



Component Units of the State of Alabama

Comprehensive Annual Financial Report

For the Fiscal Year Ended September 30, 2015





The Retirement Systems of Alabama

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2015

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

201 South Union Street • P. O. Box 302150 • Montgomery, Alabama 36130-2150
(334) 517-7000 or 1-877-517-0020 • <http://www.rsa-al.gov>

Introductory Section

Letter of Transmittal.....	2
Certificate of Achievement for Excellence in Financial Reporting.....	6
Public Pension Coordinating Council Recognition Award for Funding 2015.....	7
Organizational Chart.....	8
Teachers' Retirement System Board of Control.....	9
Employees' Retirement System Board of Control.....	9
Staff, Advisors, and Medical Board.....	10

Financial Section

Independent Auditors' Report.....	12
Management's Discussion and Analysis.....	14
Financial Statements	
Combining Statement of Fiduciary Net Position.....	18
Combining Statement of Changes in Fiduciary Net Position.....	20
Notes to the Combined Financial Statements.....	22
Required Supplementary Information	
Schedule of Changes in the Net Pension Liability & Related Ratios.....	54
Schedules of Employer Contributions.....	57
Schedule of Investment Returns.....	58
Schedules of Proportionate Share of the Net Pension Liability.....	59
Schedules of Contributions – RSA Employees.....	60
Notes to the Required Supplementary Information.....	61
Supporting Schedules	
Schedule of Administrative Expenses.....	63
Schedule of Investment Expenses.....	64
Schedule of Professional/Consultant Fees.....	65

Investment Section

Report on Investment Activity.....	68
Investment Policies and Procedures.....	71
Employees' Retirement System Investment Policy Statement.....	74
Investment Results	
Schedule of Investment Performance.....	82
Investment Portfolio at Fair Value.....	83
Investment Income.....	84
Interest and Dividend Income.....	85
Teachers' Retirement System	
Schedule of Investment Allocation.....	86
Investment Summary at Fair Value.....	86
Largest Stock and Bond Holdings.....	87
Employees' Retirement System	
Schedule of Investment Allocation.....	88
Investment Summary at Fair Value.....	88
Largest Stock and Bond Holdings.....	89
Judicial Retirement Fund	
Schedule of Investment Allocation.....	90
Investment Summary at Fair Value.....	90
Largest Stock and Bond Holdings.....	91
Broker Commissions Paid.....	92

Actuarial Section

Teachers' Retirement System	
Actuary's Certification Letter.....	94
Summary of Actuarial Assumptions and Methods.....	97
Actuarial Cost Method.....	101
Summary of Plan Provisions.....	101
Schedule of Active Member Valuation Data.....	105
Schedule of Funding Progress.....	105
Solvency Test.....	106
Schedule of Retirants and Beneficiaries Added and Removed from Rolls.....	106
Analysis of Actuarial Gains and Losses.....	107
Employees' Retirement System	
Actuary's Certification Letter.....	108
Summary of Actuarial Assumptions and Methods.....	111
Actuarial Cost Method.....	116
Summary of Plan Provisions.....	116
Schedule of Active Member Valuation Data.....	123
Schedule of Funding Progress.....	123
Solvency Test.....	124
Schedule of Retirants and Beneficiaries Added and Removed from Rolls.....	124
Analysis of Actuarial Gains and Losses.....	125
Judicial Retirement Fund	
Actuary's Certification Letter.....	126
Summary of Actuarial Assumptions and Methods.....	128
Actuarial Cost Method.....	130
Summary of Plan Provisions.....	130
Schedule of Active Member Valuation Data.....	134
Schedule of Funding Progress.....	134
Solvency Test.....	135
Schedule of Retirants and Beneficiaries Added and Removed from Rolls.....	135
Analysis of Actuarial Gains and Losses.....	136

Statistical Section

Overview.....	138
Schedules of Additions by Source – Ten-Year History.....	139
Schedules of Deductions by Type – Ten-Year History.....	140
Schedules of Benefits by Type – Ten-Year History.....	141
Schedules of Additions, Reductions, and Changes in Net Position – Ten-Year History.....	142
Schedules of Retired Members by Type of Benefit.....	148
Schedules of Average Monthly Benefit Payments – Ten-Year History.....	151
Employees' Retirement System - Schedule of Local Participating Employers.....	154
Employees' Retirement System - Schedule of Largest Employers – Ten-Year History.....	164





Component Units of the State of Alabama Comprehensive Annual Financial Report

INTRODUCTORY SECTION



Teachers
Sarah S. Swindle, Chair
Susan W. Brown, Vice Chair



Employees
State State Police Public Judicial
Robert J. Bentley, Chair
Jacqueline B. Graham, Vice Chair

THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO
Donald L. Yancey, Deputy Director

January 15, 2016

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

Dear Board Members:

It is with great pleasure that we submit the Comprehensive Annual Financial Report (CAFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2015. The Retirement Systems of Alabama includes the Teachers' Retirement System of Alabama (TRS), the Employees' Retirement System of Alabama (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama Comprehensive Annual Financial Report.

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

Administration and Plan History

The TRS, ERS, and JRF operate under common management and are collectively referred to as the Retirement Systems of Alabama. In addition to executive management, the TRS, ERS, and JRF share investment management, accounting, and information system services, the costs of which are allocated to the funds on an equitable basis. The TRS was established pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) to provide benefits to qualified persons employed by State-supported educational institutions. The ERS was established pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (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 pursuant to the *Code of Alabama 1975, Title 12, Chapter 18* (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 Combined Financial Statements portion of this report.

Financial Information

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

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

Summary Comparative Data – Management’s Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes and required supplementary information, and summary comparative data for fiscal years 2015 and 2014. Also, an analysis of significant variances between fiscal years 2015 and 2014 is provided in the MD&A.

In fiscal year 2015, the Systems implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires recognition of net pension liability and a more comprehensive measure of pension expense. The Systems have recognized their proportionate share of the liability, deferred outflows of resources, and deferred inflows of resources related to pensions. Funding information is presented in the Actuarial Section of this report.

Plan Financial Condition

The funding objective of the RSA pension trust funds is to accumulate sufficient assets during a member’s employment by requiring employer and member contributions to fully finance the benefits the member is expected to receive throughout retirement.

At September 30, 2014, the date of the most recent actuarial valuation, the number of participants in the TRS was 267,430, ERS participants totaled 157,760, and JRF participants totaled 761. The following table compares the funded status as of September 30, 2014 and 2013:

Funded Status (%)			
System	9/30/2014	9/30/2013	% Increase/ (Decrease)
TRS	67.5	66.2	1.3
ERS	66.9	65.7	1.2
JRF	60.9	58.7	2.2

Investment Activity

Total investments for the RSA decreased in fiscal year 2015, primarily due to decreases in the fair value of investments. Total pension fund investments managed by the RSA decreased from \$33.2 billion at September 30, 2014, to \$32.2 billion at September 30, 2015, a 3.03% decrease.

	Investments, at Fair Value		Interest & Dividend Income	
	9/30/2015	9/30/2014	9/30/2015	9/30/2014
TRS	\$21.5 billion	\$22.2 billion	\$640.9 million	\$618.9 million
ERS	\$10.4 billion	\$10.8 billion	\$311.5 million	\$298.0 million
JRF	\$260.6 million	\$273.5 million	\$6.7 million	\$7.0 million

Net Change in Fair Value of Investments		
	9/30/2015	9/30/2014
TRS	\$(381.4) million	\$1.9 billion
ERS	\$(186.2) million	\$888.3 million
JRF	\$(7.7) million	\$24.2 million

Total returns were 1.04%, 1.05%, and -0.54% for TRS, ERS and JRF, respectively. A poor finish to the fiscal fourth quarter wiped out decent gains seen in the first three quarters within the equity portfolio. Global GDP and currency concerns won the day, and risk assets experienced a sharp downward spike in August and September. Bonds produced

positive low single digit returns as investors ran to safe harbors. Strong positive returns in real estate and private placements helped pull total fund returns back into the black for TRS and ERS. We will continue to invest in a diverse mix of assets, and monitor asset class ranges per the guidance given in the respective Investment Policy Statements of each system, with the long term goal of achieving our actuarial assumed rate of return. Additional information concerning investments, including investment policies and procedures, is located in the Investment Section of this report.

Management's Discussion and Analysis

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

Professional Services

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

Financial Statement Audit

Carr, Riggs and Ingram, LLC, Certified Public Accountants, issued an unqualified ("clean") opinion on the RSA's financial statements for the fiscal year ended September 30, 2015. The independent auditors' report is located at the front of the Financial Section of this report.

Highlights and Initiatives

Market performance during fiscal year 2015 was somewhat stable, with equity markets performing well over most of the year but turning sharply negative in August, about six weeks before the end of the fiscal year. Domestic large-cap equities turned in a slightly negative return for the fiscal year, while mid- and small-cap equities turned in slightly positive returns for the fiscal year. International equities returned roughly -8.4% while emerging markets returned -19.2% for the fiscal year. Fixed income markets experienced a solid positive return for the fiscal year as interest rates were choppy through June, and then steadily moved lower during the last quarter of the fiscal year. Returns within this sector were close to 3% for the fiscal year. Markets have continued to be somewhat reactionary around macroeconomic and global events as they have been the last few years, but we continue to see fundamentals influencing performance as well as company earnings and strong balance sheets.

Several of the RSA's investments were honored during the fiscal year. *TVNewsCheck* named Raycom Media "Station Group of the Year" for 2015, citing its innovative approach to technology, digital media, and programming. Additionally, Paul McTear, CEO of Raycom Media, was named *Broadcast and Cable's* "Broadcaster of the Year" for 2015. Community Newspaper Holdings (CNHI) was honored to have *Editor & Publisher* magazine name its North of Boston Group as the "Publisher of the Year". This award usually goes to much larger papers so this was a great achievement for CNHI. The Grand Hotel Marriott Resort was named one of the top Southern Resorts by *Conde Nast Traveler* magazine during the year; and 2014 guest satisfaction surveys at Marriott and Renaissance hotels across all of North America rated four of their top five sites on Alabama's Robert Trent Jones Golf Trail with the Renaissance Ross Bridge Golf Resort and Spa being named at the very top.

Renovation continues on the historic Van Antwerp Building in Mobile, which the RSA purchased last fiscal year. This building is ten stories high and over 58,000 square feet. The Van Antwerp Building is one of Mobile's oldest structures and joins RSA's stable of Port City holdings that include RSA Battle House Tower, the RSA Bank Trust Building, the Renaissance Mobile Riverview Plaza Hotel & Spa, and the Battle House Renaissance Mobile Hotel & Spa.

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its comprehensive annual financial report for the fiscal year ended September 30, 2014. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report 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 comprehensive annual financial report continues to conform to the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

The Retirement Systems received the Public Pension Coordinating Council (PPCC) Recognition Award for Funding 2015. The award recognizes organizations that meet professional standards for plan funding as set forth in the Public Pension Standards.

Acknowledgments

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

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

Sincerely,

Diane E. Scott

Diane E. Scott, CPA, CGMA
Chief Accountant & Fiscal Officer

David G. Bronner

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



Government Finance Officers Association

**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, 2014



Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Funding
2015***

Presented to

Retirement Systems of Alabama

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

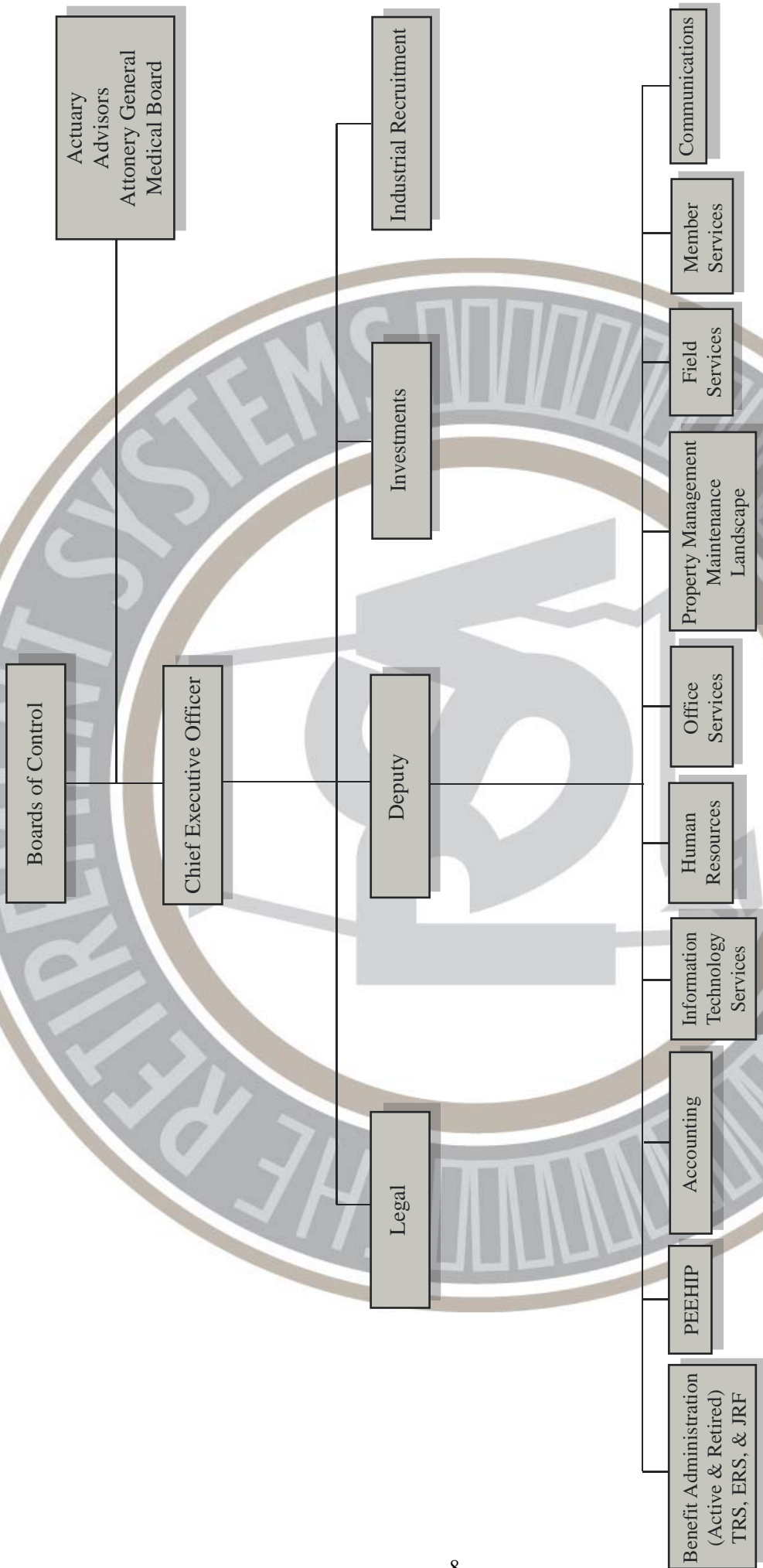
Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink, reading 'Alan H. Winkle'.

Alan H. Winkle
Program Administrator

Retirement Systems of Alabama



Note: The Retirement Systems of Alabama (“RSA”) is a public pension plan statutorily formed under the laws of the State of Alabama. RSA consists of the Teachers’ Retirement System of Alabama and the Employees’ Retirement System of Alabama which includes and administers the Judicial Retirement Fund. Each system is considered a body corporate of the State of Alabama and they are referred to collectively for financial reporting purposes as “RSA.” While each system has distinct boards of control, they share executive management and certain other services.

Teachers' Retirement System Board of Control

Ex Officio Members

Mr. Bill Newton, Acting State Finance Director

Mr. Young Boozer, State Treasurer

Dr. Thomas R. Bice, State Superintendent of Education

Elected Members

Chair, Mrs. Sarah S. Swindle, Retired Position

Vice Chair, Dr. Susan Williams Brown, Postsecondary Position

Mr. Joseph E. Ward, Retired Position

Mr. Luther P. Hallmark, Superintendent Position

Mrs. Teresa Harbison Swindall, Teacher Position

Mr. C. Ray Hayes, Higher Education Position

Dr. Donald L. Large, Jr., Higher Education Position

Mrs. Susan Lockridge, Support Personnel Position

Ms. Charlene McCoy, Teacher Position

Mr. Richard Brown, Principal Position

Mr. Russell J. Twilley, Support Personnel Position

Mr. John R. Whaley, Teacher Position

Employees' Retirement System Board of Control**

Ex Officio Members

Chair, Dr. Robert Bentley, Governor

Mr. Bill Newton, Acting State Finance Director

Mr. Young Boozer, State Treasurer

Vice Chair, Mrs. Jackie B. Graham, State Personnel Director

Elected Members

Mr. James Fibbe, Retired Local Employee Position

Mr. Steven W. Williams, Active Local Employee Position

Mr. Ben Powell, Active Local Employee Position

Mr. James H. Rowell, Retired State Employee Position

Mr. David Bollie, Active State Employee Position

Mr. Stephen C. Walkley, Active State Employee Position

Appointed Members

Mr. Curtis E. Stewart

Ms. Wendy S. Hester

Mr. Christopher Blankenship

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Staff, Advisors, and Medical Board

Staff, Advisors, and Medical Board

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

Donald L. Yancey, M.P.A., J.D., Deputy Director

Administrative Staff

Communications, Michael E. Pegues, M.A.

Chief Accountant & Financial Officer, Diane E. Scott, B.S., C.P.A., C.G.M.A.

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

Field Services, Robert J. Crowe, BBA

Information Technology Services, Michael T. Baker, B.S.

General Counsel, Leura G. Canary, J.D.

Legislative Counsel, Neah L. Mitchell, J.D.

Member Services, Penny K. Wilson, B.S.

Teachers' Retirement Executive, Christopher P. Townes, M.B.A.

Investment Staff

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

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

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

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

Chief Economist, C. Lance Lachney, M.B.A., C.F.A.

Director of Equities, G. Allan Carr Jr., M.B.A., C.F.A.

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

Equity Analyst, Michael J. McNair, M.B.A., C.F.A.

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

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

Equity Analyst, Hunter Bronson, M.S.

Equity Analyst, Jeff Silverman, M.B.A., C.F.A.

Equity Analyst, Trent Green, M.B.A.

Equity Analyst, Major Lee, B.S.

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

Cash Management & Operations, Catherine S. Ray, B.A.

Advisors

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

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

Investment Custodian, State Street Bank and Trust Company

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

Attorney General, Honorable Luther Strange

Chief Examiner, Mr. Ronald L. Jones

Medical Board

Chair, Glenn Yates, M.D.

Gregory Borg, M.D.

Malcolm Brown, M.D.



Component Units of the State of Alabama Comprehensive Annual Financial Report

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

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

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of the Retirement Systems of Alabama (consisting of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama, and the Judicial Retirement Fund, component units of the State of Alabama), as of and for the year ended September 30, 2015, and the related notes to the combined financial statements, which collectively comprise the Retirement Systems of Alabama's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Systems of Alabama, as of September 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in note 2 and note 11 to the basic financial statements, during 2015, the Retirement Systems of Alabama adopted Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and Governmental Accounting Standards Board Statement No. 71, *Pension Transition for Contributions Subsequent to the Measurement Date*. As a result of the adoption, the Retirement Systems of Alabama has restated its fiduciary net position as of October 1, 2014 to comply with the pronouncements. Our opinion is not modified with respect to this matter.

Other Matters

Prior-Year Comparative Information

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Retirement Systems of Alabama's financial statements for the year ended September 30, 2014, from which such partial information was derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of changes in the net pension liability and related ratios, the schedules of employer contributions, the schedule of investment returns, the schedules of proportionate share of net pension liability and schedules of contributions for TRS, ERS and JRF be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental and Other Information

Our audit was conducted for the purpose of forming an opinion on the combined financial statements that collectively comprise the Retirement Systems of Alabama's basic financial statements. The introductory section, investment section, actuarial section, statistical section, schedule of administrative expenses, schedule of investment expenses and schedule of professional/consultant fees (supplementary information) are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses, schedule of investment expenses and schedule of professional/consultant fees are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Cam, Riggs & Ingram, L.L.C.

January 15, 2016
Montgomery, Alabama

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 fiscal year ended September 30, 2015. For more detailed information, please refer to the financial statements, including the Notes to the Combined Financial Statements and the Required Supplementary Information.

Financial Statements and Required Supplementary Information

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

Combining Statement of Fiduciary Net Position – Includes all assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the RSA and provides a snapshot of the financial position of the RSA as of the end of the fiscal year. Assets and deferred outflows of resources less liabilities and deferred inflows of resources results in the net position restricted for pension benefits at the end of the fiscal year.

Combining Statement of Changes in Fiduciary Net Position – 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 fiduciary net position for the fiscal year. The change in fiduciary net position plus the beginning fiduciary net position results in the fiduciary net position at the end of the fiscal year.

