



The Retirement Systems of Alabama

Component Units
of the
State of Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2002

Front Cover:
Robert Trent Jones Golf Trail
Hampton Cove
Huntsville, Alabama

Back Cover Photo:
Robert Trent Jones Golf Trail
The Judge
Prattville, Alabama

The Retirement Systems of Alabama

Component Units of the State of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2002

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

135 South Union Street • P. O. Box 302150 • Montgomery, Alabama 36130-2150
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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
Bob Riley, Chair
John H. Wilkerson, Jr., Vice Chair

February 15, 2003

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

Dear Board Members:

It is with great pleasure that I submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA) for the fiscal year ended September 30, 2002. 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. I trust that you and the members of the Systems will find this report helpful in understanding your retirement system.

Report Contents

The 2002 Comprehensive Annual Financial Report is divided into the following five sections:

- The *Introductory Section*, which contains this letter of transmittal and general information regarding the operations and administrative structure of the RSA.
- The *Financial Section*, which contains the Independent Auditors' Report by KPMG LLP, Management's Discussion and Analysis, financial statements, required supplementary information, and supporting schedules for the TRS, ERS, and JRF.
- The *Investment Section*, which contains a report on investment activity, an outline of investment policies, investment results, and various investment schedules.
- The *Actuarial Section*, which contains the certification letter of the independent consulting actuary, Buck Consultants, Inc., for the TRS, ERS, and JRF, as well as summaries of the results of the most recent actuarial valuations.
- The *Statistical Section*, which contains significant statistical information regarding the TRS, ERS, and JRF.

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Administration and Plan History

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). 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 (MDA) includes a description of the financial statements, including the notes, and summary comparative data for fiscal years 2002 and 2001. Also, an analysis of significant variances between fiscal year 2002 and 2001 is provided in the MDA.

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 32.

At the date of the latest actuarial valuations, as presented in the *Notes to the Required Supplementary Information* on page 34, the number of participants in the TRS, ERS, and JRF was 197,813, 115,040, and 712, respectively. The TRS's last valuation was performed as of June 30, 2002. The TRS's funded percentage decreased from 101.4% at June 30, 2001 to 97.4% at June 30, 2002. The ERS's and JRF's last valuations were performed as of September 30, 2001. The ERS's funded percentage decreased from 104.9% at September 30, 2000 to 100.2% at September 30, 2001. The JRF's funded percentage decreased from 89.0% at September 30, 2000 to 85.0% at September 30, 2001.

Investment Activity

Total investments for the RSA decreased in fiscal year 2002, primarily due to decreases in the fair value of investments. Investment balances for the TRS, ERS, and JRF at September 30, 2002 were \$13.9 billion, \$6.3 billion and \$190.2 million, respectively, compared to investment balances for the TRS, ERS, and JRF at September 30, 2001 of \$15.6 billion, \$7.1 billion, and \$220.0 million, respectively. Total pension fund investments managed by the RSA decreased from \$22.9 billion at September 30, 2001 to \$20.4 billion at September 30, 2002, a 10.9% decrease.

Interest and dividend income for the TRS, ERS, and JRF for the fiscal year ended September 30, 2002, was \$672.2 million, \$297.8 million, and \$9.8 million, respectively, compared to \$769.7 million, \$343.5 million, and \$11.2 million, respectively, for the fiscal year ended September 30, 2001. The decrease in fair value of investments for the TRS, ERS, and JRF for the fiscal year ended September 30, 2002, was \$1,915.6 million, \$953.2 million and \$33.0 million, respectively, compared to the decrease in fair value of investments of \$1,860.2 million, \$874.4 million, and \$35.4 million, respectively, for the fiscal year ended September 30, 2001.

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Letter of Transmittal (Continued)

The staff will continue to purchase and develop investments that will facilitate the mission of the RSA and serve the interests of our members by preserving the excellent benefits and soundness of the Systems 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.

Legislation Enacted During Fiscal-Year 2002

Act 2002-23 Established the Deferred Retirement Option Plan (DROP), which allows members to retire and, in lieu of immediate withdrawal, 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. In order to be eligible to participate, an ERS member's unit must elect to take part in the DROP. All TRS units participate in the DROP. Participation is available to any eligible member that has at least twenty-five years of service (exclusive of sick leave), is at least fifty-five years of age, and is eligible for service retirement.

Act 2002-187 Authorizes Wilcox County elected officials to participate in the ERS.

Acts 2002-255 and 2002-274 Authorizes Jackson County elected and certain appointed officials to participate in the ERS.

Act 2002-278 Authorizes Crenshaw County elected officials to participate in the ERS.

Act 2002-281 Authorizes Lawrence County elected officials to participate in the ERS.

Act 2002-282 Authorizes Blount County elected officials to participate in the ERS.

Act 2002-345 Authorizes Morgan County elected officials to participate in the ERS.

Act 2002-393 Authorizes a cost of living adjustment for certain ERS and TRS retirees and beneficiaries.

Act 2002-407 Authorizes employees of the Dauphin Island Park and Beach Board of Mobile County, Inc., under certain conditions, to purchase prior service credit.

Act 2002-409 Authorizes TRS active members, under certain conditions, to purchase prior service credit for medical leave, for legislative employment, or for employment with a subsidiary of a participating employer.

Act 2002-416 Authorizes the Alabama State Council of the Arts to participate in the ERS.

Act 2002-504 Authorizes the purchase of prior service credit, under certain conditions, for service with the Southeastern Educational Laboratory Program.

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. An opinion from the independent certified public accountant and 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 8 of this report.

Initiatives

The Retirement Systems of Alabama continues to expand its investments in real estate. Projects that are currently in progress include:

- The RSA Battle House Hotel and office complex in Mobile, which will assist in the revitalization of downtown Mobile.
- A new Robert Trent Jones (RTJ) 18-hole championship golf course in Hoover, Alabama. A hillside hotel/civic center complex will overlook the course.

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Letter of Transmittal (Continued)

A new 36-hole RTJ championship golf complex in Florence, Alabama in conjunction with a new hotel that will be located next to the new Florence Conference Center and Renaissance Tower.

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, 2001. 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.

Acknowledgments

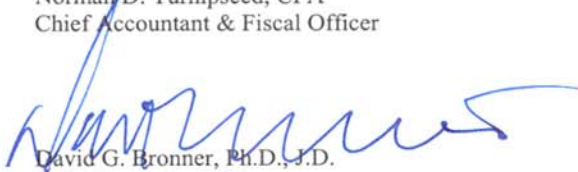
The compilation of this report reflects the combined effort of the staff under the leadership of the Boards of Control. It is intended to provide extensive and reliable information as a basis for making management decisions, determining compliance with legal provisions, and determining responsible stewardship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

I would like to take this opportunity to express my 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,



Norman D. Turnipseed, CPA
Chief Accountant & Fiscal Officer



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, 2001

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.



William Patrick Pate
President

Jeffrey L. Esser
Executive Director

Teachers' Retirement System Board of Control

Ex Officio Members

Chairman, Dr. Paul R. Hubbert, Executive Secretary, AEA
Dr. Henry C. Mabry III, State Finance Director
Lucy Baxley, State Treasurer
Dr. Edward R. Richardson, State Superintendent of Education

Elected Members

Vice-Chairman, Mrs. Sarah Swindle, Retired Position
Mr. Dwain Hargett, Teacher Position
Dr. Susan Williams Brown, Postsecondary Position
Mrs. Martha Black Handschumacher, Teacher Position
Dr. John R. Key, Superintendent Position
Dr. John Landers, Principal Position
Dr. Wayne Teague, Retired Position
Dr. George L. Layton, Retired Position (term expired 6/30/02)
Mrs. Rebecca Lee, Support Personnel Position (term expired 6/30/02 due to retirement)
Mr. Russell J. Twilley, Support Personnel Position
Mrs. Peggy K. Lamb, Teacher Position
Mrs. Sharon P. Saxon, Support Personnel Position

Employees' Retirement System Board of Control**

Ex Officio Members

Chairman, Don E. Siegelman, Governor
Dr. Henry C. Mabry III, State Finance Director
Lucy Baxley, State Treasurer
Thomas G. Flowers, State Personnel Director

Elected Members

Mr. Clyde Sellers, Retired Local Employee
Mrs. Ann Gant, Active Local Employee
Mr. T. M. Jones, Active Local Employee
Ms. Mary Lou Foster, Retired State Employee
Ms. Alice Thornton, Active State Employee
Mr. Stephen C. Walkley, Active State Employee

Appointed Members

Vice-Chairman, Mr. John H. Wilkerson, Jr.
Lieutenant Rector Johnson
Ms. Donna Mulchahy

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

Staff, Advisors, and Medical Board

David G. Bronner, Ph.D., J.D., Chief Executive Officer
Marcus H. Reynolds, Jr., J.D., Deputy Director

Administrative Staff

Chief Accountant and Fiscal Officer, Norman D. Turnipseed, M.B.A., C.P.A.
Director of Information Technology Services, Peggi L. Douglass, M.B.A.
Teachers' Retirement Executive, Donald L. Yancey, M.P.A., J.D.
Employees' & Judicial Retirement Executive, R. Donald Nelson, M.S.
Legislative Counsel, Lindy J. Beale, J.D.
General Counsel, William F. Kelley, Jr., J.D.
General Counsel, William T. Stephens, J.D.
Director of Communications, Michael E. Pegues, M.A.

Investment Staff

Acting Director of Investments, Darren J. Schulz, M.B.A., C.F.A.
Director of Fixed Income, M. Hunter Harrell, M.B.A., J.D., C.F.A.
Director of Equities, R. Marc Green, M.B.A., C.F.A.
Assistant Director of Equities, Steven R. Lambdin, M.B.A., C.P.A.
Assistant Director of Equities, Eric J. Fox, M.B.A., C.F.A.
Assistant Director of Fixed Income/Public Bonds, Julie S. Barranco, M.B.A., C.F.A.
Chief Economist, Lewis R. Gayden, M.B.A.
Equity Analyst, John R. Givens, B.S.
Equity Analyst, G. Allan Carr, B.S.
Fixed Income Analyst, C. Lance Lachney, M.B.A.
Fixed Income Analyst, Joseph G. Walker, B.S.
Cash Management & Operations, Nancy H. Sprayberry
Cash Management & Operations, Cheree S. Pierce

Advisors

Certified Public Accountants, KPMG LLP
AmSouth Bank, N.A., Mr. Brian Sullivan, Investment Consultant
J P Morgan Chase and Company, Investment Custodian
George B. Buck Consulting Actuaries, Mr. Edward A. Macdonald
Attorney General, Mr. Bill Pryor
Chief Examiner, Mr. Ronald L. Jones

Medical Board

Chairman, Neil Stronach, M.D.
A. S. Zdanis, M.D.
Thomas Nickles, M.D.

FINANCIAL SECTION



Suite 1800 SouthTrust Tower
420 20th Street North
Birmingham, AL 35203

Independent Auditors' Report

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

We have audited the accompanying statements of plan net assets of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama and the Judicial Retirement Fund (Retirement Systems of Alabama), component units of the State of Alabama, as of September 30, 2002 and the related statements of changes in plan net assets for the year then ended. These financial statements are the responsibility of the management of the Retirement Systems of Alabama. Our responsibility is to express an opinion on these financial statements based on our audit.

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 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, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 2 to the basic financial statements, Retirement Systems of Alabama has adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*, an amendment of GASB Statements No. 21 and 34, for the year ended September 30, 2002.



KPMG LLP, KPMG LLP a U.S. limited liability partnership
a member of KPMG International, a Swiss association

The management's discussion and analysis on pages 12 through 14 and the schedules of funding progress and employer contributions (pages 31 to 33) are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included on pages 34 through 37 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information 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.

KPMG LLP

January 31, 2003

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, 2002, respectively. 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 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, and securities lending disclosures.

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. The Notes to the Required Supplementary Information provide disclosures concerning actuarial assumptions.

Comparative Summary Statements

Summary Comparative Statement of Plan Net Assets As of September 30, 2002 and 2001 (Amounts in Thousands)

	2002	2001	Variance	% Increase/ (Decrease)
<i>Assets</i>				
Cash	\$ 21,419	\$ 22,168	\$ (749)	(3.38)
Receivables	318,827	337,367	(18,540)	(5.50)
Investments	20,444,910	22,912,922	(2,468,012)	(10.77)
Invested Securities Lending Collateral	1,182,769	771,944	410,825	53.22
Property and Equipment	5,156	5,195	(39)	(0.75)
Total Assets	21,973,081	24,049,596	(2,076,515)	(8.63)
<i>Liabilities</i>				
Accounts Payable and Other Liabilities	4,616	3,215	1,401	43.58
Securities Lending Collateral	1,182,769	771,944	410,825	53.22
Total Liabilities	1,187,385	775,159	412,226	53.18
<i>Net Assets</i>	\$ 20,785,696	\$ 23,274,437	\$ (2,488,741)	(10.69)

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, 2002 and 2001**

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<i>Additions</i>				
Employee Contributions	\$ 385,190	\$ 361,168	\$ 24,022	6.65
Employer Contributions	397,779	409,961	(12,182)	(2.97)
Investment Income	(1,924,450)	(1,645,871)	(278,579)	(16.93)
Transfers Between Systems	<u>4,113</u>	<u>3,900</u>	<u>213</u>	5.46
Total Additions	<u>(1,137,368)</u>	<u>(870,842)</u>	<u>(266,526)</u>	(30.61)
<i>Deductions</i>				
Retirement Allowance Payments	1,265,009	1,199,266	65,743	5.48
Return of Contributions, Unit Withdrawals, and Death Benefits	68,892	60,685	8,207	13.52
Transfers Between Systems	4,113	3,900	213	5.46
Administrative Expense	12,733	10,873	1,860	17.11
Depreciation	<u>626</u>	<u>1,332</u>	<u>(706)</u>	(53.00)
Total Deductions	<u>1,351,373</u>	<u>1,276,056</u>	<u>75,317</u>	5.90
<i>Decrease in Plan Net Assets</i>	(2,488,741)	(2,146,898)	(341,843)	(15.92)
Net Assets - Beginning of Year	<u>23,274,437</u>	<u>25,421,335</u>	<u>(2,146,898)</u>	(8.45)
<i>Net Assets - End of Year</i>	<u>\$ 20,785,696</u>	<u>\$ 23,274,437</u>	<u>\$ (2,488,741)</u>	(10.69)

**Comparison of Individual Plan Net Assets
As of September 30, 2002 and 2001**

(Amounts in Thousands)

	<u>2002</u>	<u>2001</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
TRS	\$ 14,167,952	\$ 15,814,533	\$ (1,646,581)	(10.41)
ERS	6,424,435	7,236,735	(812,300)	(11.22)
JRF	<u>193,309</u>	<u>223,169</u>	<u>(29,860)</u>	(13.38)
Totals	<u>\$ 20,785,696</u>	<u>\$ 23,274,437</u>	<u>\$ (2,488,741)</u>	(10.69)

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Financial Analysis

- During the fiscal year, the plan net assets decreased by \$1,646.5 million, \$812.3 million, and \$29.9 million for the TRS, ERS, and JRF, respectively, resulting in a total decrease in plan net assets for the RSA of \$2,488.7 million. The downturn in the stock market is the primary reason for the decrease in the plan net assets.
- Investment income decreased by \$278.6 million, mainly due to the decrease in the fair value of investments. The fair value of investments decreased by \$1,915.6 million, \$953.2 million, and \$33.0 million for the TRS, ERS, and JRF, respectively, during the fiscal year. The total decrease in fair value of investments for the RSA during the fiscal year was \$2,901.8 million.
- Employer contributions decreased by \$12.2 million primarily due to a decrease in the TRS employer cost rate from 6.38% to 5.96%.

Financial Highlights

- Total assets exceeded total liabilities at September 30, 2002, by \$20.8 billion. Net assets are held in trust 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 97.3 % for the TRS, 100.2% for the ERS, and 85.0% 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, 2002 with comparative figures for 2001

(Amounts in Thousands)

	2002			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Assets				
Cash - Restricted for Administrative Expenses (Note 4)	\$ 15,393	\$ 5,379	\$ 647	\$ 21,419
Receivables				
Employee Contributions	18,775	8,498	109	27,382
Employer Contributions	22,480	7,259	286	30,025
Dividends and Interest	<u>178,606</u>	<u>80,647</u>	<u>2,167</u>	<u>261,420</u>
Total Receivables	<u>219,861</u>	<u>96,404</u>	<u>2,562</u>	<u>318,827</u>
Investments, at Fair Value (Note 5)				
Domestic Equity Securities	4,839,313	2,472,136	85,963	7,397,412
Domestic Fixed Income Securities	5,901,680	2,618,983	92,961	8,613,624
International Securities	1,108,812	504,038	-	1,612,850
Real Estate	900,686	432,015	2,363	1,335,064
Short-term Investments	<u>1,182,036</u>	<u>295,011</u>	<u>8,913</u>	<u>1,485,960</u>
Total Investments	<u>13,932,527</u>	<u>6,322,183</u>	<u>190,200</u>	<u>20,444,910</u>
Invested Securities Lending Collateral (Notes 4 & 5)	944,077	236,328	2,364	1,182,769
Property and Equipment less				
Accumulated Depreciation (Note 8)	<u>2,917</u>	<u>2,239</u>	<u>-</u>	<u>5,156</u>
Total Assets	<u>15,114,775</u>	<u>6,662,533</u>	<u>195,773</u>	<u>21,973,081</u>
Liabilities				
Accounts Payable and Other Liabilities	2,746	1,770	100	4,616
Securities Lending Collateral (Note 5)	<u>944,077</u>	<u>236,328</u>	<u>2,364</u>	<u>1,182,769</u>
Total Liabilities	<u>946,823</u>	<u>238,098</u>	<u>2,464</u>	<u>1,187,385</u>
Net Assets Held in Trust for Pension Benefits (Note 3)	<u>\$ 14,167,952</u>	<u>\$ 6,424,435</u>	<u>\$ 193,309</u>	<u>\$ 20,785,696</u>

A "Schedule of Funding Progress" is presented on page 32.

See accompanying Notes to the Financial Statements .

