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**ANNUAL AUDITED REPORT
FORM X-17A-5
PART III**

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Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2005 AND ENDING DECEMBER 31, 2005
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

RETIREMENT SYSTEM DISTRIBUTORS INC.

OFFICIAL USE ONLY

FIRM I.D. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**150 EAST 42ND STREET, 27TH FLOOR
NEW YORK, NY 10017**

PROCESSED

JUN 02 2006

THOMSON
FINANCIAL

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

STEPHEN P. POLLAK

(212) 503-0150

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

ANCHIN, BLOCK & ANCHIN LLP

(Name - if individual, state last, first, middle name)

1375 BROADWAY

NEW YORK

NY

10018

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

- Certified Public Accountant
- Public Accountant
- Accountant not resident in United States or any of its possessions.

FOR OFFICIAL USE ONLY

* Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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OATH OR AFFIRMATION

I, **STEPHEN P. POLLAK**, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of **RETIREMENT SYSTEM DISTRIBUTORS INC.** as of **DECEMBER 31, 2005**, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows: **NONE**.


Signature

Vice President & Compliance Officer
Title


Notary Public

CATHERINE ROACH
Notary Public, State of New York
No. 4979934
Qualified in Orange County
Commission Expires April 8, 2007

This report ** contains (check all applicable boxes):

- (a) Facing page.
- (b) Statement of Financial Condition.
- (c) Statement of Income (Loss).
- (d) Statement of Cash Flows.
- (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- (g) Computation of Net Capital
- (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1.
- (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- (l) An Oath or Affirmation.
- (m) A copy of the SIPC Supplemental Report.
- (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- (o) Independent Auditor's Report on Internal Control

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

Retirement System Distributors Inc.

Financial Statements and
Supplemental Information

Year ended December 31, 2005

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Retirement System Distributors Inc.

Financial Statements and Supplemental
Schedules Pursuant to
Rule 17a(5) d of the Securities
Exchange Act of 1934

As of and for the year ended December 31, 2005



Established 1923

Anchin, Block & Anchin LLP
Accountants and Consultants

1375 Broadway
New York, New York 10018
(212) 840-3456
FAX (212) 840-7066

INDEPENDENT AUDITORS' REPORT

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF RETIREMENT SYSTEM DISTRIBUTORS INC.

We have audited the accompanying statement of financial condition of Retirement System Distributors Inc. as of December 31, 2005 and the related statements of income, changes in shareholder's equity and cash flows for the year then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. 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 Retirement System Distributors Inc. at December 31, 2005 and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Anchin, Block & Anchin LLP

New York, New York
February 4, 2006

Retirement System Distributors Inc.

Statement of Financial Condition

December 31, 2005

Assets:

Cash	\$	182,983
Fees Receivable		33,245
Prepaid Expenses		21,590
Due from parent		<u>20,505</u>
Total Assets	\$	<u>258,323</u>

Liabilities and shareholder's equity

Liabilities	\$	-
Shareholder's equity:		
Common stock, \$.01 par value; 100 shares authorized; 100 shares issued and outstanding		1
Additional paid-in capital		253,499
Retained Earnings		<u>4,823</u>
Total Shareholder's Equity		<u>258,323</u>
Total Liabilities and Shareholder's Equity	\$	<u>258,323</u>

See notes to financial statements.

Retirement System Distributors Inc.
Statement of Income
Year Ended December 31, 2005

Revenue:	
Distribution Fees	\$ <u>170,225</u>
Total Revenue	<u>170,225</u>
Expenses:	
Compensation & Benefits	20,203
Professional Fees	21,512
Regulatory Fees	32,688
Facilities	7,405
Other	<u>367</u>
Total Expenses	<u>82,175</u>
Income before Income taxes	88,050
Income Tax Provision	<u>2,073</u>
Net Income	\$ <u>85,977</u>

See notes to financial statements.