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

The Required Supplementary Information following the Notes to the Combined Financial Statements includes Schedules of Changes in the Net Pension Liability & Related Ratios, Schedules of Employer Contributions, Schedule of Investment Returns, Schedules of Proportionate Share of the Net Pension Liability, and Schedules of Contributions for TRS, ERS, and JRF. The Schedules of Employer Contributions provides trend data on the annual required employer contributions and the percentage actually contributed.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Comparative Summary Statements

Summary Comparative Combining Statement of Fiduciary Net Position

As of September 30, 2015 and 2014

(Amounts in Thousands)

	2015	2014	Variance	% Increase/ (Decrease)
<i>Assets and Deferred Outflows of Resources</i>				
Cash	\$ 34,952	\$ 40,014	\$ (5,062)	(12.65)
Receivables	256,207	253,467	2,740	1.08
Investment Sales Receivable	96,619	28,903	67,716	234.29
Investments, at fair value	32,184,795	33,192,008	(1,007,213)	(3.03)
Invested Securities Lending Collateral	2,529,387	1,645,768	883,619	53.69
Property and Equipment, Net	141,124	138,754	2,370	1.71
Deferred Outflows of Resources	3,894	-	3,894	100.00
Total Assets and Deferred Outflows of Resources	35,246,978	35,298,914	(51,936)	(0.15)
<i>Liabilities and Deferred Inflows of Resources</i>				
Accounts Payable and Other Liabilities	8,286	7,289	997	13.68
Investment Purchases Payable	106,100	35,948	70,152	195.15
Other Post-employment Benefit Obligations	8,821	7,554	1,267	16.77
Net Pension Liability	28,787	-	28,787	100.00
Securities Lending Collateral	2,529,387	1,645,768	883,619	53.69
Deferred Inflows of Resources	2,088	-	2,088	100.00
Total Liabilities and Deferred Inflows of Resources	2,683,469	1,696,559	986,910	58.17
<i>Net Position</i>	\$ 32,563,509	\$ 33,602,355	\$ (1,038,846)	(3.09)

Summary Comparative Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Years Ended September 30, 2015 and 2014

(Amounts in Thousands)

	2015	2014	Variance	% Increase/ (Decrease)
<i>Additions</i>				
Employee Contributions	\$ 703,309	\$ 704,116	\$ (807)	(0.11)
Employer Contributions	1,163,680	1,146,518	17,162	1.50
Investment Income	387,102	3,691,025	(3,303,923)	(89.51)
Transfers Between Systems	7,546	6,513	1,033	15.86
Total Additions	2,261,637	5,548,172	(3,286,535)	(59.24)
<i>Deductions</i>				
Retirement Allowance Payments	3,124,165	2,975,899	148,266	4.98
Return of Contributions & Death Benefits	109,184	102,690	6,494	6.32
Transfers Between Systems	7,546	6,513	1,033	15.86
Administrative Expenses	26,566	22,996	3,570	15.52
Depreciation	6,304	6,391	(87)	(1.36)
Total Deductions	3,273,765	3,114,489	159,276	5.11
<i>Increase/(Decrease) in Fiduciary Net Position</i>	(1,012,128)	2,433,683	(3,445,811)	(141.59)
Beginning Net Position, as previously reported	33,602,355	31,168,672	2,433,683	7.81
Adjustment for Application of GASB 68	(26,718)	-	(26,718)	100.00
Beginning of Year - as adjusted	33,575,637	31,168,672	2,406,965	7.72
<i>Net Position - End of Year</i>	\$ 32,563,509	\$ 33,602,355	\$ (1,038,846)	(3.09)

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Comparison of Individual Fiduciary Net Position

As of September 30, 2015 and 2014

(Amounts in Thousands)

	2015	2014	Variance	% Increase/ (Decrease)
TRS	\$ 21,747,731	\$ 22,441,307	\$ (693,576)	(3.09)
ERS	10,551,904	10,883,952	(332,048)	(3.05)
JRF	263,874	277,096	(13,222)	(4.77)
Total	\$ 32,563,509	\$ 33,602,355	\$ (1,038,846)	(3.09)

Financial Analysis

- Primarily all cash on hand at September 30, 2015, was held for administrative expenses.
- In the Summary Comparative Combining Statement of Fiduciary Net Position, receivables consist of employee contributions, employer contributions, interest, dividends, and real estate receivables at September 30, 2015.
- Investment sales receivable and investment purchases payable occur as a result of trade date accounting. The increase in the receivable for fiscal year 2015 was due to the value of securities sold in the current fiscal year and settling in the following fiscal year being larger than the value of the securities sold in the previous fiscal year but settled in the current fiscal year. The increase in the payable for fiscal year 2015 was due to the value of securities purchased in the current fiscal year and settling in the following fiscal year being larger than the value of the securities purchased in the previous fiscal year but settled in the current fiscal year.
- The RSA's investment portfolio presented in percentages by investment type:

	TRS	ERS	JRF
Equity	64.19%	63.22%	65.63%
Fixed	25.53%	26.50%	32.98%
Real Estate	10.28%	10.28%	1.39%
Total	100.00%	100.00%	100.00%

- Employer contributions increased as a result of higher employer contribution rates for fiscal year 2015. The employer contribution rates for fiscal year 2015 are in the table below. ERS local participating employer contribution rates differ for each employer.

	Tier 1	Tier 2
TRS	11.71%	11.05%
ERS - State Employees	13.45%	13.31%
ERS - State Police	38.37%	32.45%
JRF	35.24%	-

- During fiscal year 2015, returns on investments of the TRS, ERS, and JRF were 1.04%, 1.05%, and -0.54%, respectively. The returns were calculated by State Street Bank.
- During fiscal year 2015, net securities lending income increased by 27% for RSA. This was primarily driven by an overall 22% increase in average on-loan balances alongside a 54% increase in cash loans. The majority of the increase in average on-loan balances was driven by the U.S. Equity trading desk. Within the equity desks, the energy sector had sustained demand over the course of the year driving RSA's earnings. Other sectors driving earnings were the metals and mining as well as pharmaceuticals. Additionally, the U.S. Government securities average on-loan balance remained relatively flat, while the non-U.S. equity balances dropped by approximately 9%. Concurrent with the increase in on-loan balances and cash loans, was an increase in borrower rebates and earnings. With cash loans, the borrower posts cash as collateral which is reinvested in a collateral fund which generates earnings, of those earnings the borrowing broker receives a rebate. Non-cash collateral requires the borrower to pay a fee for use of the loaned securities. RSA earnings increased approximately \$2.6 million and borrower rebates increased approximately \$450,000.
- Retirement allowance payments increased due to the addition of the members who retired in fiscal year 2015. There were no cost of living adjustments granted for fiscal year 2015.

Funding Status

The Governmental Accounting Standards Board (GASB) has issued Statement No. 67, *Financial Reporting for Pension Plans*, which amends GASB Statement No. 25. Under GASB Statement No. 67, the methodology for determining the net pension liability disclosed in the Notes to the Combined Financial Statements has shifted from a funding perspective to an accounting perspective.

At September 30, 2015, TRS and JRF employers' total pension liability was \$32.2 billion and \$424.2 million, respectively. The plan fiduciary net position of TRS and JRF employers was \$21.7 billion and \$263.9 million, respectively, resulting in a net pension liability of \$10.5 billion and \$160.3 million, respectively. The plan fiduciary net position as a percentage of the total pension liability for TRS and JRF employers was 67.51% and 62.20%, respectively, using GASB Statement No. 67 measurements.

Under the provisions of GASB Statement No. 67, agent-multiple employer plans such as ERS apply the measurements and recognition of net pension liability at the individual plan level for each retirement plan administered. Therefore, aggregate information for ERS related to the net pension liability has not been presented.

Financial Highlights

- Net assets held in trust of \$32.6 billion at September 30, 2015, were available to meet future benefit payments.
- The funding level (actuarial value of assets as a percentage of actuarial accrued liabilities) as of the latest actuarial valuations was 67.5% for the TRS, 66.9% for the ERS, and 60.9% for the JRF.
- GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, was implemented in the accompanying financial statements as of September 30, 2015, and resulted in a prior period adjustment to the Fiduciary Net Position, as previously reported.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Fiduciary Net Position

September 30, 2015 with comparative figures for 2014

(Amounts in Thousands)

	2015			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets				
Cash (Note 4)	\$ 28,969	\$ 3,786	\$ 2,197	\$ 34,952
Receivables				
Employee Contributions	38,581	17,745	169	56,495
Employer Contributions	61,317	33,650	532	95,499
Investment Sales Receivable	62,797	33,822	-	96,619
Real Estate Investment Receivable	957	479	-	1,436
Dividends and Interest	68,900	32,630	1,006	102,536
Miscellaneous Receivable	115	126	-	241
Total Receivables	232,667	118,452	1,707	352,826
Investments, at Fair Value (Note 5)				
Domestic Equity	11,102,304	5,405,737	134,526	16,642,567
Domestic Fixed Income	4,888,919	2,340,213	74,039	7,303,171
International Equities	2,688,554	1,194,073	36,551	3,919,178
Real Estate	2,209,180	1,072,930	3,622	3,285,732
Short-Term	595,981	426,257	11,909	1,034,147
Total Investments	21,484,938	10,439,210	260,647	32,184,795
Invested Securities Lending Collateral (Note 5)	1,742,858	754,437	32,092	2,529,387
Property and Equipment less Accumulated Depreciation (Note 8)	95,068	46,056	-	141,124
Total Assets	23,584,500	11,361,941	296,643	35,243,084
Deferred Outflows of Resources	2,981	896	17	3,894
Total Assets and Deferred Outflows of Resources	23,587,481	11,362,837	296,660	35,246,978
Liabilities				
Accounts Payable and Other Liabilities	5,302	2,959	25	8,286
Investment Purchases Payable	69,309	36,413	378	106,100
Other Post-employment Benefits (Note 9)	4,408	4,374	39	8,821
Net Pension Liability	16,626	11,991	170	28,787
Securities Lending Collateral (Note 5)	1,742,858	754,437	32,092	2,529,387
Total Liabilities	1,838,503	810,174	32,704	2,681,381
Deferred Inflows of Resources	1,247	759	82	2,088
Total Liabilities and Deferred Inflows of Resources	1,839,750	810,933	32,786	2,683,469
Net Position Restricted for Pension Benefits (Note 3)	\$ 21,747,731	\$ 10,551,904	\$ 263,874	\$ 32,563,509

See accompanying Notes to the Combined Financial Statements.

		2014			
		Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Assets					
Cash		\$ 31,935	\$ 5,884	\$ 2,195	\$ 40,014
Receivables					
Employee Contributions		38,809	17,881	169	56,859
Employer Contributions		61,300	32,044	533	93,877
Investment Sales Receivable		18,787	10,116	-	28,903
Real Estate Investment Receivable		998	499	-	1,497
Dividends and Interest		68,125	32,187	922	101,234
Total Receivables		188,019	92,727	1,624	282,370
Investments, at Fair Value					
Domestic Equity		11,820,999	5,674,052	153,148	17,648,199
Domestic Fixed Income		4,736,010	2,250,969	60,695	7,047,674
International Equities		2,985,814	1,324,703	39,814	4,350,331
Real Estate		2,095,289	1,017,338	3,395	3,116,022
Short-Term		522,791	490,538	16,453	1,029,782
Total Investments		22,160,903	10,757,600	273,505	33,192,008
Invested Securities Lending Collateral		1,096,592	523,848	25,328	1,645,768
Property and Equipment less Accumulated Depreciation		92,633	46,121	-	138,754
Total Assets		23,570,082	11,426,180	302,652	35,298,914
Liabilities					
Accounts Payable and Other Liabilities		4,731	2,520	38	7,289
Investment Purchases Payable		23,739	12,054	155	35,948
Other Post-employment Benefits		3,713	3,806	35	7,554
Securities Lending Collateral		1,096,592	523,848	25,328	1,645,768
Total Liabilities		1,128,775	542,228	25,556	1,696,559
Net Position Restricted for Pension Benefits		\$ 22,441,307	\$ 10,883,952	\$ 277,096	\$ 33,602,355

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended September 30, 2015 with comparative figures for 2014

(Amounts in Thousands)

	2015			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	\$ 473,903	\$ 225,767	\$ 3,639	\$ 703,309
Employer	737,671	410,932	15,077	1,163,680
Transfers from Teachers' Retirement System	-	3,432	-	3,432
Transfers from Employees' Retirement System	4,015	-	44	4,059
Transfers from Judicial Retirement Fund	-	55	-	55
Total Contributions	1,215,589	640,186	18,760	1,874,535
Investment Income (Note 5)				
From Investing Activities				
Net Decrease in Fair Value of Investments	(381,400)	(186,154)	(7,695)	(575,249)
Interest and Dividends	640,910	311,516	6,698	959,124
Total Investment Income from Investing Activities	259,510	125,362	(997)	383,875
Less: Investment Expenses, Net	6,407	2,771	-	9,178
Net Investment Income from Investing Activities	253,103	122,591	(997)	374,697
From Securities Lending Activities				
Securities Lending Income	11,512	5,353	195	17,060
Less Securities Lending Expenses:				
Borrower Rebates	365	164	7	536
Management Fees	2,782	1,290	47	4,119
Total Securities Lending Expenses	3,147	1,454	54	4,655
Net Income from Securities Lending Activities	8,365	3,899	141	12,405
Total Net Investment Income	261,468	126,490	(856)	387,102
Total Additions	1,477,057	766,676	17,904	2,261,637
Deductions				
Retirement Allowance Payments	2,075,302	1,018,515	30,348	3,124,165
Return of Contributions and Death Benefits	58,060	51,024	100	109,184
Transfers to Employees' Retirement System	3,432	-	55	3,487
Transfers to Teachers' Retirement System	-	4,015	-	4,015
Transfers to Judicial Retirement Fund	-	44	-	44
Administrative Expenses	15,074	11,136	356	26,566
Depreciation (Note 8)	4,258	2,046	-	6,304
Total Deductions	2,156,126	1,086,780	30,859	3,273,765
Net Decrease	(679,069)	(320,104)	(12,955)	(1,012,128)
Net Position Restricted for Pension Benefits (Note 3)				
Beginning of Year - as previously reported	22,441,307	10,883,952	277,096	33,602,355
Adjustment for Application of GASB 68 (Note 11)	(14,507)	(11,944)	(267)	(26,718)
Beginning of Year - as adjusted	22,426,800	10,872,008	276,829	33,575,637
End of Year	\$ 21,747,731	\$ 10,551,904	\$ 263,874	\$ 32,563,509

See accompanying Notes to the Combined Financial Statements.

	2014			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Additions				
Contributions				
Employee	\$ 477,300	\$ 223,135	\$ 3,681	\$ 704,116
Employer	739,547	391,181	15,790	1,146,518
Transfers from Teachers' Retirement System	-	2,880	-	2,880
Transfers from Employees' Retirement System	3,549	-	83	3,632
Transfers from Judicial Retirement Fund	-	1	-	1
Total Contributions	1,220,396	617,197	19,554	1,857,147
Investment Income				
<i>From Investing Activities</i>				
Net Increase in Fair Value of Investments	1,853,288	888,303	24,197	2,765,788
Interest and Dividends	618,861	298,049	7,030	923,940
Total Investment Income from Investing Activities	2,472,149	1,186,352	31,227	3,689,728
Less: Investment Expenses, Net	5,732	2,766	-	8,498
Net Investment Income from Investing Activities	2,466,417	1,183,586	31,227	3,681,230
<i>From Securities Lending Activities</i>				
Securities Lending Income	9,629	4,199	167	13,995
Less Securities Lending Expenses:				
Borrower Rebates	65	21	1	87
Management Fees	2,829	1,235	49	4,113
Total Securities Lending Expenses	2,894	1,256	50	4,200
Net Income from Securities Lending Activities	6,735	2,943	117	9,795
Total Net Investment Income	2,473,152	1,186,529	31,344	3,691,025
Total Additions	3,693,548	1,803,726	50,898	5,548,172
Deductions				
Retirement Allowance Payments	1,997,595	948,478	29,826	2,975,899
Return of Contributions and Death Benefits	54,699	47,937	54	102,690
Transfers to Employees' Retirement System	2,880	-	1	2,881
Transfers to Teachers' Retirement System	-	3,549	-	3,549
Transfers to Judicial Retirement Fund	-	83	-	83
Administrative Expenses	13,103	9,612	281	22,996
Depreciation	4,336	2,055	-	6,391
Total Deductions	2,072,613	1,011,714	30,162	3,114,489
Net Increase	1,620,935	792,012	20,736	2,433,683
Net Position Restricted for Pension Benefits				
Beginning of Year	20,820,372	10,091,940	256,360	31,168,672
End of Year	\$ 22,441,307	\$ 10,883,952	\$ 277,096	\$ 33,602,355

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

1) PLAN DESCRIPTION

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

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (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 TRS Board of Control consists of 15 trustees as follows:

- 1) The State Superintendent of Education, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Director of Finance, ex officio.
- 4) Twelve members of TRS who are elected by members from the same category of TRS for a term of three years as follows:
 - a. Teacher Place #1.
 - b. Teacher Place #2.
 - c. Teacher Place #3.
 - d. Educational Support Personnel Place #1.
 - e. Educational Support Personnel Place #2.
 - f. Retired Place #1.
 - g. Retired Place #2.
 - h. Superintendents' Place.
 - i. Principals' Place.
 - j. Postsecondary Place for a term beginning July 1, 2016, to be filled by a member elected from an institution of postsecondary education that is part of the Alabama Community College System.
 - k. Higher Education Place #1.
 - l. Higher Education Place #2.

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (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. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of the ERS is vested in its Board of Control.

The ERS Board of Control consists of 13 trustees as follows:

- 1) The Governor, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Personnel Director, ex officio.
- 4) The State Director of Finance, ex officio.
- 5) Three vested members of ERS appointed by the Governor for a term of four years, no two of whom are from the same department of state government nor from any department of which an ex officio trustee is the head.
- 6) Six members of ERS who are elected by members from the same category of ERS for a term of four years as follows:
 - a. Two retired members with one from the ranks of retired state employees and one from the ranks of retired employees of a city, county, or a public agency each of whom is an active beneficiary of ERS.
 - b. Two vested active state employees.
 - c. Two vested active employees of an employer participating in ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

The JRF, a cost-sharing multiple-employer public employee retirement plan, was established as of September 18, 1973, pursuant to the *Code of Alabama 1975, Title 12, Chapter 18* (Act 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. The *Code of Alabama 1975, Title 12, Chapter 18, Articles 3 & 4* (Act 1205 of the Legislature of 1975) enlarged the scope and coverage of the JRF to include District and Probate Judges, respectively. The responsibility for the general administration and operation of the JRF is vested in the Board of Control of the ERS.

At September 30, 2015, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	294	-
Counties	-	65	67
Other Public Entities	-	516	-
Universities	13	-	-
Postsecondary			
Institutions	27	-	-
City and County			
Boards of Education	138	-	-
State Agencies & Other	31	1	1
Totals	<u>209</u>	<u>876</u>	<u>68</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

At September 30, 2014, the date of the most recent actuarial valuation, membership consisted of:

	TRS	ERS	JRF
Retirees and beneficiaries currently receiving benefits:			
General	85,209	22,118	375
State Police	-	861	-
Employees of Local Employers	-	21,405	-
Deferred Retirement Option Plan (DROP)	1,748	891	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	15,402	2,687	48
State Police	-	11	-
Employees of Local Employers	-	6,300	-
Non-vested inactive members who have not contributed for more than 5 years	29,841	18,793	-
Active Employees:			
General	135,230	28,977	338
State Police	-	715	-
Employees of Local Employers	-	55,002	-
Totals	267,430	157,760	761

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 creditable service. Teachers and state employees who retire after age 60 (52 for State Police) with 10 years or more of creditable 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 creditable 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.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS and ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and 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, Tier 2 members of the TRS and ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% 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 creditable service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining age 60. 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 creditable service (regardless of age), (2) completed 12 years of creditable service and has attained age 65, (3) completed 15 years of creditable service and whose age plus service equals or exceeds 77, (4) completed 10 years of creditable service and has attained age 70 or (5) been elected prior to July 30, 1979, and has

18 years of service (regardless of age). A member eligible to retire who has not requested his or her retirement benefit to commence at the end of the term in which the member's 70th birthday occurs is entitled only to the refund of his or her contributions (except for members with at least 25 years of creditable service). The service retirement benefit for circuit, appellate, and probate judges is 75% of the member's salary at the time of separation from service. The service retirement benefit for a district judge is 75% of the position's salary immediately prior to retirement.

Covered members of the TRS and ERS (except State Police and certified law enforcement, correctional officers, and firefighters) contributed 5% of earnable compensation to the TRS and ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS and ERS (except State Police and certified law enforcement, correctional officers, and firefighters) were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS and ERS (except State Police and certified law enforcement, correctional officers, and firefighters) are required by statute to contribute 7.50% of earnable compensation. JRF members and certified law enforcement, correctional officers, and firefighters of the TRS and ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, JRF members and certified law enforcement, correctional officers, and firefighters of the TRS and ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, JRF members and certified law enforcement, correctional officers, and firefighters of the TRS and ERS are required by statute to contribute 8.50% of earnable compensation. State Police members of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the TRS and ERS (except State Police and certified law enforcement, correctional officers, and firefighters) contribute 6% of earnable compensation to the TRS and ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS and ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contribution rates are the same for Tier 2 covered members of ERS local participating employers.