	2001			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash - Restricted for Administrative Expenses	\$ 15,561	\$ 5,917	\$ 690	\$ 22,168
Receivables				
Employee Contributions	18,204	8,536	123	26,863
Employer Contributions	23,321	6,916	265	30,502
Dividends and Interest	<u>191,686</u>	<u>86,080</u>	<u>2,236</u>	<u>280,002</u>
Total Receivables	<u>233,211</u>	<u>101,532</u>	<u>2,624</u>	<u>337,367</u>
Investments, at Fair Value				
Domestic Equity Securities	5,585,957	2,846,338	106,937	8,539,232
Domestic Fixed Income Securities	6,945,021	3,073,799	98,562	10,117,382
International Securities	1,182,782	515,283	-	1,698,065
Real Estate	760,284	366,325	1,931	1,128,540
Short-term Investments	<u>1,090,629</u>	<u>326,550</u>	<u>12,524</u>	<u>1,429,703</u>
Total Investments	<u>15,564,673</u>	<u>7,128,295</u>	<u>219,954</u>	<u>22,912,922</u>
Invested Securities Lending Collateral	545,288	221,059	5,597	771,944
Property and Equipment less				
Accumulated Depreciation	<u>2,906</u>	<u>2,289</u>	<u>-</u>	<u>5,195</u>
Total Assets	<u>16,361,639</u>	<u>7,459,092</u>	<u>228,865</u>	<u>24,049,596</u>
Liabilities				
Accounts Payable and Other Liabilities	1,818	1,298	99	3,215
Securities Lending Collateral	<u>545,288</u>	<u>221,059</u>	<u>5,597</u>	<u>771,944</u>
Total Liabilities	<u>547,106</u>	<u>222,357</u>	<u>5,696</u>	<u>775,159</u>
Net Assets Held in Trust for Pension Benefits	<u>\$ 15,814,533</u>	<u>\$ 7,236,735</u>	<u>\$ 223,169</u>	<u>\$ 23,274,437</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Plan Net Assets

For the Fiscal Year Ended September 30, 2002 with comparative figures for 2001

(Amounts in Thousands)

	2002			Totals
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Additions				
Contributions				
Employee	\$ 233,789	\$ 149,130	\$ 2,271	\$ 385,190
Employer	265,670	123,887	8,222	397,779
Transfers from Teachers' Retirement System	-	2,091	-	2,091
Transfers from Employees' Retirement System	1,937	-	85	2,022
Total Contributions	<u>501,396</u>	<u>275,108</u>	<u>10,578</u>	<u>787,082</u>
Investment Income (Note 5)				
<i>From Investing Activities</i>				
Net Decrease in Fair Value of Investments	(1,915,592)	(953,188)	(33,036)	(2,901,816)
Interest and Dividends	672,200	297,845	9,777	979,822
Total Investment Income/(Loss) from Investing Activities	(1,243,392)	(655,343)	(23,259)	(1,921,994)
Less: Investment Expense	4,592	2,331	85	7,008
Net Investment Income/(Loss) from Investing Activities	<u>(1,247,984)</u>	<u>(657,674)</u>	<u>(23,344)</u>	<u>(1,929,002)</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	16,473	5,741	88	22,302
Securities Lending Expenses				
Borrower Rebates	12,462	4,094	75	16,631
Management Fees	784	333	2	1,119
Total Securities Lending Expenses	<u>13,246</u>	<u>4,427</u>	<u>77</u>	<u>17,750</u>
Net Income from Securities Lending Activities	<u>3,227</u>	<u>1,314</u>	<u>11</u>	<u>4,552</u>
Total Investment Income/(Loss)	<u>(1,244,757)</u>	<u>(656,360)</u>	<u>(23,333)</u>	<u>(1,924,450)</u>
Total Additions	<u>(743,361)</u>	<u>(381,252)</u>	<u>(12,755)</u>	<u>(1,137,368)</u>
Deductions				
Retirement Allowance Payments	858,383	389,856	16,770	1,265,009
Return of Contributions and Death Benefits	35,510	24,965	29	60,504
Unit Withdrawals	-	8,388	-	8,388
Transfers to Employees' Retirement System	2,091	-	-	2,091
Transfers to Teachers' Retirement System	-	1,937	-	1,937
Transfers to Judicial Retirement Fund	-	85	-	85
Administrative Expense	6,845	5,582	306	12,733
Depreciation (Note 8)	391	235	-	626
Total Deductions	<u>903,220</u>	<u>431,048</u>	<u>17,105</u>	<u>1,351,373</u>
Net Decrease	(1,646,581)	(812,300)	(29,860)	(2,488,741)
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	<u>15,814,533</u>	<u>7,236,735</u>	<u>223,169</u>	<u>23,274,437</u>
End of Year	<u>\$ 14,167,952</u>	<u>\$ 6,424,435</u>	<u>\$ 193,309</u>	<u>\$ 20,785,696</u>

See accompanying *Notes to the Financial Statements* .

	2001			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	\$ 228,088	\$ 130,965	\$ 2,115	\$ 361,168
Employer	279,880	122,483	7,598	409,961
Transfers from Teachers' Retirement System	-	1,207	-	1,207
Transfers from Employees' Retirement System	2,433	-	97	2,530
Transfers from Judicial Retirement Fund	97	66	-	163
Total Contributions	<u>510,498</u>	<u>254,721</u>	<u>9,810</u>	<u>775,029</u>
Investment Income				
<i>From Investing Activities</i>				
Net Decrease in Fair Value of Investments	(1,860,162)	(874,433)	(35,377)	(2,769,972)
Interest and Dividends	<u>769,739</u>	<u>343,517</u>	<u>11,192</u>	<u>1,124,448</u>
Total Investment Income/(Loss) from Investing Activities	(1,090,423)	(530,916)	(24,185)	(1,645,524)
Less: Investment Expense	<u>3,467</u>	<u>1,593</u>	<u>31</u>	<u>5,091</u>
Net Investment Income/(Loss) from Investing Activities	<u>(1,093,890)</u>	<u>(532,509)</u>	<u>(24,216)</u>	<u>(1,650,615)</u>
<i>From Securities Lending Activities</i>				
Securities Lending Income	43,671	20,922	467	65,060
Securities Lending Expenses				
Borrower Rebates	39,692	18,996	443	59,131
Management Fees	<u>795</u>	<u>385</u>	<u>5</u>	<u>1,185</u>
Total Securities Lending Expenses	<u>40,487</u>	<u>19,381</u>	<u>448</u>	<u>60,316</u>
Net Income from Securities Lending Activities	<u>3,184</u>	<u>1,541</u>	<u>19</u>	<u>4,744</u>
Total Investment Income/(Loss)	<u>(1,090,706)</u>	<u>(530,968)</u>	<u>(24,197)</u>	<u>(1,645,871)</u>
Total Additions	<u>(580,208)</u>	<u>(276,247)</u>	<u>(14,387)</u>	<u>(870,842)</u>
Deductions				
Retirement Allowance Payments	811,896	371,715	15,655	1,199,266
Return of Contributions and Death Benefits	34,156	24,906	79	59,141
Unit Withdrawals	-	1,544	-	1,544
Transfers to Employees' Retirement System	1,207	-	66	1,273
Transfers to Teachers' Retirement System	-	2,433	97	2,530
Transfers to Judicial Retirement Fund	-	97	-	97
Administrative Expense	6,023	4,578	272	10,873
Depreciation	<u>1,002</u>	<u>330</u>	<u>-</u>	<u>1,332</u>
Total Deductions	<u>854,284</u>	<u>405,603</u>	<u>16,169</u>	<u>1,276,056</u>
Net Decrease	(1,434,492)	(681,850)	(30,556)	(2,146,898)
Net Assets Held in Trust for Pension Benefits:				
Beginning of Year	<u>17,249,025</u>	<u>7,918,585</u>	<u>253,725</u>	<u>25,421,335</u>
End of Year	<u>\$ 15,814,533</u>	<u>\$ 7,236,735</u>	<u>\$ 223,169</u>	<u>\$ 23,274,437</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2002

(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). 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, 2002, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>
Cities	-	255
Counties	-	64
Other Public Entities	-	447
Universities	13	-
Post-Secondary Institutions	29	-
City and County Bds of Education	128	-
State Agencies & Other	33	-
Totals	<u>203</u>	<u>766</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	51,283	14,777	271
State Police	-	687	-
Employees of Local Employers	-	11,600	-
Deferred Retirement Option Plan (DROP)	973	-	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	16,908	2,599	115
State Police	-	15	-
Employees of Local Employers	-	5,106	-
Active employees:			
General	128,649	32,723	326
State Police	-	725	-
Employees of Local Employers	-	46,808	-
Totals	<u>197,813</u>	<u>115,040</u>	<u>712</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 at least 18 years of credited service or three full terms as a judge or justice and has attained age 65, (5) completed 10 years of credited service and has attained age 70 or (6) 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 a member other than a probate judge is equal to 75% of the state-paid salary prescribed by law for the position from which the member retires. If a probate judge is paid on a

(Dollar Amounts in Thousands)

fee basis, the service retirement benefit is equal to 90% of the benefit payable to a circuit judge on the date such judge retires. If a probate judge is paid on a salary basis, the benefit is equal to 75% of the salary upon which such judge contributes immediately prior to retirement.

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

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The TRS, ERS, and JRF financial statements are prepared using the accrual basis of accounting. Contributions are recognized as revenues in the period in which employee services are performed. 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.

B. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer 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. 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. New Accounting Pronouncements

During the current fiscal year, the Retirement Systems of Alabama implemented GASB 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* and GASB 37, *Omnibus* to GASB 34. The only significant impact as a result of implementing GASB 34 is the Management's Discussion and Analysis, which is required supplementary information.

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 preretirement 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 preretirement 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. Preretirement Death Benefit

The Preretirement 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 preretirement 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.

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

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

F. Deferred Retirement Option Plan (DROP)

The DROP was established for election to participate on or after June 1, 2002, under the provisions of Act 23 of the Legislature of 2002. Eligible members may elect to retire, and, in lieu of immediate withdrawal of 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 twenty-five years of service (exclusive of sick leave), are at least fifty-five

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2002

(Dollar Amounts in Thousands)

years of age, and are eligible for service 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, 2002, are as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Annuity Savings	\$ 2,642,877	\$ 1,400,700	\$ 23,537
Pension Accumulation	11,472,298	4,998,584	169,260
Preretirement Death Benefit	8,855	14,839	-
Term Life Insurance	9,231	-	-
Deferred Retirement Option Plan	17,579	3,826	-
Expense	14,195	4,247	512

4) CASH

Cash consists of deposits held by the State Treasurer in the respective retirement system's name and is fully insured or collateralized with collateral held by the State Treasurer or the State Treasurer's agent in the name of the State Treasurer.

Securities lending collateral reported on the balance sheet at September 30, 2002, includes uncollateralized cash and cash equivalents that meet the GASB 3 definition of deposits in the amounts of \$35,000, and \$35,000, respectively, for the TRS and ERS.

5) INVESTMENTS

A. Investment Credit Risk

The investments of the TRS, ERS, and JRF are summarized in the following tables by type of investment and are categorized based on the level of custodial credit risk. Investments that are insured, registered in the name of the respective retirement system, held by the system, the systems' safekeeping agent in the systems' name, or the State Treasurer in the systems' name are listed in the RSA column. Those investments that are uninsured, unregistered, and held by the broker, dealer, or the respective retirement systems' safekeeping agent, but not in the respective retirement systems' name, are shown in the Agent column. Fair value and cost are shown for each type of investment.

**INVESTMENT CREDIT RISK
TRS**

	<u>At Fair Value</u>			<u>Cost</u>
	<u>RSA</u>	<u>Agent</u>	<u>Total</u>	
<u>Investments Categorized</u>				
<i>From Investing Activities</i>				
Commercial Paper	\$ -	\$ 509,688	\$ 509,688	\$ 509,688
U.S. Agency Securities	759,599	-	759,599	732,490
Mortgage-backed Securities	55,688	-	55,688	51,347
Domestic Corporate Bonds	2,164,396	-	2,164,396	2,415,217
Domestic Common and Preferred Stocks	4,443,040	-	4,443,040	5,012,807
International Securities	42,236	848,191	890,427	1,267,780
Totals From Investing Activities	<u>7,464,959</u>	<u>1,357,879</u>	<u>8,822,838</u>	<u>9,989,329</u>
<i>From Securities Lending Activities</i>				
Bank Note - Floating Rate	-	49,974	49,974	49,974
Domestic Certificate of Deposit	-	80,470	80,470	80,470
Yankee Certificate of Deposit	-	91,701	91,701	91,701
Commercial Paper	-	69,918	69,918	69,918
Floating Asset Backed Securities	-	74,912	74,912	74,912
Medium Term Note - Floating	-	431,999	431,999	431,999
Repurchase Agreements	-	20,321	20,321	20,321
U.S. Agency Securities	-	29,999	29,999	29,999
Totals From Securities Lending Activities	<u>-</u>	<u>849,294</u>	<u>849,294</u>	<u>849,294</u>
Total Investments Categorized	<u>\$ 7,464,959</u>	<u>\$ 2,207,173</u>	<u>9,672,132</u>	<u>10,838,623</u>
<u>Investments Not Categorized</u>				
<i>From Investing Activities</i>				
Securities Lent Under Securities Lending for Cash Collateral				
U.S. Government Guaranteed Bonds			33,397	31,828
Domestic Corporate Bonds			20,764	23,170
Domestic Common Stock			396,273	447,090
International Securities			201,148	286,391
Mortgage-backed Securities			259,426	239,204
Money Market Fund			478,183	478,183
Private Placements			2,819,812	3,198,294
Real Estate			900,686	450,081
Totals From Investing Activities			<u>5,109,689</u>	<u>5,154,241</u>
<i>From Securities Lending Activities</i>				
Money Market Fund			20,000	20,000
Guaranteed Investment Contracts			39,783	39,783
Totals From Securities Lending Activities			<u>59,783</u>	<u>59,783</u>
Total Investments Not Categorized			<u>5,169,472</u>	<u>5,214,024</u>
Total Investments			14,841,604	16,052,647
Less Securities Purchased with Securities Lending Cash Collateral			<u>(909,077)</u>	<u>(909,077)</u>
Total Investments per Statement of Plan Net Assets			<u>\$ 13,932,527</u>	<u>\$ 15,143,570</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2002

(Dollar Amounts in Thousands)

INVESTMENT CREDIT RISK
ERS

	At Fair Value			Cost
	RSA	Agent	Total	
<u>Investments Categorized</u>				
<i>From Investing Activities</i>				
Commercial Paper	\$ -	\$ 73,728	\$ 73,728	\$ 73,728
U.S. Government Guaranteed Bonds	5,585	-	5,585	5,325
U.S. Agency Securities	285,470	-	285,470	274,966
Mortgage-backed Securities	72,992	-	72,992	67,402
Domestic Corporate Bonds	960,852	-	960,852	1,071,066
Domestic Common and Preferred Stocks	2,400,671	-	2,400,671	2,731,448
International Securities	18,331	405,858	424,189	592,498
Totals From Investing Activities	<u>3,743,901</u>	<u>479,586</u>	<u>4,223,487</u>	<u>4,816,433</u>
<i>From Securities Lending Activities</i>				
Bank Note - Floating Rate	-	25,000	25,000	25,000
Yankee Certificate of Deposit	-	24,998	24,998	24,998
Commercial Paper	-	4,996	4,996	4,996
Medium Term Note - Floating	-	73,486	73,486	73,486
Repurchase Agreements	-	17,042	17,042	17,042
Totals From Securities Lending Activities	<u>-</u>	<u>145,522</u>	<u>145,522</u>	<u>145,522</u>
Total Investments Categorized	<u>\$ 3,743,901</u>	<u>\$ 625,108</u>	<u>4,369,009</u>	<u>4,961,955</u>
<u>Investments Not Categorized</u>				
<i>From Investing Activities</i>				
Securities Lent Under Securities Lending for Cash Collateral				
U.S. Government Guaranteed Bonds			11,113	10,595
Domestic Corporate Bonds			26,489	29,527
Domestic Common Stock			71,465	81,311
International Stocks			71,738	100,582
Mortgage-backed Securities			46,854	43,266
Money Market Funds			124,198	124,198
Private Placements			1,314,824	1,500,801
Real Estate			432,015	223,908
Totals From Investing Activities			<u>2,098,696</u>	<u>2,114,188</u>
<i>From Securities Lending Activities</i>				
Guaranteed Investment Contracts			45,806	45,806
Money Market Funds			10,000	10,000
Totals From Securities Lending Activities			<u>55,806</u>	<u>55,806</u>
Total Investments Not Categorized			<u>2,154,502</u>	<u>2,169,994</u>
Total Investments			6,523,511	7,131,949
Less Securities Purchased with Securities Lending Collateral			(201,328)	(201,328)
Total Investments per Statement of Plan Net Assets			<u>\$ 6,322,183</u>	<u>\$ 6,930,621</u>

INVESTMENT CREDIT RISK
JRF

	<u>At Fair Value</u>			<u>Cost</u>
	<u>RSA</u>	<u>Agent</u>	<u>Total</u>	
<u>Investments Categorized</u>				
<i>From Investing Activities</i>				
Commercial Paper	\$ -	\$ 3,222	\$ 3,222	\$ 3,222
U.S. Agency Securities	9,640	-	9,640	9,303
Mortgage-backed Securities	1,403	-	1,403	1,295
Domestic Corporate Bonds	61,623	-	61,623	72,495
Domestic Common and Preferred Stocks	83,696	-	83,696	70,786
Totals From Investing Activities	<u>156,362</u>	<u>3,222</u>	<u>159,584</u>	<u>157,101</u>
<i>From Securities Lending Activities</i>				
Repurchase Agreements	-	2,364	2,364	2,364
Totals From Securities Lending Activities	<u>-</u>	<u>2,364</u>	<u>2,364</u>	<u>2,364</u>
Total Investments Categorized	<u>\$ 156,362</u>	<u>\$ 5,586</u>	<u>161,948</u>	<u>159,465</u>
<u>Investments Not Categorized</u>				
<i>From Investing Activities</i>				
Securities Lent Under Securities Lending for Cash Collateral				
Domestic Common Stock			2,267	1,917
Money Market Fund			5,691	5,691
Private Placements			20,295	21,049
Real Estate			<u>2,363</u>	<u>892</u>
Total Investments Not Categorized			<u>30,616</u>	<u>29,549</u>
Total Investments			192,564	189,014
Less Securities Purchased with Securities Lending Cash Collateral			<u>(2,364)</u>	<u>(2,364)</u>
Total Investments per Statement of Net Assets			<u>\$ 190,200</u>	<u>\$ 186,650</u>

(Dollar Amounts in Thousands)

B. Concentration of Investments

As of September 30, 2002, the TRS and ERS owned debt and equity securities of Raycom Media Corporation, which represented approximately 5.8% and 12.1%, respectively, of the net assets held in trust for pension benefits. Also, the TRS and ERS owned debt and equity securities of Community News Corporation, which represented approximately 7.3% and 8.5%, respectively, of the net assets held in trust for pension benefits. As of September 30, 2002, the JRF owned debt securities of Texas Utilities Electric, which represented 5.4% of the net assets held in trust for pension benefits.

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, J P Morgan Chase and Company, administers the program. Certain securities from the TRS, ERS, and JRF are loaned to borrowers approved by the Systems. Approved borrowers of securities provide acceptable collateral in the form of cash, U.S. Treasury securities, or U.S. Government Agency securities. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. At the inception of each loan, collateral must be provided in the amount of 105% and 102% of the fair value of the loaned securities for international and U. S. equity securities, respectively. Subsequently, collateral for each loan is allowed to fluctuate between the initial required percentage and 100% of the fair value of the loaned securities. If the fair value of the collateral falls below 100% of the fair value of the loaned securities, additional collateral is required to restore the collateralized amount to the initial required collateralization. All collateral remains in the exclusive possession of the Systems' custodial agent who is responsible for marking the collateral to fair value each day and ensuring that the loaned securities are properly collateralized at all times.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Therefore, securities lent that are collateralized by other securities are categorized in the investment credit risk table based on how the

collateral received is held. The securities received as collateral are not categorized since these securities cannot be sold or pledged without borrower default.

Cash collateral is invested in a dedicated short-term investment fund in the respective systems' name using investment guidelines provided by the TRS, ERS, and JRF.