Retirement System Distributors Inc.
Statement of Changes in Shareholder's Equity
Year Ended December 31, 2005

	Common Stock		Additional Paid-In Capital	Retained Earnings (Deficit)	Total
	Shares	Amount			
Balance, December 31, 2004	100	\$ 1	\$ 253,499	\$ (81,154)	\$ 172,346
Net Income	-	-	-	85,977	85,977
Balance, December 31, 2005	100	\$ 1	\$ 253,499	\$ 4,823	\$ 258,323

See notes to financial statements

Retirement System Distributors Inc.

Statement of Cash Flows

Year Ended December 31, 2005

Cash flows from operating activities		
Net Income	\$	85,977
Adjustment to reconcile net income to net cash provided by operating activities:		
Increase in fees receivable		(33,245)
Increase in prepaid expenses		<u>(21,590)</u>
Net cash provided by operating activities		31,142
Net cash provided by investing activities:		
Decrease in due from parent		84,794
Cash at beginning of year		<u>67,047</u>
Cash at end of year	\$	<u>182,983</u>

See notes to financial statements.

Retirement System Distributors Inc.

Notes to Financial Statements

December 31, 2005

1. Nature of Business and Summary of Significant Accounting Policies

Organization

Retirement System Distributors Inc. (the "Company"), a wholly owned subsidiary of Retirement System Group Inc. (the "Parent"), is registered with the Securities and Exchange Commission as a broker-dealer and is a member of the National Association of Securities Dealers, Inc. and the Municipal Securities Rulemaking Board.

Principal Business Activities

The Company is the principal distributor for RSI Retirement Trust (the "Trust"), a New York Common Law Trust and a registered investment company. The Company also has sales distribution agreements with a number of U.S based mutual funds in connection with the sale of retirement plans and several Section 529 qualified tuition programs.

Financial Statement Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Revenue Recognition

The Company's revenues are generally recognized on the accrual basis in the period services are performed. Revenues received in advance under service contracts are recognized on a straight-line basis over the term of the contract.

Fees Receivable and Allowance for Doubtful Accounts

The Company's fees receivable are recorded at amounts billed to customers. Uncollected amounts as of the date of the statement of financial condition, if any, are reported net of an allowance for doubtful accounts, if required. The allowance is determined by a variety of factors, including the age of the receivable, current economic conditions, historical losses and other information management obtain regarding the financial condition of the customer. Receivables are deemed past due when they are uncollected beyond their contractual term. Receivables are charged off when they are deemed uncollectible, which may arise when a customer files for bankruptcy or is otherwise deemed unable to pay the amounts owed to the Company.

Retirement System Distributors Inc.

Notes to Financial Statements (continued)

Income Taxes

The Company is included in consolidated U.S. federal and state and local income tax returns with its Parent. The Parent allocates income taxes to its subsidiaries as if the subsidiary filed as a separate taxpayer. The Company has provided for federal, state and local income taxes for the year. During the current year, the Company utilized its remaining allocated net operating loss carryforward of approximately \$80,000 which reduced the current year tax expense and the deferred tax asset valuation allowance by approximately \$26,000.

Major Customers

For the year ended December 31, 2005, two customers accounted for approximately 53% and 15% of the fees earned.

2. Net Capital Requirement

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1 and that equity capital may not be withdrawn or cash dividends paid if the resulting net capital ratio would exceed 10 to 1. At December 31, 2005 the Company had net capital of \$182,983, which was \$179,983 in excess of its required net capital of \$5,000. The Company's net capital ratio was 0 to 1.

3. Related Party Transactions

Under an Expense Allocation Agreement ("EAA") with the Parent, the Company is charged a share of the expenses paid by the Parent proportional to the benefits the Company derived from the services provided by shared employees, plus a commensurate share of the combined overhead of the Company, the Parent and the parent's other subsidiaries.

