13	2	119	390	162	135	2
4,251 - 4,500	569	556	13	-	84	246	137	99	3
4,501 - 4,750	437	429	8	-	61	195	98	82	1
4,751 - 5,000	319	312	7	-	45	141	79	52	2
Over 5,000	1,240	1,210	26	4	164	453	344	264	15
Totals ³	74,621	66,685	3,563	4,373	15,555	35,333	13,488	10,163	82

¹ **Type of Retirement**

A - Service
B - Survivor benefit
C - Disability

² **Option**

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

³ **This includes 5,340 DROP**

participants as of September 30, 2009.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2009

Amount of Monthly Benefit	Number of Retirants	Type of Retirement ¹			Option Selected ²				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	447	195	221	31	88	68	66	205	20
251 - 500	3,734	2,223	1,118	393	942	914	786	1,011	81
501 - 750	4,847	3,346	723	778	1,547	1,603	739	838	120
751 - 1,000	4,334	3,081	427	826	1,394	1,581	551	684	124
1,001 - 1,250	4,534	3,668	308	558	1,161	1,825	683	704	161
1,251 - 1,500	3,905	3,356	200	349	930	1,641	625	602	107
1,501 - 1,750	3,473	3,132	127	214	760	1,455	574	579	105
1,751 - 2,000	3,007	2,816	77	114	614	1,355	429	548	61
2,001 - 2,250	2,373	2,260	43	70	511	1,019	373	411	59
2,251 - 2,500	1,893	1,799	44	50	388	823	292	339	51
2,501 - 2,750	1,445	1,394	20	31	284	645	224	255	37
2,751 - 3,000	1,143	1,098	29	16	206	506	171	236	24
3,001 - 3,250	854	833	19	2	180	386	109	166	13
3,251 - 3,500	613	603	4	6	120	279	87	114	13
3,501 - 3,750	506	500	4	2	103	225	66	103	9
3,751 - 4,000	345	338	3	4	61	165	35	75	9
4,001 - 4,250	299	295	4	-	52	150	33	55	9
4,251 - 4,500	232	229	2	1	40	109	30	48	5
4,501 - 4,750	179	178	1	-	40	80	16	38	5
4,751 - 5,000	148	146	2	-	35	58	14	38	3
Over 5,000	473	470	2	1	114	201	48	100	10
Totals ³	38,784	31,960	3,378	3,446	9,570	15,088	5,951	7,149	1,026

¹ Type of Retirement

A - Service
 B - Survivor benefit
 C - Disability

² Option

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

³ Includes 2,371 DROP participants as of September 30, 2009.

Does not include 47 members entitled to deferred benefits, but not currently in receipt.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2009

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	1	-	1	-	-	1
251 - 500	2	-	2	-	-	2
501 - 750	3	-	3	-	-	3
751 - 1,000	6	-	5	1	1	5
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	6	-	6	-	-	6
1,501 - 1,750	4	-	4	-	-	4
1,751 - 2,000	8	-	8	-	-	8
2,001 - 2,250	2	-	2	-	-	2
2,251 - 2,500	3	1	2	-	-	3
2,501 - 2,750	2	-	2	-	-	2
2,751 - 3,000	5	1	3	1	2	3
3,001 - 3,250	8	4	4	-	2	6
3,251 - 3,500	19	3	16	-	-	19
3,501 - 3,750	36	3	33	-	2	34
3,751 - 4,000	5	3	1	1	2	3
4,001 - 4,250	6	6	-	-	3	3
4,251 - 4,500	7	6	1	-	2	5
4,501 - 4,750	9	5	2	2	3	6
4,751 - 5,000	10	6	4	-	-	10
Over 5,000	174	172	-	2	34	140
Totals	320	210	103	7	51	269

† Type of Retirement

A - Service

B - Survivor benefit

C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2009					
Average monthly benefit	\$ 693	\$ 1,099	\$ 1,533	\$ 2,229	\$ 3,089
Average final average salary	\$ 35,464	\$ 39,601	\$ 43,549	\$ 53,066	\$ 59,139
Number of active retirants	632	476	432	1,726	770
2008					
Average monthly benefit	\$ 687	\$ 1,063	\$ 1,463	\$ 2,124	\$ 3,010
Average final average salary	\$ 34,769	\$ 38,493	\$ 41,345	\$ 50,504	\$ 57,764
Number of active retirants	699	504	443	1,538	843
2007					
Average monthly benefit	\$ 650	\$ 1,044	\$ 1,490	\$ 2,001	\$ 2,791
Average final average salary	\$ 32,988	\$ 37,638	\$ 42,325	\$ 47,239	\$ 53,602
Number of active retirants	589	533	407	1,539	798
2006					
Average monthly benefit	\$ 634	\$ 982	\$ 1,349	\$ 1,917	\$ 2,839
Average final average salary	\$ 31,362	\$ 34,986	\$ 38,264	\$ 45,351	\$ 54,489
Number of active retirants	498	372	339	1,763	860
2005					
Average monthly benefit	\$ 594	\$ 960	\$ 1,389	\$ 1,995	\$ 2,783
Average final average salary	\$ 28,010	\$ 32,773	\$ 36,774	\$ 44,703	\$ 51,621
Number of active retirants	728	624	443	2,003	894
2004*					
Average monthly benefit	\$ 601	\$ 918	\$ 1,325	\$ 2,058	\$ 2,961
Average final average salary	\$ 28,825	\$ 32,049	\$ 35,474	\$ 46,274	\$ 54,194
Number of active retirants	742	591	498	2,964	1,476
2003**					
Average monthly benefit	\$ 535	\$ 798	\$ 1,133	\$ 1,905	\$ 2,984
Average final average salary	\$ 27,372	\$ 28,531	\$ 31,559	\$ 44,478	\$ 56,593
Number of active retirants	569	424	437	2,420	1,464
2002**					
Average monthly benefit	\$ 563	\$ 791	\$ 1,090	\$ 1,795	\$ 2,657
Average final average salary	\$ 28,942	\$ 28,971	\$ 30,725	\$ 41,721	\$ 50,034
Number of active retirants	564	416	412	1,973	1,236
2001**					
Average monthly benefit	\$ 502	\$ 777	\$ 1,092	\$ 1,788	\$ 2,819
Average final average salary	\$ 26,015	\$ 27,774	\$ 30,013	\$ 40,681	\$ 50,689
Number of active retirants	552	386	431	1,455	843
2000**					
Average monthly benefit	\$ 465	\$ 756	\$ 1,036	\$ 1,698	\$ 2,387
Average final average salary	\$ 24,661	\$ 27,450	\$ 28,961	\$ 39,249	\$ 44,226
Number of active retirants	564	433	452	1,370	814