As a result, the securities purchased with cash collateral are categorized in the investment credit risk tables based on how they are held. The securities lent are included in the investment credit risk tables in the "Investments Not Classified" section of the table. As of September 30, 2002, the cash collateral investments had a weighted-average maturity of forty-four days for the TRS, three days for the ERS, and one day for the JRF. Also, the average term of the loans was forty days for the TRS, three days for the ERS, and one day for the JRF. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2002, the fair value of the securities on loan was \$911,489 for the TRS, \$249,813 for the ERS, and \$2,268 for the JRF. The fair value of the collateral pledged by the borrowers was \$944,301 for the TRS, \$259,056 for the ERS, and \$2,365 for the JRF. Since the amounts owed by the TRS, ERS, and JRF to borrowers exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2002. 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.

D. Mortgage-backed Securities

The Systems periodically invest in mortgage-backed securities to improve yield and adjust the duration of the Systems' fixed income portfolio. These securities are subject to change in fair value due to changes in interest rates. Credit risk (the risk that counterparty might be unable to meet its obligations) results from the same considerations as other counterparty risk assumed by the Systems.

E. Investment Subsequent Event

Subsequent to September 30, 2002, the airline industry suffered significant losses due to the decline in travel, which resulted from the economic downturn and continued threats of terrorist attacks. As of September 30, 2002, the airline industry investments, at fair value, were \$349,125 for the TRS, \$169,005 for the ERS, and \$19,726 for the JRF. As of January 31, 2003, these investments had declined in fair value to \$166,061 for the TRS, \$80,070 for the ERS, and \$9,491 for the JRF.

6) FUNDING STATUS AND 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 reserve funds. 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.

Significant actuarial assumptions used and results from the most recent actuarial valuations are presented in the "Notes to the Required Supplementary Information."

7) CONTRIBUTIONS REQUIRED AND MADE

The actuary has computed, as of the date of the latest available actuarial valuation (June 30, 2002, for the TRS and September 30, 2001, for the ERS and JRF), 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 utilized 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.

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 2002 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.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Financial Statements

For the Fiscal Year Ended September 30, 2002

(Dollar Amounts in Thousands)

Property and equipment was comprised of the following amounts as of September 30, 2002:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 691	\$ 499
Building and Improvements	4,678	3,405
Furniture and Equipment	<u>2,026</u>	<u>1,185</u>
Total Property and Equip	7,395	5,089
Less Accum Dep	<u>(4,478)</u>	<u>(2,850)</u>
Net Property and Equip	<u>\$ 2,917</u>	<u>\$ 2,239</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).

The SEHIP provides postretirement health care benefits, in accordance with State statute, to all TRS, ERS, and JRF employees who retire with a retirement benefit payable from the TRS, ERS, or JRF. The SEHIP provides a fixed amount equal to the Medicare eligible premium (presently one hundred ten dollars per month) for each retiree. Those retirees who are not Medicare eligible must pay the difference to maintain the insurance. Under the SEHIP statute, the fixed amount per month per retiree is funded on a pay-as-you-go basis through the premiums each agency pays for its active employees. During the fiscal year 2002, the estimated portion of health insurance premiums paid and included in administrative expense by the TRS, ERS, and JRF on behalf of retirees was \$72, \$56, and \$1, respectively.

10) TREND INFORMATION

The schedules of funding progress and employer contributions, as required by GASB Statement No. 25, are presented in the Required Supplementary Information section.

11) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery 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 2012. Rental payments (reported as investment income) from leases with state agencies totaled \$13,188 during the 2002 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 2002-2003 are 5.02% for the TRS, 3.95% for the ERS - State Employees, 9.24% for the ERS - State Police and 21.93% 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 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 greater this percentage, the stronger the respective retirement system. Trends in the unfunded actuarial accrued liability and the annual covered payroll are both affected by inflation.

Expressing the unfunded actuarial accrued liability as a percentage of annual covered payroll 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 smaller this percentage, the stronger the respective retirement system.

The following schedules provide information concerning funding progress, employer contributions, and actuarial assumptions.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2002

(Dollar Amounts in Thousands)

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded/ (Overfunded) AAL (UAAL)	Percentage Funded (A/B)	Annual Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
	(A)	(B)	(B-A)			((B-A)/C)
TRS						
06/30/2002	\$17,904,881	\$ 18,374,174	\$ 469,293	97.4	\$4,379,183	10.7
06/30/2001	17,475,298	17,238,616	(236,682)	101.4	4,305,080	(5.5)
06/30/2000	16,703,929	16,291,462	(412,467)	102.5	4,131,904	(10.0)
06/30/1999	15,642,066	15,568,192	(73,874)	100.5	3,964,112	(1.9)
06/30/1998	14,533,824	14,601,426	67,602	99.5	3,937,739	1.7
06/30/1997	13,360,127	12,733,538	(626,589)	104.9	3,484,763	(18.0)
ERS						
09/30/2001	8,028,471	8,010,123	(18,348)	100.2	2,408,543	(0.8)
09/30/2000	7,769,122	7,403,968	(365,154)	104.9	2,278,637	(16.0)
09/30/1999	7,302,046	6,884,355	(417,691)	106.1	2,159,608	(19.3)
09/30/1998	6,888,446	6,564,079	(324,367)	104.9	2,061,104	(15.7)
09/30/1997	6,463,795	5,818,097	(645,698)	111.1	1,970,922	(32.8)
09/30/1996	4,932,927	5,271,063	338,136	93.6	1,876,525	18.0
JRF						
09/30/2001	245,705	289,044	43,339	85.0	38,694	112.0
09/30/2000	239,023	268,598	29,575	89.0	40,325	73.3
09/30/1999	221,926	263,491	41,565	84.2	40,499	102.6
09/30/1998	210,116	246,177	36,061	85.4	39,060	92.3
09/30/1997	198,014	190,572	(7,442)	103.9	30,742	(24.2)
09/30/1996	146,001	152,676	6,675	95.6	24,455	27.3

See Notes to the Required Supplementary Information .

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
TRS		
09/30/2002	\$ 265,670	100
09/30/2001	279,880	100
09/30/2000	277,180	100
09/30/1999	166,100	100
09/30/1998	358,088	100
09/30/1997	330,658	100
ERS		
09/30/2002	123,887	100
09/30/2001	122,483	100
09/30/2000	113,991	100
09/30/1999	97,373	100
09/30/1998	157,246	100
09/30/1997	145,738	100
JRF		
09/30/2002	8,222	100
09/30/2001	7,598	100
09/30/2000	5,696	100
09/30/1999	2,870	100
09/30/1998	5,417	100
09/30/1997	5,430	100

See Notes to the Required Supplementary Information .

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2002

ACTUARIAL ASSUMPTIONS

	TRS	ERS	JRF
Valuation date	June 30, 2002	September 30, 2001	September 30, 2001
Actuarial cost method	Entry age	Entry age	Projected unit credit
Asset valuation method	5-year market related value	5-year smoothed market	5-year smoothed market
Amortization method	Level percent open	Level percent open	Level percent open
Remaining amortization period including cost of living †	10 years	Within 40 years - varies by employer	20 years
Actuarial assumptions:			
Investment rate of return ‡	8%	8%	8%
Future salary increases ‡	5.00%-7.75%	4.61%-7.75%	5%
Cost of living increases	None	None	None

† The State of Alabama has restrictions on the length of the amortization period. The remaining amortization period for the ERS, excluding COLAS, is between 10 and 20 years (varies by employers).

‡ Includes inflation at 4.5%.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
Personal Services:				
Salaries	\$ 3,541	\$ 2,899	\$ 245	\$ 6,685
Employee Fringe Benefits	846	677	36	1,559
Total Personal Services	<u>4,387</u>	<u>3,576</u>	<u>281</u>	<u>8,244</u>
Professional Services:				
Actuarial	83	238	15	336
Accounting	55	52	10	117
Information Technology	110	60	-	170
Education & Training	35	26	-	61
Mailing Services	106	107	-	213
Legal Services	-	27	-	27
Personnel Services	32	-	-	32
Other Professional Services and Fees	7	4	-	11
Total Professional Services	<u>428</u>	<u>514</u>	<u>25</u>	<u>967</u>
Communication:				
Telephone	63	28	-	91
Telecommunication Lines	83	54	-	137
Postage	707	555	-	1,262
Travel	98	75	-	173
Total Communication	<u>951</u>	<u>712</u>	<u>-</u>	<u>1,663</u>
Rentals:				
Office Space	259	260	-	519
Equipment Leasing	31	28	-	59
Total Rentals	<u>290</u>	<u>288</u>	<u>-</u>	<u>578</u>
Miscellaneous:				
Supplies	665	380	-	1,045
Maintenance	124	112	-	236
Total Miscellaneous	<u>789</u>	<u>492</u>	<u>-</u>	<u>1,281</u>
Total Administrative Expenses	<u>\$ 6,845</u>	<u>\$ 5,582</u>	<u>\$ 306</u>	<u>\$ 12,733</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2002

(Amounts in Thousands)

	<u>Teachers' Retirement System</u>	<u>Employees' Retirement System</u>	<u>Judicial Retirement Fund</u>	<u>Totals</u>
<i>Investment Activity</i>				
Investment Management Fees:				
Salaries and Benefits	\$ 3,090	\$ 1,492	\$ -	\$ 4,582
Dues and Subscriptions	212	209	-	421
Travel	29	6	-	35
Professional Services:				
Investment Advisor	62	30	-	92
Investment Custodian	1,096	543	85	1,724
Real Estate Appraisal	103	51	-	154
Total Investment Activity Expenses	<u>4,592</u>	<u>2,331</u>	<u>85</u>	<u>7,008</u>
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	12,462	4,094	75	16,631
Securities Lending Management Fees	784	333	2	1,119
Total Securities Lending Activity Expenses	<u>13,246</u>	<u>4,427</u>	<u>77</u>	<u>17,750</u>
Total Investment Expense	<u>\$ 17,838</u>	<u>\$ 6,758</u>	<u>\$ 162</u>	<u>\$ 24,758</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Professional/Consultant Fees For the Fiscal Year Ended September 30, 2002

(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>
Buck Consultants	Actuary	\$ 83	\$ 238	\$ 15	\$ 336
KPMG	Auditor	55	52	10	117
Crum Defense Escrow Account	Legal	-	27	-	27
Data Processing Services-Finance	Information Technology	5	1	-	6
Applied Information Sciences	Information Technology	60	59	-	119
Number Six Software, Inc.	Information Technology	37	-	-	37
A Better Solution, Inc.	Information Technology	8	-	-	8
Microsoft	Educational/Training	14	6	-	20
Sungard Workflow Solutions	Educational/Training	6	-	-	6
Rational Software Corp.	Educational/Training	3	-	-	3
Nat'l. Council on Teachers' Retirement	Educational/Training	4	-	-	4
DELL Marketing LP	Educational/Training	4	-	-	4
A Better Solution, Inc.	Educational/Training	2	-	-	2
New Horizons Computers	Educational/Training	2	2	-	4
NASRA	Educational/Training	-	8	-	8
Dimitch Holdings	Educational/Training	-	3	-	3
NCPERS	Educational/Training	-	3	-	3
NASIO	Educational/Training	-	2	-	2
Convey Compliance Systems, Inc.	Educational/Training	-	2	-	2
Action in Mailing	Mail	86	94	-	180
Central Mail & Supply	Mail	20	13	-	33
State Personnel Department	Personnel	32	-	-	32
Various	Other	7	4	-	11
Total Professional/Consultant Fees-Admin Services		428	514	25	967
AmSouth Bank	Investment Advisor	62	30	-	92
The Chase Manhattan Bank	Investment Custodial	1,096	543	85	1,724
Houlihan, Lokey, Zukin Fin. Advisors	Real Estate Appraisor	34	17	-	51
Pearson Partners, Inc.	Real Estate Appraisor	69	34	-	103
Total Professional/Consultant Fees-Investment Services		1,261	624	85	1,970
Total Professional/Consultant Fees		\$ 1,689	\$ 1,138	\$ 110	\$ 2,937



INVESTMENT SECTION

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2002

Dear Members,

“It’s only when the tide goes out that you can see who’s swimming naked.” This famous remark by Warren Buffett, America’s best-known investor, is a perfect description of what is happening in the American economy at present. The bubble in the late 1990s masked excessive borrowing by firms and households, widespread accounting fraud and the incompetence of company bosses, but now the effects of irrational exuberance and infectious greed have been shockingly exposed. Share prices have suffered their steepest slide since the 1930s. The tide has well and truly receded.

Despite the gloom, the mismatch between financial markets and economies has been a pleasant surprise. In recent years, stock markets have suffered one of their biggest falls in history. Normally, when such crashes occur, they bring about widespread collateral damage in the economy because banks collapse and lending contracts. The great surprise of the crash of 2001-02 has been that this has not happened. Insurance companies, pension funds and individual investors have absorbed sizeable losses, but banks have so far proven more resilient than in the past. Measured against profits, many stock markets still look dear by historical standards. Given the pressure to clean up accounts, and plausible fears of a widespread backlash against capitalism and its scandals, they too have been surprisingly resilient.

Risks galore can be cited for 2003. A war against Iraq looks probable, and it could send oil prices soaring, destabilize the Middle East and encourage terrorism. High debt levels among American companies and consumers could restrain investment and cramp demand. Housing prices could weaken in all sorts of places. Japan might again fail to reform its economy, and so might Germany. North Korea’s unpredictable dictator, Kim Jong-Il, could, well, act unpredictably.

As we enter the New Year, though, things actually look better than those risks imply. Wars can always go wrong, but with United Nations support, and hence acquiescence from the Arab neighbors, the one against Saddam is overwhelmingly likely to be short and successful. Oil prices may jump when it starts, but are likely to fall (perhaps sharply) once it is over. Debt is likely to mean that America (and thus its trading partners) does not grow as fast as in the late 1990s, but it could well exceed this year’s figure, even so. Europe might not recover rapidly, but reforms now being discussed for its single currency promise to make monetary policy more accommodating to growth, and could even allow fiscal policy to offer more assistance. Overall, the world economy looks like its growing faster than in 2002, and should disappoint only those who dream of new booms.

On a heavier note, pension obligations are certainly a concern. The decline in asset values, terrible as it was, was actually *smaller* than the rise in the present value of liabilities. As plans with large pension obligations and high investment return assumptions have to ratchet down their projected investment return assumptions, increased contributions from plan sponsors will be needed. The “typical” pension asset mix has led to an 18% decline in pension fund asset values over the last three years, due to a heavy allocation to equities. By comparison, the net present value of pension liabilities has soared by 55% over the same three years due to a falling interest rate environment. Therefore, the rising liability values have hurt institutional investors three times as much as the damage from falling asset values.

Despite three years of weak financial markets and its resulting impact on pension finances, the RSA is committed as ever in providing the promised level of benefits to our members at the lowest possible cost. Put simply, this means the RSA has to have the dollars to pay the benefits it promises — not only to today’s retirees, but to tomorrow’s as well. With the support of our trustees, members, and legislators, we look forward to fulfilling that mission.

RSA Performance Summary

- 2002 was a challenging year for the RSA. A continuation of the equity bear market, fueled by major corporate scandals and weak corporate earnings resulted in another year of negative double-digit equity returns. Additionally, fixed income performance was adversely impacted by a widening of corporate bond spreads to historical highs and an underweight in Treasuries, which benefited from investor flight to safety and heightened risk aversion. Lastly, further weakness in the airline industry portended a difficult year for the fund's holdings in aircraft-backed structured debt securities. Helping to cushion these blows were a below-peer average weighting in equities and strength in the RSA's real estate portfolio.
- As of September 30, 2002, aggregate defined benefit assets under management totaled \$20.4 Billion. During fiscal year 2002, the annualized total return of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF) was (7.81)%, (9.29)%, and (10.24)%, respectively. Positive contributors to fund performance relative to our capital market benchmark came from domestic and international equities, real estate, and cash, while underperformance in domestic fixed income slightly detracted from overall fund performance during the measurement period. With the equity markets posting double-digit losses for the year, those public funds, such as the RSA, with less aggressive asset allocations (i.e. less equity exposure) fared better relative to peers.
- Total annual returns for the fixed income portfolio were (0.12)% for TRS, (1.30)% for ERS, and (2.33)% for JRF, trailing an equally weighted Salomon Brothers Broad Investment Grade Index and Lehman Aggregate return of 8.39%. Contributing to underperformance was an overweight of corporate bonds and privates in the portfolio and an underweight of Treasuries relative to benchmark.
- Our domestic equity portfolio posted returns of (17.88)%, (17.85)%, and (18.58)% for the TRS, ERS, and JRF, respectively, which exceeded the benchmark S&P 500 return of (20.49%). International equities returned (14.87)% and (14.90)% for TRS and ERS, exceeding the benchmark MSCI EAFE index return of (15.53)%. Global equity returns for FY 2002 for TRS, ERS, and JRF were as follows: (17.33)%, (17.31)%, and (18.58)%, respectively.

Fixed Income Activity

The beginning of the fiscal year 2002 started with a flurry of activity. In the prior weeks, the United States had been attacked on home soil for the first time in 60 years sending the financial markets into disarray. The Federal Reserve promptly reduced short-term interest rates in order to provide stability and confidence in the free market system. Over the next couple of months, Alan Greenspan and the Fed lowered the federal funds rate three more times bringing it to 1.75%. During this time period, Enron Corporation delivered investors and regulatory bodies an untimely wake up call. However, as the new calendar year rolled in, there seemed to be little activity within the capital markets. Low rates continued to bolster the housing market, while inflation and labor costs remained subdued.

RETIREMENT SYSTEMS OF ALABAMA

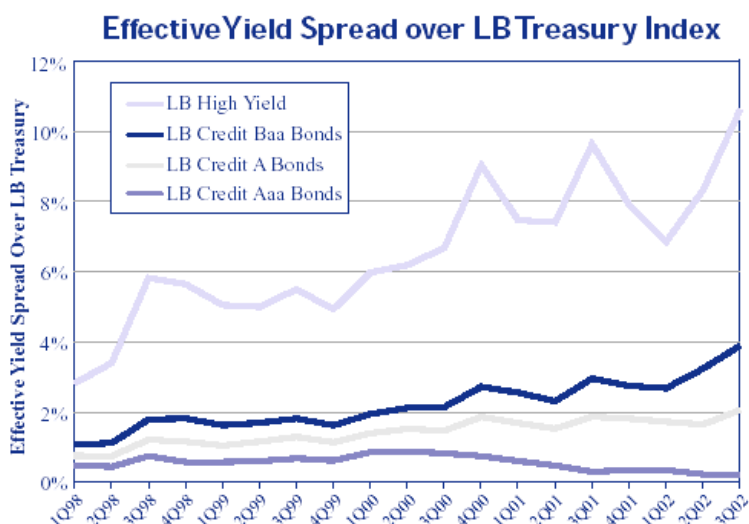
Investment Section

Report on Investment Activity (Continued)
For the Fiscal Year Ended September 30, 2002



Around mid-March, earnings pre-announcements and potential SEC investigations regarding corporate mismanagement swept through the markets, with the telecommunications and energy sectors receiving the brunt of criticism. As WorldCom's accounting fraud came to light and with its subsequent bankruptcy filing, volatility became the name of the game. Investors' mentality was to sell on any speculation and ask questions later. This activity sent the stock market and treasury yields lower. However, those companies that had credit quality concerns were shut out of the capital markets expeditiously, as investors' risk aversion took center stage.