2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

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

B. Investments

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer (CEO) and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other investment vehicles with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals or cost, when cost approximates fair value. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an independent appraisal is performed to determine the fair value of the private placements. RSA invests in limited

(Dollar Amounts in Thousands)

partnerships which are long-term and generally illiquid. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. These partnership investments are valued using their respective net asset values (NAV) and are generally audited annually. The most significant element of the NAV is the fair value of the investment holdings. These holdings are valued by the general partners in conjunction with management, investment advisors, and valuation specialists. The valuation techniques vary based on investment type and involve a certain degree of expert judgment. The fair value for these investments could differ significantly if a ready market for these assets existed.

C. Comparative Combining Statements

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

D. Interfund Transfers

Interfund transfers result from transfers of members between retirement systems.

E. Use of Estimates

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

F. Deferred Outflows & Inflows of Resources

In addition to assets, the Combining Statement of Fiduciary Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of fiduciary net position that applies to future periods and will not be recognized as an outflow of resources until that period. Employer contributions subsequent to the measurement date related to the employer's net pension liability are reported as deferred outflows of resources until the next measurement date.

In addition to liabilities, the Combining Statement of Fiduciary Net Position will sometimes report a separate section for *Deferred Inflows of Resources*. This separate financial statement element represents an acquisition of fiduciary net position that applies to future periods and will not be recognized until then. Net differences between projected and actual earnings on pension plan investments identified during the measurement period are deferred and amortized as a component of pension expense in future periods.

G. New Accounting Pronouncements

In fiscal year 2015, the Systems implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. GASB Statement No. 68 requires recognition of net pension liability and a more comprehensive measure of pension expense. The Systems have recognized their proportionate share of the liability, deferred outflows of resources, and deferred inflows of resources related to pensions.

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) was established as of October 1, 1983, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27B* (Act 616 of the Legislature of 1983). The PRDB account 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 preretirement death benefit is equal to the annual earnable compensation of the member as reported to the System for the preceding year ending June 30 for the TRS and September 30 for the ERS. There is no PRDB available for JRF members. These assets are not included in the actuarial valuation and the liabilities associated with these death benefits are not included in the actuarial valuation.

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 prorated amount of fifteen thousand dollars. These assets are not included in the actuarial valuation and the liabilities associated with these life insurance benefits are not included in the valuation.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

E. Expense

The Expense fund is used to pay the administrative expenses of the RSA. A portion of the employer contributions and the interest not payable upon member withdrawal provide the funding of the expense fund. The majority of expenses are directly identifiable as expenses of the TRS, ERS, or JRF. As discussed in Note 1, certain administrative salaries and other expenses are shared on an equitable basis between the TRS and ERS. These assets are not included in the actuarial valuation.

F. Deferred Retirement Option Plan (DROP)

The DROP was established for election to participate on or after June 1, 2002, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25, Article 9* for TRS participants and the *Code of Alabama 1975, Title 36, Chapter 27B, Article 9* for ERS participants (Act 23 of the Legislature of 2002). Eligible members may elect to retire, and, in lieu of immediate withdrawal from service, continue employment for a period of three to five years. The retirement allowance, employee contributions, and interest earned are accumulated in an account for the benefit of the member. At the end of participation, the account balance is paid to the member. DROP participation is an option available to eligible members that have at least 25 years of service (exclusive of sick leave), are at least 55 years of age, and are eligible for retirement. See the actuarial section for additional information.

The DROP was repealed effective March 24, 2011, by Act 27 of the Legislature of 2011. Applications received by the RSA or postmarked by March 24, 2011, were accepted for DROP participation if the member was age and service eligible. The effect of Act 27 is that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

G. Reserves

The reserves of the RSA included in the Net Position Restricted for Pension Benefits in the accompanying Combining Statement of Fiduciary Net Position are funded to the full extent required by statute. The reserve balances as of September 30, 2015, are as follows:

	TRS	ERS	JRF
Annuity Savings	\$ 4,894,145	\$ 2,591,066	\$ 42,745
Pension Accumulation	16,194,523	7,655,946	219,219
Deferred Retirement Option Plan	485,984	238,244	-
Pre-retirement Death Benefit	50,295	32,569	-
Term Life Insurance	15,709	-	-
Plant Fund	95,068	46,056	-
Expense	12,007	(11,977)	1,910
Net Position at 9/30/2015	\$ 21,747,731	\$ 10,551,904	\$ 263,874

4) CASH

Cash consists of deposits held by the State Treasurer in the respective retirement systems' name. Deposits are entirely insured by the Federal Deposit Insurance Corporation or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Virtually all cash on hand at September 30, 2015, was held for administrative expenses.

5) INVESTMENTS

A. Investment Authority

Investment authority is granted to the Boards of Control, as Trustees of the Teachers' Retirement System and Employees' Retirement System (Systems), by Alabama statutes. Each System's Board of Control, therefore, has full power, through each System's Secretary-Treasurer, to invest and reinvest System funds in accordance with the Prudent Person Rule: "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." An important component 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.

Each System's Board of Control is responsible for approving an Investment Policy Statement (IPS) that outlines investment strategies and the related asset allocation guidelines. During the reporting period, the Employees' Retirement System Board of Control adopted a revised IPS that was effective on April 1, 2015. Below are the asset allocation guidelines and related effective dates for both Systems. All asset allocation percentages are based on fair market value, unless otherwise noted.

Investment Allocation Guidelines for October 1, 2014, through March 31, 2015:

Asset Class	Asset Allocation Limits		
	TRS	ERS	JRF
Domestic Equity	65%	65%	65%
International Equity	25%	25%	25%
Fixed Income			
<i>Domestic Fixed Income</i>	50%	50%	50%
<i>International Fixed Income</i>	10%	10%	10%
Alternative Investments	10%*	10%*	10%*
Real Estate	15%*	15%*	15%*
Short-Term Investments	20%	20%	20%

*Asset allocation percentages based on book value of assets.

Investment Allocation Guidelines for April 1, 2015, through September 30, 2015:

Asset Class	TRS	Asset Allocation Limits			
		ERS		JRF	
		Target Allocation	Strategic Range	Target Allocation	Strategic Range
Domestic Equity	65%	45%	30-60%	55%	30-60%
International Equity	25%	15%	10-25%	15%	10-25%
Fixed Income		17%	10-50%	22%	10-50%
<i>Domestic Fixed Income</i>	50%				
<i>International Fixed Income</i>	10%				
Alternative Investments	10%*	10%	0-15%	1%	0-15%
Real Estate	15%*	10%	0-15%	2%	0-15%
Short-Term Investments	20%	3%	0-5%	5%	0-5%

*Asset allocation percentages based on book value of assets.

(Dollar Amounts in Thousands)

B. Money-Weighted Rate of Return

The annual money-weighted rates of return for TRS, ERS, and JRF are 1.16%, 1.15%, and -0.37%, respectively. A money-weighted rate of return expresses investment performance, which is net of investment expense and is adjusted for the changing amounts actually invested. The annual money-weighted rate of return on investments is calculated as the internal rate of return on plan investments, net of plan investment expense.

C. Investment Risks

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

Interest Rate Risk – The fair value of fixed-maturity investments fluctuates in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair value of those instruments. There is no stated limitation on the duration level of the fixed income portfolio; however, this level is assessed on a regular basis to determine if adjustments are needed. The fair value of interest sensitive instruments may also be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, and other general market conditions. Certain fixed maturity investments have call provisions that could result in shorter maturity periods.

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

Credit Quality Risk – Nationally recognized statistical rating organizations provide ratings of debt securities' quality based on a variety of factors, such as the financial condition of the issuers, which provide investors with some idea of the issuer's ability to meet its obligations. Domestic fixed-maturity investments may consist of rated or non-rated securities. There are no stated limitations on the credit quality of the fixed income portfolio; however, ratings are assessed on a regular basis. The Systems may hedge against the possible adverse effects of currency fluctuations on each System's portfolio of international fixed income obligations when it is considered appropriate. Short-term investments may consist of commercial paper rated at least A-2 and/or P-2, repurchase agreements, short-term U.S. securities, and other money market investments.

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

Concentration of Credit Risk – As of September 30, 2015, the TRS and ERS owned debt and equity securities of Raycom Media Corporation which represented approximately 8.99% of the TRS investments and 9.84% of the ERS investments. Additionally, TRS owned debt and equity securities of New Water Street Corporation which represented 5.21% of the TRS investments.

The following tables provide information as of September 30, 2015, concerning the fair value of investments, interest rate risk, and foreign currency risk:

INVESTMENTS						
TRS						
Maturity in Years at Fair Value						
Type of Investment	Less Than 1	1-5	6-10	More Than 10	Total Fair Value	Cost
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 466,987	\$ -	\$ -	\$ -	\$ 466,987	\$ 466,987
Commercial Paper	128,994	-	-	-	128,994	128,994
U.S. Agency	10	129,597	57,918	-	187,525	183,031
U.S. Govt Guaranteed	-	273,053	311,234	65,863	650,150	630,515
Corporate Bonds	85,873	561,106	247,814	297,841	1,192,634	1,151,473
Private Placements	51,562	68,246	89,429	2,217,466	2,426,703	2,088,276
GNMAs	1	103	2,863	40,173	43,140	42,690
CMOs	-	11,269	1,619	375,879	388,767	383,618
Total Domestic Fixed Maturity	<u>\$ 733,427</u>	<u>\$ 1,043,374</u>	<u>\$ 710,877</u>	<u>\$ 2,997,222</u>	<u>5,484,900</u>	<u>5,075,584</u>
<i>Equities</i>						
Preferred					23,629	24,441
Domestic					10,687,183	7,357,982
Private					391,492	407,622
International						
Emerging Markets					307,676	365,068
United Kingdom - Pound Sterling					493,079	465,935
Japan - Yen					545,619	491,458
France - Euro					226,888	193,651
Germany - Euro					202,769	157,955
Switzerland - Franc					239,663	126,946
Netherlands - Euro					74,516	63,404
Italy - Euro					57,931	76,935
Ireland - Euro					8,231	7,097
Spain - Euro					70,525	83,537
Australia - Dollar					150,336	120,709
Singapore - Dollar					30,597	30,847
Belgium - Euro					35,217	28,435
Finland - Euro					22,235	25,146
Hong Kong - Dollar					75,723	51,454
Sweden - Krona					69,738	43,109
Denmark - Krone					40,269	14,092
Israel - Shekel					16,116	15,353
Norway - Krone					14,394	12,510
Austria - Euro					5,363	5,938
New Zealand - Dollar					1,669	2,218
Total International Equities					2,688,554	2,381,797
Total Equities					13,790,858	10,171,842
Real Estate					2,209,180	1,755,693
Total Investments					<u>\$ 21,484,938</u>	<u>\$ 17,003,119</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

INVESTMENTS						
ERS						
Maturity in Years at Fair Value						
Type of Investment	Less Than 1	1-5	6-10	More Than 10	Total Fair Value	Cost
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 218,266	\$ -	\$ -	\$ -	\$ 218,266	\$ 218,266
Commercial Paper	207,991	-	-	-	207,991	207,991
U.S. Agency	-	58,992	26,352	-	85,344	83,260
U.S. Govt Guaranteed	-	124,312	152,220	30,012	306,544	297,312
Corporate Bonds	39,585	258,302	112,690	136,302	546,879	528,095
Private Placements	25,209	33,614	17,957	1,103,044	1,179,824	1,010,210
Private - Joint Venture - Fixed	-	-	26,090	-	26,090	29,445
GNMAs	3	86	857	17,795	18,741	18,532
CMOs	-	5,129	550	171,112	176,791	174,476
Total Domestic Fixed Maturity	<u>\$ 491,054</u>	<u>\$ 480,435</u>	<u>\$ 336,716</u>	<u>\$ 1,458,265</u>	<u>2,766,470</u>	<u>2,567,587</u>
<i>Equities</i>						
Preferred					10,743	11,112
Domestic					5,134,189	3,545,013
Private					260,805	271,739
International						
Emerging Markets					146,933	174,339
United Kingdom - Pound Sterling					216,885	203,905
Japan - Yen					239,945	216,608
France - Euro					102,172	86,137
Germany - Euro					89,190	69,291
Switzerland - Franc					105,375	55,135
Netherlands - Euro					30,401	26,280
Italy - Euro					25,479	33,638
Ireland - Euro					3,636	3,138
Spain - Euro					31,021	36,070
Australia - Dollar					66,116	53,101
Singapore - Dollar					13,456	13,522
Belgium - Euro					15,492	12,449
Finland - Euro					9,780	11,193
Hong Kong - Dollar					33,297	22,731
Sweden - Krona					30,677	19,065
Denmark - Krone					17,707	6,157
Israel - Shekel					7,089	6,753
Norway - Krone					6,329	5,583
Austria - Euro					2,359	2,658
New Zealand - Dollar					734	988
Total International Equities					<u>1,194,073</u>	<u>1,058,741</u>
Total Equities					<u>6,599,810</u>	<u>4,886,605</u>
Real Estate					<u>1,072,930</u>	<u>875,404</u>
Total Investments					<u>\$ 10,439,210</u>	<u>\$ 8,329,596</u>

INVESTMENTS						
JRF						
Maturity in Years at Fair Value						
Type of Investment	Less Than 1	1-5	6-10	More Than 10	Total Fair Value	Cost
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 7,912	\$ -	\$ -	\$ -	\$ 7,912	\$ 7,912
Commercial Paper	3,997	-	-	-	3,997	3,997
U.S. Agency	-	4,321	1,411	-	5,732	5,535
U.S. Govt Guaranteed	-	8,739	15,090	2,425	26,254	25,696
Corporate Bonds	2,401	14,535	6,433	6,589	29,958	28,958
Private Placements	-	-	-	1,186	1,186	2,028
GNMAs	-	-	-	797	797	799
CMOs	-	260	26	9,826	10,112	9,988
Total Domestic Fixed Maturity	<u>\$ 14,310</u>	<u>\$ 27,855</u>	<u>\$ 22,960</u>	<u>\$ 20,823</u>	<u>85,948</u>	<u>84,913</u>
<i>Equities</i>						
Domestic					134,526	74,968
International						
Emerging Markets					5,199	6,174
Hong Kong - Dollar					1,009	802
Japan - Yen					7,248	6,886
Australia - Dollar					1,975	2,168
Singapore - Dollar					393	428
Germany - Euro					2,664	2,331
Belgium - Euro					462	372
Switzerland - Franc					3,120	2,238
Netherlands - Euro					909	862
Sweden - Krona					916	739
Spain - Euro					926	1,205
United Kingdom - Pound Sterling					6,481	6,691
France - Euro					3,050	3,005
Italy - Euro					764	954
Israel - Shekel					211	201
Finland - Euro					292	328
Denmark - Krone					536	265
Ireland - Euro					114	101
Norway - Krone					189	222
Austria - Euro					71	91
New Zealand - Dollar					22	23
Total International Equities					<u>36,551</u>	<u>36,086</u>
Total Equities					<u>171,077</u>	<u>111,054</u>
Real Estate					<u>3,622</u>	<u>1,067</u>
Total Investments					<u>\$ 260,647</u>	<u>\$ 197,034</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2015, concerning credit risk:

RATINGS OF FIXED MATURITIES

TRS

Moody's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity
			Fair Value
± Aaa	\$ 1,235,466	\$ 1,265,149	23.066
Aa1	19,123	19,766	0.360
Aa2	12,058	13,030	0.238
Aa3	28,774	35,073	0.639
P-1	466,987	466,987	8.514
P-2	128,994	128,994	2.352
A1	101,211	106,914	1.949
A2	61,463	64,549	1.177
A3	198,635	211,314	3.853
Baa1	238,654	244,909	4.465
Baa2	263,107	269,084	4.906
Baa3	132,511	130,116	2.372
Ba1	25,483	24,917	0.454
Ba2	24,883	25,450	0.464
Caa2	7,073	7,091	0.129
‡ Not Rated	2,131,162	2,471,557	45.062
Total Fixed Maturity	\$ 5,075,584	\$ 5,484,900	100.000

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity
			Fair Value
± AA+	\$ 1,303,068	\$ 1,338,819	24.409
AA	9,032	9,927	0.181
AA-	54,827	61,086	1.114
A-1	481,986	481,986	8.788
A-2	113,995	113,995	2.078
A+	22,979	24,161	0.441
A	160,610	168,195	3.067
A-	197,105	210,833	3.844
BBB+	220,914	226,039	4.121
BBB	221,582	221,695	4.042
BBB-	126,945	126,938	2.314
BB+	11,823	13,447	0.245
BB	9,636	9,060	0.165
BB-	13,060	12,003	0.219
CCC-	7,073	7,091	0.129
‡ Not Rated	2,120,949	2,459,625	44.843
Total Fixed Maturity	\$ 5,075,584	\$ 5,484,900	100.000

± Includes securities guaranteed by the U.S. Gov't.

‡ Primarily consists of private placements.

**RATINGS OF FIXED MATURITIES
ERS**

Moody's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
± Aaa	\$ 571,767	\$ 585,569	21.167
Aa1	8,516	8,827	0.319
Aa2	5,517	5,962	0.216
Aa3	13,154	16,037	0.580
P-1	218,266	218,266	7.890
P-2	207,991	207,991	7.518
A1	46,437	49,085	1.774
A2	27,976	29,386	1.062
A3	91,643	97,198	3.513
Baa1	109,026	111,902	4.045
Baa2	120,091	122,862	4.441
Baa3	61,289	60,240	2.178
Ba1	11,613	11,356	0.410
Ba2	11,315	11,576	0.418
Caa2	3,226	3,235	0.117
‡ Not Rated	1,059,760	1,226,978	44.352
Total Fixed Maturity	\$ 2,567,587	\$ 2,766,470	100.000

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percent of Total Fixed Maturity Fair Value
± AA+	\$ 602,847	\$ 619,463	22.391
AA	4,142	4,553	0.165
AA-	25,021	27,885	1.008
A-1	240,264	240,264	8.685
A-2	185,993	185,993	6.723
A+	10,364	10,893	0.394
A	73,336	76,796	2.776
A-	90,013	96,205	3.478
BBB+	102,368	104,644	3.783
BBB	101,104	101,191	3.658
BBB-	58,866	58,914	2.130
BB+	5,394	6,135	0.221
BB	4,383	4,121	0.149
BB-	5,921	5,441	0.197
CCC-	3,226	3,235	0.117
‡ Not Rated	1,054,345	1,220,737	44.125
Total Fixed Maturity	\$ 2,567,587	\$ 2,766,470	100.000

± Includes securities guaranteed by the U.S. Gov't.

‡ Primarily consists of private placements.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

RATINGS OF FIXED MATURITIES

JRF

			Fair Value as a Percent of Total Fixed Maturity
Moody's Ratings	Cost	Fair Value	Fair Value
± Aaa	\$ 40,347	\$ 41,097	47.816
Aa1	2,021	2,160	2.513
Aa2	274	296	0.344
Aa3	398	469	0.546
P-1	7,912	7,912	9.206
P-2	3,997	3,997	4.650
A1	3,285	3,564	4.147
A2	1,274	1,369	1.593
A3	4,766	5,011	5.830
Baa1	6,657	6,862	7.984
Baa2	5,972	6,086	7.081
Baa3	3,904	3,850	4.479
Ba1	633	620	0.721
Ba2	575	589	0.685
Caa2	176	177	0.206
‡ Not Rated	2,722	1,889	2.199
Total Fixed Maturity	\$ 84,913	\$ 85,948	100.000

			Fair Value as a Percent of Total Fixed Maturity
Standard & Poor's Ratings	Cost	Fair Value	Fair Value
± AA+	\$ 42,842	\$ 43,881	51.055
AA	199	219	0.255
AA-	1,028	1,098	1.278
A-1	7,912	7,912	9.206
A-2	3,997	3,997	4.650
A+	563	594	0.691
A	4,159	4,376	5.091
A-	4,383	4,605	5.358
BBB+	5,985	6,143	7.147
BBB	5,232	5,217	6.070
BBB-	3,302	3,306	3.847
BB+	278	317	0.369
BB	220	207	0.241
BB-	297	273	0.318
CCC-	176	177	0.206
‡ Not Rated	4,340	3,626	4.218
Total Fixed Maturity	\$ 84,913	\$ 85,948	100.000

± Includes securities guaranteed by the U.S. Gov't.

‡ Primarily consists of private placements.