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

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2009					
Average monthly benefit	\$ 1,399	\$ 1,449	\$ 1,661	\$ 2,064	\$ 2,764
Average final average salary	\$ 40,605	\$ 39,986	\$ 37,807	\$ 47,298	\$ 46,613
Number of active retirants	700	436	345	772	428
2008					
Average monthly benefit	\$ 1,443	\$ 1,389	\$ 1,765	\$ 1,982	\$ 2,767
Average final average salary	\$ 43,159	\$ 42,731	\$ 44,673	\$ 47,099	\$ 53,152
Number of active retirants	566	346	262	670	322
2007					
Average monthly benefit	\$ 1,331	\$ 1,288	\$ 1,592	\$ 1,975	\$ 2,650
Average final average salary	\$ 40,544	\$ 41,247	\$ 43,439	\$ 46,209	\$ 51,484
Number of active retirants	601	318	230	761	334
2006					
Average monthly benefit	\$ 1,285	\$ 1,095	\$ 1,558	\$ 1,779	\$ 2,543
Average final average salary	\$ 39,200	\$ 36,950	\$ 41,455	\$ 43,714	\$ 48,532
Number of active retirants	508	281	204	878	349
2005					
Average monthly benefit	\$ 1,271	\$ 1,008	\$ 1,482	\$ 1,848	\$ 2,592
Average final average salary	\$ 38,257	\$ 34,812	\$ 38,980	\$ 43,707	\$ 49,007
Number of active retirants	621	379	280	1,151	307
2004					
Average monthly benefit	\$ 1,406	\$ 1,176	\$ 1,472	\$ 1,834	\$ 2,761
Average final average salary	\$ 38,630	\$ 36,939	\$ 38,336	\$ 41,807	\$ 51,146
Number of active retirants	734	320	263	846	343
2003					
Average monthly benefit	\$ 1,195	\$ 1,079	\$ 1,285	\$ 1,849	\$ 2,749
Average final average salary	\$ 36,391	\$ 35,075	\$ 34,952	\$ 43,008	\$ 52,337
Number of active retirants	552	251	240	684	296
2002					
Average monthly benefit	\$ 1,107	\$ 1,023	\$ 1,346	\$ 1,665	\$ 2,725
Average final average salary	\$ 33,936	\$ 32,913	\$ 36,895	\$ 38,739	\$ 51,237
Number of active retirants	511	268	224	626	311
2001					
Average monthly benefit	\$ 979	\$ 935	\$ 1,224	\$ 1,630	\$ 2,359
Average final average salary	\$ 32,428	\$ 30,796	\$ 33,257	\$ 37,763	\$ 44,275
Number of active retirants	490	214	192	306	100
2000					
Average monthly benefit	\$ 873	\$ 973	\$ 1,343	\$ 1,636	\$ 2,399
Average final average salary	\$ 30,434	\$ 30,488	\$ 34,121	\$ 37,312	\$ 44,483
Number of active retirants	450	241	231	525	110

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
2009					
Average monthly benefit	\$ 7,247	\$ 7,899	\$ 8,020	\$ 9,899	\$ 10,750
Number of active retirants	6	2	5	5	1
2008					
Average monthly benefit	\$ 7,189	\$ 5,741	\$ 9,054	\$ 8,993	\$ -
Number of active retirants	3	2	1	4	-
2007					
Average monthly benefit	\$ 6,761	\$ 8,167	\$ 7,786	\$ 6,486	\$ 7,507
Number of active retirants	5	9	6	6	11
2006					
Average monthly benefit	\$ 7,824	\$ 8,223	\$ 7,642	\$ -	\$ -
Number of active retirants	2	1	5	-	-
2005					
Average monthly benefit	\$ 8,611	\$ 8,990	\$ 10,434	\$ 8,040	\$ 12,454
Number of active retirants	1	3	3	3	1
2004					
Average monthly benefit	\$ 1,568	\$ -	\$ 6,367	\$ 8,696	\$ -
Number of active retirants	1	-	3	3	-
2003					
Average monthly benefit	\$ 5,778	\$ 8,339	\$ 8,726	\$ 6,594	\$ -
Number of active retirants	2	4	4	4	-
2002					
Average monthly benefit	\$ 7,840	\$ 7,446	\$ 8,711	\$ 8,430	\$ -
Number of active retirants	1	3	1	2	-
2001					
Average monthly benefit	\$ 6,565	\$ 7,751	\$ 7,068	\$ 11,877	\$ -
Number of active retirants	10	5	8	1	-
2000					
Average monthly benefit	\$ 5,717	\$ -	\$ -	\$ -	\$ -
Number of active retirants	1	-	-	-	-