Over the past couple of months, the financial markets have conveyed investors' ever-changing sentiment. With all eyes focused on economic data and the Fed, the market rallied considerably in August from its mid-July low. Pending bankruptcies in the airline industry and the possibility of a showdown with Iraq has also taken its toll. Interest rates continued to tumble throughout the month of September as the Federal Reserve seemed poised to be accommodative with regards to monetary policy. Over the past fiscal year, the corporate bond supply has fallen exponentially. Most of this is due to the leverage problems created during the bubble years by telecommunication carriers and other growth-chasing sectors. The corporate bond market has become a story of the have and have-nots. High yield issuers have seen their spreads widen to recession levels of the early nineties, while strong credits have continued their outperformance. At the margin, long-term fundamentals are getting better, as capital spending and debt are being eliminated and free cash is being generated. Going forward, we believe the economy and companies' financial well-being will progressively recover, hoping that the worst is behind us.



In fiscal year 2002, the RSA purchased approximately \$1.78 billion in additional securities for the fixed income portfolio. The average yield on the entire fixed income portfolio at year-end was 6.70%. As of September 30, 2002, the RSA's fixed income portfolio had a book value of \$11.78 billion, of which 10.10% is in money market securities. For the fiscal year, the total annual returns for the fixed income portfolios were (0.12)% for the TRS, (1.30)% for the ERS, and 2.33% for the JRF versus 8.39% for the Salomon Brothers Broad Investment Grade Index (SBBIG). The five-year annualized returns were 5.61% for the TRS and 5.48% for the ERS and JRF combined, versus 7.81% for the SBBIG Index. The ten-year annualized returns were 7.02% for the TRS and 6.96% for the ERS and JRF versus 7.39% for the SBBIG Index.

Equity Strategy

In the first fiscal quarter, initial despair about the economic outlook after September 11 gave way to expectations of an early economic recovery. By mid-October stock markets had recovered back to pre-9/11 levels, and bolstered by policy rate cuts by the Federal Reserve, the European Central Bank and other central banks, as well as fiscal expansion in the United States, investors exhibited confidence that a recovery would materialize by mid-2002.

At the beginning of the New Year, however, fear resurfaced as revelations surrounding the rapid collapse of the energy concern Enron undermined investor confidence, prompting sharp market-wide declines. As details emerged regarding aggressive accounting practices, weak auditor oversight, and flawed internal governance, investor doubts about the integrity of corporate disclosures prompted heightened scrutiny of highly leveraged firms and companies with complicated or opaque financial statements. Coincident news of investigations into the practices of some prominent Wall Street analysts and renewed questions about the strength of corporate earnings further dampened investor sentiment.

By early summer, just as markets appeared to be recovering from the events surrounding Enron's collapse, investor confidence was shattered again by a \$3.8 billion financial restatement on June 25 by WorldCom, a large US telecommunications company. By July 23 the S&P 500 index was 47% below its all-time high, making this bear market, when measured by total returns, the worst since the depression of the 1930s. After a four-week rally in late July and part of August, the S&P 500 continued its downward course, ultimately finishing out the fiscal year with a disappointing (20.49)% total return.

Size and style mattered greatly during this year's market tumult. Seemingly less plagued by accounting concerns and past overvaluations, small and medium capitalization indices significantly outperformed their larger peers, as the

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity (Continued)

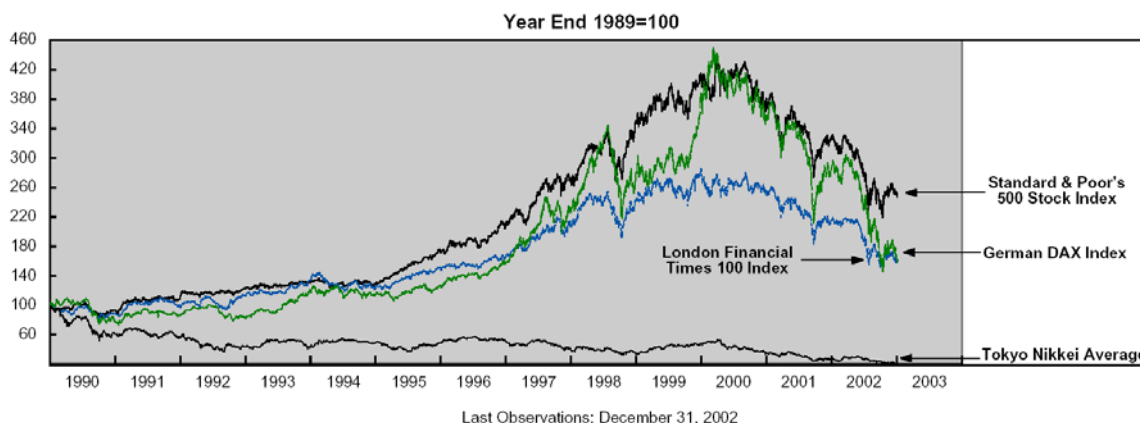
For the Fiscal Year Ended September 30, 2002

S&P Midcap 400 and Smallcap 600 posted returns of (4.71)% and (1.60)%, respectively. Among all capitalization indices, growth styles underperformed value-oriented approaches.



Reflecting stronger cross-border ties and the higher correlations among national markets during periods of stock market booms and busts, international equity markets plotted much the same poor course as America's during the fiscal year. Euro area economies ground to a halt, most obviously in Germany, as the European Central Bank, in sharp contrast to America's Federal Reserve, fretted about inflation and growing budget deficits. Helpless against the triple menace of debt, deflation and political deadlock, Japan offered investors few glimmers of hope, resulting in a fall in the Nikkei index to levels last seen in 1983.

International Equities



For the year, the RSA domestic equity portfolios declined (17.88)%, (17.85)%, and (18.58)% for the TRS, ERS, and JRF funds, respectively. International equity returns fared slightly better, returning (14.87)% and (14.90)% for TRS and ERS, respectively, which compared favorably to the benchmark MSCI EAFE index performance of (15.53)%. Combined with international equity performance, the RSA global equity portfolios posted declines of (17.33)%, (17.31)%, and (18.58)% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized returns were (11.42)%, (2.77)%, and 7.67% for TRS and (11.37)%, (2.73)%, and 7.67% for ERS/JRF, respectively.

Sincerely,

Darren Schulz
Acting Director of Investments

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 Man 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 70% 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.

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 15% 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 10% 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 5% 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, 2002

	Annualized		
	1 Year	Last 3 Years	Last 5 Years
Total Portfolio			
TRS	-7.81%	-1.79%	3.14%
ERS	-9.29%	-2.32%	2.88%
JRF	-10.24%	-3.27%	2.70%
Total Domestic Equity			
TRS	-17.88%	-11.37%	-2.50%
ERS	-17.85%	-10.81%	-2.49%
JRF	-18.58%	-10.80%	-0.90%
<i>Domestic Equity Benchmarks:</i>			
S&P 500	-20.49%	-12.90%	-1.62%
Dow Jones Industrial Average	-12.52%	-8.29%	0.75%
S&P MidCap 400	-4.73%	3.39%	5.37%
Russell 2000	-9.30%	-4.10%	-3.19%
Total International Equity			
TRS	-14.87%	-14.01%	-4.97%
ERS	-14.90%	-13.99%	-4.92%
<i>International Equity Benchmarks:</i>			
Morgan Stanley EAFE (Unhedged)	-15.53%	-14.60%	-5.65%
Morgan Stanley EAFE ex-Japan (Unhedged)	-16.97%	-13.45%	-4.64%
Total Fixed Income			
TRS	-0.12%	5.50%	5.61%
ERS	-1.30%	5.15%	5.49%
JRF	-2.33%	5.00%	5.68%
<i>Fixed Income Benchmarks:</i>			
SB Broad Investment Grade	8.39%	9.42%	7.81%
Lehman Bros. Aggregate	8.60%	9.48%	7.83%

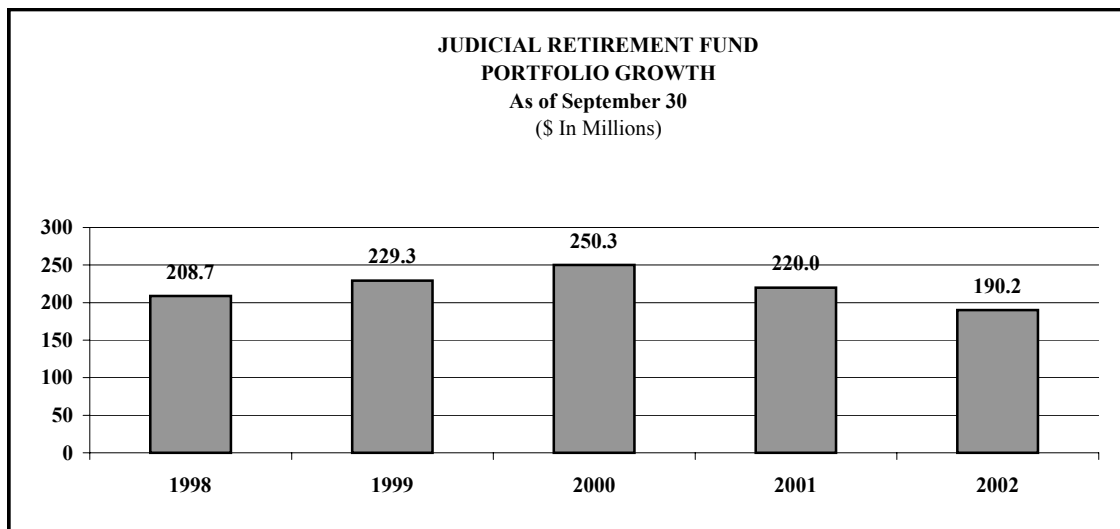
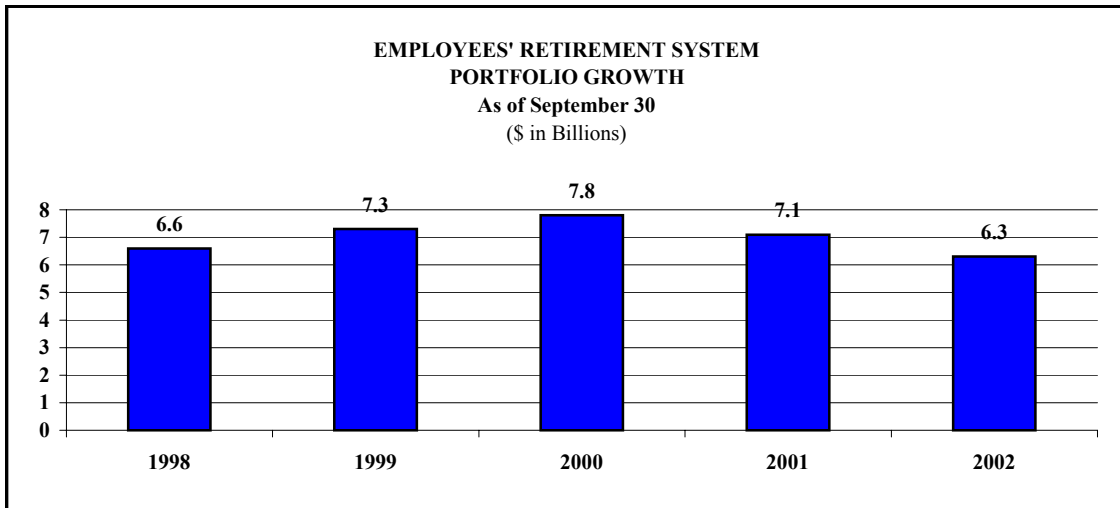
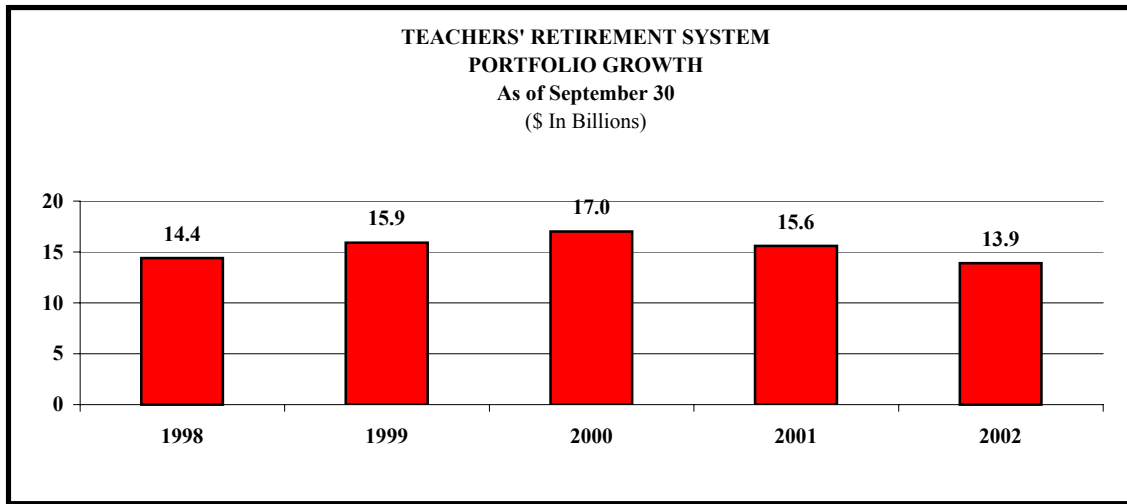
Investment return calculations were prepared using a time-weighted rate of return based on AIMR's performance presentation standards.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Portfolio Growth

Five-Year Comparison

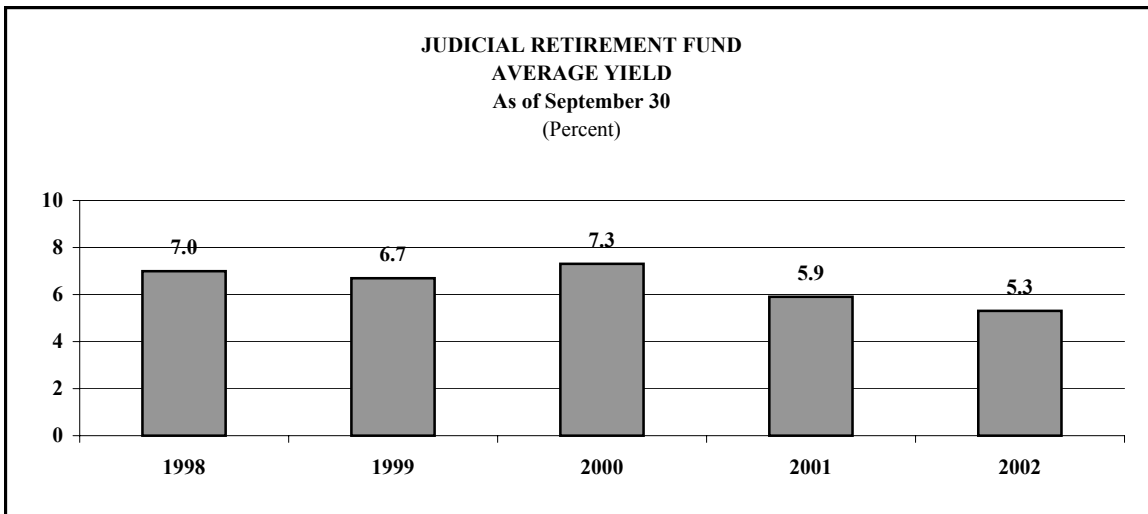
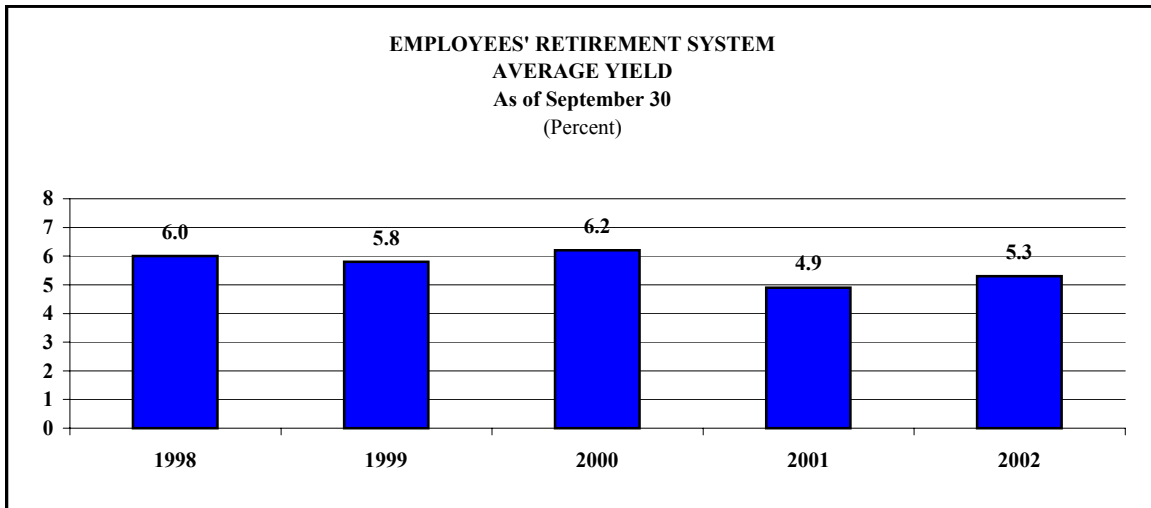
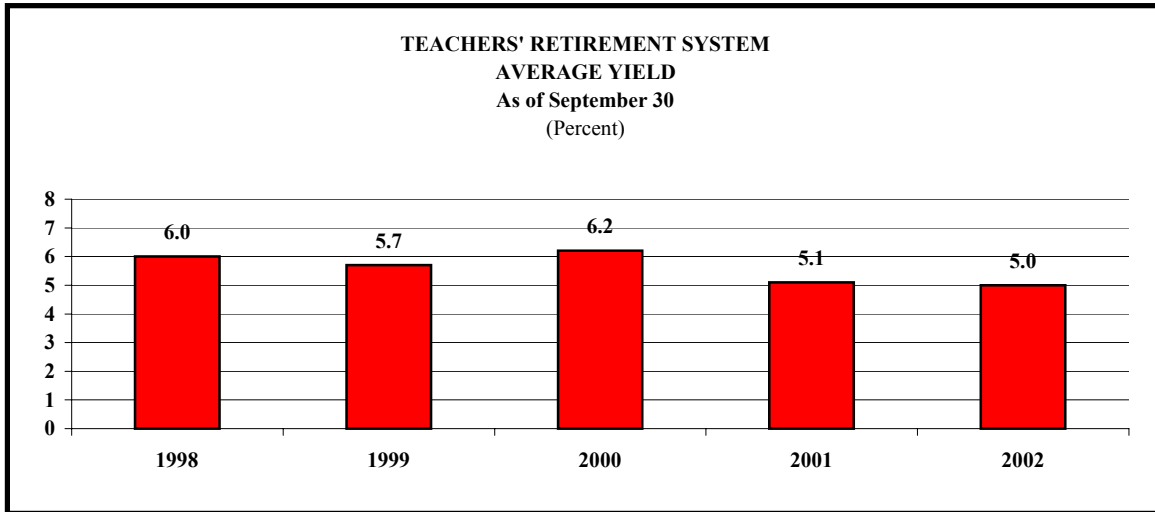