Expenses allocated under the agreement of approximately \$21,000 are included in Compensation and Benefits, Professional Fees, Facilities and Other Expenses in the accompanying Statement of Income.

In addition, the Parent, as payment agent for the Company, disburses all of the other expenses of the Company, which reimburses the amounts paid not later than the month following the payment. Such reimbursements for the year ended December 31, 2005 amounted to approximately \$55,000.

The Parent also maintains a policy of funding, through capital contributions, the Company's losses, if any.

Retirement System Distributors Inc.

Notes to Financial Statements (continued)

4. Commitments and Contingencies

The Company maintains a bank account in the New York City metropolitan area. The excess of deposit balances reported by the bank over amounts covered by federal insurance was approximately \$83,000 at December 31, 2005.

5. Subsequent Events

Effective January 2006, the President of the Company resigned and was replaced.



Established 1923

Anchin, Block & Anchin LLP
Accountants and Consultants

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INDEPENDENT AUDITORS' REPORT

ON

SUPPLEMENTARY INFORMATION REQUIRED BY RULE 17a-5
OF THE SECURITIES AND EXCHANGE COMMISSION

TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF
RETIREMENT SYSTEM DISTRIBUTORS INC.

We have audited the accompanying financial statements of Retirement System Distributors Inc. as of December 31, 2005 and have issued our report thereon dated February 4, 2006. Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information contained in the accompanying schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17-a5 under the Securities Exchange Act of 1934. Such information has been subjected to the 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.

Anchin, Block & Anchin LLP

New York, New York
February 4, 2006

Retirement System Distributors Inc.

Schedule I

Computation of Net Capital Under Rule 15c3-1

December 31, 2005

Computation of net capital

Total shareholder's equity	\$	258,323
Less: Non-allowable assets		<u>75,340</u>
Tentative Minimum Net Capital		182,983
Less: Haircut on securities		<u>-</u>
Net Capital	\$	<u>182,983</u>

Aggregate indebtedness \$ -

Minimum net capital requirement of 6-2/3% of aggregate indebtedness or \$5,000, whichever is greater \$ 5,000

Excess net capital \$ 177,983

Ratio of aggregate indebtedness to net capital 0 to 1

Reconciliation of net capital with the Company's computation included in Part II A-17A-5 as of December 31, 2005:

As reported in the Company's Part IIA (unaudited) Focus Report	\$	198,263
Net Audit Adjustments		<u>(15,280)</u>
	\$	<u>182,983</u>

Retirement System Distributors Inc.

Schedule II

Statement Pursuant to Rule 15c3-3
December 31, 2005

For the year ended December 31, 2005 the brokerage transactions of the Company were limited to the sale and redemption of redeemable securities of RSI Retirement Trust and other registered investment companies or interests or participations in an insurance company separate account, and is, therefore, exempt from Rule 15c3-3 (Subparagraph (k)(1)).



Established 1923

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INDEPENDENT AUDITORS' REPORT ON
INTERNAL ACCOUNTING CONTROL

**TO THE BOARD OF DIRECTORS AND SHAREHOLDER OF
RETIREMENT SYSTEM DISTRIBUTORS INC.:**

In planning and performing our audit of the financial statements and supplementary schedules of Retirement System Distributors Inc. (the "Company") for the year ended December 31, 2005, we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities and Exchange Commission (the "SEC"), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons and recordation of differences required by Rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System
3. Obtaining and maintaining physical possession or control of all fully paid and excess margin securities of customers as required by Rule 15c3-3.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in any internal control or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

Our consideration of the internal control would not necessarily disclose all matters in internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2005 to meet the SEC's objectives.

This report recognizes that it is not practicable in an organization the size of Retirement System Distributors Inc. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that, alternatively, greater reliance must be placed on surveillance by management.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the National Association of Securities Dealers Inc. and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers and is not intended to be and should not be used by anyone other than these specified parties.

Anchin, Block & Anchin LLP

New York, New York
February 4, 2006