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Largest Employers

Ten-Year History

Units	2009	2008	2007	2006	2005
1) Unit	State of Alabama				
# of Active Members	35,200	35,767	35,566	34,429	33,756
% of Total Active Members	39.10%	39.53%	40.03%	39.63%	39.87%
2) Unit	Huntsville, City of				
# of Active Members	2,227	2,293	2,185	2,188	2,174
% of Total Active Members	2.47%	2.53%	2.46%	2.52%	2.57%
3) Unit	Mobile County				
# of Active Members	1,699	1,664	1,614	1,589	1,626
% of Total Active Members	1.89%	1.84%	1.82%	1.83%	1.92%
4) Unit	Mobile, City of				
# of Active Members	1,421	1,337	1,288	1,278	1,272
% of Total Active Members	1.58%	1.48%	1.45%	1.47%	1.50%
5) Unit	Madison County				
# of Active Members	1,060	1,102	1,068	1,073	1,071
% of Total Active Members	1.18%	1.22%	1.20%	1.24%	1.26%
6) Unit	Hellen Keller Hosp	Hellen Keller Hosp	Dothan, City of	Dothan, City of	Dothan, City of
# of Active Members	1,034	1,023	962	955	923
% of Total Active Members	1.15%	1.13%	1.08%	1.10%	1.09%
7) Unit	Dothan, City of	Dothan, City of	Helen Keller Hosp	Helen Keller Hosp	Helen Keller Hosp
# of Active Members	970	972	893	817	816
% of Total Active Members	1.08%	1.07%	1.01%	0.94%	0.96%
8) Unit	Montgomery County	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of
# of Active Members	806	710	710	695	680
% of Total Active Members	0.89%	0.78%	0.78%	0.80%	0.80%
9) Unit	Tuscaloosa, City of	*Altapointe Health	Hoover, City of	Hoover, City of	Hoover, City of
# of Active Members	732	674	636	633	616
% of Total Active Members	0.81%	0.74%	0.72%	0.73%	0.73%
10) Unit	*Altapointe Health	Baldwin County	Mobile-Wash MHB	Mobile-Wash MHB	Mobile-Wash MHB
# of Active Members	685	655	631	704	713
% of Total Active Members	0.76%	0.72%	0.70%	0.78%	0.79%
Total # of Active Members	90,018	90,472	88,849	86,874	84,674

* Formerly Mobile-Wash MHB

Source: Actuarial Report Detail

2004	2003	2002	2001	2000
State of Alabama 33,741 40.80%	State of Alabama 34,659 41.54%	State of Alabama 34,526 42.10%	State of Alabama 32,722 41.15%	State of Alabama 31,348 40.75%
Huntsville, City of 2,050 2.48%	Huntsville, City of 2,124 2.55%	Huntsville, City of 2,251 2.74%	Huntsville, City of 2,221 2.79%	Huntsville, City of 2,155 2.80%
Mobile County 1,622 1.96%	Mobile County 1,658 1.99%	Mobile County 1,627 1.98%	Mobile County 1,604 2.02%	Mobile County 1,624 2.11%
Mobile, City of 1,297 1.57%	Mobile, City of 1,334 1.60%	Mobile, City of 1,388 1.69%	Mobile, City of 1,396 1.76%	Mobile, City of 1,382 1.80%
Madison County 1,055 1.28%	Madison County 1,035 1.24%	Madison County 963 1.17%	Madison County 1,014 1.28%	Madison County 942 1.22%
Helen Keller Hosp 785 0.95%	Helen Keller Hosp 766 0.92%	Helen Keller Hosp 746 0.91%	Thomas Hospital 877 1.10%	Thomas Hospital 805 1.05%
Tuscaloosa, City of 684 0.83%	Jefferson Co Health 668 0.80%	Jefferson Co Health 698 0.85%	Jefferson Co Health 700 0.88%	Jefferson Co Health 679 0.88%
Jefferson Co Health 599 0.72%	Tuscaloosa, City of 655 0.79%	Baldwin County 640 0.78%	Baldwin County 650 0.82%	Baldwin County 643 0.84%
Gadsden, City of 587 0.71%	Gadsden, City of 613 0.73%	Tuscaloosa, City of 634 0.77%	Tuscaloosa, City of 631 0.79%	Tuscaloosa, City of 612 0.80%
Mobile-Wash MHB 611 0.74%	Hoover, City of 602 0.72%	Bessemer, City of 595 0.73%	Helen Keller Hosp 610 0.77%	Helen Keller Hosp 579 0.75%
82,708	83,429	82,016	79,526	76,935

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Additions					
Contributions					
Employee	\$ 319,770	\$ 321,100	\$ 323,822	\$ 302,272	\$ 278,220
Employer	776,421	753,518	729,995	540,847	434,195
Transfers from Employees' Retirement System	-	2,606	3,182	2,814	3,235
Transfers from Judicial Retirement Fund	1,633	-	-	-	-
Total Contributions	<u>1,097,824</u>	<u>1,077,224</u>	<u>1,056,999</u>	<u>845,933</u>	<u>715,650</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	886,997	(2,083,048)	(4,057,823)	2,589,858	878,743
Interest and Dividends	559,941	580,656	705,555	719,910	703,189
Total Investment Income from Investing Activities	1,446,938	(1,502,392)	(3,352,268)	3,309,768	1,581,932
Less: Investment Expenses, Net	5,415	5,419	5,990	5,105	4,947
Net Investment Income from Investing Activities	<u>1,441,523</u>	<u>(1,507,811)</u>	<u>(3,358,258)</u>	<u>3,304,663</u>	<u>1,576,985</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	12,519	33,782	83,588	136,869	84,052
Less Securities Lending Expenses:					
Borrower Rebates	2,820	6,685	57,695	126,966	77,407
Management Fees	2,910	4,412	4,332	1,770	1,271
Total Securities Lending Expenses	<u>5,730</u>	<u>11,097</u>	<u>62,027</u>	<u>128,736</u>	<u>78,678</u>
Net Income from Securities Lending Activities	<u>6,789</u>	<u>22,685</u>	<u>21,561</u>	<u>8,133</u>	<u>5,374</u>
Total Investment Income	<u>1,448,312</u>	<u>(1,485,126)</u>	<u>(3,336,697)</u>	<u>3,312,796</u>	<u>1,582,359</u>
Total Additions	<u>2,546,136</u>	<u>(407,902)</u>	<u>(2,279,698)</u>	<u>4,158,729</u>	<u>2,298,009</u>
Deductions					
Retirement Allowance Payments	1,567,790	1,512,260	1,486,871	1,397,808	1,207,251
Return of Contributions and Death Benefits	43,628	42,337	37,317	37,474	36,683
Transfers to Employees' Retirement System	1,790	1,767	1,683	2,406	2,982
Transfers to Judicial Retirement Fund	-	-	-	-	26
Administrative Expenses	11,979	11,005	12,216	9,614	11,325
Depreciation	4,264	4,128	578	480	462
Total Deductions	<u>1,629,451</u>	<u>1,571,497</u>	<u>1,538,665</u>	<u>1,447,782</u>	<u>1,258,729</u>
Net Increase/(Decrease)	916,685	(1,979,399)	(3,818,363)	2,710,947	1,039,280
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	16,120,988	18,100,387	21,918,750	19,207,803	18,168,523
End of Year	<u>\$ 17,037,673</u>	<u>\$ 16,120,988</u>	<u>\$ 18,100,387</u>	<u>\$ 21,918,750</u>	<u>\$ 19,207,803</u>