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Average Yield

Five-Year Comparison

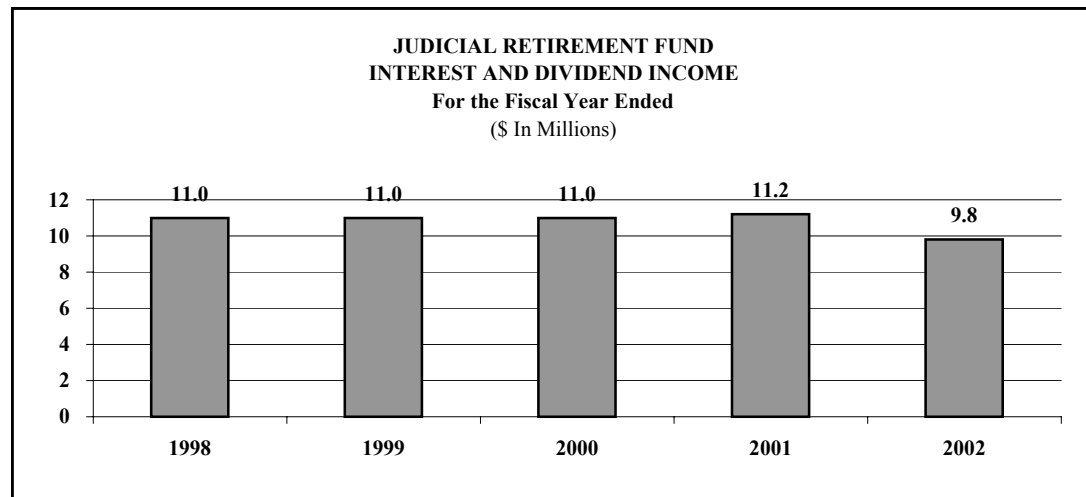
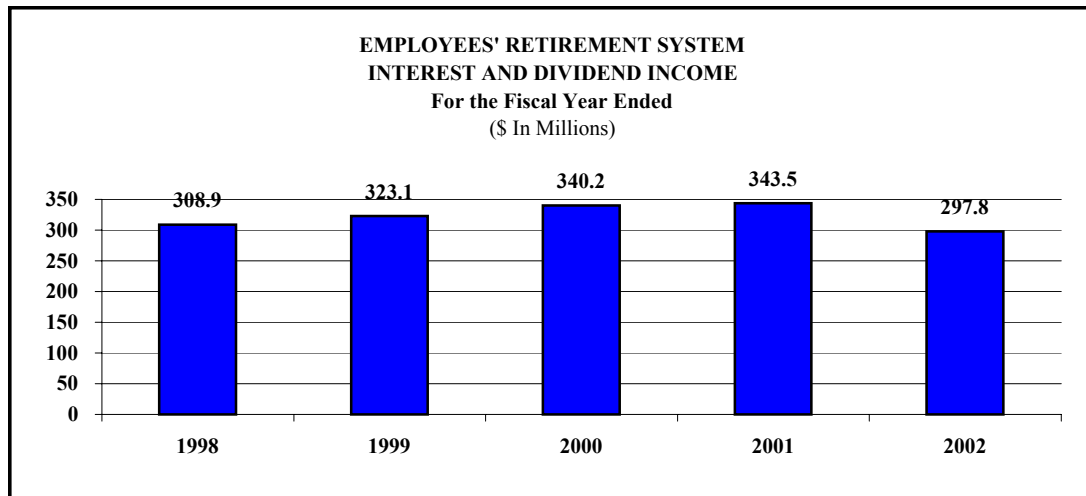
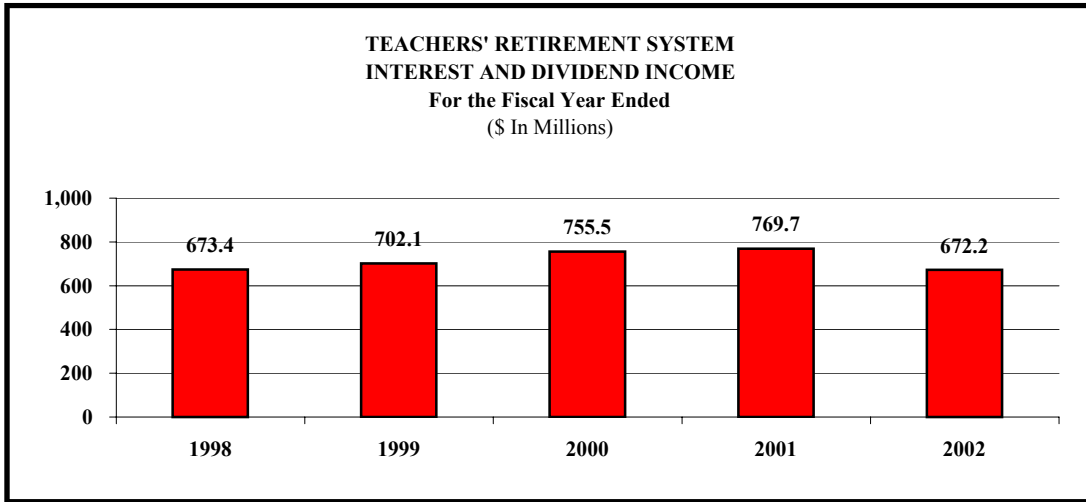


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividends

Five-Year Comparison

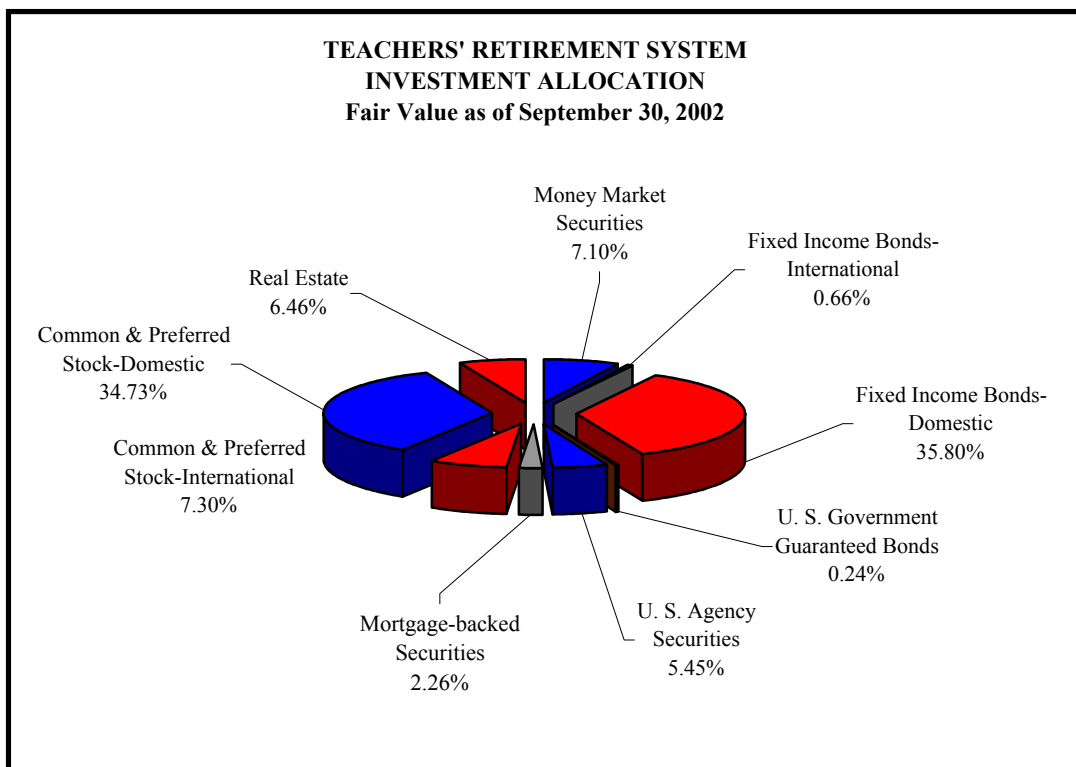


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



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

As of September 30, 2002

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 987,869	7.10
U.S. Government Guaranteed	33,397	0.24
U.S. Agency Securities	759,599	5.45
Mortgage-backed Securities	315,114	2.26
Fixed Income Bonds		
Domestic	4,987,737	35.80
International	91,531	0.66
Common and Preferred Stocks		
Domestic	4,839,313	34.73
International	1,017,281	7.30
Real Estate	900,686	6.46
Total Investments	<u>\$ 13,932,527</u>	<u>100.00</u>

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Largest Stock and Bond Holdings

TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2002

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	489	Raycom Media (12% noncum PFD)	\$ 365,158
2)	138	CNHI TR D Preferred (12% noncum)	118,126
3)	4,547	General Electric Company	112,076
4)	2,495	Microsoft Corporation	109,109
5)	2,067	Wal Mart Stores	101,759
6)	3,165	Exxon Mobil Corporation	100,971
7)	2,825	Pfizer Incorporated	81,971
8)	1,471	Johnson & Johnson	79,574
9)	2,483	Citigroup Incorporated	73,616
10)	1,262	American International Group	69,019

TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2002

(\$ in Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 1,042,762	Community News due 1/31/17	\$ 893,031
2)	815,226	Raycom Media Incorporated due 12/15/16	608,454
3)	268,000	Raycom Media Incorporated due 4/1/12	200,025
4)	200,000	US Airways Group Incorporated due 9/30/03	194,167
5)	130,000	Federal National Mortgage due 2/13/04	135,890
6)	133,525	IDB Monroe Alabama River Pulp due 3/31/13	126,754
7)	105,000	Federal Home Loan Mortgage due 1/15/04	109,397
8)	90,000	CSX Corporation due 5/1/32	99,585
9)	110,000	Mediaone Group Incorporated due 2/1/32	97,172
10)	107,000	J C Penney Company Incorporated due 4/1/27	90,415

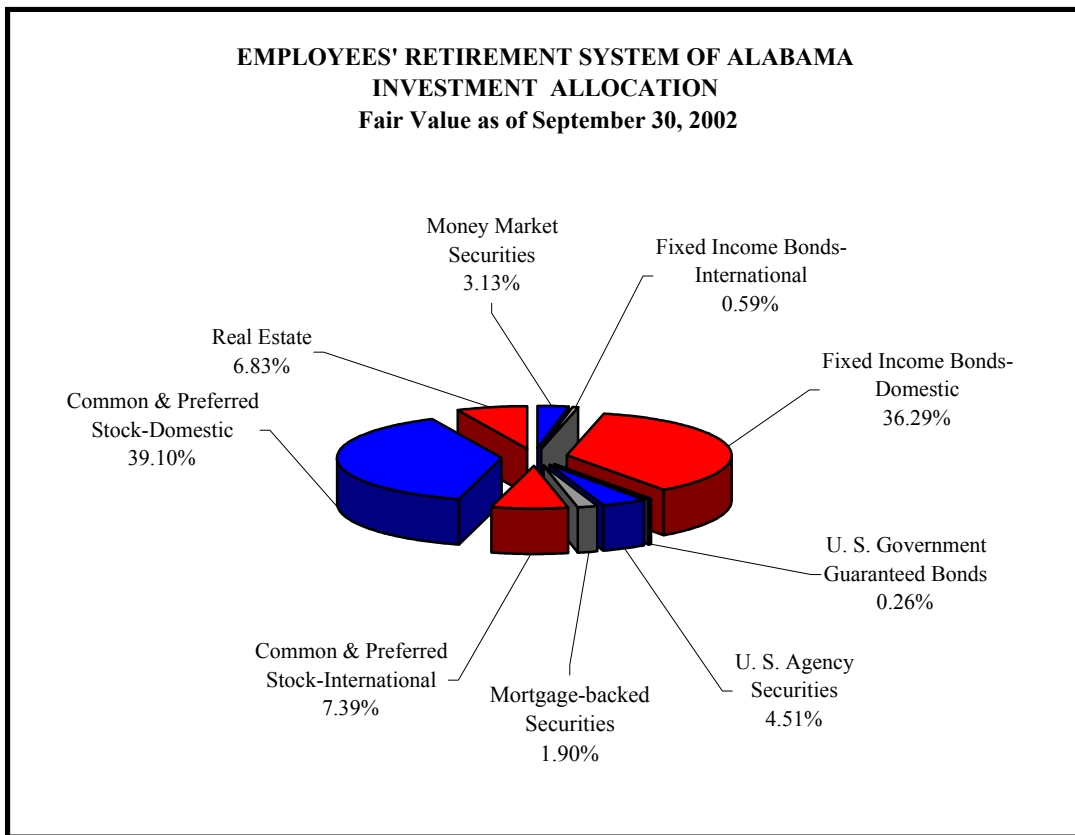
A complete list of portfolio holdings is available upon request.

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, 2002

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 197,927	3.13
U.S. Government Guaranteed	16,699	0.26
U.S. Agency Securities	285,470	4.51
Mortgage-backed Securities	119,846	1.90
Fixed Income Bonds		
Domestic	2,294,052	36.29
International	36,987	0.59
Common and Preferred Stocks		
Domestic	2,472,136	39.10
International	467,051	7.39
Real Estate	432,015	6.83
Total Investments	<u>\$ 6,322,183</u>	<u>100.00</u>

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Largest Stock and Bond Holdings

EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2002

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	489	Raycom Media (12% noncum PFD)	\$ 365,158
2)	138	CNHI TR D Preferred (12% noncum)	118,126
3)	2,072	General Electric Corporation	51,067
4)	1,137	Microsoft Corporation	49,728
5)	940	Wal Mart Stores	46,295
6)	1,437	Exxon Mobil Corporation	45,842
7)	1,286	Pfizer Incorporated	37,323
8)	673	Johnson & Johnson	36,372
9)	1,132	Citigroup Incorporated	33,571
10)	576	American International Group	31,496

EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2002

(\$ In Thousands)

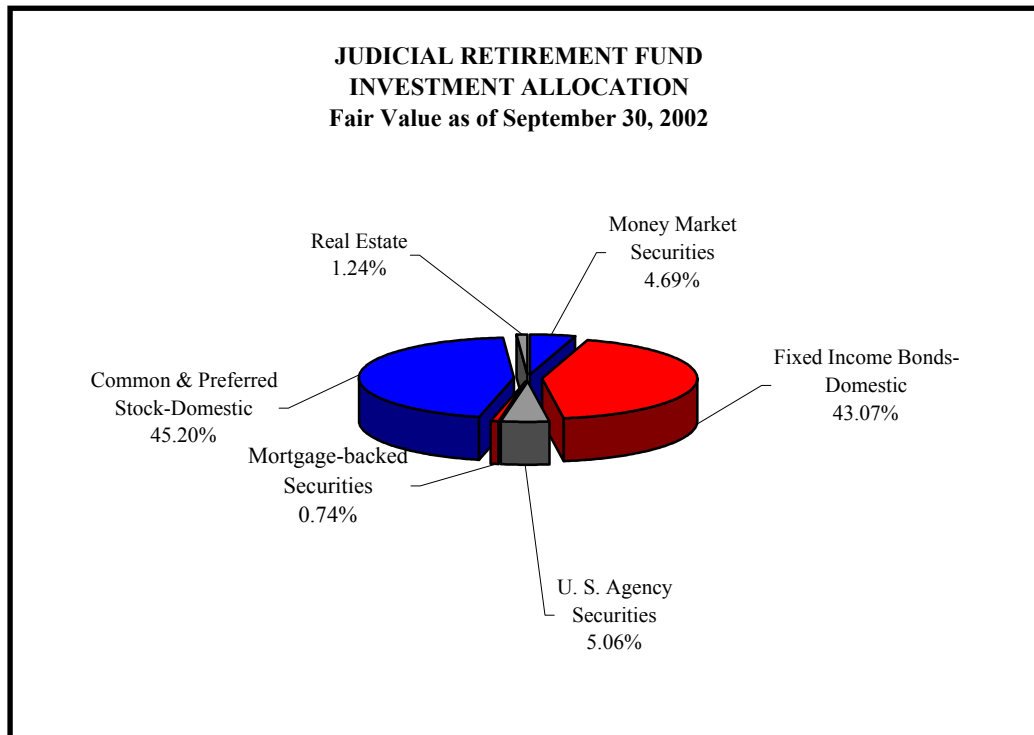
	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 507,995	Community News due 1/31/17	\$ 435,052
2)	401,529	Raycom Media Incorporated due 12/15/16	299,686
3)	132,000	Raycom Media Incorporated due 4/1/12	98,520
4)	100,000	US Airways Group Incorporated due 9/30/03	97,083
5)	71,000	Mediaone Group Incorporated due 2/1/32	62,720
6)	50,000	CSX Corporation due 5/1/32	55,325
7)	57,225	IDB Monroe Alabama River Pulp due 3/31/13	54,323
8)	40,000	Sithe Funding due 12/30/13	45,228
9)	40,000	Federal Home Loan Mortgage due 1/15/04	41,675
10)	32,000	Gulf States Utilities due 4/1/24	33,219

A complete list of portfolio holdings is available upon request.