D. Securities Lending Program

The TRS, ERS, and JRF are authorized by the Boards of Control to participate in a securities lending program. The Systems' custodian, State Street Bank and Trust Company (State Street), administers the program. Certain securities from the TRS, ERS, and JRF are loaned to borrowers approved by the Systems for collateral that will be returned for the same type of securities. Approved borrowers of securities provide acceptable collateral in the form of cash (U.S. and foreign currency), any other assets permissible under Rule 15c3-3 under the Exchange Act of 1934, U.S. and non-U.S. equities, and such other collateral as the parties may agree to in writing from time to time. All security loans are open loans and can be terminated on demand by the TRS, ERS, JRF, or borrower. The initial collateral received shall have (depending on the nature of the loaned securities and the collateral received) a value of 102% or 105% of the fair value of the loaned securities, or such other value, but not less than 102% of the fair value of the loaned securities, as may be applicable in the jurisdiction in which such loaned securities are customarily traded. Pursuant to the terms of the applicable securities loan agreement, State Street shall, in accordance with State Street's reasonable and customary practices, mark loaned securities and collateral to their fair value each business day based upon the fair value of the collateral and the loaned securities at the close of the business day employing the most recently available pricing information and shall receive and deliver collateral in order to maintain the value of the collateral at no less than 100% of the fair value of the loaned securities.

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Quality D Short-term Investments Fund (QDF). The collateral fund is separated into two pools, a liquidity pool and a duration pool. This split allows greater flexibility in managing the available liquidity in the investment in the fund and the outstanding balance of securities on loan.

The following describes the QDF's guidelines. The QDF's Investment Manager (State Street Bank) shall maintain the dollar-weighted average maturity of QDF in a manner that the Investment Manager believes is appropriate to the objective of QDF; provided, that (i) in no event shall any eligible security be acquired with a remaining legal final maturity (i.e., the date on which principal must be repaid) of greater than 18 months, (ii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity of the QDF not to exceed 75 calendar days, and (iii) the Investment Manager shall endeavor to maintain a dollar-weighted average maturity to final of the QDF not to exceed 180 calendar days. At the time of purchase (i) all eligible securities with maturities of 13 months or less shall (x) be rated at least A1, P1, or F1 by at least any two of the following nationally recognized statistical rating organizations: Standard & Poor's Corp. ("S&P"), Moody's Investor Services, Inc. ("Moody's"), or Fitch, Inc. ("Fitch"), or (y) be determined by the Investment Manager to be of comparable quality and (ii) all eligible securities with maturities in excess of 13 months shall (x) be rated at least A-, A3, or A- by at least any two of S & P, Moody's, or Fitch, or (y) be determined by the Investment Manager to be of comparable quality. The QDF may invest up to 10% of its assets at a time of purchase in commingled vehicles managed by State Street Global Advisors or its affiliates that conform to the Investment Policy Guidelines. The QDF duration pool includes all asset-backed securities (regardless of maturity) and securities of any type with a remaining maturity of 91 days or greater. Each QDF investor owns a specified percentage interest in the duration pool which is redeemable only in kind, not in cash. The QDF duration pool will not make additional investments.

As of September 30, 2015, the average term of the loans secured by QDF was 15, 16, and 27 days, respectively for the TRS, ERS, and JRF. Cash collateral investments in the QDF are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2015, the fair value of the securities on loan was \$3,797,204, \$1,805,080, and \$56,266 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). The fair value of the collateral pledged by the borrowers was \$3,970,625, \$1,893,158, and \$58,079 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). Since the amounts owed by the TRS, ERS, and JRF exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2015. 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.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

Investments purchased with cash collateral are held by the custodial agent, but not in the name of the Systems. Securities pledged as collateral are held by the custodial agent, but not in the name of the Systems. Letters of credit pledged as collateral are issued by the borrower's bank and are irrevocable. Tri Party Collateral is held by a third party bank in the name of the custodial agent. State Street, as custodial agent, is authorized to request a third party bank to undertake certain custodial functions in connection with holding of the collateral provided by a borrower. State Street may instruct the third party bank to establish and maintain a borrower's account and a State Street account wherein all collateral, including cash shall be maintained by the third party bank in accordance with the terms of the agreement. The following table provides information as of September 30, 2015, concerning securities lent:

SECURITIES LENDING - INVESTMENTS LENT AND COLLATERAL RECEIVED (at Fair Value in Thousands)

Type of Investment Lent	TRS	ERS	JRF	Totals
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 184,713	\$ 69,677	\$ 2,373	\$ 256,763
Domestic Equity	1,363,972	617,235	28,607	2,009,814
International Equity	178,962	60,448	826	240,236
Total Lent for Cash Collateral	1,727,647	747,360	31,806	2,506,813
<i>For Non-Cash Collateral</i>				
Domestic Fixed Maturities	499,444	261,760	13,411	774,615
Domestic Equity	1,310,277	679,007	8,461	1,997,745
International Equity	259,836	116,953	2,588	379,377
Total Lent for Non-Cash Collateral	2,069,557	1,057,720	24,460	3,151,737
Total Securities Lent	\$ 3,797,204	\$ 1,805,080	\$ 56,266	\$ 5,658,550
Type of Collateral Received				
<i>Cash Collateral - Invested in State Street</i>				
<i>Quality D Fund</i>	\$ 1,742,858	\$ 754,437	\$ 32,092	\$ 2,529,387
<i>Non-Cash Collateral</i>				
Domestic Fixed Securities				
U.S. Dollar	502,287	256,241	13,721	772,249
Domestic Equity Securities				
Canadian Dollars	4,494	3,935	-	8,429
U.S. Dollar	1,425,085	739,795	8,976	2,173,856
International Fixed Maturities & Equity				
EURO	39,735	16,302	1,120	57,157
GBP	64,304	30,989	285	95,578
U.S. Dollar	191,862	91,459	1,885	285,206
Total Non-Cash Collateral	2,227,767	1,138,721	25,987	3,392,475
Total Collateral Received	\$ 3,970,625	\$ 1,893,158	\$ 58,079	\$ 5,921,862

E. Mortgage-backed Securities

As of September 30, 2015, the TRS, ERS, and JRF had investments in mortgaged-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities. Additionally, the prepayment activity associated with this type of security can lead to changes in the average life and duration of the security; higher prepayments will effectively shorten the expected life of the security while slower prepayments can lengthen the expected life of the security.

F. Investment Derivatives

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

The following table presents the investment derivative instruments outstanding as of September 30, 2015, as reported in the System's Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position (dollar amounts in thousands):

INVESTMENT DERIVATIVE INSTRUMENTS

			Changes in Fair Value		Fair Value as of September 30, 2015		
			Classification	Amount	Classification	Amount	Notional
TRS							
International Options Written	Investment Income	287	International Equity	(20)	(37,098)		
Total TRS Options		\$ 287		\$ (20)	\$ (37,098)		
ERS							
International Options Written	Investment Income	137	International Equity	(10)	(17,718)		
Total ERS Options		\$ 137		\$ (10)	\$ (17,718)		
JRF							
International Options Written	Investment Income	4	International Equity	-	(554)		
Total JRF Options		\$ 4		\$ -	\$ (554)		
Total							
International Options Written	Investment Income	428	International Equity	(30)	(55,370)		
Grand Total Options		\$ 428		\$ (30)	\$ (55,370)		

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

6) NET PENSION LIABILITY

The components of the net pension liability related to the cost-sharing retirement plans determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, as of September 30, 2015, were as follows:

	TRS	ERS	JRF
Total Pension Liability	\$ 32,213,446	\$ 15,961,667	\$ 424,204
Less: Plan Net Position (see Note 3G)	(21,747,731)	(10,551,904)	(263,874)
Net Pension Liability	\$ 10,465,715	\$ 5,409,763	\$ 160,330

**Plan Net Position as a
Percentage of the Total
Pension Liability**

67.51% 66.11% 62.20%

The total pension liability was determined by an actuarial valuation as of September 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

	TRS	ERS	JRF
Inflation	3.00%	3.00%	3.00%
Projected Salary Increases	3.50% - 8.25%	3.75% - 7.25%	4.00%
Investment Rate of Return*	8.00%	8.00%	8.00%

*Net of pension plan investment expense.

There were no ad hoc postemployment benefit changes, including ad hoc COLAs, during fiscal year 2015.

The actuarial assumptions used in the actuarial valuation as of September 30, 2014, were based on the results of an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2010, completed by the RSA and its actuaries. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to actuarial assumptions. The Boards of Control for each accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females. Mortality rates for ERS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set forward three years for males and one year for females. JRF mortality rates were also based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set forward one year for females.

The total pension liability related to the cost-sharing retirement plans is based on the actuarial valuation as of September 30, 2014. The expected total pension liability is determined as of September 30, 2015, using standard roll-forward techniques as shown in the following table (dollar amounts in thousands):

	TRS		ERS		JRF	
	Expected	Actual	Expected	Actual	Expected	Actual
Total Pension Liability as of 9/30/2014 (a)	\$ 31,338,446	\$ 31,273,446	\$ 15,525,291	\$ 15,492,378	\$ 420,069	\$ 413,225
Entry Age Normal Cost* for 10/1/2014 - 9/30/2015 (b)	\$ 660,390	\$ 660,390	\$ 346,440	\$ 346,440	\$ 9,644	\$ 9,644
Actual Benefit Payments for 10/1/2014 - 9/30/2015 (c)	\$ 2,136,794	\$ 2,136,794	\$ 1,073,597	\$ 1,073,597	\$ 30,503	\$ 30,503
Total Pension Liability as of 9/30/2015						
[(a) x (1.08)] + (b) - [(c) x (1.04)]	\$ 32,283,646	\$ 32,213,446	\$ 15,997,213	\$ 15,961,667	\$ 431,595	\$ 424,204
Difference between Expected and Actual Experience (Gain)/Loss		\$ (70,200)		\$ (35,546)		\$ (7,391)

*Also called the Service Cost.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Long-Term	
	Target Allocation	Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%.

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The following table presents the net pension liability of the TRS, ERS, and JRF calculated using the discount rate of 8%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease	Current	1% Increase
	(7%)	Discount Rate	(9%)
		(8%)	
TRS	\$ 13,845,362	\$ 10,465,715	\$ 7,599,251
ERS	\$ 7,091,670	\$ 5,409,763	\$ 3,981,307
JRF	\$ 197,239	\$ 160,330	\$ 128,221

7) CONTRIBUTIONS REQUIRED AND MADE

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

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

For the TRS, ERS, and JRF, 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.

The 2015 retirement contributions were made in accordance with actuarially determined contribution requirements.

The RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2010. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to actuarial assumptions. The Boards of Control for each accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

8) PROPERTY AND EQUIPMENT

Plan assets used in plan operations are reported at historical cost less accumulated depreciation. Depreciation is determined on the straight-line basis using estimated useful lives of 30 years for buildings and 3 to 10 years for furniture and equipment. Property and equipment was comprised of the following amounts as of September 30, 2015 (dollar amounts in thousands):

	TRS	ERS
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,896	53,948
Furniture and Equipment	7,270	2,526
Intangible Assets in Progress	5,366	1,788
Total Property and Equipment	125,617	60,797
Less: Accumulated Depreciation	(30,549)	(14,741)
Net Property and Equipment	\$ 95,068	\$ 46,056

Intangible assets in progress represents the cost of software and professional services related to RSA's new pension administration system. RSA entered into a contract with Deloitte Consulting LLP for an initial term of 3 years beginning October 24th, 2014, with an option to renew for two additional 1 year periods for a total term of no more than 5 years. The cost of the system is being split between TRS and ERS with TRS incurring 75% of the cost and ERS incurring 25%. This project is being accounted for pursuant to the requirements of GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*.

9) OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 1, the TRS, ERS, and JRF (as agencies of the State of Alabama) participate in the State Employees' Health Insurance Plan (SEHIP) administered by the State Employees' Health Insurance Board (Board). The State Employees' Insurance Fund (SEIF) was established in 1965 pursuant to the *Code of Alabama 1975, Title 36, Chapter 29* (Act 833 of the Legislature of 1965) to provide health insurance benefits for employees and retired employees of the State of Alabama. In addition, the *Code of Alabama 1975, Section 36-36-1* established the Alabama Retired State Employees' Health Care Trust (Trust) for the purpose of accumulating assets to fund retiree benefits.

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

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

The *Code of Alabama 1975, Section 36-29-7* authorizes the employer contributions to the plan. Each year, the Legislature sets the appropriation in the annual appropriation bill required to be paid by employers on behalf of each active member. A portion of the premium is used to assist in funding retiree benefits. The fiscal year 2015 rate set by the State Employees' Insurance Board was \$825 per active member per month (dollar amount not in thousands).

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The *Code of Alabama 1975, Section 36-29-19.7* authorizes the retiree contributions to the plan. The required monthly contribution rates for fiscal year 2015 were as follows (the following dollar amounts are not in thousands):

Retired Member Rates

- Individual Coverage: Non-Medicare Eligible Retired Member – \$311
- Family Coverage: Non-Medicare Eligible Retired Member without Spouse & Non-Medicare Eligible Dependents(s) – \$573
- Family Coverage: Non-Medicare Eligible Retired Member with Spouse & Non-Medicare Eligible Dependents(s) – \$698
- Family Coverage: Non-Medicare Eligible Retired Member without Spouse & Medicare Eligible Dependent(s) – \$442
- Family Coverage: Non-Medicare Eligible Retired Member with Spouse & Medicare Eligible Dependent(s) – \$542
- Individual Coverage: Medicare Eligible Retired Member – \$50
- Family Coverage: Medicare Eligible Retired Member without Spouse & Non-Medicare Eligible Dependents(s) – \$312
- Family Coverage: Medicare Eligible Retired Member with Spouse & Non-Medicare Eligible Dependents(s) – \$437
- Family Coverage: Medicare Eligible Retired Member without Spouse & Medicare Eligible Dependent(s) – \$171
- Family Coverage: Medicare Eligible Retired Member with Spouse & Medicare Eligible Dependent(s) – \$271
- For employees that retire other than for disability, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium.

Surviving Spouse Rates

- Non-Medicare Eligible Surviving Spouse – \$432
- Non-Medicare Eligible Surviving Spouse & Non-Medicare Eligible Dependent(s) – \$689
- Non-Medicare Eligible Surviving Spouse & Medicare Eligible Dependent(s) – \$598
- Medicare Eligible Surviving Spouse – \$226
- Medicare Eligible Surviving Spouse & Non-Medicare Eligible Dependent(s) – \$483
- Medicare Eligible Surviving Spouse & Medicare Eligible Dependent(s) – \$392

These rates do not reflect any discounts, waivers, and retiree sliding scale adjustments.

RSA employees participate in the SEHIP, which is a single employer health insurance plan for the State of Alabama. As a component unit, RSA employees participating in the SEHIP are valued with all other State of Alabama employees, and therefore, report under the requirements of a cost-sharing unit. The following table details the annual required contributions and the percentage contributed. These amounts are calculated before the final Total Group Health Insurance Expense for all state agencies is known and are subject to change (dollar amounts in thousands):

	Fiscal	Annual	
	Year	Required	Percentage
	Ended	Contributions	Contributed
TRS	2015	\$ 1,108	36.74%
	2014	\$ 996	38.20%
	2013	\$ 1,110	42.32%
ERS	2015	\$ 906	36.74%
	2014	\$ 904	38.20%
	2013	\$ 1,088	42.32%
JRF	2015	\$ 7	36.74%
	2014	\$ 5	38.20%
	2013	\$ 8	42.32%

10) PENSION PLAN FOR RSA EMPLOYEES

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

A. Teachers' Retirement System of Alabama

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (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 TRS Board of Control consists of 15 trustees. Note 1 of this report outlines the composition of the TRS Board of Control. The Plan is administered by RSA and issues a Comprehensive Annual Financial Report each year. It is available at www.rsa-al.gov.

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) 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 are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and 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, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status, and eligibility for retirement.

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2015, was 11.71% of annual pay for Tier 1 members and 11.05% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total TRS employer contributions to the pension plan from the System were \$1,312 for the fiscal year ended September 30, 2015.

At September 30, 2015, the TRS reported a liability of \$16,626 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. The System's proportion of the collective net pension liability was based on the TRS's share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2014, the TRS's proportion was .183006%, which was an increase of .021479% from its proportion measured as of September 30, 2013.

For the year ended September 30, 2015, the TRS recognized pension expense of \$1,574. At September 30, 2015, the TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,247
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	1,710	-
Employer Contributions Subsequent to the Measurement Date	1,271	-
Total	\$ 2,981	\$ 1,247

The TRS will recognize \$1,271 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30:	
2016	\$ 86
2017	\$ 86
2018	\$ 86
2019	\$ 86
2020	\$ 119
Thereafter	\$ -

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected Salary Increases	3.50% - 8.25%
Investment Rate of Return*	8.00%

*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

Mortality rates for TRS were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA projected to 2015 and set back one year for females.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	<u>100.00%</u>	

*Includes assumed rate of inflation of 2.50%.

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The following table presents the TRS's proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what its proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
TRS's Proportionate Share of Collective Net Pension Liability	\$ 22,649	\$ 16,626	\$ 11,520

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2014. The auditor's report dated May 1, 2015, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2014, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

B. Employees' Retirement System of Alabama

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (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. RSA employees who participate in the ERS are employees of the ERS and JRF. The responsibility for the general administration and operation of the ERS is vested in its Board of Control. The ERS Board of Control consists of 13 trustees. Note 1 of this report outlines the composition of the ERS Board of Control. The Plan is administered by RSA and issues a Comprehensive Annual Financial Report each year. It is available at www.rsa-al.gov.

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (52 for State Police) with 10 years or more of creditable 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 creditable 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 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.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and 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, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. State Police are allowed 2.375% for each year of state police service in computing the formula method.

Members are eligible for disability retirement if they have 10 years of credible service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary on the member's age, service credit, employment status and eligibility for retirement.

As of September 30, 2014, ERS membership included approximately 83,874 participants. Note 1 of this report contains details about the classifications of participants and the number of participants within each classification.

Covered members of the ERS contributed 5% of earnable compensation to the ERS as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the ERS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation. State Police of the ERS contribute 10% of earnable compensation. ERS local participating employers are not required by statute to increase contribution rates for their members.

Tier 2 covered members of the ERS contribute 6% of earnable compensation to the ERS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 7% of earnable compensation. Tier 2 State Police members of the ERS contribute 10% of earnable compensation. These contributions rates are the same for Tier 2 covered members of ERS local participating employers.

The participating employer contribution rate for the ERS State Regular Employees contractually required contribution rate for the year ended September 30, 2015, was 13.45% of annual pay for Tier 1 members and 13.31% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from ERS was \$920 and from JRF was \$18 for the fiscal year ended September 30, 2015 (dollar amounts in thousands).

At September 30, 2015, the ERS reported a liability of \$11,911 and the JRF reported a liability of \$170 for their respective proportionate shares of the collective net pension liability of the ERS State Regular Employees' retirement plan (dollar amounts in thousands). The collective net pension liability was measured as of September 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2013. ERS and JRF's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating ERS State Regular employers. At September 30, 2014, ERS's proportion was .48704505%, which was a decrease of .00341065% from its proportion measured as of September 30, 2013. At September 30, 2014, the JRF's proportion was .00688585%, which was a decrease of .00384783% from its proportion measured as of September 30, 2013.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

For the fiscal year ended September 30, 2015, the ERS recognized pension expense of \$695. At September 30, 2015, ERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	759
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	-
Employer Contributions Subsequent to the Measurement Date	896	-
Total	\$ 896	\$ 759

The ERS will recognize \$896 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30:

2016	\$ (197)
2017	\$ (197)
2018	\$ (197)
2019	\$ (167)
2020	\$ -
Thereafter	\$ -

For the fiscal year ended September 30, 2015, the JRF recognized pension income of \$(15). At September 30, 2015, the JRF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ -	\$ -
Changes of Assumptions	-	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	82
Changes in Proportion and Differences between Employer Contributions and Proportionate Share of Contributions	-	-
Employer Contributions Subsequent to the Measurement Date	17	-
Total	\$ 17	\$ 82

The JRF will recognize \$17 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2016 (dollar amount in thousands). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollar amounts in thousands):

Fiscal Year Ended

September 30:

2016	\$ (29)
2017	\$ (29)
2018	\$ (29)
2019	\$ (6)
2020	\$ -
Thereafter	\$ -

The total pension liability was determined by an actuarial valuation as of September 30, 2013, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Projected Salary Increases	3.75% - 7.25%
Investment Rate of Return*	8.00%

*Net of pension plan investment expense

Mortality rates for ERS were based on the RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and one year for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disability Mortality Table.