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Additions					
Contributions					
Employee	\$ 260,149	\$ 251,714	\$ 249,996	\$ 233,789	\$ 228,088
Employer	347,862	312,474	235,786	265,670	279,880
Transfers from Employees' Retirement System	2,707	2,146	2,022	1,937	2,433
Transfers from Judicial Retirement Fund	-	-	-	-	97
Total Contributions	<u>610,718</u>	<u>566,334</u>	<u>487,804</u>	<u>501,396</u>	<u>510,498</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	1,221,059	1,055,525	1,412,887	(1,915,592)	(1,860,162)
Interest and Dividends	<u>624,397</u>	<u>580,000</u>	<u>592,645</u>	<u>672,200</u>	<u>769,739</u>
Total Investment Income from Investing Activities	1,845,456	1,635,525	2,005,532	(1,243,392)	(1,090,423)
Less: Investment Expenses, Net	<u>4,278</u>	<u>4,079</u>	<u>4,432</u>	<u>4,592</u>	<u>3,467</u>
Net Investment Income from Investing Activities	<u>1,841,178</u>	<u>1,631,446</u>	<u>2,001,100</u>	<u>(1,247,984)</u>	<u>(1,093,890)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	40,399	10,704	14,215	16,473	43,671
Less Securities Lending Expenses:					
Borrower Rebates	33,559	7,206	10,052	12,462	39,692
Management Fees	<u>1,620</u>	<u>630</u>	<u>832</u>	<u>784</u>	<u>795</u>
Total Securities Lending Expenses	<u>35,179</u>	<u>7,836</u>	<u>10,884</u>	<u>13,246</u>	<u>40,487</u>
Net Income from Securities Lending Activities	<u>5,220</u>	<u>2,868</u>	<u>3,331</u>	<u>3,227</u>	<u>3,184</u>
Total Investment Income	<u>1,846,398</u>	<u>1,634,314</u>	<u>2,004,431</u>	<u>(1,244,757)</u>	<u>(1,090,706)</u>
Total Additions	<u>2,457,116</u>	<u>2,200,648</u>	<u>2,492,235</u>	<u>(743,361)</u>	<u>(580,208)</u>
Deductions					
Retirement Allowance Payments	1,092,723	987,761	932,687	858,383	811,896
Return of Contributions and Death Benefits	36,350	35,983	32,084	35,510	34,156
Transfers to Employees' Retirement System	1,829	1,575	2,418	2,091	1,207
Transfers to Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	10,372	7,361	7,011	6,845	6,023
Depreciation	<u>468</u>	<u>439</u>	<u>367</u>	<u>391</u>	<u>1,002</u>
Total Deductions	<u>1,141,742</u>	<u>1,033,119</u>	<u>974,567</u>	<u>903,220</u>	<u>854,284</u>
Net Increase/(Decrease)	1,315,374	1,167,529	1,517,668	(1,646,581)	(1,434,492)
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	<u>16,853,149</u>	<u>15,685,620</u>	<u>14,167,952</u>	<u>15,814,533</u>	<u>17,249,025</u>
End of Year	<u>\$ 18,168,523</u>	<u>\$ 16,853,149</u>	<u>\$ 15,685,620</u>	<u>\$ 14,167,952</u>	<u>\$ 15,814,533</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Additions					
Contributions					
Employee	\$ 194,968	\$ 208,446	\$ 189,785	\$ 181,734	\$ 184,144
Employer	377,898	451,139	329,339	277,254	241,750
Transfers from Teachers' Retirement System	1,790	1,767	1,683	2,406	2,982
Transfers from Judicial Retirement Fund	-	68	186	-	-
Total Contributions	<u>574,656</u>	<u>661,420</u>	<u>520,993</u>	<u>461,394</u>	<u>428,876</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	427,365	(1,180,523)	(1,919,746)	1,249,495	375,025
Interest and Dividends	268,667	285,022	339,578	347,272	329,459
Total Investment Income from Investing Activities	696,032	(895,501)	(1,580,168)	1,596,767	704,484
Less: Investment Expenses, Net	2,398	2,651	3,747	3,725	3,216
Net Investment Income from Investing Activities	<u>693,634</u>	<u>(898,152)</u>	<u>(1,583,915)</u>	<u>1,593,042</u>	<u>701,268</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	5,619	15,335	38,458	58,925	35,407
Less Securities Lending Expenses:					
Borrower Rebates	1,271	3,070	26,649	54,648	32,567
Management Fees	1,305	1,994	1,988	727	504
Total Securities Lending Expenses	<u>2,576</u>	<u>5,064</u>	<u>28,637</u>	<u>55,375</u>	<u>33,071</u>
Net Income from Securities Lending Activities	<u>3,043</u>	<u>10,271</u>	<u>9,821</u>	<u>3,550</u>	<u>2,336</u>
Total Investment Income	<u>696,677</u>	<u>(887,881)</u>	<u>(1,574,094)</u>	<u>1,596,592</u>	<u>703,604</u>
Total Additions	<u>1,271,333</u>	<u>(226,461)</u>	<u>(1,053,101)</u>	<u>2,057,986</u>	<u>1,132,480</u>
Deductions					
Retirement Allowance Payments	725,660	695,430	655,467	615,661	551,793
Return of Contributions and Death Benefits	33,868	32,640	31,387	31,829	31,780
Unit Withdrawals	-	14	-	-	-
Transfers to Teachers' Retirement System	1,633	2,606	3,182	2,814	3,235
Transfers to Judicial Retirement Fund	-	98	173	220	133
Administrative Expenses	10,334	9,413	9,892	7,813	7,850
Depreciation	2,111	2,038	311	298	337
Total Deductions	<u>773,606</u>	<u>742,239</u>	<u>700,412</u>	<u>658,635</u>	<u>595,128</u>
Net Increase/(Decrease)	497,727	(968,700)	(1,753,513)	1,399,351	537,352
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	7,679,005	8,647,705	10,401,218	9,001,867	8,464,515
End of Year	<u>\$ 8,176,732</u>	<u>\$ 7,679,005</u>	<u>\$ 8,647,705</u>	<u>\$ 10,401,218</u>	<u>\$ 9,001,867</u>