Investment Section

Judicial Retirement Fund

Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2002**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities	\$ 8,913	4.69
U.S. Agency Securities	9,640	5.06
Mortgage-backed Securities	1,403	0.74
Fixed Income Bonds, Domestic	81,918	43.07
Common and Preferred Stocks, Domestic	85,963	45.20
Real Estate	2,363	1.24
Total Investments	\$ 190,200	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Largest Stock and Bond Holdings

JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2002

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	101	General Electric Corporation	\$ 2,500
2)	55	Microsoft Corporation	2,419
3)	45	Wal Mart Stores	2,235
4)	69	Exxon Mobil Corporation	2,209
5)	64	Pfizer Incorporated	1,849
6)	31	Johnson & Johnson	1,663
7)	53	Citigroup Incorporated	1,558
8)	27	American International Group	1,461
9)	25	Coca Cola Company	1,218
10)	13	Proctor & Gamble	1,189

JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2002

(\$ In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	\$ 10,000	Texas Utilities Electric due 7/1/25	\$ 10,316
2)	7,940	Community News due 1/31/17	6,800
3)	5,000	Sithe Funding due 12/30/13	5,654
4)	7,000	Delta 1992 Ser B2 Pass-through Certificates due 3/11/15	5,152
5)	5,424	UAL Pass-through Certificates Ser 1993-C1 due 6/17/09	4,712
6)	3,000	Nationwide Financial Services due 3/1/27	3,268
7)	3,000	Dayton Hudson Company due 8/1/23	3,133
8)	5,000	UAL Pass-through Certificates Ser 1992-B due 10/26/15	3,089
9)	2,500	Federal National Mortgage due 1/15/03	2,527
10)	2,000	PPL Energy due 12/21/13	2,210

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, 2002

	Stock		Fixed		Total
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	Securities Commissions (000's)	
Banc of America	\$ -	-	\$ -	\$ 188	\$ 188
Bear Stearns & Co.	0.0343	5,415	186	202	388
Centennial Capital	0.0509	275	14	-	14
Chapman & Co.	0.0492	366	18	-	18
CIBC World Markets	0.0368	1,114	41	-	41
Concord Equity	0.0485	268	13	-	13
Credit Suisse First Boston Corp.	0.0437	8,789	384	635	1,019
Deutsche Bank Securities	0.0223	3,908	87	31	118
Edwards, A. G. & Sons	0.0495	525	26	2	28
Gardner Rich	0.0503	517	26	-	26
Goldman Sachs & Co.	0.0501	859	43	67	110
Howard Weil & Co.	0.0957	230	22	-	22
Instinet	0.0285	1,054	30	-	30
International Strategy & Investment	0.0446	874	39	-	39
Issuer Designated Brokers	-	-	-	544	544
J. P. Morgan	0.0446	2,086	93	183	276
J. Roe Burton & Co.	0.0515	291	15	-	15
Jackson Securities	0.0600	50	3	-	3
Janney Montgomery Scott	0.0500	100	5	-	5
Lehman Brothers	0.0338	8,194	277	98	375
McDonald & Co.	0.0486	247	12	132	144
Merrill Lynch, Pierce, Fenner & Smith	0.0304	8,419	256	439	695
Morgan Keegan	0.0498	984	49	17	66
Morgan Stanley & Co., Inc.	0.0403	12,074	487	96	583
NBC Capital Markets	-	-	-	378	378
NBC Securities	0.0569	668	38	14	52
Prudential Securities	0.0224	7,332	164	-	164
Raymond James	0.0499	882	44	-	44
Robert Thomas	0.0503	199	10	-	10
Salomon-Smith Barney	0.0623	8,974	559	307	866
S. C. Bernstein	0.0541	7,535	408	-	408
Securities Capital	0.0509	373	19	-	19
Simmons	0.0526	95	5	-	5
Southwest Securities	0.0526	247	13	-	13
Sterne, Agee & Leach, Inc.	0.0511	1,077	55	14	69
UBS Warburg	0.0181	8,829	160	112	272
Wachovia Securities	0.0610	787	48	16	64
Totals		93,637	\$ 3,649	\$ 3,475	\$ 7,124

Average Commission Per Share of Stock = \$ 0.0390

ACTUARIAL SECTION



200 Galleria Parkway, N.W., Suite 1900
Atlanta, Georgia 30339-5945
February 10, 2003

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

Members of the Board:

In this report are submitted the results of the sixty-first annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of June 30, 2002 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 June 30, 2002, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation reflects the provision of the DROP program implemented under Act 2002-23 and the provisions of Act 2000-669, which provides for additional service credit for certified police officers and firefighters. In addition, the valuation reflects the cost-of-living increase granted under Act 2002-393. On the basis of the valuation, it is recommended that the State make contributions to the Retirement System at the rate of 7.54% of payroll. The increase in the contribution rate from 5.52% to 7.54% of payroll is primarily due to a lower than expected return on market value of assets and the effect of amendments to the System. Due to the poor recent performance in the markets, we strongly recommend that the Board of Control consider lowering the assumed rate of investment return from 8.0% to 7.75% or 7.5%. This change would require an additional increase in the required employer contribution rate.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. The valuation continues to take into account the provisions of Act 2000-732 which requires that the actuary certify annually to the Teachers' Retirement System that there has been no change in the liquidation period used to determine the accrued liability contribution rate. Under the requirements of Act 2000-732, we have determined an employer contribution rate of 7.54% of payroll based on a 10-year liquidation period. If the section of Act 2000-732 that requires the use of a liquidation period of 10 years was repealed, a liquidation period up to 20 years could be utilized and a lower employer contribution would be required. The repeal of this section of Act 2000-732 would be reasonable and actuarially sound. Additionally, this would make the TRS and ERS amortization methods the same, as they were prior to the passage of this section of Act 2000-732. 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 4.5% 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.

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

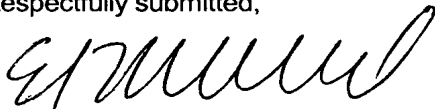
Actuarial Letter (Continued)

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.

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,



Edward A. Macdonald, ASA, MAAA, FCA
Principal, Consulting Actuary

EAM:sr

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The Actuary selected the assumptions and methods used in the valuation based on the actuarial experience study prepared as of June 30, 2000, submitted on November 14, 2001, and adopted by the Board in January 2002.

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>Age</u>	<u>Annual Rate (%)</u>					
	<u>Death</u>		<u>Disability</u>		<u>Withdrawal*</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
20	0.05	0.03	0.05	0.07	23.83	23.83
25	0.06	0.03	0.06	0.07	11.59	11.14
30	0.08	0.03	0.07	0.07	7.86	7.93
35	0.08	0.04	0.12	0.10	6.08	6.08
40	0.09	0.06	0.14	0.16	4.78	4.35
45	0.14	0.09	0.24	0.32	3.75	3.71
50	0.21	0.12	0.61	0.65	2.82	2.57
55	0.36	0.19	1.35	0.95	1.85	2.07
60	0.63	0.34	2.50	1.89	1.41	1.95
65	1.15	0.67				
69	1.80	1.08				

* Withdrawal rates are higher during the first three years of service.

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

For members first eligible for unreduced benefits before age 50 or after age 60, rates are as follows:

<u>Age</u>	<u>Annual Rate (%)</u>	
	<u>Men</u>	<u>Women</u>
45	7.0	4.0
50	12.0	8.0
55	45.0	45.0
60	15.0	15.0
62	35.0	35.0
65	40.0	40.0
70	100.0	100.0

*Retirement rates increase by 10% for males and 20% for females in the year members first become eligible for unreduced service retirement.

For members first eligible for unreduced benefits on or after age 50 but before age 60, no withdrawal or retirement is assumed to occur prior to DROP eligibility and 45% are assumed to retire in the first year eligible for DROP participation. The rates, thereafter, are as follows:

<u>Age</u>	<u>Annual Rate (%)</u>	
	<u>Men</u>	<u>Women</u>
58	15.0	15.0
60	15.0	15.0
62	35.0	35.0
65	40.0	40.0
70	100.0	100.0

Deaths after Retirement: Representative values of the assumed annual rates of death after service and disability retirement are as follows:

<u>Age</u>	<u>Annual Rate (%) of Death After</u>			
	<u>Service Retirement</u>		<u>Disability Retirement</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
40	0.1	0.1	3.3	2.6
50	0.3	0.1	3.8	2.5
55	0.5	0.2	4.2	2.7
60	0.8	0.4	4.9	3.0
65	1.5	0.8	6.0	3.4
70	2.6	1.4	7.6	4.1
75	3.9	2.2	10.2	5.2
80	5.9	3.8	14.2	6.8
85	9.2	6.6	20.1	9.5
90	14.3	11.2	28.7	13.5
95	20.5	18.4	40.4	19.4

Actuarial Section

Teachers' Retirement System

Actuarial Assumptions and Methods (Continued), Actuarial Cost Method, and Summary of Plan Provisions

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 actuarial 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 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. Act 2000-669 provides that, effective January 1, 2001, at retirement, a member shall receive one additional year of creditable service in determining the retirement allowance for each five years of service as a certified police officer or firefighter. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.

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. Act 2000-669 provides that, effective January 1, 2001, at retirement, a member shall receive one additional year of creditable service in determining the retirement allowance for each five years of service as a certified police officer or firefighter. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.

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).

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued) and Supporting Schedules

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 the reaching age 60.

Benefits Payable upon Death of an Active Member

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 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 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 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 equals 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 a 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 on his or her years of service credit 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.

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>
* 06/30/02	128,649	\$ 4,332,119,671	\$ 33,674	1.74
06/30/01	130,066	4,305,080,140	33,099	3.96
06/30/00	129,777	4,131,903,775	31,838	3.03
06/30/99	128,279	3,964,111,877	30,902	(1.54)
** 06/30/98	125,464	3,937,739,237	31,385	10.60
06/30/97	122,798	3,484,763,183	28,378	3.10

* In addition, there are 973 employees with annual compensation of \$47,063,551 who are currently in the DROP program. Employers contribute on this payroll.

**Amounts include an 8.5% across-the-board pay increase effective October 1, 1998.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System
Supporting Schedules (Continued)

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

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

Valuation Date	Aggregate Accrued Liabilities For				Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)	Active Members (Employer Financed Portions)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portions)					
06/30/02 §	\$ 2,690,967	\$ 8,526,609	\$ 7,156,598	\$ 17,904,881	100	100	93.4	
06/30/01 γ	2,607,236	7,471,415	7,159,965	17,475,298	100	100	103.3	
06/30/00	2,405,186	7,075,177	6,811,099	16,703,929	100	100	106.1	
06/30/99 †	2,335,475	6,582,401	6,650,316	15,642,066	100	100	101.1	
06/30/98 *	2,140,753	5,833,899	6,626,774	14,533,824	100	100	99.0	
06/30/97 ‡	2,018,694	4,963,308	5,751,536	13,360,127	100	100	110.9	

§ Reflects effect of amendments to the System and additional allowance payable under Act 2002-393. Beginning 6/30/2002, item 2 includes DROP participants.

γ Reflects changes in actuarial assumptions.

† Reflects additional allowance payable under Act 2000-741.

* Reflects change in asset method from market value to market related value, 8.5% across-the-board increase effective October 1, 1998, and additional allowance payable under Act 98-355.

‡ Reflects change in asset method from market related value to market value.

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	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end (000s)	% Increase	Average
2002	3,550	1,294	51,903	\$ 886,969	5.6	\$ 17,089
2001	3,225	1,280	49,647	839,704	9.4	16,913
2000	4,312	1,248	47,702	767,477	9.7	16,089
1999	2,756	1,176	44,638	699,517	12.8	15,671
1998	4,433	1,104	43,058	620,395	11.4	14,408
1997	2,909	1,028	39,729	556,744	11.0	14,014

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

**TEACHERS' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF JUNE 30, 2002**

	<u>Amount</u>
(Overfunded)/Unfunded Actuarial Liability as of June 30, 2001	\$ (236,682,118)
Normal Cost for 2002 Plan Year	253,116,790
Contributions Received During the Year	(250,628,709)
Interest to Year End	<u>(18,835,046)</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of June 30, 2002	<u>(253,029,083)</u>
Actuarial (Gains)/Losses During the Year	
From Investments	558,234,658
From Actuarial Liabilities	<u>164,087,722</u>
Total Actuarial (Gains)/Losses During the Year	<u>722,322,380</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of June 30, 2002	<u>\$ 469,293,297</u>



A Mellon Consulting Company

200 Galleria Parkway, N.W. Suite 1900
Atlanta, Georgia 30339-5945

October 30, 2002

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 fifty-sixth annual valuation of the assets and liabilities of the Employees' Retirement System of Alabama, prepared as of September 30, 2001 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, 2001, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation reflects the assumption changes based on the experience investigation as of September 30, 2000. The valuation reflects the provision of the DROP program implemented under Act 2002-23 and the provisions of Act 2000-669, which provides for additional service credit for certified police officers and firefighters. In addition, the valuation reflects the cost-of-living increase granted under Act 2002-393. On the basis of the valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 4.19% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 13.87% of payroll.

The financing objective of the System has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Market related value of plan 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 13-year period for State Employees and within a 10-year period for State Police, 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.

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

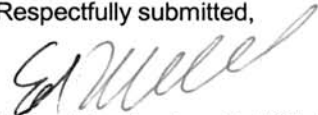
Employees' Retirement System

Actuarial Letter (Continued)

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,



Edward A. Macdonald, ASA, MAAA, FCA
Principal, Consulting Actuary

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RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

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

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 from Active Service: Representative values of the assumed annual rates of death, disability, withdrawal, and service retirement are as follows:

STATE AND LOCAL EMPLOYEES

<u>Age</u>	<u>Annual Rate (%) of</u>							
	<u>Death</u>		<u>Disability</u>		<u>Withdrawal</u>		<u>Service Retirement §</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>	<u>Male †</u>	<u>Female ‡</u>
20	0.05	0.03	0.05	0.08	25.80	31.30		
25	0.06	0.03	0.06	0.09	18.50	21.50		
30	0.08	0.03	0.08	0.12	11.40	14.40		
35	0.08	0.04	0.17	0.24	8.10	10.10		
40	0.09	0.06	0.30	0.41	6.30	7.30		
45	0.14	0.09	0.54	0.65	4.90	6.00		
50	0.21	0.12	0.98	0.98	3.30	6.00	11.00	15.00
55	0.36	0.19	1.50	1.50	3.00	4.50	14.00	25.00
60	0.63	0.34	2.37	2.37	3.00	4.50	15.00	15.00
62	0.80	0.44	2.84	2.84	3.00	4.50	45.00	35.00
65	1.15	0.67	3.71	3.71			60.00	50.00
69	1.80	1.08	4.85	4.85			30.00	30.00
70							100.00	100.00

§ For State employees and local employees participating in DROP, if member is within 5 years of reaching DROP eligibility and is less than 60 at DROP eligibility, no withdrawal or retirement is assumed to occur and 45% are assumed to retire in the first year eligible for DROP participation.

† An additional 20% are assumed to retire in the first year of eligibility for unreduced benefits.

‡ An additional 25% are assumed to retire in the first year of eligibility for unreduced benefits.

STATE POLICEMEN

<u>Age</u>	<u>Death</u>		<u>Disability</u>	<u>Withdrawal †</u>	<u>Annual Rate (%) of</u>	
	<u>Male</u>	<u>Female</u>			<u>Service Retirement "A"</u>	<u>Service Retirement "B"</u>
20	0.05	0.03	0.04	1.00		
25	0.06	0.03	0.05	1.00		
30	0.08	0.03	0.07	1.50		
35	0.08	0.04	0.11	2.00		
40	0.09	0.06	0.17	1.00		
45	0.14	0.09	0.23	0.50		
50	0.21	0.12	0.30		20.00	
55	0.36	0.19	0.35		10.00	30.00
60	0.63	0.34				30.00
62	0.80	0.44				30.00
65	1.15	0.67				100.00
69	1.80	1.08				100.00
70						100.00

† Higher rates are assumed during the first three years of employment.

A - For those who will become eligible for DROP prior to age 57, these are the rates in effect prior to the DROP eligibility. An additional 20% are assumed to retire in the first year of eligibility for unreduced benefits. 80% are assumed to retire in the first year eligible for DROP participation if less than age 57.

B - Rates for those who will not become eligible for DROP prior to age 57. An additional 25% are assumed to retire in the first year of eligibility for unreduced benefits. Also, for those who will become eligible for DROP prior to age 57, these are the rates after the first year of DROP eligibility.

Death after Retirement: According to the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females for the period after service retirement. 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 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. Act 2000-669 provides that, effective January 1, 2001, 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 or police officer. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit used in calculating retirement allowance for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.</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. Act 2000-669 provides that, effective January 1, 2001, 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 or police officer. Upon the effective date of this Act, full-time certified firefighters and police officers may purchase one additional year of service credit used in calculating retirement allowance for each five years of prior employment as a full-time certified firefighter or police officer for one percent of his or her current or previous year's earnable compensation, whichever is higher, for each year of service credit purchased. The deadline for purchasing prior service credit is December 31, 2002.</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>

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Benefits Payable upon Death in Active Service

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

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

In the event of a job-related death of a member at any age with less than 1 year of service, the beneficiary shall receive the return of member contributions and total earned interest plus a death benefit 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 a 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 on his or her years of service credit 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 completion of the DROP.

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 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 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).

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, be continued in the membership of the System and file for service retirement after the attainment of age 52.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued) and Supporting Schedules

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 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 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 equal to the annual earnable compensation of the member at the time death occurs. *

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

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

Deferred Retirement Option Plan (DROP)

A member may elect to participate in a Deferred Retirement Option Plan (DROP) upon completion of at least 25 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 on his or her years of service credit 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 completion of the DROP.

Special Privileges at Retirement – All Members

At retirement, any member may elect to receive a reduced retirement allowance in lieu of 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**

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
09/30/01	80,256	\$ 2,408,542,913	\$ 30,011	2.33
09/30/00	77,693	2,278,637,042	29,329	2.85
09/30/99	75,734	2,159,607,572	28,516	2.37
09/30/98	73,990	2,061,103,741	27,857	6.39
09/30/97	75,274	1,970,921,776	26,183	2.51
09/30/96	73,468	1,876,525,064	25,542	1.72

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System
Supporting Schedules (Continued)

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			Reported Assets	Portion (%) of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)				
09/30/01 §	\$ 1,319,603	\$ 3,244,967	\$ 3,445,553	\$ 8,028,471	100	100	100.5
09/30/00	1,219,344	3,080,504	3,104,120	7,769,122	100	100	111.8
09/30/99	1,152,050	2,826,060	2,906,245	7,302,046	100	100	114.4
09/30/98 †	1,022,088	2,788,846	2,753,144	6,888,446	100	100	111.8
09/30/97 *	1,016,854	2,161,301	2,639,942	6,463,795	100	100	124.5
09/30/96 ‡	936,907	2,032,235	2,301,921	4,932,927	100	100	85.3

§ Reflects changes in actuarial assumptions.

† Reflects change in asset method from market value to market related value.

* Reflects change in asset method from market related value to market value.

‡ Reflects changes in actuarial assumptions and a change in asset method from book value to market related value.

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	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end (000s)	% Increase	Average
2002	1,678	760	27,927	\$ 398,383	5.5	\$ 14,265
2001	1,458	803	27,009	377,548	8.1	13,979
2000	1,589	828	26,354	349,260	5.1	13,253
1999	1,121	787	25,593	332,237	9.5	12,982
1998	3,170	688	25,259	303,401	17.8	12,012
1997	1,308	598	22,777	257,642	9.5	11,312

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

**EMPLOYEES' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2001**

	<u>Amount</u>
(Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	\$ (365,153,553)
Normal Cost for 2001 Plan Year	124,826,901
Contributions Received During the Year	(114,877,885)
Interest to Year End	<u>(28,814,324)</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of September 30, 2001	<u>(384,018,861)</u>
Actuarial (Gains)/Losses During the Year	
From Investments	203,998,850
From Actuarial Liabilities	<u>161,671,535</u>
Total Actuarial (Gains)/Losses During the Year	<u>365,670,385</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of September 30, 2001	<u><u>\$ (18,348,476)</u></u>



A Mellon Consulting Company

200 Galleria Parkway, N.W. Suite 1900
Atlanta, Georgia 30339-5945

October 30, 2002

Board of Control
Judicial Retirement Fund of Alabama
State Capitol
Montgomery, AL 36104

Members of the Board:

In this report are submitted the results of the actuarial valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2001 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, 2001, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. Since the previous valuation, the post-retirement mortality tables have been revised. The valuation liabilities include the salary increases and the corresponding increase in retired members' allowances granted under Act 99-427. On the basis of the valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 21.93% of payroll.

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. Market related value of plan 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 20-year period, 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.

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.

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 Fund.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

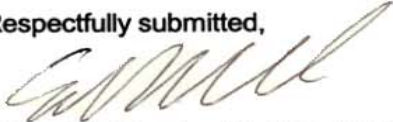
Judicial Retirement Fund

Actuarial Letter (Continued)

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,



Edward A. Macdonald, ASA, MAAA, FCA
Principal, Consulting Actuary

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Summary of Actuarial Assumptions and Methods

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

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 eligibly and 5% in each year thereafter. All remaining members are assumed to retire at age 70.

Deaths after Retirement: According to the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females for the period after service retirement. 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.