The actuarial assumptions used in the actuarial valuation as of September 30, 2013, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2010. The Board of Control accepted and approved these changes on January 27, 2012, which became effective at the beginning of fiscal year 2012.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target	Long-Term
	Allocation	Expected Rate
		of Return*
Fixed Income	25.00%	5.00%
U.S. Large Stocks	34.00%	9.00%
U.S. Mid Stocks	8.00%	12.00%
U.S. Small Stocks	3.00%	15.00%
International Developed Market Stocks	15.00%	11.00%
International Emerging Market Stocks	3.00%	16.00%
Real Estate	10.00%	7.50%
Cash	2.00%	1.50%
Total	100.00%	

*Includes assumed rate of inflation of 2.50%.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The discount rate used to measure the total pension liability was the long-term rate of return, 8%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made in accordance with the funding policy adopted by the ERS Board of Control. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current pan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the proportionate share of the net pension liability calculated using the discount rate of 8%, as well as what the ERS and JRF's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
ERS's Proportionate Share of Collective Net Pension Liability	\$ 15,400	\$ 11,991	\$ 9,086
JRF's Proportionate Share of Collective Net Pension Liability	\$ 218	\$ 170	\$ 128

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Financial Report for the fiscal year ended September 30, 2014. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2014. The auditor's report dated June 3, 2015, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

11) CHANGE IN ACCOUNTING PRINCIPLE

Net Position as of October 1, 2014, has been restated as follows for the implementation of GASB Statement No. 68, as amended by GASB Statement No. 71:

	TRS	ERS	JRF	Total
Fiduciary Net Position as previously reported at September 30, 2014:	\$ 22,441,307	\$ 10,883,952	\$ 277,096	\$ 33,602,355
Prior Period Adjustment:				
Net Pension Liability*	(15,822)	(12,652)	(277)	(28,751)
Deferred Outflows:				
Employer Contributions made during fiscal year 2014	1,315	708	10	2,033
Total Prior Period Adjustment	(14,507)	(11,944)	(267)	(26,718)
Fiduciary Net Position as Restated, October 1, 2014	\$ 22,426,800	\$ 10,872,008	\$ 276,829	\$ 33,575,637

*Measurement date as of September 30, 2013.

12) RELATED PARTY TRANSACTIONS

The TRS and ERS jointly own office buildings in Montgomery and Mobile and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2029. Rental payments and other agreed upon payments (reported as investment income) from leases with state agencies totaled \$30,730,937 (dollar amount not in thousands) during the 2015 fiscal year.

13) FUTURE ACCOUNTING PRONOUNCEMENTS

GASB issued Statement No. 72, *Fair Value Measurement and Application*, in February 2015 and is effective for financial statements for periods beginning after June 15, 2015. GASB Statement No. 72 defines fair value, describes how fair value should be measured, what assets and liabilities should be measured at fair value, and the required disclosures related to fair value in the notes to the financial statements. Under GASB Statement No. 72, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments, which generally are measured at fair value, are defined as a security or other asset that governments hold primarily for the purpose of income or profit and the present service capacity of which are based solely on their ability to generate cash or to be sold to generate cash. Before the issuance of GASB Statement No. 72, state and local governments have been required to disclose how they arrived at their measures of fair value if not based on quoted market prices. Under the new guidance, those disclosures have been expanded to categorize fair values according to their relative reliability and to describe positions held in many alternative investments.

The Systems will be subject to the provisions of GASB Statement No. 72 beginning with the fiscal year ending September 30, 2016.

GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, effective for financial statements for periods beginning after June 15, 2016. GASB Statement No. 74 replaces GASB Statement No. 43 and addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. GASB Statement No. 74 follows the framework for financial reporting of defined benefit OPEB plans in GASB Statement No. 45 by requiring a statement of fiduciary net position and a statement of changes in fiduciary net position. The Statement requires more extensive note disclosures and RSI related to the measurement of the OPEB liabilities for which assets have been accumulated, including information about the annual money-weighted rates of return on plan investments. GASB Statement No. 74 also sets forth note disclosure requirements for defined contribution OPEB plans.

The Systems will be subject to the provisions of GASB Statement No. 74 beginning with the fiscal year ending September 30, 2017.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS TRS

For the Fiscal Years Ended September 30, 2015 and 2014

Total Pension Liability	2015	2014
Service Cost*	\$ 660,390	\$ 602,605
Interest	2,421,604	2,352,804
Benefit Changes	-	-
Difference Between Expected & Actual Experience	(70,200)	-
Changes of Assumptions	-	-
Benefit Payments	(2,080,896)	(1,997,877)
Refunds of Contributions	(55,898)	(56,145)
Net Change in Total Pension Liability	875,000	901,387
Total Pension Liability - Beginning	31,338,446	30,437,059
Total Pension Liability - Ending (A)	\$32,213,446	\$31,338,446
Plan Fiduciary Net Position reserved to fund Total Pension Liability		
Contributions - Employer	\$ 737,677	\$ 716,753
Contributions - Member	477,918	480,849
Other	172,982	-
Net Investment Income	261,461	2,468,499
Benefit Payments	(2,080,896)	(1,997,877)
Refunds of Contributions	(55,898)	(56,145)
Administrative Expenses	(19,331)	-
Net Change in Plan Fiduciary Net Position	(506,087)	1,612,079
Plan Fiduciary Net Position - Beginning	22,253,818	20,641,739
Plan Fiduciary Net Position - Ending (B)	\$21,747,731	\$22,253,818
Net Pension Liability - Ending (A - B)	\$10,465,715	\$ 9,084,628
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		
	67.51%	71.01%
Covered Employee Payroll	\$ 6,541,054	\$ 6,466,923
Net Pension Liability as a Percentage of Covered Employee Payroll	160.00%	140.48%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

*Also called the Entry Age Normal Cost.

**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
& RELATED RATIOS**

ERS

For the Fiscal Years Ended September 30, 2015 and 2014

Total Pension Liability	2015	2014
Service Cost*	\$ 346,440	\$ 298,985
Interest	1,199,079	1,164,853
Benefit Changes	-	-
Difference Between Expected & Actual Experience	(35,546)	-
Changes of Assumptions	-	-
Benefit Payments	(1,023,732)	(948,645)
Refunds of Contributions	(49,865)	(49,767)
Net Change in Total Pension Liability	436,376	465,426
Total Pension Liability - Beginning	15,525,291	15,059,865
Total Pension Liability - Ending (A)	\$ 15,961,667	\$ 15,525,291

Plan Fiduciary Net Position reserved to fund Total Pension Liability

Contributions - Employer	\$ 411,087	\$ 379,163
Contributions - Member	229,254	226,015
Other	68,897	-
Net Investment Income	126,335	1,183,377
Benefit Payments	(1,023,732)	(948,645)
Refunds of Contributions	(49,865)	(49,767)
Administrative Expenses	(13,182)	-
Net Change in Plan Fiduciary Net Position	(251,206)	790,143
Plan Fiduciary Net Position - Beginning	10,803,110	10,012,967
Plan Fiduciary Net Position - Ending (B)	\$ 10,551,904	\$ 10,803,110
Net Pension Liability - Ending (A - B)	\$ 5,409,763	\$ 4,722,181

Plan Fiduciary Net Position as a Percentage

of the Total Pension Liability	66.11%	69.58%
Covered Employee Payroll	\$ 3,556,282	\$ 3,511,115
Net Pension Liability as a Percentage of Covered Employee Payroll	152.12%	134.49%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

*Also called the Entry Age Normal Cost.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS

JRF

For the Fiscal Years Ended September 30, 2015 and 2014

Total Pension Liability	2015	2014
Service Cost*	\$ 9,644	\$ 9,481
Interest	32,385	31,521
Benefit Changes	-	-
Difference Between Expected & Actual Experience	(7,391)	-
Changes of Assumptions	-	-
Benefit Payments	(30,356)	(29,838)
Refunds of Contributions	(147)	(46)
Net Change in Total Pension Liability	4,135	11,118
Total Pension Liability - Beginning	420,069	408,951
Total Pension Liability - Ending (A)	\$ 424,204	\$ 420,069

Plan Fiduciary Net Position reserved to fund Total Pension Liability

Contributions - Employer	\$ 15,077	\$ 15,250
Contributions - Member	3,683	3,764
Net Investment Income	(856)	31,343
Benefit Payments	(30,356)	(29,838)
Refunds of Contributions	(147)	(46)
Administrative Expenses	(356)	-
Other	1,854	-
Net Change in Plan Fiduciary Net Position	(11,101)	20,473
Plan Fiduciary Net Position - Beginning	274,975	254,502
Plan Fiduciary Net Position - Ending (B)	\$ 263,874	\$ 274,975

Net Pension Liability - Ending (A - B)	\$ 160,330	\$ 145,094
---	-------------------	-------------------

Plan Fiduciary Net Position as a Percentage

of the Total Pension Liability	62.20%	65.46%
Covered Employee Payroll	\$ 44,087	\$ 43,275
Net Pension Liability as a Percentage of Covered Employee Payroll	363.67%	335.28%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

*Also called the Entry Age Normal Cost.

SCHEDULES OF EMPLOYER CONTRIBUTIONS
For the Ten Fiscal Years Ended September 30, 2015

TEACHERS' RETIREMENT SYSTEM §

Fiscal Year	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll*	Actual Contributions as a % of Covered Employee Payroll**
2015	\$ 737,677	\$ 737,677	\$ -	\$ 6,331,991	11.65
2014	716,753	716,753	-	6,331,740	11.32
2013	605,465	605,465	-	6,241,907	9.70
2012	594,771	594,771	-	6,182,651	9.62
2011	755,944	755,944	-	6,232,020	12.13
2010	753,213	753,213	-	6,209,505	12.13
2009	728,822	728,822	-	6,234,577	11.69
2008	706,491	706,491	-	6,213,641	11.37
2007	519,247	519,247	-	5,782,261	8.98
2006	413,975	413,975	-	5,314,185	7.79

JUDICIAL RETIREMENT FUND ¥

Fiscal Year	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Employee Payroll*	Actual Contributions as a % of Covered Employee Payroll
2015	\$ 15,077	\$ 15,077	\$ -	\$ 42,784	35.24
2014	15,250	15,250	-	43,275	35.24
2013	13,903	13,903	-	43,366	32.06
2012	10,747	10,747	-	44,136	24.35
2011	10,906	10,906	-	45,066	24.20
2010	10,814	10,814	-	44,686	24.20
2009	10,326	10,326	-	44,798	23.05
2008	9,880	9,880	-	42,863	23.05
2007	9,307	9,307	-	41,364	22.50
2006	8,916	8,916	-	40,657	21.93

§ There are no nonemployer contributing entities in TRS.

*Estimated based on employer contribution rate.

**Act No. 2012-377 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013.

Therefore, this percentage represents a blended rate based on separate Tier 1 and Tier 2 contribution rates.

¥ The State of Alabama is a nonemployer contributing entity in JRF. The State pays the employer portion of the Probate Judges' contributions.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

SCHEDULE OF INVESTMENT RETURNS **For the Ten Fiscal Years Ended September 30, 2015**

Fiscal Year	TRS	ERS	JRF
2015	1.16%	1.15%	-0.37%
2014	12.17%	12.05%	12.55%
2013	14.85%	14.53%	14.05%
2012	18.32%	18.05%	19.17%
2011	2.04%	2.39%	0.89%
2010	8.34%	8.40%	10.66%
2009	-8.20%	-10.16%	0.18%
2008	-15.31%	-15.18%	-14.61%
2007	17.46%	17.90%	14.31%
2006	8.77%	8.32%	9.08%

The following schedules pertain to employees of TRS, ERS, and JRF who participate in the TRS and ERS pension plans.

SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

TEACHERS' RETIREMENT SYSTEM

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2014	9/30/2015	0.18%	\$ 16,626	\$ 6,283	264.62%	71.01%

EMPLOYEES' RETIREMENT SYSTEM

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2014	9/30/2015	0.49%	\$ 11,991	\$ 4,526	264.94%	65.58%

JUDICIAL RETIREMENT FUND

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Employee Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2014	9/30/2015	0.01%	\$ 170	\$ 89	191.01%	65.58%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information For the Fiscal Year Ended September 30, 2015

(Dollar Amounts in Thousands)

The following schedules pertain to employees of TRS, ERS, and JRF who participate in the TRS and ERS pension plans.

SCHEDULES OF CONTRIBUTIONS **For the Fiscal Year Ended September 30, 2015**

TEACHERS' RETIREMENT SYSTEM

	2015
Contractually Required Contribution	\$ 1,271
Contributions in relation to the	
Contractually Required Contribution	(1,271)
Contribution Deficiency/(Excess)	<u>\$ -</u>
 Covered Employee Payroll	 \$ 6,593
 Contributions as a Percentage of	
Covered Employee Payroll	19.28%

EMPLOYEES' RETIREMENT SYSTEM

	2015
Contractually Required Contribution	\$ 896
Contributions in relation to the	
Contractually Required Contribution	(896)
Contribution Deficiency/(Excess)	<u>\$ -</u>
 Covered Employee Payroll	 \$ 4,695
 Contributions as a Percentage of	
Covered Employee Payroll	19.08%

JUDICIAL RETIREMENT FUND

	2015
Contractually Required Contribution	\$ 17
Contributions in relation to the	
Contractually Required Contribution	(17)
Contribution Deficiency/(Excess)	<u>\$ -</u>
 Covered Employee Payroll	 \$ 136
 Contributions as a Percentage of	
Covered Employee Payroll	12.50%

Schedule is intended to show information for 10 years.
Additional years will be displayed as they become available.

1) SCHEDULES OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS

The total pension liabilities presented in these schedules were provided by the Systems' actuarial consultants, Cavanaugh Macdonald Consulting, LLC. The net pension liability is measured as the total pension liability less plan fiduciary net position. The related ratios show plan net position as a percentage of the total pension liability and the net pension liability as a percentage of covered employee payroll.

2) SCHEDULES OF EMPLOYER CONTRIBUTIONS

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution 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 contribution rates for fiscal year 2015 are in the table below. ERS local participating employer contribution rates differ for each employer.

	Tier 1	Tier 2
TRS	11.71%	11.05%
ERS - State Employees	13.45%	13.31%
ERS - State Police	38.37%	32.45%
JRF	35.24%	-

3) SCHEDULE OF INVESTMENT RETURNS

The annual money-weighted rate of return on investments is calculated as the internal rate of return on plan investments, net of plan investment expense. A money-weighted rate of return expresses investment performance, net of plan investment expense, adjusted for the changing amounts actually invested.

4) ACTUARIAL ASSUMPTIONS

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, 2012, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

	TRS	ERS	JRF
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization Method	Level percent open	Level percent open	Level percent open
Remaining Amortization Period	30 years	Within 30 years - Varies by Employer	30 years
Actuarial Assumptions:			
Investment Rate of Return* ‡	8.00%	8.00%	8.00%
Projected Salary Increases ‡	3.50% - 8.25%	3.75% - 7.25%	4.00%
Cost of Living Adjustments	None	None	3.25% †

*Net of pension plan investment expense.

‡ Includes inflation at 3.00%.

† Per year for certain members hired prior to July 30, 1979, and for spousal benefits subject to increase.

Financial Section

Notes to the Required Supplementary Information

For the Fiscal Year Ended September 30, 2015

Changes to Benefit Terms

- TRS and ERS's member contribution rates increased from 5% (6% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012.
- TRS and ERS members hired on or after January 1, 2013, are covered under a new benefit structure.
- JRF's member contribution rate increased from 6% of earnable compensation to 8.25% of earnable compensation on October 1, 2011, and to 8.50% of earnable compensation on October 1, 2012.

Changes to Assumptions

In 2010 and later, the expectation of retired life mortality was changed to the RP-2000 Mortality Tables rather than the 1994 Group Annuity Mortality Table, which was used prior to 2010. In 2010, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2010, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2015

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Personnel Services:				
Salaries	\$ 6,593	\$ 4,695	\$ 136	\$ 11,424
Employee Fringe Benefits	3,200	2,181	10	5,391
Total Personnel Services	9,793	6,876	146	16,815
Professional Services:				
Actuarial	237	1,080	125	1,442
Accounting and Auditing	86	59	14	159
Information Technology	818	333	54	1,205
Education & Training	28	24	-	52
Mailing Services	129	61	-	190
Legal Services	72	136	-	208
Personnel Services	80	-	-	80
Other Professional Services and Fees	106	20	8	134
Total Professional Services	1,556	1,713	201	3,470
Communications and Travel:				
Telecommunications	120	65	-	185
Postage	1,007	684	-	1,691
Travel	81	66	-	147
Total Communications and Travel	1,208	815	-	2,023
Rentals:				
Office Space	118	79	8	205
Equipment Leasing	19	15	-	34
Total Rentals	137	94	8	239
Miscellaneous:				
Supplies	2,107	1,470	1	3,578
Maintenance	273	168	-	441
Total Miscellaneous	2,380	1,638	1	4,019
Total Administrative Expenses	\$ 15,074	\$ 11,136	\$ 356	\$ 26,566

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2015

(Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Investment Activity				
Investment Management Fees:				
Salaries and Benefits	\$ 5,093	\$ 2,079	\$ -	\$ 7,172
Dues, Subscriptions and Supplies	760	500	-	1,260
Travel	21	16	-	37
Professional Services:				
Investment Advisor	60	30	-	90
Appraisal of Private Placements and Real Estate	479	300	-	779
Investment Activity Expenses before Reimbursement	6,413	2,925	-	9,338
Less: Reimbursement for Investment Management Fees	6	154	-	160
Total Investment Activity Expenses	6,407	2,771	-	9,178
Securities Lending Activity				
Securities Lending Borrower Rebates	365	164	7	536
Securities Lending Management Fees	2,782	1,290	47	4,119
Total Securities Lending Activity Expenses	3,147	1,454	54	4,655
Total Investment Expenses	\$ 9,554	\$ 4,225	\$ 54	\$ 13,833

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2015

(Amounts in Thousands)

Professional/Consultant	Nature of Service	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Cavanaugh Macdonald Consulting, LLC	Actuary	\$ 237	\$ 1,080	\$ 125	\$ 1,442
Carr, Riggs & Ingram, LLC	Auditor	77	41	11	129
A-lign	Auditor	9	18	3	30
Balch & Bingham LLP	Legal	-	69	-	69
Chason & Chason, P.C.	Legal	-	17	-	17
Ice Miller LLP	Legal	16	11	-	27
Jackson Walker LLP	Legal	3	7	-	10
Morgan, Lewis, & Bockius LLP	Legal	40	27	-	67
Wells Mailing	Mail	97	40	-	137
Alabama Department of Finance	Mail	32	21	-	53
State Personnel Department	Personnel	80	-	-	80
Fine Geddie & Associates, LLC	Consultant	75	-	-	75
Alabama Department of Finance	Comptroller's Accounting Services	50	25	8	83
Alabama Department of Finance	Information Technology	32	21	-	53
Alabama Department of Finance	State of Alabama Accounting & Resource System (STAARS)	351	135	54	540
Auburn Montgomery	Information Technology	274	91	-	365
Packet Ninjas	Information Technology	27	18	-	45
ProSys	Information Technology	51	34	-	85
Various	Other	105	58	-	163
Total Professional/Consultant Fees - Administrative Services		1,556	1,713	201	3,470
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services, Inc.	Real Estate Appraiser	200	134	-	334
Houlihan Lokey	Investment Appraiser	279	166	-	445
Total Professional/Consultant Fees - Investment Services		539	330	-	869
Total Professional/Consultant Fees		\$ 2,095	\$ 2,043	\$ 201	\$ 4,339





Component Units of the State of Alabama Comprehensive Annual Financial Report

INVESTMENT SECTION



RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2015

Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September 30, 2015. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. The custodian has calculated time weighted, geometrically linked rates of return based on normal industry standards.

To quote the great Yogi Berra, who passed away this year, much of fiscal 2015 was "déjà vu all over again." The first three quarters of the fiscal year were the stereotypical example of a range bound market. Macro concerns around the prospects for Federal Reserve (Fed) tightening, the China slowdown, a commodity price collapse, and slowing global earnings growth kept domestic stocks trading in a fairly tight pattern. U.S. treasuries rallied nicely early in the fiscal year, then traded off as the market became convinced that a Fed tightening was close at hand. U.S. Gross Domestic Product (GDP) growth continued its seesaw pattern that it has demonstrated the past several years. Obviously the last couple of months in the fiscal year ended poorly. To begin, China devalued the yuan and its stock market crashed. The dollar had a sizeable rally, putting mounting pressure on emerging market currencies. Sentiment closing out the year was obviously very bearish, with slightly over \$150 billion flowing out of equity mutual funds over the preceding twelve months. With all this in mind, valuation has become more of an issue as earnings estimates have been whittled down throughout the year. Much of the weakness can be attributed to the tremendous decline we have seen in crude oil and natural gas prices. The capital spending decline in the energy space has been a drag on GDP and a big headwind for earnings growth. The domestic rig count was down 56% year-over-year, as crude prices slid 48% and natural gas was down 40%. The flip side to this is that gas prices at the pump went down, so consumers had more discretionary income to spend. At this point, the industrial sector of the economy acts as if a recession is happening or is imminent. From a contrarian standpoint, now is probably a good time to add money to the sector.

We have continued to overweight domestic equities over international, and have very small exposure to emerging market stocks. The markets continue to react somewhat receptively to the prospect of the Fed starting to tighten the Fed Funds rate. The next step will be to see the pace at which they continue to tighten. We think it will be slow and steady, but will probably extend further in time than is generally expected. We are still underweight fixed income relative to our strategic range. We continue to maintain an overweight in investment grade corporate credit, an underweight in U.S. Treasuries, but longer duration in treasuries relative to benchmark. As rates have remained low, the new issue market has continued to be very strong in corporate credit, and continued fund flows into bonds have been there to digest these new bond issues.