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Additions					
Contributions					
Employee	\$ 158,128	\$ 166,973	\$ 159,763	\$ 149,130	\$ 130,965
Employer	195,846	170,713	154,218	123,887	122,483
Transfers from Teachers' Retirement System	1,829	1,575	2,418	2,091	1,207
Transfers from Judicial Retirement Fund	356	-	103	-	66
Total Contributions	<u>356,159</u>	<u>339,261</u>	<u>316,502</u>	<u>275,108</u>	<u>254,721</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	545,826	457,981	668,539	(953,188)	(874,433)
Interest and Dividends	295,631	268,876	271,698	297,845	343,517
Total Investment Income from Investing Activities	841,457	726,857	940,237	(655,343)	(530,916)
Less: Investment Expenses, Net	2,652	2,390	2,380	2,331	1,593
Net Investment Income from Investing Activities	<u>838,805</u>	<u>724,467</u>	<u>937,857</u>	<u>(657,674)</u>	<u>(532,509)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	17,604	4,892	3,461	5,741	20,922
Less Securities Lending Expenses:					
Borrower Rebates	14,948	3,318	2,131	4,094	18,996
Management Fees	448	283	266	333	385
Total Securities Lending Expenses	<u>15,396</u>	<u>3,601</u>	<u>2,397</u>	<u>4,427</u>	<u>19,381</u>
Net Income from Securities Lending Activities	<u>2,208</u>	<u>1,291</u>	<u>1,064</u>	<u>1,314</u>	<u>1,541</u>
Total Investment Income	<u>841,013</u>	<u>725,758</u>	<u>938,921</u>	<u>(656,360)</u>	<u>(530,968)</u>
Total Additions	<u>1,197,172</u>	<u>1,065,019</u>	<u>1,255,423</u>	<u>(381,252)</u>	<u>(276,247)</u>
Deductions					
Retirement Allowance Payments	487,348	448,658	423,027	389,856	371,715
Return of Contributions and Death Benefits	30,960	31,406	25,056	24,965	24,906
Unit Withdrawals	-	3,798	820	8,388	1,544
Transfers to Teachers' Retirement System	2,707	2,146	2,022	1,937	2,433
Transfers to Judicial Retirement Fund	48	64	-	85	97
Administrative Expenses	6,898	5,892	5,843	5,582	4,578
Depreciation	294	269	278	235	330
Total Deductions	<u>528,255</u>	<u>492,233</u>	<u>457,046</u>	<u>431,048</u>	<u>405,603</u>
Net Increase/(Decrease)	668,917	572,786	798,377	(812,300)	(681,850)
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	<u>7,795,598</u>	<u>7,222,812</u>	<u>6,424,435</u>	<u>7,236,735</u>	<u>7,918,585</u>
End of Year	<u>\$ 8,464,515</u>	<u>\$ 7,795,598</u>	<u>\$ 7,222,812</u>	<u>\$ 6,424,435</u>	<u>\$ 7,236,735</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Additions					
Contributions					
Employee	\$ 2,566	\$ 2,603	\$ 2,534	\$ 2,416	\$ 2,338
Employer	10,814	10,326	9,880	9,307	8,916
Transfers from Teachers' Retirement System	-	-	-	-	26
Transfers from Employees' Retirement System	-	98	173	220	133
Total Contributions	<u>13,380</u>	<u>13,027</u>	<u>12,587</u>	<u>11,943</u>	<u>11,413</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	15,287	(6,612)	(46,910)	25,988	11,215
Interest and Dividends	6,551	7,026	8,206	8,500	9,598
Total Investment Income from Investing Activities	21,838	414	(38,704)	34,488	20,813
Less: Investment Expenses	-	11	8	2	2
Net Investment Income from Investing Activities	<u>21,838</u>	<u>403</u>	<u>(38,712)</u>	<u>34,486</u>	<u>20,811</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	169	543	1,765	1,945	908
Less Securities Lending Expenses:					
Borrower Rebates	45	119	1,298	1,832	861
Management Fees	37	69	77	18	7
Total Securities Lending Expenses	<u>82</u>	<u>188</u>	<u>1,375</u>	<u>1,850</u>	<u>868</u>
Net Income from Securities Lending Activities	<u>87</u>	<u>355</u>	<u>390</u>	<u>95</u>	<u>40</u>
Total Investment Income	<u>21,925</u>	<u>758</u>	<u>(38,322)</u>	<u>34,581</u>	<u>20,851</u>
Total Additions	<u>35,305</u>	<u>13,785</u>	<u>(25,735)</u>	<u>46,524</u>	<u>32,264</u>
Deductions					
Retirement Allowance Payments	24,526	23,821	22,587	21,356	18,777
Return of Contributions and Death Benefits	235	145	83	183	45
Transfers to Employees' Retirement System	-	68	186	-	-
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	317	552	526	474	432
Total Deductions	<u>25,078</u>	<u>24,586</u>	<u>23,382</u>	<u>22,013</u>	<u>19,254</u>
Net Increase/(Decrease)	10,227	(10,801)	(49,117)	24,511	13,010
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	211,015	221,816	270,933	246,422	233,412
End of Year	<u>\$ 221,242</u>	<u>\$ 211,015</u>	<u>\$ 221,816</u>	<u>\$ 270,933</u>	<u>\$ 246,422</u>