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 who was holding office on the effective date of the Act and elected to come under its provisions became a member of the JRF. Justices, Appellate Judges, and Circuit Judges elected or appointed after September 18, 1973 must become a member of the JRF. Also, District Judges appointed after October 1, 1975 and Probate Judges elected or appointed after October 1, 1976 must become a member of the JRF. 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, or
- Completed 25 years of service or 24 years of service provided the member purchases one year of service prior to retirement, regardless of age.

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 (except judges with at least 25 years of creditable service):

- Age 70 with at least 10 years of service
- Age 65 or greater with at least 12 years of service
- Age 62 or greater with at least 15 years of service
- Age 61 with at least 16 years of service
- Age 60 with at least 17 years of service

Amount of Benefit

The service retirement benefit for a member is equal to:

- (a) For a judge other than a probate or district judge who was a member prior to July 30, 1979: 75% of the member's salary prescribed by law for the position from which the member retires.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Plan Provisions (Continued) and Supporting Schedules

(b) For a district judge: 75% of their salary immediately prior to retirement.

(c) For probate judges and circuit and appellant judges who assumed office on or after July 30, 1979, 75% of his or her salary received 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 a member with at least 5 years of credited service, a death benefit is payable to the member's spouse.

Amount of Benefit

The death benefit for the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position of the former member for each year of service, not to exceed 30% of such salary and shall change as the position salary changes.

The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the judge's salary prescribed by law for each year of service not to exceed 30% of such salary. The benefit is payable upon the death of the active or retired judge. The benefit shall not change as the position salary changes.

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.

The benefit is payable for the spouse's life or until remarriage.

Benefit Payable on Separation from Service

If a member terminates service and elects not to withdraw his or her contributions and accrued interest from the JRF, the member is eligible to receive any of the benefits of the Act 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 under the Act 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>
09/30/01	326	\$ 33,902,846	\$ 103,996	26.04
09/30/00	326	26,898,150	82,510	(0.88)
09/30/99	325	27,053,721	83,242	7.94
09/30/98	318	24,523,217	77,117	0.03
09/30/97	319	24,593,274	77,095	0.25
09/30/96	318	24,455,078	76,903	0.66

† 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>Members (Employer Financed Portion)</u>		<u>(1)</u>	<u>(2)</u>	<u>(3)</u>
	<u>Active Member Contributions</u>	<u>Retirants and Beneficiaries</u>	<u>Active</u>					
09/30/01 *	\$ 21,015	\$ 189,375	\$ 78,654	\$ 245,705	100	100	44.9	
09/30/00	20,865	169,016	78,897	239,023	100	100	62.5	
09/30/99	18,812	171,346	73,333	221,926	100	100	43.3	
09/30/98 †	17,665	154,319	74,194	210,116	100	100	51.4	
09/30/97 ‡	16,294	120,633	53,644	198,014	100	100	113.9	
09/30/96 §	15,070	95,185	42,421	146,001	100	100	84.3	

* Reflects change in post retirement mortality.

† Reflects change in asset method from market value to market-related value.

‡ Reflects change in asset method from market-related value to market value.

§ Reflects change in asset method from book value to market-related value.

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	Number of Retirees and Beneficiaries			Annual Allowances		
	Added	Removed	Year-end	Year-end	% Increase	Average
2002	8	10	269	\$ 16,728,048	4.5	\$ 62,186
2001	25	6	271	16,006,800	44.7	59,066
2000	3	3	252	11,060,436	(2.1)	43,891
1999	13	4	252	11,293,512	12.8	44,816
1998	8	3	243	10,015,812	2.5	41,217
1997	13	4	238	9,775,968	5.2	41,075

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

**JUDICIAL RETIREMENT FUND
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2001**

	<u>Amount</u>
(Overfunded)/Unfunded Actuarial Liability as of September 30, 2000	\$ 29,574,455
Normal Cost for 2001 Plan Year	4,780,301
Contributions Received During the Year	(7,298,390)
Interest to Year End	<u>2,265,233</u>
Expected (Overfunded)/Unfunded Actuarial Liability as of September 30, 2001	<u>29,321,599</u>
Actuarial (Gains)/Losses During the Year	
From Investments	5,797,319
From Actuarial Liabilities	<u>8,220,432</u>
Total Actuarial (Gains)/Losses During the Year	<u>14,017,751</u>
Actual (Overfunded)/Unfunded Actuarial Liability as of September 30, 2001	<u>\$ 43,339,350</u>

STATISTICAL SECTION

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section
Revenues by Source
Six-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM
REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate %		
2002	\$ 235,726	\$ 265,670	5.96	\$ (1,244,757)	\$ (743,361)
2001	230,618	279,880	6.38	(1,090,706)	(580,208)
2000	214,003	277,180	6.38	1,414,568	1,905,751
1999	217,205	166,100	4.03	1,829,883	2,213,188
1998	199,780	358,088	9.66	564,331	1,122,199
1997	190,802	330,658	9.23	2,313,425	2,834,885

EMPLOYEES' RETIREMENT SYSTEM
REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions					Investment Income	Total
		Amount	Employer Rate %					
			Regular	Law	Local			
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)	
2000	118,128	113,991	4.08	9.45	*	655,108	887,227	
1999	112,779	97,373	3.11	6.85	*	857,378	1,067,530	
1998	108,477	157,246	7.56	15.74	*	254,330	520,053	
1997	103,952	145,738	6.99	15.17	*	1,056,283	1,305,973	

JUDICIAL RETIREMENT FUND
REVENUES BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate %		
2002	\$ 2,356	\$ 8,222	21.19	\$ (23,333)	\$ (12,755)
2001	2,212	7,598	21.19	(24,197)	(14,387)
2000	1,643	5,696	21.19	25,081	32,420
1999	1,594	2,870	9.16	27,800	32,264
1998	1,467	5,417	19.71	17,378	24,262
1997	1,662	5,430	19.71	36,288	43,380

§ Includes transfers from other systems.

* Local agency rates differ for each participating agency.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Expenses by Type

Six-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
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
2000	720,576	33,978	1,534	5,639	165	761,892
1999	678,740	31,307	1,800	6,563	737	719,147
1998	576,463	32,636	1,116	7,076	547	617,838
1997	534,958	30,907	1,245	6,524	500	574,134

**EMPLOYEES' RETIREMENT SYSTEM
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Unit Withdrawals & Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2002	\$ 389,856	\$ 24,965	\$ 10,410	\$ 5,582	\$ 235	\$ 431,048
2001	371,715	24,906	4,074	4,578	330	405,603
2000	341,145	24,864	1,985	3,811	367	372,172
1999	330,231	25,291	1,674	4,812	333	362,341
1998	270,469	26,031	1,757	4,855	351	303,463
1997	252,023	23,716	2,021	4,273	337	282,370

**JUDICIAL RETIREMENT FUND
EXPENSES BY TYPE**

<u>Fiscal Year</u>	<u>Benefit Payments</u>	<u>Contribution Refunds & Death Benefits</u>	<u>Service Transfers</u>	<u>Administrative Expenses</u>	<u>Other</u>	<u>Total</u>
2002	\$ 16,770	\$ 29	\$ -	\$ 306	\$ -	\$ 17,105
2001	15,655	79	163	272	-	16,169
2000	11,256	43	-	263	-	11,562
1999	11,150	101	-	226	-	11,477
1998	10,035	155	145	245	-	10,580
1997	9,678	6	-	299	-	9,983

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Six-Year History

(Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
BENEFITS BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2002	\$ 804,822	\$ 24,076	\$ 29,485	\$ 12,390	\$ 23,120
2001	762,007	22,104	27,785	10,949	23,207
2000	676,365	19,384	24,827	9,800	24,178
1999	637,542	18,180	23,018	8,550	22,757
1998	541,729	15,267	19,467	9,171	23,465
1997	503,603	13,893	17,462	10,083	20,824

**EMPLOYEES' RETIREMENT SYSTEM
BENEFITS BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2002	\$ 343,265	\$ 20,181	\$ 26,410	\$ 5,540	\$ 19,425
2001	327,214	19,372	25,129	5,965	18,941
2000	300,541	17,394	23,210	5,564	19,300
1999	291,548	16,489	22,194	6,195	19,096
1998	236,328	14,562	19,579	5,252	20,779
1997	219,592	13,620	18,811	5,676	18,040

**JUDICIAL RETIREMENT FUND
BENEFITS BY TYPE**

<u>Fiscal Year</u>	<u>Age & Service Benefits</u>		<u>Disability Benefits</u>	<u>Death Benefits & Refunds</u>	
	<u>Retirants</u>	<u>Survivors</u>		<u>Death</u>	<u>Resignation</u>
2002	\$ 13,655	\$ 2,746	\$ 369	\$ -	\$ 29
2001	12,711	2,543	401	-	79
2000	9,061	1,852	343	-	43
1999	9,110	1,694	346	-	101
1998	8,194	1,509	332	-	155
1997	7,943	1,380	354	-	6

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of June 30, 2002

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	1,573	996	372	205	383	523	296	371	-
251 - 500	7,737	6,149	665	923	2,344	3,625	840	918	10
501 - 750	5,649	4,592	493	564	1,720	2,589	638	696	6
751 - 1,000	4,535	3,796	283	456	1,381	2,079	491	582	2
1,001 - 1,250	4,332	3,772	194	366	1,211	2,047	510	558	6
1,251 - 1,500	5,662	5,253	137	272	1,381	2,806	764	707	4
1,501 - 1,750	6,279	6,020	94	165	1,318	3,559	639	759	4
1,751 - 2,000	4,933	4,810	54	69	955	2,982	445	545	6
2,001 - 2,250	3,444	3,369	39	36	607	2,082	331	417	7
2,251 - 2,500	2,246	2,197	26	23	404	1,286	265	289	2
2,501 - 2,750	1,588	1,558	22	8	276	844	218	246	4
2,751 - 3,000	1,078	1,056	18	4	199	541	161	174	3
3,001 - 3,250	836	823	11	2	161	436	112	123	4
3,251 - 3,500	617	605	10	2	117	329	77	90	4
3,501 - 3,750	472	466	4	2	88	237	59	86	2
3,751 - 4,000	321	315	6	-	48	175	47	49	2
4,001 - 4,250	268	264	4	-	43	140	40	42	3
4,251 - 4,500	185	182	2	1	29	86	26	43	1
4,501 - 4,750	121	120	1	-	18	57	22	23	1
4,751 - 5,000	99	94	3	2	13	50	13	22	1
Over 5,000	281	277	3	1	42	113	65	55	6
Totals ³	52,256	46,714	2,441	3,101	12,738	26,586	6,059	6,795	78

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 973 DROP

participants as of June 30, 2002.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2001

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option Selected ‡				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	908	289	595	24	130	91	134	548	5
251 - 500	4,504	2,836	1,241	427	1,127	1,280	911	1,166	20
501 - 750	4,891	3,561	523	807	1,596	1,831	566	852	46
751 - 1,000	3,947	3,068	252	627	1,231	1,696	424	567	29
1,001 - 1,250	3,363	2,869	158	336	933	1,509	373	516	32
1,251 - 1,500	2,501	2,265	92	144	603	1,117	331	427	23
1,501 - 1,750	1,930	1,799	50	81	456	930	187	343	14
1,751 - 2,000	1,401	1,336	25	40	312	716	119	238	16
2,001 - 2,250	977	936	18	23	210	487	85	184	11
2,251 - 2,500	690	665	10	15	153	314	71	144	8
2,501 - 2,750	519	503	10	6	115	248	47	105	4
2,751 - 3,000	391	382	6	3	90	191	28	75	7
3,001 - 3,250	277	274	2	1	50	150	22	52	3
3,251 - 3,500	192	188	1	3	50	86	10	42	4
3,501 - 3,750	148	147	1	-	35	76	8	27	2
3,751 - 4,000	109	109	-	-	23	51	7	27	1
4,001 - 4,250	92	92	-	-	18	52	3	17	2
4,251 - 4,500	62	61	1	-	19	21	3	19	-
4,501 - 4,750	44	44	-	-	16	19	-	9	-
4,751 - 5,000	28	28	-	-	6	12	2	6	2
Over 5,000	90	89	1	-	36	32	1	19	2
Totals	27,064	21,541	2,986	2,537	7,209	10,909	3,332	5,383	231

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2001

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	1	-	1	-	-	1
251 - 500	1	-	1	-	-	1
501 - 750	9	-	9	-	-	9
751 - 1,000	9	1	8	-	-	9
1,001 - 1,250	6	-	5	1	1	5
1,251 - 1,500	2	-	2	-	-	2
1,501 - 1,750	1	1	-	-	1	-
1,751 - 2,000	2	-	2	-	-	2
2,001 - 2,250	6	-	5	1	1	5
2,251 - 2,500	3	-	3	-	-	3
2,501 - 2,750	6	2	3	1	1	5
2,751 - 3,000	3	-	3	-	-	3
3,001 - 3,250	23	2	21	-	1	22
3,251 - 3,500	22	1	21	-	1	21
3,501 - 3,750	3	1	-	2	3	-
3,751 - 4,000	7	5	1	1	3	4
4,001 - 4,250	4	2	2	-	1	3
4,251 - 4,500	5	2	3	-	-	5
4,501 - 4,750	5	4	1	-	1	4
4,751 - 5,000	6	4	1	1	3	3
Over 5,000	147	142	1	4	11	136
Totals	271	167	93	11	28	243

† Type of Retirement

A - Service

B - Survivor benefit

C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Six-Year History of Average Monthly Benefit Payments as of June 30

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
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
1999					
Average monthly benefit	\$ 484	\$ 726	\$ 980	\$ 1,723	\$ 2,528
Average final average salary	\$ 24,412	\$ 24,802	\$ 26,105	\$ 38,510	\$ 44,668
Number of active retirants	553	381	557	1,427	805
1998					
Average monthly benefit	\$ 414	\$ 675	\$ 885	\$ 1,577	\$ 2,255
Average final average salary	\$ 21,919	\$ 24,090	\$ 24,853	\$ 36,538	\$ 41,688
Number of active retirants	468	426	510	1,273	787
1997					
Average monthly benefit	\$ 419	\$ 642	\$ 952	\$ 1,621	\$ 2,378
Average final average salary	\$ 21,281	\$ 22,344	\$ 26,316	\$ 37,035	\$ 43,046
Number of active retirants	497	457	513	1,241	862

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
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
1999					
Average monthly benefit	\$ 731	\$ 899	\$ 1,173	\$ 1,455	\$ 2,249
Average final average salary	\$ 28,201	\$ 29,501	\$ 29,572	\$ 34,234	\$ 42,655
Number of active retirants	362	206	192	287	40
1998					
Average monthly benefit	\$ 799	\$ 814	\$ 1,140	\$ 1,447	\$ 2,352
Average final average salary	\$ 28,045	\$ 28,400	\$ 30,618	\$ 33,502	\$ 42,894
Number of active retirants	626	398	417	1,114	561
1997					
Average monthly benefit	\$ 659	\$ 866	\$ 1,110	\$ 1,404	\$ 2,175
Average final average salary	\$ 26,217	\$ 29,096	\$ 29,994	\$ 33,224	\$ 41,250
Number of active retirants	381	261	217	324	105
1996					
Average monthly benefit	\$ 730	\$ 837	\$ 1,112	\$ 1,439	\$ 2,336
Average final average salary	\$ 26,120	\$ 27,103	\$ 28,978	\$ 32,150	\$ 41,332
Number of active retirants	508	314	310	543	320

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

	Years of Credited Service			
	10-14	15-19	20-24	25-29
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	-	-	-
1999				
Average monthly benefit	\$ 4,144	\$ 5,285	\$ 6,127	\$ 7,809
Number of active retirants	4	2	6	1
1998				
Average monthly benefit	\$ -	\$ 4,894	\$ 4,100	\$ -
Number of active retirants	-	1	8	-
1997				
Average monthly benefit	\$ 7,231	\$ 4,282	\$ 5,822	\$ -
Number of active retirants	2	4	5	-
1996				
Average monthly benefit	\$ 4,871	\$ 4,894	\$ 3,630	\$ -
Number of active retirants	4	3	2	-

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Abbeville Water Works Board	Atmore Utilities Board
Abbeville, City of	Atmore, City of
Adamsville, City of	Attalla Water Works Board
Addison, Town of	Attalla, City of
Alabama Elk River Development Agency	Auburn Extension
Alabama Historic Ironworks Commission	Auburn Housing Authority
Alabama League of Municipalities	Auburn Water Works Board
Alabama Municipal Electric Authority	Auburn, City of
Alabama Music Hall of Fame	Autauga County Commission
Alabama Rural Water Association	Autauga County Emergency Management Communication District
Alabama Space & Rocket Center	Autauga County Water Authority
Alabama Sports Hall of Fame Board	Autauga/Prattville Public Library
Alabama Tombigbee Regional Commission	B. B. Comer Memorial Library
Alabaster Water & Gas Board	Bakerhill Water Authority
Alabaster, City of	Baldwin County Board of Revenue
Albertville Municipal Utilities Board	Baldwin County Emergency Communication District
Albertville, City of	Baldwin County Mental Health-Mental Retardation Center
Alexander City, City of	Baldwin County Mental Retardation Board
Aliceville Housing Authority	Baldwin County Soil & Water Conservation District
Aliceville, City of	Barbour County Commission
Altoona, Town of	Bay Minette Housing Authority
Andalusia Housing Authority	Bay Minette, City of
Andalusia, City of	Bay Minette Utilities Board
Anniston Housing Authority	Bayou La Batre Water, Sewer and Gas Board
Anniston Water Works & Sewer Board	Bayou La Batre, City of
Anniston, City of	Bear Creek Development Authority
Anniston/Calhoun County Public Library	Bear Creek, Town of
Anniston-Calhoun Co. Ft. McClellan Development Joint Power Authority	Beauregard Water & Fire Protection Authority
Arab Sewer Board	Berry, Town of
Arab Water Works Board	Bessemer, City of
Arab, Town of	Bibb County Commissioners Court
Arley, Town of	Bibb County Emergency Management Commissions District
Ashland Housing Authority	Bibb, Pickens & Tuscaloosa County Mental Health-Mental Retardation Board
Ashville Water & Gas Board	Billingsley, Town of
Ashville, Town of	Birmingham Racing Commission
Association of County Commissioners	
Athens, City of	
Athens/Limestone County Emergency Management Communication District	
Athens/Limestone Public Library Authority	

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers (Continued)

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 Count Water Authority	Carrollton, Town of
Blountsville Utility Board	Cedar Bluff, Town of
Blountsville, Town of	Center Point Fire District
Boaz Water & Sewer Commissioners Board	Centreville, City of
Boaz, City of	Central Alabama Aging Consortium
Boldo Water & Fire Protection Authority	Central Alabama Regional Planning & Development Commission
Branchville, Town of	Central Alabama Youth Services
Brantley Housing Authority	Central Elmore Water Authority
Brent Housing Authority	Centre Water Works & Sewer Board
Brent, City of	Centre, City of
Brewton Housing Authority	Chambers County Commissioners Court
Brewton, City of	Chambers County Emergency Management Communications District
Bridgeport Utilities Board	Chambers County Library Board
Bridgeport, City of	Chatom, City of
Brilliant, Town of	Cheaha Regional Library
Brookwood, Town of	Cheaha Regional Mental Health-Mental Retardation Board
Brundidge, City of	Cherokee County Commission
Buhl-Elrod-Holman Water Authority	Cherokee County Water and Sewer Authority
Bullock County Commissioners Court	Cherokee Water Works & Gas Board
Butler County Commissioners Court	Cherokee, Town of
Butler County Emergency Communication District	Chickasaw Utilities Board
Butler, City of	Chickasaw, Town of
Cahaba Center for Mental Health & Mental Retardation	Childersburg Water, Sewer & Gas Board
Cahaba Valley Fire & Emergency Medical Rescue District	Childersburg, City of
Calera, City of	Chilton County Commission
Calhoun County 911 District	Chilton County Soil & Water Conservation District
Calhoun County Commission	Chilton Water Authority
Calhoun County Water & Fire Protection Authority	Chilton/Clanton Public Library
Calhoun/Cleburne Mental Health Board	Chilton/Shelby Mental Health Center
Calhoun County Community Punishment and Corrections Authority	Choctaw County Emergency Communications District
Camden, City of	Clanton Housing Authority
Camp Hill, City of	Clanton Water Works & Sewer Board
	Clanton, City of