Other parts of the portfolio had another good year, with real estate up over 7%, and private placements up in the low double digits. 55 Water Street continued its strong rebound post-Hurricane Sandy, and momentum continues to build in downtown Manhattan. The building is currently 97% leased and generates good cash flow for the RSA. With the choppy nature of the economy and the capital markets, we have seen less private investment deal flow. With that said, we continue to hold ample cash in the event that we see an opportunity. As always, we will continue to demand the best execution from all RSA counterparts and will strive to produce results that strengthen the Retirement Systems of Alabama and its beneficiaries.

RSA Performance Summary

As of September 30, 2015, aggregate defined benefit assets under management totaled \$32.2 billion. During fiscal year 2015, annualized total returns of the TRS, ERS, and JRF were 1.04%, 1.05%, and -0.54% respectively.

Equities

After a swoon in the first month of the fiscal year, the stock market traded in a tight range until mid-August. After months of speculation on the true health of the Chinese economy, when the Chinese government devalued the yuan, the market voted with its feet. As a follow up, the push out of the prospective Fed Funds rate hike that was talked down by the Fed further spooked the markets, thinking that the Fed knew something that everyone else didn't. So, in not so unusual style, late summer and early fall proved to be the witching hour for the equity markets. Subsequent to closing the books at the end of September, the markets have clawed their way back to within 2% of the all-time high set in mid-May.

With the earnings degradation the market has experienced the past several quarters, valuation is more of an issue now than it was this time last year. As talked about earlier, much of the damage done was a result of the commodity complex collapse. The capex spigots have been virtually turned off in the whole energy space with marginal producers only running so that they can pay the interest cost on debt. As it was hard to see the collapse of crude to current levels, it is hard to envision it moving substantially higher, but it will eventually. Much of the underlying support the market has seen through dividend increases, share buybacks, and merger and acquisition activity remain in place. Also, sentiment and investor positioning are fairly negative, so there are lots of dollars looking to earn a return that are currently sitting on the sidelines. With that said, we are cautiously optimistic that a lot of the damage has already been done. We should expect a modest uptick in the global economy as the European Central Bank (ECB) and Bank of Japan (BOJ) continue their own quantitative easing programs, as well as less austerity on the fiscal front coming out of Washington.

For the year, the RSA domestic equity portfolios declined -0.08%, -0.17%, and -0.02% for the TRS, ERS, and JRF funds, respectively. Developed international equity returns lagged domestic equity returns by a wide margin, and emerging market equity returns the same vs. developed international. Total international equity returns were -9.58% for the TRS, -9.67% for the ERS, and -9.83% for the JRF. The combined total return for the overall equity portfolios was -2.07%, -2.06%, and -2.13% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 10.81%, 10.78%, and 6.10% for the TRS, 10.85%, 10.84%, and 6.12% for the ERS, and 10.88%, 11.19%, and 6.24% for the JRF, respectively.

Fixed Income

At the beginning of fiscal year 2015, the fixed income market had recently experienced an abrupt increase in interest rates on the heels of stronger economic data. This move proved to be short-lived as weakness in European manufacturing put a lid on any near-term optimism. Inflation numbers within the Eurozone also fell to their lowest point in five years. In response, treasury securities performed well during the first half of October as investors sought safety within risk-free assets. However, encouraging economic news here at home once again magnified the resiliency of the U.S. economy. The Fed also ended its bond-buying stimulus program, the third round of quantitative easing commonly referred to as QE3. Treasury yields retraced most of their recent decline as the equity market climbed to new highs. Over the next several weeks, interest rates moved modestly lower despite the continued strength in stocks. Quantitative easing actions enacted by other global central banks placed additional downside pressure on the long end of the curve. With the exception of high-yield debt, other sectors of the bond market were able to post positive returns through year-end, despite trailing its treasury counterparts. The falling price of oil and the Organization of Petroleum Exporting Countries' (OPEC) insistence on maintaining current production levels hit the high-yield market hard during this time as it is heavily exposed to the energy sector.

Entering the new calendar year, investors were caught off guard as the Swiss National Bank (SNB) unexpectedly ended its three-year peg to the euro and reduced its deposit rate further into negative territory. Unpredictable moves by central banks, especially ones that possess a safe-haven asset like the Swiss franc, often result in a fair amount of volatility. The franc quickly gained value against the euro and the Swiss stock market dropped substantially, as approximately 70% of the country's GDP is export-driven. A week later, the ECB launched its own public sector purchase program with recent inflation numbers falling below zero. The culmination of these events led to a short-term run in the treasury market, providing a 2.50% return for the sector during the month of January. As expected, high-yield debt underperformed the market once again. Mortgage-backed spreads widened as well, as their negatively convex profile was transparent during the large treasury rally.

February turned out to be quite a reversal from the previous month. Strong employment numbers and the stabilization in crude prices provided a healthy backdrop for credit. The treasury yield curve backed up and steepened, while corporate spreads had a 15-20 basis point (bp) rally. The metals and mining sector, as well as the oil and gas credits, tightened substantially leading to a 400bp outperformance in the junk bond market. Corporate issuance was extremely robust during this time, with March posting one of the highest monthly supply totals on record.

Due to the sheer size and scope of the ECB's program, the amount of demand meeting limited supply was bound to cause curious sightings within government debt markets. In fact, yields on German debt extending out to the intermediate part of the curve turned negative by mid-April. At these levels, however, a slight improvement in the

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity (Continued)

For the Fiscal Year Ended September 30, 2015

Eurozone economy and a positive inflation print was all that was needed for a swift reversal. In a matter of weeks, German yields had exploded 65bps to the upside and the unwinding of positions within safe-haven assets had taken hold. Domestically, the long bond eclipsed 3%, an 80bp increase since the beginning of February. A gradual steepening within treasury and credit markets ensued as inflation expectations moved considerably higher over a three-month period. High-yield logged in its best quarter of the fiscal year, outperforming corporate debt largely due to its lower duration profile.

In the next few weeks, volatility arose once again. Greece, never a stranger to turmoil, was in danger of missing a debt payment owed to the International Monetary Fund. A referendum on additional bailout money in exchange for more austerity was held and voted down by Greek citizens. The “risk off” trade quickly reemerged among market participants with treasury yields declining in short order. The Greek Prime Minister ultimately agreed to a bailout package in order to avoid a potential exit from the Eurozone. In the meantime, investor anxiety over Chinese growth had taken center stage. These concerns, coupled with the weakness in commodities, provided additional downward pressure on interest rates. China, in a move to support its export-driven economy, devalued its currency by 2%, leading to significant drops in global equity markets and interest rates. By late August, Fed fund futures were pricing in a 30% chance of an initial Fed hike in September, down substantially from the beginning of the month.

Risk assets have been unable to find their footing in September as the Federal Open Market Committee not only pushed out its initial rate hike, but also highlighted concerns about global weakness in its statement. High-yield securities posted its fourth consecutive month of negative returns, losing roughly 7% over this time period. U.S. investment grade and high yield credit spreads are now at their widest levels since June 2012. While corporate bond issuance has remained robust throughout most of the year, the average concession on new issues has steadily increased as well. The corporate market has benefitted from easy monetary conditions and unprecedented demand for yield over the last several years. In fact, the high grade market has nearly doubled in size relative to GDP during this time. This past year was an unpleasant one for credit in general, especially for those further down the quality curve with exposure to energy, commodities, and emerging markets. In contrast to 2014, when duration was the main determinant in performance, this fiscal year quality and safety carried the day.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 2.96% for the TRS, 2.97% for the ERS, and 3.15% for the JRF. The five-year annualized returns were 3.71% for the TRS, 3.71% for the ERS, and 3.64% for the JRF. The ten-year annualized returns were 5.41% for the TRS, 5.43% for the ERS, and 5.47% for the JRF.

Sincerely,



Marc Green
Director of Investments

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Policies and Procedures

For the Fiscal Year Ended September 30, 2015

The following Investment Policies and Procedures were effective for the Teachers' Retirement System for the entire fiscal year ending 2015 and for the Employees' Retirement System through March 31, 2015. On March 6, 2015, the Employees' Retirement System Board of Control adopted a new Investment Policy Statement (IPS) that became effective on April 1, 2015. The new Employees' Retirement System IPS can be located immediately following these previously effective Investment Policies and Procedures.

I. Board Objectives

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

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

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

II. Asset Allocation

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

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

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

A. Domestic Fixed Income

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

B. International Fixed Income

The international fixed income asset class may be used to provide diversification for each System and may consist of U.S. dollar denominated or foreign currency denominated fixed income obligations of sovereign countries with a rating of at least A by one of the principal rating agencies at the time of purchase or acquisition, except that up to 2 percent of the market value of each

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Policies and Procedures (Continued)

For the Fiscal Year Ended September 30, 2015

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 25% of the aggregate market value of each System's total portfolio.

E. Real Estate

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

F. Alternative Investments

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

G. Short-term Investments

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

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

III. Procedures

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

Investment Section

Employees' Retirement System Investment Policy Statement

Adopted March 6, 2015 and Effective April 1, 2015

Purpose

This Investment Policy Statement (IPS) sets forth the investment policies by which the fund's investments will be managed. This IPS is consistent with and complements related Alabama Statutes and is intended to be binding upon all persons with authority over the investments of the Employee Retirement System of Alabama ("ERS"). Deviation from the IPS is not permitted without explicit written permission, in advance, from the ERS Board of Control ("Board of Control" or "Board"). This IPS shall be effective April 1, 2015.

The Judicial Retirement Fund is a defined benefit plan created by and administered in accordance with Ala. Code §§ 12-18-1, et seq.. Section 12-18-2(a) states in its pertinent part as follows:

"The Judicial Retirement Fund shall be administered by the Secretary-Treasurer of the State Employees' Retirement System under the supervision of the Board of Control of the said State Employees' Retirement System and said board of control shall be the trustee of such fund and shall handle such fund in the same manner and pursuant to the same rules and regulations that it handles funds in the State Employees' Retirement System."

Therefore, the Board of Control is the trustee and responsible for handling such funds in the same manner as ERS. This IPS, therefore, will also apply to the JRF.

Roles and Responsibilities

Board of Control

The Board of Control, as Trustees, shall carry out its functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties. The Trustees shall act in accordance with the provisions of the laws and with the care, skill, prudence and diligence in light of the circumstances then prevailing that a prudent person 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 by diversifying the investments of the ERS so as to minimize the risk of large losses.

Specific responsibilities include:

- Working with the Investment Management Committee to provide oversight of the investment program of the ERS.
- Approving a statement of investment philosophy that sets forth ERS's beliefs on key investment issues.
- Approving an IPS.
- Ensuring asset allocation strategies are in place to achieve the investment goals and objectives of the ERS.
- Reviewing adherence to the investment philosophy of the ERS.
- Reviewing compliance with, and the continued appropriateness of, the IPS.
- Reviewing the investment performance of the fund, including the performance of all investment classes.
- Elect an investment committee (Ala. Code §§36-27-25(d)).
- Appoint an Investment Advisor (Ala. Code §§36-27-25(e)).

Investment Management Committee

The Investment Management Committee is responsible for overseeing the ERS investment program. Specific responsibilities include recommending to/advising the Board:

- A written statement of investment philosophy for the fund.
- A written IPS.
- Strategies to achieve the investment goals and objectives of the ERS.
- On any other investment matters and make recommendations for Board action when necessary.
- Keeping minutes of Investment Management Committee meetings and ensuring the minutes are made available to Trustees.

-
- Monitoring all the investment activities of the Investment Committee, Secretary-Treasurer, Staff, Investment Advisor, and Custodian
 - Ensuring the investment reporting policies are designed to provide transparency and aggregate information on target investments regardless of the investment vehicles used.

Investment Committee

The Investment Committee will:

- Act as agent for its appointing Board of Control (Ala. Code §§36-27-25(d)).
- Consider all investment recommendations made by the Secretary-Treasurer (Ala. Code §§36-27-25(d)).
- Either approve or disapprove the recommended investments in accordance with policies set by the Board (Ala. Code §§36-27-25(d)).
- Confirm by written authorization the approval of all investments, with such authorization to be attached to the invoice for the transaction (Ala. Code §§36-27-25(d)).

Secretary-Treasurer

The Secretary –Treasurer is elected by the Board of Control and serves as the chief executive officer for the ERS. Ala. Code §§36-27-23(h). Specific responsibilities of the Secretary-Treasurer include:

- Recommending to the Investment Management Committee a written statement of investment philosophy and review that statement with the committee at least every three years.
- Recommending to the Investment Management Committee a written IPS and review that statement with the committee at least annually.
- Recommending to the Investment Management Committee strategies to achieve the investment goals and objectives of ERS.
- Developing, and executing, within the policy parameters approved by the Board, investment strategies for each asset category in which the ERS invests.
- Executing portfolio rebalancing in accordance with the policies of the Board.
- Advising the Board and the Investment Management Committee on any other investment matters and making recommendations for Board or committee action when necessary.
- Reporting to the Board of Control all purchases and sales of investments made by him or her at least once semiannually (Ala. Code §§36-27-25(c)).
- Carrying out the investment policies fixed by the Board of Control (Ala. Code §§26-27-25(c)).
- Examining all offers of investments made to the funds (Ala. Code §§36-27-25(c)).
- Initiating inquiries as to available investments for the funds (Ala. Code §§36-27-25(c)).
- Reviewing periodically the investment quality and desirability of retention of investments held (Ala. Code §§36-27-25(c)).
- Making purchases and sales of investments as he or she shall deem to be to the best interests of the fund and in accordance with policies set by the Board, and as the Investment Committee shall approve (Ala. Code §§36-27-25(c)).

Custodian

The Custodian holds directly, through its agents, its sub-custodians, or designated clearing systems, assets as designated by the Board. The Custodian is accountable for registration of those designated assets in good delivery form, collection of income generated by those assets, and any corporate action notification. The Custodian is responsible for delivery and receipt of securities of the aforementioned transactions. The Custodian is required to provide online records and reports, performance reporting, accounting reports and other services included by contract. The Board may opt to designate other duties to the Custodian.

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

Adopted March 6, 2015 and Effective April 1, 2015

Investment Advisor

The Investment Advisor may be appointed and employed by the Board of Control to act as a consultant to the Secretary-Treasurer in the purchase, sale, and review of the ERS's investments to the extent the Board may designate. The Investment Advisor must be a bank having principal office in the State of Alabama, must have capital, surplus and undivided profits of not less than \$300 million, and must have an organized investment department. Specific responsibilities of the Investment Advisor include:

- Assist the Secretary-Treasurer with the development of quarterly strategies for investments.
- Confirm weekly list of investment activities.
- Meet at least quarterly with the Secretary-Treasurer and Board of Control members.

Investment Goals and Objectives

The function of the ERS is to provide present and future retirement or survivor benefits for its members. This objective requires the prudent assumption of investment risk in seeking to maximize long-term investment returns while incorporating the fund's liability requirements. The future investment performance of the fund directly affects its future financial strength. However, the greater the expected return of the strategic asset allocation policy, the higher the risk, and thus the greater the volatility of expected returns. With this greater volatility, the volatility of the surplus (deficit) of the plan may also be greater. The optimal balancing of these return and risk considerations will be considered in the context of the fund's short-term and long-term benefit obligations.

Investment Philosophy

The investment philosophy for the ERS is determined with careful consideration of its primary fund purpose, fiduciary obligations, statutory requirements, actuarial assumptions, funding policy, liquidity needs, income sources, benefit obligations and other general business conditions. The investment philosophy embraces the following:

- Strategic asset allocation is the most significant factor influencing long-term investment performance and asset volatility. The asset allocation targets, determined by the Board of Control, will be adhered to through a clearly defined rebalancing program.
- In controlling the risk level that is appropriate for the fund, the Board will diversify the assets of the fund among various asset classes as the Board may from time to time adopt as appropriate asset classes. The specific asset classes to be used will be set in conjunction with the strategic asset allocation adopted from time to time by the Board. The Board will diversify investment assets within asset classes to avoid concentrations.
- The fund's liabilities are long term and the investment strategy will therefore be long term in nature. Strategic decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- The asset allocation policy will be reexamined every three years to ensure its appropriateness to the then prevailing liability considerations.
- Market-related risk and non-market related risk investments will be utilized. Market related risk refers to risk systematic to a market or risk embedded in the strategic asset allocation policy. Non-market risk refers to risk derived from active management or tactical decisions. Market-related risks are expected to produce returns proportional to the level of those risks over long periods of time as a natural feature of reasonably efficient capital markets; non-market related risks may produce additional returns when capitalized upon through skilled active management in the presence of some degree of market inefficiency. As a long-term investor, the ERS will invest across a wide spectrum of market-related risk investments, categorized in asset classes, in a prudent manner consistent with the strategic asset allocation policy referred to above.
- Index funds can be a desirable way of obtaining market-related risk exposure to asset classes.
- Non-market-related risks, also known as active management risk, may be expected to add value over index funds with comparable benchmarks, under appropriate conditions, and can be employed by the fund with controls in place which are appropriate to the particular investment.

- Also ERS recognizes that a stronger Alabama equates to a stronger Employee Retirement System, and as such, investments in Alabama businesses are encouraged to the extent the investment return meets the criteria delineated by this policy statement. Any Alabama investment must be forecast to have a return comparable to other investments in the same asset class. The forecast and the accompanying analysis must be presented to the Investment Committee and Investment Management Committee prior to making the investment.

Strategic Asset Allocation Policy

The ERS current target asset allocation and ranges are specified below.

Asset Class	JRF Target Allocation	ERS Target Allocation	Strategic Range
Domestic Equity	55%	45%	30%-60%
International Equity	15%	15%	10%-25%
Fixed Income	22%	17%	10%-50%
Alternative Investments	1%	10%	0%-15%
Real Estate	2%	10%	0%-15%
Short-term investments	5%	3%	0%-5%

The strategic asset allocation policy will be periodically reviewed, as described under “Investment Philosophy” and “Roles and Responsibilities.”

Rebalancing Policy

The purpose of the rebalancing policy is to ensure the adherence to the strategic allocation plan. Unexpected changes in market values may, on occasion, cause the actual asset allocation to fall outside of the allowable ranges. This policy applies to all asset classes in which the ERS invests and requires Investment Management Staff (“Staff”) to implement rebalancing trades if, as of any quarter end, the allocation to any asset class is outside the allowable ranges. The Board recognizes, however, the inherent difficulty in managing the allocations to illiquid asset classes. As such, with respect to ERS’s investments in illiquid asset classes (alternative investments and real estate), the Board expects the allocations to these areas to be managed as close as practical to the policy targets. As of any quarter-end, the Board expects Staff to report illiquid asset class allocations that fall outside the prescribed ranges. In addition, the Board expects Staff to provide an implementation recommendation to bring the fund’s allocation to these areas back within the allowable ranges. The Staff will provide annually to the Investment Management Committee a schedule for valuations on such assets.

Managing the allocations to the marketable asset classes involves a risk reduction tradeoff with increased transaction costs. As such, the Board expects Staff to implement this policy in a manner that seeks to minimize the impact of transaction costs. In particular, the Board expects Staff to use cash contributions and cash needs to move the fund’s asset allocation as close as practical to the policy targets.

When markets move such that the fund’s normal cash flows are insufficient to maintain the fund’s actual asset allocation within the permissible ranges as of any quarter end, the Board expects Staff to implement the necessary transactions to bring the fund’s allocation back to within the allowable ranges. Before a rebalancing transaction is implemented, the Board expects Staff to identify those portfolios that are likely to have the lowest cost of trading. Absent any asset class structure considerations, the Board expects these low trading cost portfolios to be utilized more frequently to implement required total fund rebalancing.

Eligible Asset Categories

The Board is responsible for approving asset categories in which the fund will invest. Listed below are the asset categories in which ERS currently invests along with a discussion of market efficiency in each category.

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

Adopted March 6, 2015 and Effective April 1, 2015

The efficiency of markets is relevant to expected return opportunities. Highly efficient markets provide less opportunity to add value above market returns. Highly inefficient markets provide more opportunity to add return above what is available by the market. This above market return expectation can be referred to as alpha. Market return can be referred to as beta.

Domestic Equities

Investing in the domestic equity market is a way to participate in one of the largest and most diverse economies in the world through ownership of the companies that make up the economy of the United States. Investment theory and history suggest that the domestic equity markets provide long-term price appreciation in an amount that tends to mirror the overall growth in the economy. In addition, stocks have historically provided a return that served as an effective hedge relative to inflation (i.e., the historical return of stocks has been in excess of the rate of inflation).

It is expected that the ERS will have exposure to all segments of the domestic equity market including but not limited to growth and value stocks of large to small capitalization companies. The domestic equity market is considered by many to be one of the most efficient capital markets in the world. The availability of public information regarding the future prospects of individual companies combined with the numerous market participants rendering assessments of the information contribute to this market's efficiency. With this in mind, a large portion of the domestic equity portfolio will be managed through passive index funds. A portion of the portfolio will be utilized to add alpha relative to the benchmarks. While the market is very efficient, neither it nor any other market is perfectly efficient. When appropriate skill is available, it may be possible to successfully use active management techniques to improve upon benchmark returns, with acceptable levels of risk.