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
Additions					
Contributions					
Employee	\$ 2,350	\$ 2,370	\$ 2,342	\$ 2,271	\$ 2,115
Employer	8,943	8,994	8,637	8,222	7,598
Transfers from Teachers' Retirement System	-	-	-	-	-
Transfers from Employees' Retirement System	48	64	-	85	97
Total Contributions	<u>11,341</u>	<u>11,428</u>	<u>10,979</u>	<u>10,578</u>	<u>9,810</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	11,877	14,736	12,905	(33,036)	(35,377)
Interest and Dividends	7,420	7,218	7,969	9,777	11,192
Total Investment Income from Investing Activities	19,297	21,954	20,874	(23,259)	(24,185)
Less: Investment Expenses	2	12	28	85	31
Net Investment Income from Investing Activities	<u>19,295</u>	<u>21,942</u>	<u>20,846</u>	<u>(23,344)</u>	<u>(24,216)</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	422	109	61	88	467
Less Securities Lending Expenses:					
Borrower Rebates	362	83	50	75	443
Management Fees	8	4	2	2	5
Total Securities Lending Expenses	<u>370</u>	<u>87</u>	<u>52</u>	<u>77</u>	<u>448</u>
Net Income from Securities Lending Activities	<u>52</u>	<u>22</u>	<u>9</u>	<u>11</u>	<u>19</u>
Total Investment Income	<u>19,347</u>	<u>21,964</u>	<u>20,855</u>	<u>(23,333)</u>	<u>(24,197)</u>
Total Additions	<u>30,688</u>	<u>33,392</u>	<u>31,834</u>	<u>(12,755)</u>	<u>(14,387)</u>
Deductions					
Retirement Allowance Payments	18,201	17,903	17,964	16,770	15,655
Return of Contributions and Death Benefits	51	103	83	29	79
Transfers to Employees' Retirement System	356	-	103	-	66
Transfers to Teachers' Retirement System	-	-	-	-	97
Administrative Expenses	381	344	322	306	272
Total Deductions	<u>18,989</u>	<u>18,350</u>	<u>18,472</u>	<u>17,105</u>	<u>16,169</u>
Net Increase/(Decrease)	11,699	15,042	13,362	(29,860)	(30,556)
Net Assets Held in Trust for Pension Benefits:					
Beginning of Year	221,713	206,671	193,309	223,169	253,725
End of Year	<u>\$ 233,412</u>	<u>\$ 221,713</u>	<u>\$ 206,671</u>	<u>\$ 193,309</u>	<u>\$ 223,169</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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

Cullman Power Board	Double Springs Water Works Board
Cullman County Soil & Water Conservation District	Double Springs, Town of
Cullman, City of	Douglas Water & Fire Protection Authority
Cullman/Jefferson County Gas District	Douglas, Town of
Cumberland Mountain Water Authority	Dutton, Town of
Curry Water Authority	East Alabama Mental Health-Mental Retardation Board
CWM Water Authority	East Alabama Regional Planning & Development Commission
Dadeville Housing Authority	East Alabama Water, Sewer, & Fire Protection District
Dadeville Water Supply & Gas Board	East Brewton Water Works & Sewer Board
Dadeville, City of	East Brewton, City of
Dale County Commissioners Court	East Central Alabama Gas District
Dale County Water Authority	East Central Baldwin County Water and Fire Protection Authority
Daleville Housing Authority	East Lauderdale County Water & Fire Protection Authority
Daleville, City of	Eclectic Water Works & Sewer Board
Dallas County Court of County Revenue	Eclectic, Town of
Dallas County Water and Sewer Authority	Elba General Hospital & Nursing Home
Daphne Utility Board	Elba Water & Electric Board
Daphne, City of	Elba, City of
Dauphin Island Park and Beach Board	Elberta, City of
Dauphin Island Water & Sewer Authority	Electric Cities of Alabama
Dauphin Island, Town of	Elmore County Commissioners Court
Decatur, City of	Elmore County Emergency Communications District
Decatur Utilities	Elmore Water Authority
DeKalb County Commission	Enterprise, City of
DeKalb County Economic Development Authority	Enterprise Housing Authority
DeKalb County Emergency Communications District	Enterprise Water Works Board
DeKalb County Hospital Association	Ernest F. Ladd Memorial Stadium
DeKalb County Mental Retardation Board	Escambia County Commission
DeKalb County Soil and Water Conservation District	Escambia County Cooperative Library System
DeKalb/Cherokee County Gas District	Etowah County Board of Revenue
Dekalb/Jackson Water Supply District Board	Etowah County Communications District
Demopolis Housing Authority	Etowah County Community Punishment and Corrections
Demopolis, City of	Etowah Solid Waste Disposal Authority
Dora Gas Board	Eufaula Housing Authority
Dora, City of	
Dothan, City of	
Dothan/Houston County Mental Retardation Board	

RETIREMENT SYSTEMS OF ALABAMA

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Employees' Retirement System

Local Participating Employers

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

Gulf Shores, City of	Highland Water Authority
Gulf Shores Utilities Board	Hillsboro, Town of
Guntersville Electric Board	Historic Blakeley Authority
Guntersville Housing Authority	Historic Chattahoochee Commission
Guntersville Water & Sewer Board	Hodges, Town of
Guntersville, City of	Hokes Bluff Sewer Board
Gurley, Town of	Hokes Bluff Water Works Board
Hackleburg, Town of	Hokes Bluff, Town of
Hackleburg Housing Authority	Holly Pond, Town of
Hackleburg Water Board	Hollywood, Town of
Hackneyville Water & Fire Protection Authority	Homewood, City of
Hale County Commission	Hoover, City of
Hale County Soil and Water Conservation District	Horseshoe Bend Regional Library
Hale County Emergency Medical Service	Houston County Board of Revenue and Control
Haleyville, City of	Houston County Soil Conservation District
Hamilton, City of	Houston County Water Authority
Hamilton Housing Authority	Houston/Love Memorial Library
Hanceville, City of	Hueytown, City of
Hanceville Waterworks & Sewer Board	Huguley Water and Fire Protection Authority
Harpersville, Town of	Huntsville Electric System
Hartford, City of	Huntsville Gas System
Hartford Housing Authority	Huntsville Solid Waste Disposal Authority
Hartselle Utilities Board	Huntsville Water System
Hartselle, City of	Huntsville, City of
Harvest-Monrovia Water & Fire Protection Authority	Huntsville/Madison County Airport Authority
Hayden, Town of	Huntsville/Madison County Convention & Visitor's Bureau
Hayneville, City of	Huntsville/Madison County Marina & Port Authority
Headland Housing Authority	Huntsville/Madison County Mental Health Board
Headland, City of	Huntsville/Madison County Railroad Authority
Heflin, City of	Indian Pines Recreation Authority
Heflin Water Works & Sewer Board	Industrial Development Authority of Chambers County
Helen Keller Memorial Hospital	International Motorsports Hall of Fame
Helena Utilities Board	Irondale, City of
Helena, City of	Jackson County Commission
Henry County Commissioners Court	Jackson County Economic Development Authority
Henry County Soil & Water Conservation District	
Henry County Water Authority	