Clark County Commission	Creola, City of
Clarke County Industrial Development Board	Cross Trails Regional Library
Clarke County Soil and Water Conservation District	Cuba, Town of
Clarke/Mobile County Gas District	Cullman Area Mental Health Authority
Clay County Commission	Cullman County Board of Revenue
Clay County E-911	Cullman County Center for the Development Disabled
Clay County Water Authority	Cullman County E-911
Clayton Housing Authority	Cullman County Parks & Recreation
Clayton Water & Sewer Board	Cullman Power Board
Clayton, City of	Cullman, City of
Cleburne County Commission	Cullman/Jefferson County Gas District
Cleveland, Town of	Cumberland Mountain Water & Fire Protection Authority
Coffee County Commissioners Court	Curry Water Authority
Coffee County Soil & Water Conservation District	CWM Water Authority
Coker Water & Fire Protection Authority	Dadeville Housing Authority
Colbert County Board of Revenue	Dadeville Water Supply & Gas Board
Colbert County Emergency Management Communications District	Dadeville, City of
Collinsville Water Works Board	Dale County Commissioners Court
Collinsville, City of	Dale County Water Authority
Columbia, Town of	Daleville Housing Authority
Columbiana, Town of	Daleville, City of
Columbiana Water Works Board	Dallas County Court of County Revenue
Concord Fire District	Daphne Utility Board
Conecuh County Board of Directors	Daphne, City of
Conecuh County Soil and Water Conservation District	Dauphin Island Park and Beach Board
Cook Springs Water Authority	Dauphin Island Water & Sewer Authority
Coosa County Commissioners Court	Dauphin Island, Town of
Coosa Valley Youth Services	Decatur, City of
Coosada, Town of	Decatur Utilities
Cordova Water & Gas Board	DeKalb County Commission
Cordova, City of	DeKalb County Economic Development Authority
Cottonwood, City of	DeKalb County Emergency Communications District
Courtland, Town of	DeKalb County Hospital Association
Covington County Board of Revenue	DeKalb County Mental Retardation Board
Cowarts, Town of	DeKalb County Soil and Water Conservation District
Crenshaw County Court of Commissioners	DeKalb/Cherokee County Gas District
Crenshaw County Emergency Management Communications District	Demopolis Housing Authority

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers (Continued)

Demopolis, City of	Corrections
Demopolis Water Works and Sewer Board	Etowah Solid Waste Disposal Authority
Dora Gas Board	Eufaula Housing Authority
Dora, City of	Eufaula Water Works & Sewer Board
Dothan/Houston County Mental Retardation Board	Eufaula, City of
Double Springs Water Works Board	Eutaw Medical Clinic Board
Double Springs, Town of	Eutaw, City of
Douglas Water & Fire Protection Authority	Evergreen Housing Authority
Douglas, Town of	Evergreen, City of
Dutton, Town of	Excel, Town of
East Alabama Mental Health-Mental Retardation Board	Fairfield, City of
East Alabama Regional Planning & Development Commission	Fairhope Public Library
East Alabama Water, Sewer, & Fire Protection District	Fairhope, City of
East Brewton Water Works & Sewer Board	Falkville, Town of
East Brewton, City of	Fayette County Commission
East Central Alabama Gas District	Fayette County E911 District
East Lauderdale County Water & Fire Protection Authority	Fayette Gas Board
Eclectic Water Works & Sewer Board	Fayette Housing Authority
Eclectic, Town of	Fayette Water Works Board
Elba General Hospital & Nursing Home	Fayette County Water Coordination & Fire Protection Authority
Elba Water & Electric Board	Fayette, City of
Elba, City of	Fayetteville Water Authority
Elberta, City of	Flomaton, Town of
Elmore County Commissioners Court	Florence Housing Authority
Elmore County Emergency Communications District	Florence/Lauderdale Tourism Board
Elmore Water Authority	Foley Utilities Board
Enterprise, City of	Foley, City of
Enterprise Housing Authority	Forestdale Fire District
Enterprise Water Works Board	Fort Deposit Water Works & Sewer Board
Ernest F. Ladd Memorial Stadium	Fort Deposit, Town of
Escambia County Commission	Fort Payne Housing Authority
Escambia County Cooperative Library System	Fort Payne Improvement Authority
Etowah County Board of Revenue	Fort Payne Water Works Board
Etowah County Communications District	Fort Payne, City of
Etowah County Community Punishment and	Fosters-Ralph Water Authority

Fyffe, Town of	Gurley, Town of
Gadsden Water & Sewer Board	Hackleburg, Town of
Gadsden, City of	Hackleburg Water Board
Garden City, Town of	Hackneyville Water & Fire Protection Authority
Gardendale, City of	Hale County Commission
Geneva County Court of Commissioners	Hale County Soil and Water Conservation District
Geneva County E-911 Board, Inc.	Hale County Water Authority
Geneva Water Works & Sewer Board	Haleyville, City of
Geneva, City of	Hamilton, City of
Gilberttown Utilities Board	Hamilton Housing Authority
Gilberttown, Town of	Hanceville, City of
Glencoe, City of	Hanceville Waterworks & Sewer Board
Goodwater, City of	Harpersville, Town of
Gordo, City of	Hartford, City of
Grant Water Works Board	Hartford Housing Authority
Grant, Town of	Hartselle Utilities Board
Graysville Public Library	Hartselle, City of
Graysville, City of	Harvest-Monrovia Water & Fire Protection Authority
Greater Etowah Mental Retardation 310 Board	Hayneville, City of
Greater Mobile/Washington County Mental Health-Mental Retardation Board	Headland Housing Authority
Greene County Ambulance Service	Headland, City of
Greene County Commission	Heflin, City of
Greene County Economic & Industrial Development Board	Heflin Water Works & Sewer Board
Greene County Hospital	Helen Keller Memorial Hospital
Greene County Housing Authority	Helena Utilities Board
Greene County Racing Commission	Helena, City of
Greenhill Water & Fire Protection Authority	Henry County Commissioners Court
Greensboro Housing Authority	Henry County Soil & Water Conservation District
Greensboro, City of	Henry County Water Authority
Greenville Water Works & Sewer Board	Highland Water Authority
Greenville, City of	Hillboro, Town of
Grove Hill, City of	Historic Blakeley Authority
Guin Water & Sewer Board	Historic Chattahoochee Commission
Guin, City of	Hodges, Town of
Guin Housing Authority	Hokes Bluff Sewer Board
Guntersville Electric Board	Hokes Bluff Water Works Board
Guntersville Water & Sewer Board	Hokes Bluff, Town of
Guntersville, City of	

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers (Continued)

Holly Pond, Town of	Jacksonville, City of
Hollywood, Town of	Jasper Water Works & Sewer Board
Homewood, City of	Jasper, City of
Hoover, City of	Jefferson County Department of Health
Horseshoe Bend Regional Library	Jefferson/Blount/St. Clair Mental Health Authority
Houston County Board of Revenue and Control	Jemison, Town of
Houston County Soil Conservation District	John Paul Jones Hospital
Houston County Water Authority	Killen, City of
Houston/Love Memorial Library	Kinsley, Town of
Hueytown, City of	Lafayette, City of
Huntsville Electric System	Lamar County Commission
Huntsville Gas System	Lamar County Gas District
Huntsville Solid Waste Disposal Authority	Lamar County Water & Fire Protection Authority
Huntsville Water System	Lanette, City of
Huntsville, City of	Lauderdale County Commission
Huntsville/Madison County Airport Authority	Lauderdale County Regional Library System
Huntsville/Madison County Convention & Visitor's Bureau	Lawrence County Commission
Huntsville/Madison County Marina & Port Authority	Lawrence/Colbert County Gas District
Huntsville/Madison County Mental Health Board	Lawrence/Cullman/Morgan Regional Housing Authority
Huntsville/Madison County Railroad Authority	Lee County Commissioners Court
Indian Pines Recreation Authority	Lee County Emergency Communications District
Industrial Development Authority of Chambers County	Lee/Russell Council of Governments
International Motorsports Hall of Fame	Leeds Housing Authority
Irondale, City of	Leeds, City of
Jackson County Commission	Leeds Water Works Board
Jackson County Economic Development Authority	Leesburg, Town of
Jackson County Emergency Management Communications District	Leighton, Town of
Jackson County Soil & Water Conservation District	Lexington, Town of
Jackson, City of	Limestone County Board of Revenue
Jackson County Water Authority	Limestone County Water Authority
Jackson's Gap Water Authority	Lincoln, City of
Jackson's Gap, Town of	Linden, City of
Jacksonville Housing Authority	Lineville Housing Authority
Jacksonville Water Works, Gas & Sewer	Lineville Water & Sewer Board
	Lineville, City of
	Livingston Housing Authority
	Livingston, City of

Loachapoka Water Authority	Mobile County Communications District
Locust Fork, Town of	Mobile County Emergency Management Agency
Lowndes County Board of Revenue	Mobile County Health Department
Loxley, City of	Mobile County Housing Authority
Luverne Housing Authority	Mobile County Law Enforcement & Firefighters Pension Fund
Luverne, City of	Mobile County Personnel Board
Macon County Commission	Mobile County Racing Commission
Macon County Racing Commission	Mobile County Water, Sewer & Fire Protection Authority
Madison County Commissioners Court	Mobile Public Library
Madison County Communications District	Mobile Transit Authority
Madison County Mental Retardation Board	Mobile Water Service System
Madison Water & Wastewater Board	Mobile, City of
Madison, City of	Monroe County Commission
Malvern, Town of	Monroeville Housing Authority
Maplesville Water & Gas Board	Monroeville Water Board
Maplesville, City of	Monroeville, City of
Marengo County Commission	Montevallo, City of
Marengo County Emergency Communications District	Montgomery Area Mental Health Authority
Marengo County Nursing Home	Montgomery County Soil & Water Conservation District
Marion County Board of Revenue	Moody, City of
Marion County Public Water Authority	Morgan County Commission
Marion Housing Authority	Morgan County Emergency Management Communication District
Marion, City of	Moulton Housing Authority
Marshall County Commission on Government and Finance	Moulton, City of
Marshall County Emergency Telephone Service Board	Moundville, City of
Marshall County Gas District	Mount High-Rock Springs Water Authority
Marshall County Soil & Water Conservation District	Mountain Brook Library Board
Mental Health Dev Disabilities Board	Mountain Brook Park & Recreation Board
Middle Alabama Area Agency on Aging	Mountain Brook, City of
Midfield Library Board	Mt. Vernon, Town of
Midfield, City of	Muscle Shoals Electric Board
Mildred B. Harrison Library	Muscle Shoals Utilities Board
Millbrook, City of	Muscle Shoals, City of
Millport Housing Authority	Myrtlewood, Town of
Millport, Town of	Nectar, Town of
Mobile Airport Authority	New Hope, Town of
Mobile County Commission	

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers (Continued)

New London Water, Sewer & Fire Protection Authority	Orange Beach Water, Sewer & Fire Protection Authority
New Site, Town of	Orange Beach, Town of
North Alabama Gas District	Oxford, City of
North Central Alabama Mental Health Center	Ozark Utilities Board
North Central Alabama Mental Retardation Authority	Ozark, City of
North Central Alabama Regional Council of Governments	Ozark/Dale E-911
North Dallas County Water Authority	Pelham, City of
North Jackson County Water & Fire Protection Authority	Pell City Housing Authority
North Shelby County Library	Pell City, City of
Northeast Alabama Mental Retardation-Development Disability Authority	Pennington, City of
Northeast Alabama Water, Sewer & Fire Protection District	Perry County Commissioners Court
Northeast Morgan County Water Authority	Phenix City Utilities
Northport Housing Authority	Phenix City, City of
Northport, City of	Phil Campbell Water Works Board
Northwest Alabama Council of Local Governments	Phil Campbell, Town of
Northwest Alabama Mental Health Center	Pickens County Commission
Northwest Alabama Regional Airport	Pickens County Cooperative Library
Northwest Blount County Water & Fire Protection Authority	Pickens County E-911 Board
Northwest Regional Library	Pickens County Water Authority
Notasulga, Town of	Piedmont Housing Authority
Oak Grove, Town of	Piedmont Water, Gas & Sewer Board
Oakman Waterworks	Piedmont, City of
Oakman, Town of	Pike County Commissioners Court
Odenville Utilities Board	Pike County Soil & Water Conservation District
Odenville, Town of	Pike County Water Authority
Ohatchee, Town of	Pine Hill, Town of
Oneonta Utilities	Pine Level Water & Fire Protection Authority
Oneonta, City of	Pisgah, Town of
Opelika Housing Authority	Pleasant Grove, City of
Opelika Water Works Board	Prattville Housing Authority
Opelika, City of	Prattville Water Works Board
Opp Utility Board	Prattville, City of
Opp, City of	Priceville, Town of
	Prichard Housing Authority
	Quint-Mar Water & Fire Protection Authority
	Rainbow City Gas, Water & Sewer Board
	Rainbow City, City of

Rainsville, City of
Randolph County Commissioners Court
Randolph County Hospital Association
Red Bay Housing Authority
Red Bay Water & Gas Board
Red Bay, City of
Reform Housing Authority
Reform, City of
Rehobeth, City of
Remlap/Pine Mountain Water Authority
Riverbend Center for Mental Health
Riverside, Town of
Roanoke Utilities Board
Roanoke, City of
Robertsdale, City of
Rogersville Water Works & Sewer Board
Rogersville, Town of
Russell County Commissioners Court
Russell County Emergency Communications District
Russell County Soil & Water Conservation District
Russell County Utilities Board
Russellville Electric Board
Russellville Gas Board
Russellville Water Works Board
Russellville, City of
Rutledge, Town of
Sand Mountain Water Authority
Sand Springs Water Authority
Saraland Water Service
Saraland, City of
Sardis City Water Board
Sardis City, City of
Satsuma Water Works Board
Satsuma, City of
Scottsboro Electric Power Board
Scottsboro Public Library
Scottsboro Public Park & Recreation Board
Scottsboro Water Works, Sewer & Gas Board

Scottsboro, City of
Section Water Works Board
Selma Housing Authority
Selma Water Works & Sewer Board
Selma, City of
Sheffield Power, Water & Gas Department
Sheffield, City of
Shelby County Board of Revenue
Shelby County Soil Conservation District
Shelby County Work Release Commission
Shoals Industrial Development Authority
Shoals Solid Waste Disposal Authority
Shorter, Town of
Silas, Town of
Silverhill, Town of
Sipsey, Town of
Slocumb, Town of
Slocumb Waterworks and Sewer Board
Snead, Town of
South Alabama Regional Planning Commission
South Central Alabama Development Authority
South Central Mental Health Center
South Crenshaw County Water Authority
Southeast Alabama Regional Planning & Development Commission
Southeast Alabama Solid Waste Disposal Authority
Southern Alabama Regional Council on Aging
Southside Water & Sewer Board
Southside, City of
Southwest Alabama Water Authority
Spanish Fort, City of
Spectracare
Springville, Town of
St. Clair County Commissioners Court
St. Clair County Industrial Development Board
St. Clair County Library
St. Clair County Soil & Water Conservation District
St. Florian, Town of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers (Continued)

Star-Mindingall Water & Fire Prot Auth	Tri-County Mental Retardation-Development Disability Board
Steele, Town of	Trinity, Town of
Stevenson Housing Authority	Troy, City of
Stevenson Utilities Board	Trussville Utilities Board
Stevenson, City of	Trussville, City of
Stewartville Water Authority	Turnerville Water and Fire Protection District
Sulligent, City of	Tuscaloosa, City of
Sumiton Water Works Board	Tuscaloosa County Board of Revenue
Sumiton, City of	Tuscaloosa County Industrial Dev Auth
Summerdale, Town of	Tuscaloosa County Park and Recreation Board
Sumter County Board of Commissioners	Tuscaloosa County Parking & Transit Authority
Sumter County Industrial Development Authority	Tuscaloosa County Public Defenders Office
Sumter County Soil & Water Cons District	Tuscaloosa County Soil & Water Conservation District
Sumter County Water Authority	Tuscaloosa County Special Tax Board
Sylacauga Park & Recreation Department	Tuscaloosa Public Library
Sylacauga Utilities Board	Tuscumbia, City of
Sylacauga, City of	Tuskegee, City of
Talladega County Board of Revenue	Tuskegee Utilities
Talladega County Emergency Management Communications District	Union Grove Utilities Board
Talladega County Soil & Water Conservation District	Union Springs Utilities Board
Talladega Water & Sewer Board	Union Springs, City of
Talladega, City of	Uniontown Housing Authority
Tallapoosa County Court of Commissioners	Uniontown Utilities Board
Tallapoosa County Emergency Management Communications District	Uniontown, City of
Tallassee, City of	USS Alabama Battleship Commission
Tarrant City Electric System	Valley Head, Town of
Tarrant City, City of	Valley Head Water Works Board
Tarrant Housing Authority	Valley Housing Authority
Taylor, Town of	Valley Water Authority
Tennessee Valley Exhibit Commission	Valley, City of
Thomaston, Town of	Vance, Town of
Thomasville, City of	Vernon Housing Authority
Thorsby, Town of	Vernon, City of
Top of Alabama Regional Council of Governments	Vestavia Hills, City of
Town Creek, Town of	Vincent, City of
Triana, City of	Von Braun Civic Center
	Walker County Commission

Walker County E911 District
Walker County Housing Authority
Walker County Mental Retardation Board
Walker County Soil & Water Conservation
District
Wall Street Water Authority
Walnut Hill Water Authority
Warrior River Water & Fire Protection
Authority
Warrior, City of
Washington County Commissioners Court
Washington County Soil & Water Conservation
District
Weaver, City of
Webb, Town of
Wedowee Hospital
Wedowee, City of
West Alabama Planning & Development
Commission
West Barbour County Water Authority
West Etowah County Water Authority
West Jefferson, Town of
West Lauderdale County Water & Fire
Protection Authority
West Morgan/East Lawrence Water Authority
Westover Water & Fire Protection Authority
Wetumpka, City of
Wetumpka Water & Sewer Board
Wilcox County Commission
Wilcox County Gas District
Wilsonville, Town of
Winfield Water Works Board
Winfield, City of
Winston County Commission
Winston County E-911 Communications District
Winston County Soil and Water Conservation
District
Woodstock, Town of
York Housing Authority
York, City of