International Equities

The international equity markets are an increasingly larger share of the investment opportunity set. In addition, because international company stocks tend to react to local as well as global influences, the fluctuations in the returns of international equity markets are only partially related to the movements in the domestic equity market. Further, capital market theory suggests that we should be fully diversified in a global, not just in a local sense.

Fixed Income

Bonds provide a source of diversification relative to an equity-oriented portfolio. The rate of return volatility (investment risk) of fixed income securities is substantially lower than the volatility of equities. In addition, there are significant differences in the pattern of returns between stock and bond investments. When combined with equity securities, a fixed income allocation can serve to reduce the overall risk of the portfolio without materially sacrificing return potential.

The fixed income asset class is perhaps the most diverse capital market. Securities include government, mortgage-backed and corporate bonds of U.S. and non-U.S. issuers. It also includes bonds issued by high quality as well as low quality companies and countries. The fixed income market may be more efficient than once believed. However, fixed income can experience less efficiency at times and in certain segments such as lower quality bonds. It is expected that the fixed income portfolio will make use of both active and passive investment mandates and will include allocations to all major segments of the fixed income market.

Alternative Investments

The alternative investment asset class can encompass many different and distinct asset categories. These types of investments exhibit high levels of risk, with an expectation for high rates of investment returns. Many of these investments also exhibit a high level of correlation with the publicly-traded equity markets.

The alternative investment asset class is considered highly inefficient, as the lack of publicly available company and pricing information suggest active management is critical in this asset class. The primary benefit afforded investors in this asset class is the expectation of generating high levels of investment returns, as well as hedging instruments for risk controls.

Examples of such investments are venture capital partnerships, private equity, hedge funds, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into after due diligence and with approval by both the Investment Committee and the Investment Management Committee or by the Board. No final commitment shall be made until all the forgoing is met. Subsequent investments in a previously approved investment do not require additional specific approvals by the

Investment Committee and the Investment Management Committee or the Board, unless there has been a material adverse change in the investment.

ERS may not engage an investment manager or invest in a fund, partnership, or other entity if the terms of the engagement or investment do not preclude an investment result that is contrary to the Investment Policy Statement. ERS may not engage an investment manager or invest in a fund unless the investment-management or subscription agreement includes a representation, warranty, and covenant confirming the absence of any compensation (before, during, or after the agreement) to a solicitor, placement agent, lobbyist, or other intermediary except as fully disclosed in a writing attached to and made a part of the agreement.

Real Estate

Real estate investments can serve as a diversifier of a stock and bond portfolio. While the factors that influence real estate returns may also influence the returns of stock and bond portfolios, these factors impact real estate in a different manner than the other asset classes. This suggests that the return patterns of real estate have a lower correlation to other asset classes, providing a diversification benefit when combined with stocks and bonds.

Risk Controls and Procedures

- The fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and to limit the impact of large losses on individual investments of the fund.
- Individual portfolios will be managed according to written investment guidelines that are approved by the Staff. These guidelines are intended to ensure that the portfolio meets its objective and operates within acceptable risk parameters.
- A process will be established by which compliance with all elements of the IPS and portfolio guidelines are measured and monitored, with compliance exceptions being reported to the Investment Management Committee and the Board.
- The Investment Advisor will work with the Staff to develop a quarterly strategy for investments, which will be disseminated to the Board, as it is prepared each quarter.
- The Investment Committee shall approve all investments made within the IPS. The Investment Committee, in its approval, is considered to be signing for the Board of Control. If any purchase or sale is questioned by two members of the Investment Committee as to whether it is within 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.
- Each week, the Secretary-Treasurer will send to the Investment Advisor the list of actual activities for written confirmation, which will then be distributed to the Board of Control members upon receipt.
- 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 relevant to the decision making process.
- 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.
- The rules of the Securities and Exchange Commission, the general policies of the Board of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The Investment Management 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.
- All Alternative Investments will be documented with a comprehensive financial analysis setting out the reasons for the investment and showing the projected return on investment.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

Adopted March 6, 2015 and Effective April 1, 2015

Performance Measurement

The investment objective of the ERS total fund is to earn the rate of return of the Total Plan Policy Portfolio. A Policy Portfolio is a passive representation of the specific asset allocation strategy pursued and is the most objective performance evaluation metric. The Total Plan Policy Portfolio weights each individual portfolio and its return versus the actual relative index returns. This process accounts for asset allocation shifts within and between any asset classes.

Total Plan Benchmark

The Total Plan Benchmark is calculated monthly. It is a weighted average of the asset classes and their corresponding benchmarks. The weights are calculated using the beginning market values. The asset class benchmarks are listed in the table below:

Domestic Equity	Custom Benchmark	(see description below)
International Equity	MSCI E AFE Net	
Domestic Fixed Income	Custom Benchmark	(see description below)
International Fixed Income	WGBI Non-US	Currently, there are no International Fixed Income portfolios in the plan.
Cash	ML 90-Day T-Bill	
Alternative Investments	-If an equity investment, the Russell 3000 +3% -If a debt investment, the Barclay Capital Agency plus 3%.	
Real Estate	NCREIF NPI	-Privately held US- based commercial Real Estate properties. -Most commonly used. -Often use NPI + 1-3% to compensate for higher risk and expected returns of funds that use leverage.

Domestic Equity Benchmark

The Domestic Equity Benchmark is calculated monthly. It is a weighted average of the domestic equity portfolios and their corresponding benchmarks. The weights are calculated using the beginning markets' values. The portfolio benchmarks are listed in the table below:

Core Fund	S&P 500
S&P 500 Fund	S&P 500
MidCap Active Fund (SSF)	S&P 400 MidCap
S&P MidCap Index	S&P 400 MidCap
S&P SmallCap Index	S&P 600 SmallCap
SmallCap Active Fund	S&P 600 SmallCap

Fixed Income Benchmark

The Fixed Income Benchmark is calculated monthly. It is a weighted average of the Fixed Income sectors and their corresponding benchmarks. The weights are calculated using the beginning markets' values. The sector benchmarks are listed in the table below:

Agency	Barclay Capital Agency
Asset Backed	Barclay Capital ABS Index
CMO	Barclay Capital MTGE
Corporate	Barclay Capital Corp
Municipal	N/A
Mortgage Pass-Through	Barclay Capital MTGE
Private Placement	N/A
US Treasury	Barclay Capital Treasury
Yankee - Agency	Barclay Capital Agency
Yankee – Other Yankee	Barclay Capital Corp

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Schedule of Investment Performance

For the Fiscal Year Ended September 30, 2015

		Annualized		
	1 Year	Last 3 Years	Last 5 Years	Last 10 Years
Total Portfolio				
TRS	1.04%	9.20%	9.42%	5.41%
ERS	1.05%	9.06%	9.37%	5.16%
JRF	-0.54%	8.45%	8.81%	6.10%
Total Domestic Equity				
TRS	-0.08%	12.45%	12.96%	6.89%
ERS	-0.17%	12.42%	12.90%	6.87%
JRF	-0.02%	12.55%	13.39%	7.11%
<i>Domestic Equity Benchmarks:</i>				
S & P 500	-0.61%	12.40%	13.34%	6.80%
Dow Jones Industrial Average	-2.11%	9.26%	11.37%	7.17%
S & P MidCap 400	1.40%	13.12%	12.93%	8.25%
S & P 600 Smallcap	3.81%	13.02%	14.04%	7.65%
Total International Equity				
TRS	-9.58%	4.85%	3.64%	3.36%
ERS	-9.67%	4.75%	3.59%	3.35%
JRF	-9.83%	4.69%	3.50%	n/a
<i>International Equity Benchmarks:</i>				
Morgan Stanley EAFE (Unhedged)	-8.66%	5.63%	3.98%	2.97%
MSCI Emerging Markets (Unhedged)	-19.28%	-5.27%	-3.58%	4.27%
Total Fixed Income and Alternatives				
TRS	7.33%	7.12%	7.78%	4.64%
ERS	7.28%	7.09%	7.82%	4.25%
JRF	3.30%	2.71%	3.78%	5.18%
<i>Fixed Income Benchmarks:</i>				
Citigroup Big	2.85%	1.67%	3.06%	4.72%
Barclays Aggregate	2.94%	1.71%	3.10%	4.64%

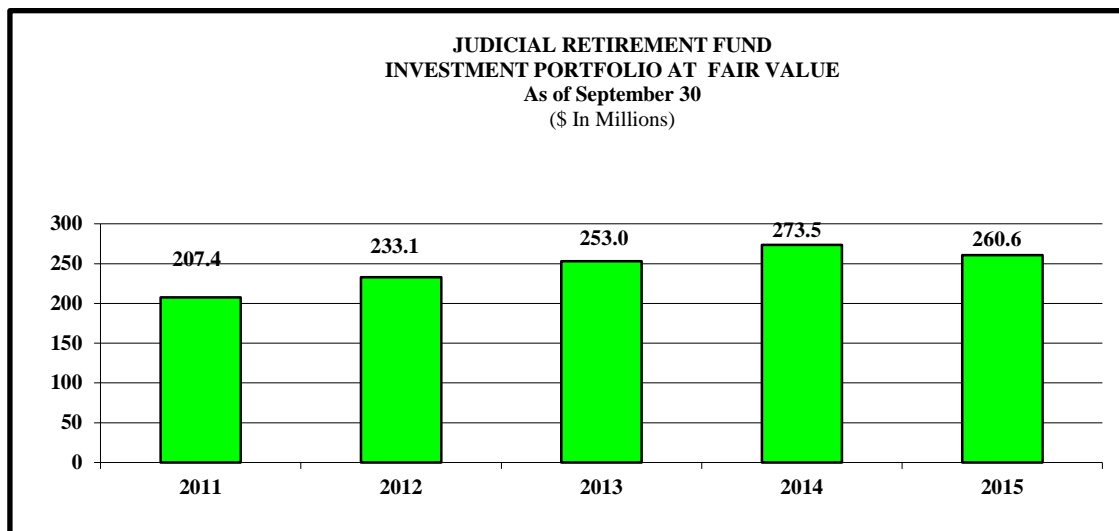
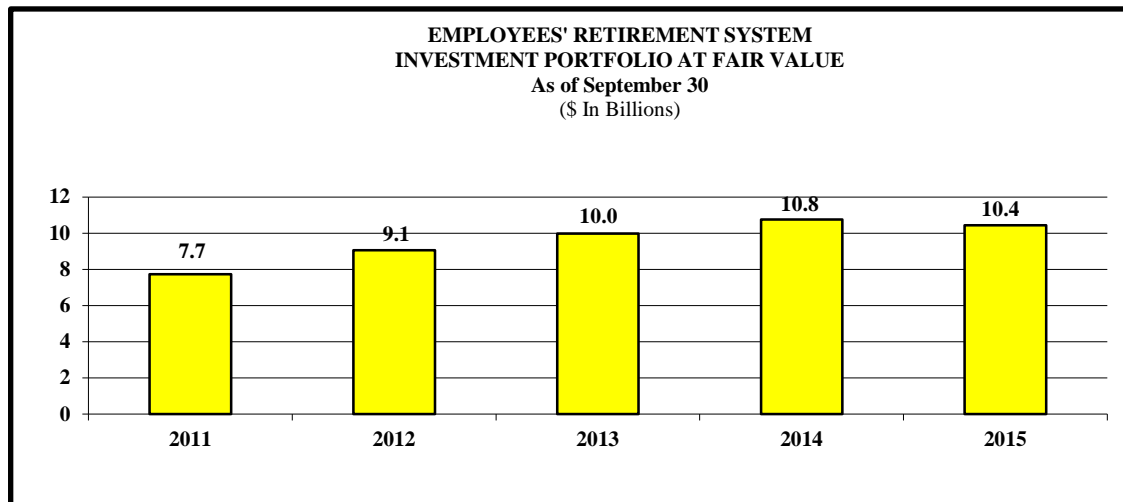
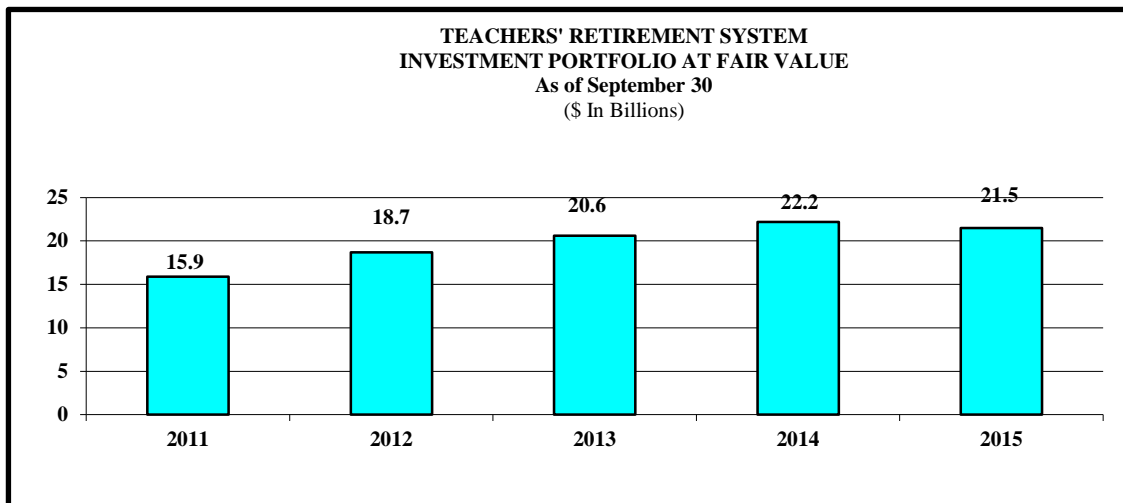
Note: Calculations are prepared using the time-weighted rate-of-return methodology based upon market values.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Portfolio at Fair Value

Five-Year Comparison

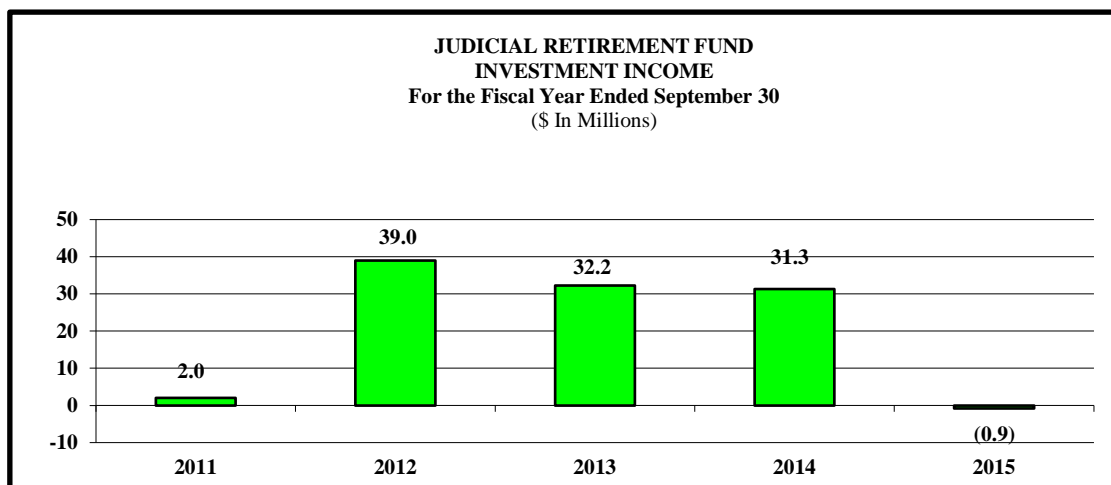
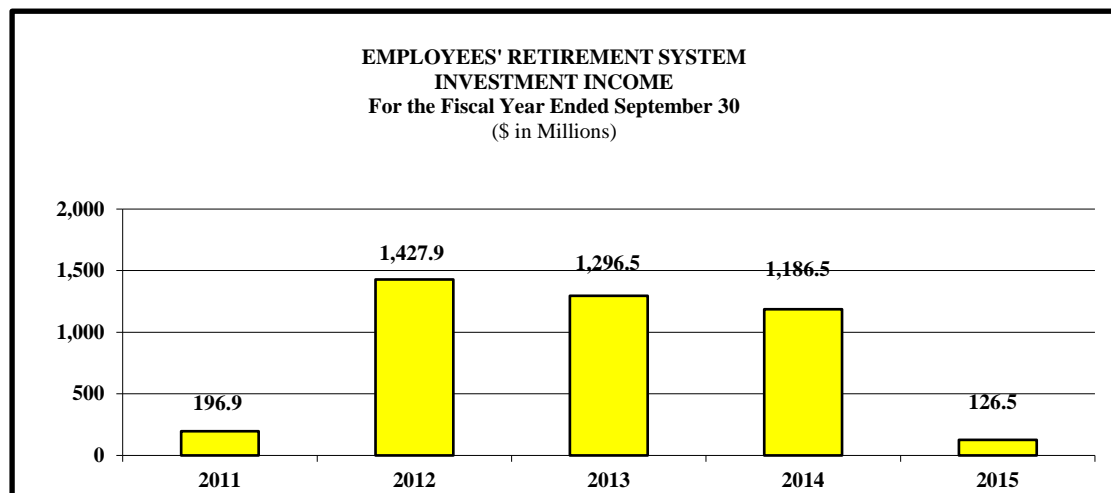
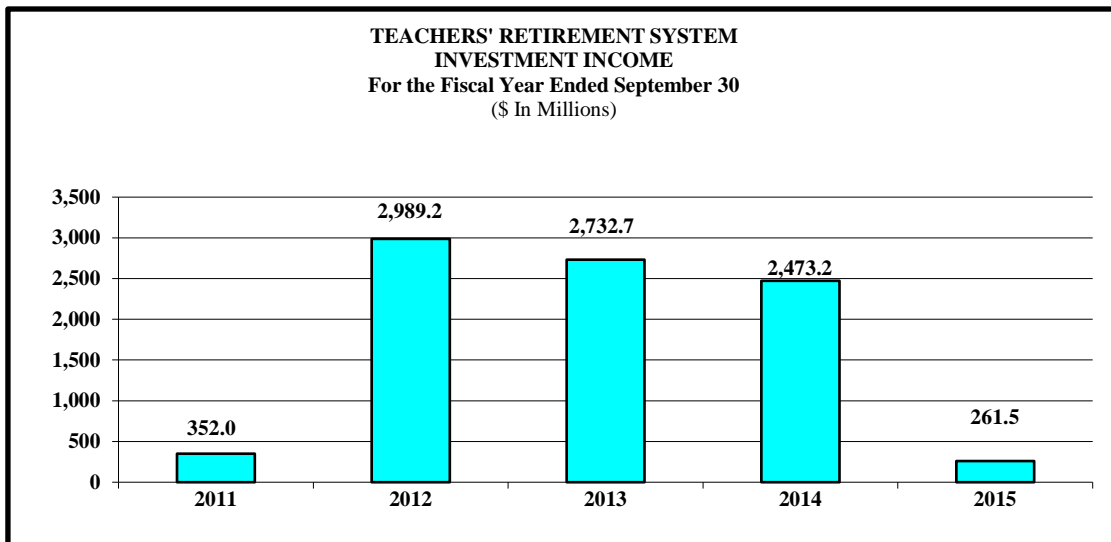