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Employees' Retirement System

Local Participating Employers

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

Marion County Emergency Communications District	Mobile County Water, Sewer & Fire Protection Authority
Marion County Public Water Authority	Mobile Public Library
Marion Housing Authority	Mobile Water Service System
Marion, City of	Mobile, City of
Marshall County Commission on Government and Finance	Monroe County Commission
Marshall County Community Punishment and Corrections Authority	Monroeville Housing Authority
Marshall County Emergency Telephone Service Board	Monroeville Water Board
Marshall County Gas District	Monroeville, City of
Marshall County Soil & Water Conservation District	Montevallo, City of
Marshall-Jackson Mental Retardation Authority	Montevallo Water Works and Sewer Board
McAdory Area Fire District	Montgomery Area Mental Health Authority
McIntosh, Town of	Montgomery County Commission
Mental Health Center of North Central Alabama	Montgomery County Soil & Water Conservation District
Mental Health Dev Disabilities Board	Montgomery Water Works Board
Mental Health/Mental Retardation Board of Bibb, Pickens, and Tuscaloosa Counties	Moody, City of
Mentone, Town of	Morgan County Commission
Mentone Water Works Board	Morgan County Emergency Management Communications District
Middle Alabama Area Agency on Aging	Morgan County Soil & Water Conservation District
Midfield Library Board	Moulton Housing Authority
Midfield, City of	Moulton, City of
Midway, Town of	Moundville, City of
Mildred B. Harrison Library	Mountain Brook Library Board
Millbrook, City of	Mountain Brook Park & Recreation Board
Millport Housing Authority	Mountain Brook, City of
Millport, Town of	Mt. Vernon, Town of
Mobile Airport Authority	Munford, Town of
Mobile County Commission	Munford Water Authority
Mobile County Communications District	Muscle Shoals Electric Board
Mobile County Emergency Management Agency	Muscle Shoals Utilities Board
Mobile County Health Department	Muscle Shoals, City of
Mobile County Housing Authority	Myrtlewood, Town of
Mobile County Law Enforcement & Firefighters Pension Fund	Nauvoo, Town of
Mobile County Personnel Board	Nectar, Town of
Mobile County Racing Commission	New Hope, Town of
	New London Water, Sewer & Fire Protection Authority
	New Site, Town of
	North Alabama Gas District

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

North Baldwin Utilities	Owens Cross Roads
North Central Alabama Mental Retardation Authority	Oxford, City of
North Central Alabama Regional Council of Governments	Oxford Emergency Management Services, Inc.
North Dallas County Water Authority	Ozark Utilities Board
North Jackson County Water & Fire Protection Authority	Ozark, City of
North Marshall Utilities Board	Ozark/Dale E-911
North Shelby County Fire and Emergency Medical District	Parrish, Town of
North Shelby County Library	Parrish Water Works and Sewer Board
Northeast Alabama Mental Retardation-Development Disability Authority	Pelham, City of
Northeast Alabama Water, Sewer & Fire Protection District	Pell City Housing Authority
Northeast Morgan County Water Authority	Pell City, City of
Northport Housing Authority	Pennington, City of
Northport, City of	Pennington Utilities Board
Northwest Alabama Council of Local Governments	Perry County Capital Improvement Cooperative District
Northwest Alabama Mental Health Center	Perry County Commissioners Court
Northwest Alabama Regional Airport	Perry County Water Authority
Northwest Regional Library	Phenix City, City of
Notasulga, Town of	Phil Campbell Housing Authority
Oak Grove, Town of	Phil Campbell Water Works Board
Oakman Waterworks	Phil Campbell, Town of
Oakman, Town of	Pickens County Commission
Odenville Utilities Board	Pickens County Cooperative Library
Odenville, Town of	Pickens County E-911 Board
Ohatchee, Town of	Pickens County Water Authority
Oneonta Housing Authority	Piedmont Housing Authority
Oneonta Utilities	Piedmont, City of
Oneonta, City of	Pike County Commissioners Court
Opelika Housing Authority	Pike County Communications District
Opelika Utilities Board	Pike County Soil & Water Conservation District
Opelika, City of	Pike County Water Authority
Opp Utilities Board	Pine Bluff Water Authority
Opp, City of	Pine Hill, Town of
Orange Beach Water, Sewer & Fire Protection Authority	Pine Level Water & Fire Protection Authority
Orange Beach, Town of	Pisgah, Town of
	Pleasant Grove, City of
	Prattville Housing Authority
	Prattville Water Works Board
	Prattville, City of

Priceville, Town of	Sand Mountain Water Authority
Prichard Housing Authority	Sand Springs Water Authority
Quint-Mar Water & Fire Protection Authority	Saraland Water Service
Ragland, Town of	Saraland, City of
Ragland Water Works Board	Sardis City Water Board
Rainbow City Gas, Water & Sewer Board	Sardis City, City of
Rainbow City, City of	Satsuma Water Works Board
Rainsville, City of	Satsuma, City of
Randolph County Commissioners Court	Scottsboro Electric Power Board
Randolph County E-911	Scottsboro Housing Authority
Red Bay Housing Authority	Scottsboro Public Library
Red Bay Water & Gas Board	Scottsboro Public Park & Recreation Board
Red Bay, City of	Scottsboro Water Works, Sewer & Gas Board
Reform Housing Authority	Scottsboro, City of
Reform, City of	Section, Town of
Regional Housing Authority of Lawrence, Cullman, and Morgan Counties	Section Water Works Board
Rehobeth, City of	Selma Housing Authority
Remlap/Pine Mountain Water Authority	Selma Water Works & Sewer Board
Riverbend Center for Mental Health	Selma, City of
Riverside, Town of	Sheffield Power, Water & Gas Department
Roanoke Utilities Board	Sheffield, City of
Roanoke, City of	Shelby County Board of Revenue
Roanoke Health Care Authority	Shelby County Economic and Industrial Development Authority
Robertsdale, City of	Shelby County Soil Conservation District
Rocky Ridge Fire District	Shelby County Community Corrections
Rogersville Water Works & Sewer Board	Shelby County Emergency Management Communications District
Rogersville, Town of	Shoals Committee on Programs & Employment for the Mentally Retarded
Russell County Commissioners Court	Shoals Economic Development Authority
Russell County Emergency Communications District	Shoals Solid Waste Disposal Authority
Russell County Soil & Water Conservation District	Shorter, Town of
Russell County Utilities Board	Silas, Town of
Russellville Electric Board	Silverhill, Town of
Russellville Gas Board	Skyline, Town of
Russellville Housing Authority	Slocomb, Town of
Russellville Water Works Board	Slocomb Waterworks and Sewer Board
Russellville, City of	Snead, Town of
Rutledge, Town of	Smiths Station, City of
	Somerville, Town of

RETIREMENT SYSTEMS OF ALABAMA

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Employees' Retirement System

Local Participating Employers

South Alabama Gas District	Sumter County Soil & Water Cons District
South Alabama Regional Planning Commission	Sumter County Water Authority
South Central Alabama Development Commission	Sylacauga Recreation Authority
South Central Alabama Mental Health Center	Sylacauga Utilities Board
South Central Alabama Regional Housing Authority	Sylacauga, City of
South Crenshaw County Water Authority	Sylvan Springs, Town of
South Marengo County Water & Fire Protection Authority	Sylvania, Town of
Southeast Alabama Regional Planning & Development Commission	Talladega County Board of Revenue
Southeast Alabama Solid Waste Disposal Authority	Talladega County Emergency Management Communications District
Southeast Alabama Youth Services	Talladega County Soil & Water Conservation District
Southern Alabama Regional Council on Aging	Talladega Water & Sewer Board
Southside Water & Sewer Board	Talladega, City of
Southside, City of	Tallapoosa County Court of Commissioners
Southwest Alabama Water Authority	Tallapoosa County Emergency Management Communications District
Spanish Fort, City of	Tallassee, City of
Spectracare	Tarrant City Electric System
Springville, Town of	Tarrant City, City of
St. Clair County Commissioners Court	Tarrant City Housing Authority
St. Clair County Industrial Development Board	Taylor, Town of
St. Clair Regional Library	Tennessee Valley Exhibit Commission
St. Clair County Soil & Water Conservation District	Thomaston, Town of
St. Florian, Town of	Thomasville, City of
Star-Mindingall Water & Fire Prot Auth	Thorsby, Town of
Steele, Town of	Top of Alabama Regional Council of Governments
Stevenson Housing Authority	Town Creek, Town of
Stevenson Utilities Board	Triana, City of
Stevenson, City of	Tri-County Mental Retardation-Development Disability Board
Stewartville Water Authority	Trinity, Town of
Sulligent, City of	Troy, City of
Sulligent Housing Authority	Trussville Utilities Board
Sumiton Housing Authority	Trussville, City of
Sumiton Water Works Board	Turnerville Water and Fire Protection District
Sumiton, City of	Tuscaloosa, City of
Summerdale, Town of	Tuscaloosa County Board of Revenue
Sumter County Board of Commissioners	Tuscaloosa Housing Authority
Sumter County Industrial Development Authority	Tuscaloosa County Industrial Dev Auth

Tuscaloosa County Park and Recreation Board	Washington County E-911 District
Tuscaloosa County Parking & Transit Authority	Washington County Soil & Water Conservation District
Tuscaloosa County Public Defenders Office	Weaver, City of
Tuscaloosa County Soil & Water Conservation District	Webb, Town of
Tuscaloosa County Special Tax Board	Wedowee, City of
Tuscaloosa Public Library	Wedowee Water, Sewer, and Gas Board
Tuscumbia, City of	West Alabama Regional Commission
Tuskegee, City of	West Autauga Water Authority
Tuskegee Utilities	West Etowah County Water Authority
Union Grove Utilities Board	West Jefferson, Town of
Union Springs Utilities Board	West Lauderdale County Water & Fire Protection Authority
Union Springs, City of	West Morgan/East Lawrence Water and Sewer Authority
Uniontown Housing Authority	Wetumpka, City of
Uniontown Utilities Board	Wetumpka Water & Sewer Board
Uniontown, City of	Wilcox County Commission
USS Alabama Battleship Commission	Wilcox County Gas District
Valley Head, Town of	Wilsonville, Town of
Valley Head Water Works Board	Wilton, Town of
Valley Housing Authority	Winfield Water Works Board
Valley, City of	Winfield, City of
Vance, Town of	Winston County Commission
Vernon Housing Authority	Winston County E-911 Communications District
Vernon, City of	Winston County Soil and Water Conservation District
Vestavia Hills, City of	Woodstock, Town of
Vincent, City of	York Housing Authority
Von Braun Civic Center	York, City of
Walker County Commission	
Walker County E911 District	
Walker County Housing Authority	
Walker County Mental Retardation Board	
Walker County Soil & Water Conservation District	
Wall Street Water Authority	
Walnut Hill Water Authority	
Warrior River Water & Fire Protection Authority	
Warrior, City of	
Washington County Commissioners Court	





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