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Income

Five-Year Comparison

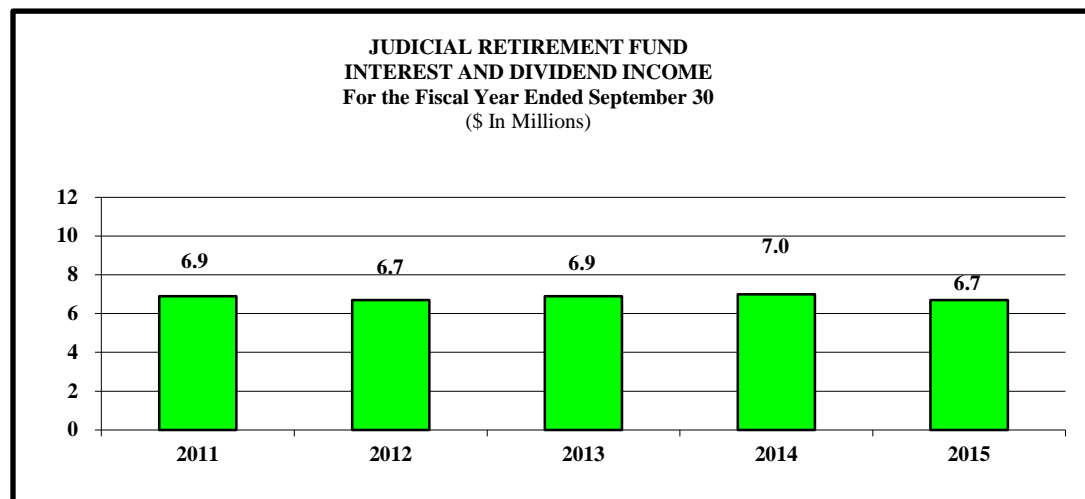
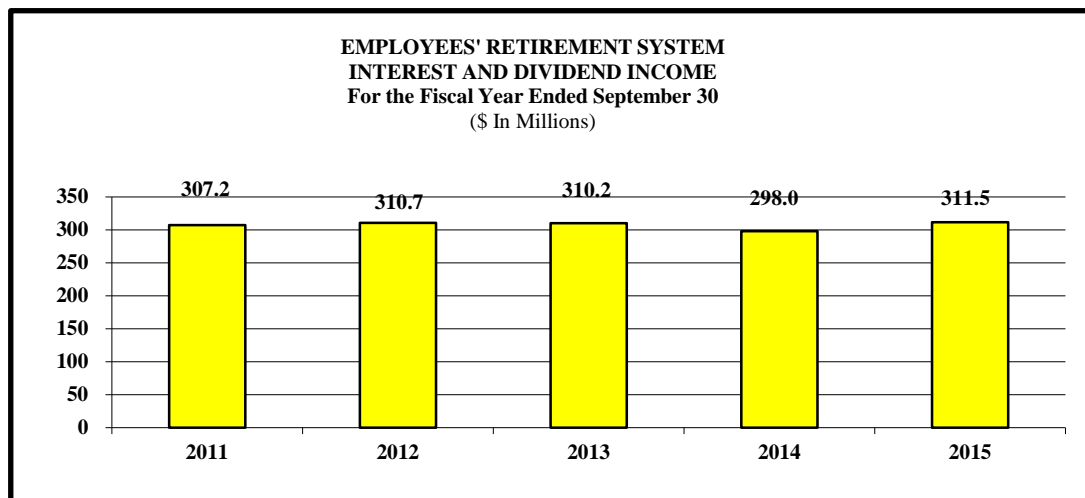
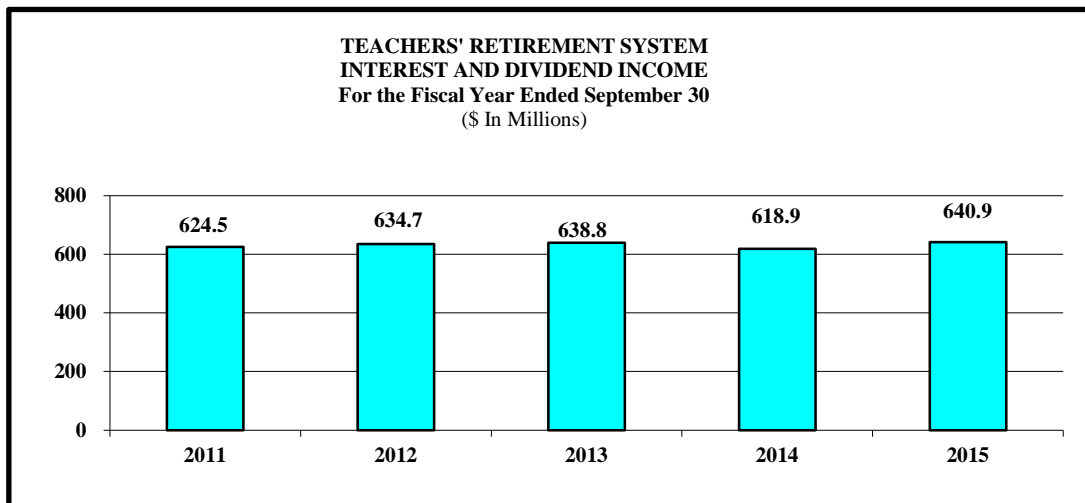


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividend Income

Five-Year Comparison

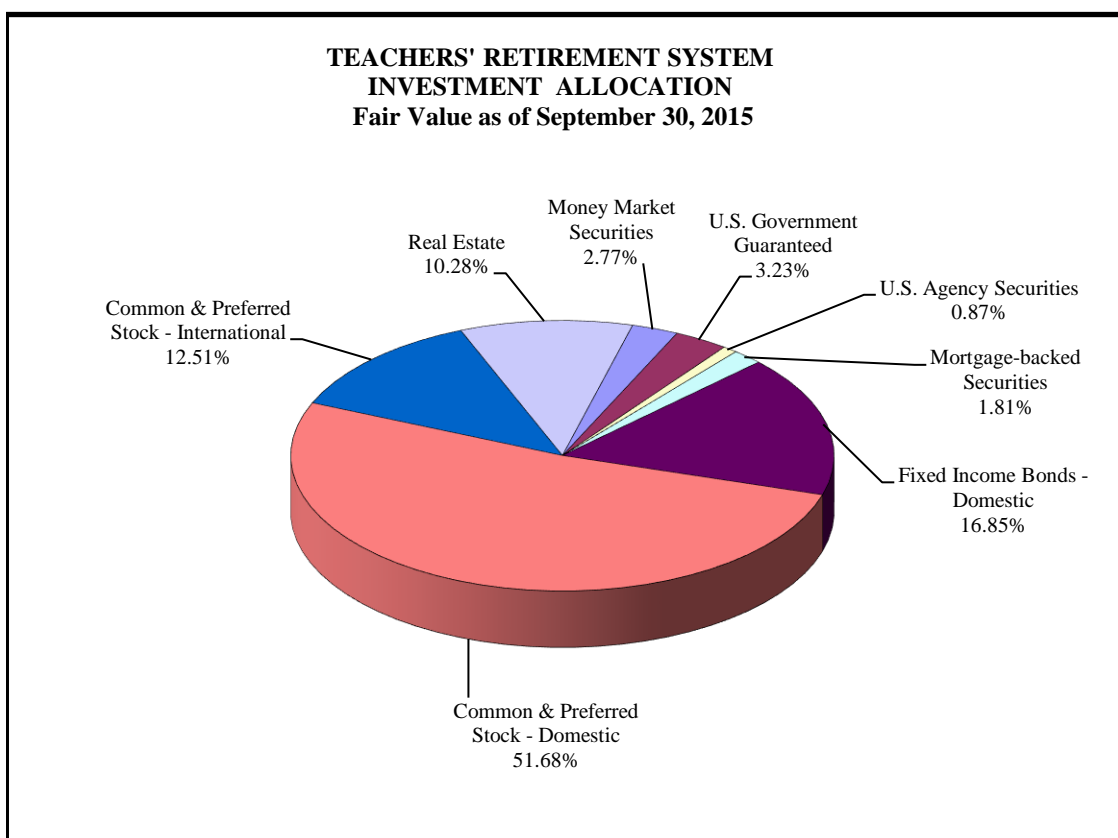


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



**TEACHERS' RETIREMENT SYSTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2015**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 595,981	2.77
U.S. Government Guaranteed	693,290	3.23
U.S. Agency Securities	187,525	0.87
Mortgage-backed Securities	388,767	1.81
Fixed Income Bonds		
Domestic	3,619,337	16.85
Common and Preferred Stocks		
Domestic	11,102,304	51.68
International	2,688,554	12.51
Real Estate	2,209,180	10.28
Total Investments	\$ 21,484,938	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Largest Stock and Bond Holdings

TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2015

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	13	New Water Street Corporation	\$ 1,118,418
2)	984	Goldman Sachs Small Cap Equity Linked Note	800,730
3)	9,387	ISHARES MSCI Emerging Markets	307,696
4)	2,428	Apple, Inc.	267,789
5)	3,848	Microsoft Corporation	170,315
6)	89	Raycom Preferred 10% Non-Cumulative	132,858
7)	1,774	Exxon Mobil Corporation	131,906
8)	5,189	General Electric Company	130,869
9)	2,007	J P Morgan Chase & Co.	122,382
10)	857	Berkshire Hathaway, Inc., Class B	111,802

TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2015

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	1,199,012	Raycom Media, 8%, Due 9/30/2032	\$ 1,799,679
2)	582,074	Community News, 8%, Due 12/31/2032	340,481
3)	76,749	U.S. Treasury, 1.75%, Due 5/15/2023	76,104
4)	68,666	U.S. Treasury, 2.75%, Due 2/15/2024	72,982
5)	52,941	SIO2 Medical Products Inc., 8%, Due 12/31/2018	65,660
6)	61,232	U.S. Treasury, 2.125%, Due 8/15/2021	63,040
7)	58,364	U.S. Treasury, 3.125%, Due 4/30/2017	60,741
8)	56,926	U.S. Treasury, 1.375%, Due 1/31/2020	57,158
9)	52,831	U.S. Treasury, 2.50%, Due 5/15/2024	55,037
10)	62,711	American Spirit Media, LLC, 8%, Due 12/31/2032	53,945

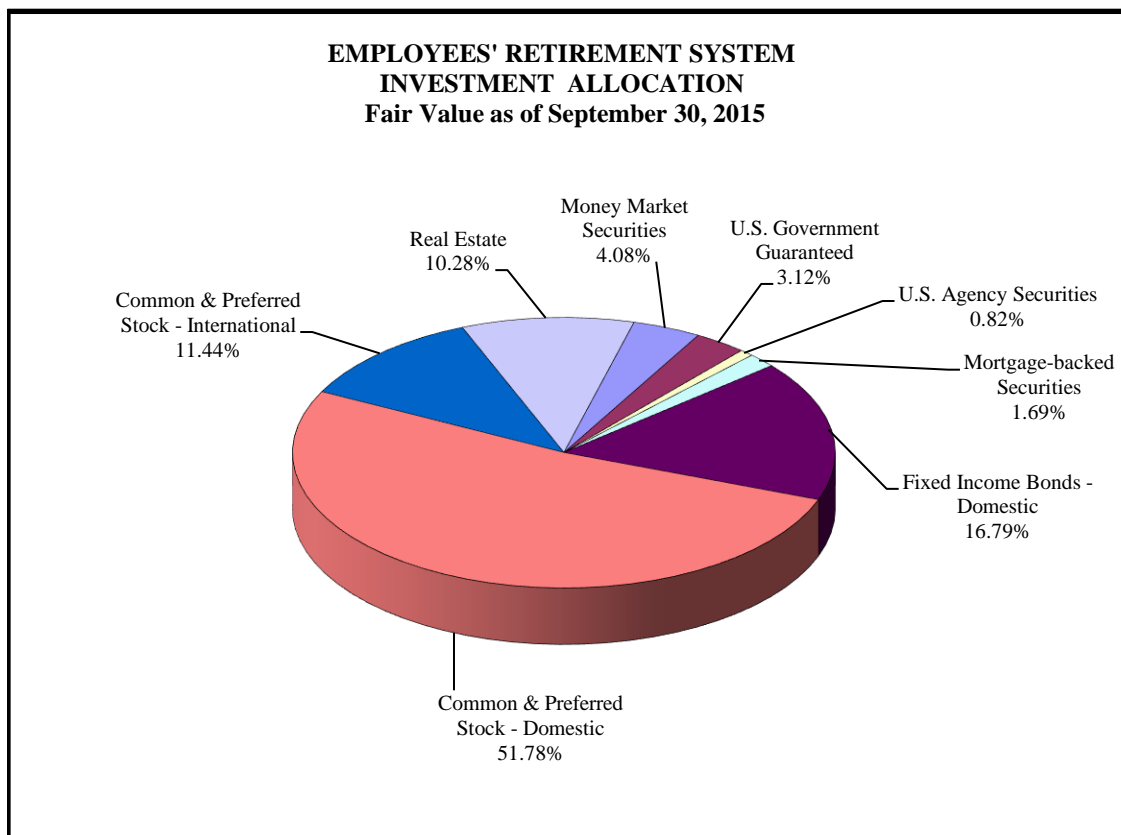
A complete list of portfolio holdings is available upon request.

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, 2015**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 426,257	4.08
U.S. Government Guaranteed	325,285	3.12
U.S. Agency Securities	85,343	0.82
Mortgage-backed Securities	176,790	1.69
Fixed Income Bonds		
Domestic	1,752,794	16.79
Common and Preferred Stocks		
Domestic	5,405,738	51.78
International	1,194,073	11.44
Real Estate	1,072,930	10.28
Total Investments	\$ 10,439,210	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System

Largest Stock and Bond Holdings

EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2015

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	\$ 513,881
2)	405	Goldman Sachs Small Cap Equity Linked Note	329,309
3)	4,483	ISHARES MSCI Emerging Markets	146,943
4)	89	Raycom Preferred 10% Non-Cumulative	132,858
5)	1,172	Apple, Inc.	129,304
6)	1,881	Microsoft Corporation	83,232
7)	2,556	General Electric Company	64,457
8)	856	Exxon Mobil Corporation	63,675
9)	993	J P Morgan Chase & Co.	60,568
10)	417	Berkshire Hathaway, Inc., Class B	54,440

EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2015

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	595,661	Raycom Media, 8%, Due 9/30/2032	\$ 894,068
2)	293,274	Community News, 8%, Due 12/31/2032	171,549
3)	34,941	U.S. Treasury, 1.75%, Due 5/15/2023	34,647
4)	33,001	U.S. Treasury, 2.125%, Due 8/15/2021	33,976
5)	31,236	U.S. Treasury, 2.75%, Due 2/15/2024	33,199
6)	26,075	SIO2 Medical Products Inc., 8%, Due 12/31/2018	32,340
7)	29,131	U.S. Treasury, 2.5%, Due 5/15/2024	30,348
8)	32,646	American Spirit Media, LLC, 8%, Due 12/31/2032	28,083
9)	26,546	U.S. Treasury, 3.125%, Due 4/30/2017	27,627
10)	25,877	U.S. Treasury, 1.375%, Due 1/31/2020	25,983

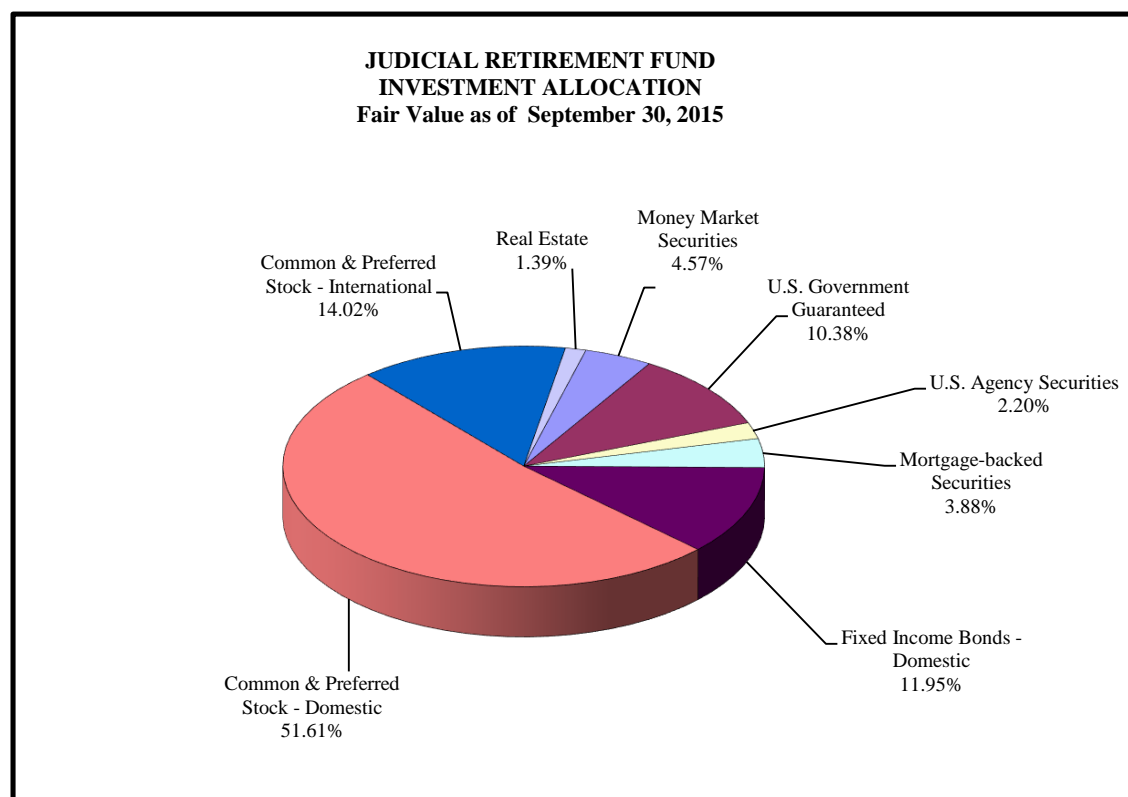
A complete list of portfolio holdings is available upon request.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2015
(\$ In Thousands)**

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 11,909	4.57
U.S. Government Guaranteed	27,051	10.38
U.S. Agency Securities	5,732	2.20
Mortgage-backed Securities	10,111	3.88
Fixed Income Bonds		
Domestic	31,145	11.95
Common and Preferred Stocks		
Domestic	134,526	51.61
International	36,551	14.02
Real Estate	3,622	1.39
Total Investments	\$ 260,647	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Judicial Retirement Fund

Largest Stock and Bond Holdings

JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2015

(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	9	Goldman Sachs Small Cap Equity Linked Note	\$ 7,212
2)	159	ISHARES MSCI Emerging Markets	5,199
3)	37	Apple, Inc.	4,064
4)	*	New Water Street Corporation	3,622
5)	52	Microsoft Corporation	2,287
6)	27	Exxon Mobil Corporation	2,003
7)	18	Johnson & Johnson	1,673
8)	65	General Electric Company	1,645
9)	12	Berkshire Hathaway, Inc., Class B	1,578
10)	30	Wells Fargo & Co.	1,550

* Less than 1,000 shares

JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2015

(Amounts In Thousands)

	Par	Bonds	Fair Value
1)	4,544	U.S. Treasury, 2.125%, Due 8/15/2021	\$ 4,678
2)	3,986	U.S. Treasury, 2.5%, Due 5/15/2024	4,152
3)	3,093	U.S. Treasury, 1.75%, Due 5/15/2023	3,067
4)	2,499	U.S. Treasury, 3.75%, Due 11/15/2018	2,714
5)	1,871	U.S. Treasury, 2.75%, Due 2/15/2024	1,989
6)	1,588	General Electric Capital Corp., 5.55%, Due 5/4/2020	1,847
7)	1,727	Farmer Mac Gtd, 5.125%, Due 4/19/2017	1,842
8)	1,593	U.S. Treasury, 3.125%, Due 4/30/2017	1,658
9)	1,590	U.S. Treasury, 1.375%, Due 1/31/2020	1,596
10)	1,619	U.S. Treasury, 2.5%, Due 2/15/2045	1,491

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, 2015

	Stock		Fixed Securities		Total
	Commissions	# of	Commissions	Commissions	Commissions
	Per Share	Shares	(000's)	(000's)	(000's)
Bank of America Merrill Lynch	\$ 0.0180	7,409	\$ 133	\$ 233	\$ 366
Barclays	0.0462	5,343	247	53	300
Bernstein	0.0384	8,783	337	-	337
BTIG	0.0368	1,385	51	-	51
Cantor Fitzgerald	-	-	-	8	8
Citigroup	0.0454	9,466	430	68	498
Convergex	0.0398	7,787	310	-	310
Cornerstone	0.0512	410	21	-	21
Cowen	0.0497	1,409	70	-	70
Credit Suisse	0.0496	846	42	102	144
Deutsche Bank	0.0455	7,100	323	65	388
First Discount	0.0514	175	9	-	9
Goldman Sachs	0.0064	10,380	66	152	218
Harbor Financial	0.0480	250	12	-	12
Howard Weil	0.0517	232	12	-	12
Iberia	0.0480	958	46	-	46
International Strategy and Investment -ISI	0.0463	9,187	425	-	425
Issuer Designated	-	-	-	345	345
Janney Capital Markets	0.0459	109	5	-	5
Jefferies	0.0247	4,379	108	-	108
JP Morgan Chase	0.0499	762	38	288	326
Keybank Capital Markets	0.0480	1,209	58	61	119
Leerink Swann	0.0508	492	25	-	25
Morgan Keegan	0.0480	250	12	-	12
Morgan Stanley	0.0078	97,758	762	143	905
National Bank of Commerce - NBC Securities	0.0499	1,403	70	-	70
Raymond James	0.0500	900	45	4	49
Renaissance Macro Securities - Renmac	0.0503	1,352	68	-	68
Royal Bank of Canada - RBC	0.0489	1,308	64	-	64
Sandler O'Neill	0.0498	562	28	-	28
Securities Capital	0.0520	250	13	-	13
Southwest Securities	0.0480	250	12	-	12
Sterne, Agee & Leach	0.0501	2,953	148	-	148
Stifel Nicolaus	0.0473	6,716	318	60	378
Strategas	0.0500	6,718	336	-	336
Suntrust	-	-	-	22	22
Union Bank of Switzerland - UBS	0.0500	480	24	-	24
Wells Fargo	0.0385	9,807	378	151	529
Totals		208,778	\$ 5,046	\$ 1,755	\$ 6,801
Average Commission Per Share of Stock =		\$ 0.0242			

Note: Certain Broker agreements include provisions for commission sharing.



Component Units of the State of Alabama
Comprehensive Annual Financial Report

ACTUARIAL SECTION





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 10, 2015

Board of Control
Teachers' Retirement System
of Alabama

Dear Board Members:

The basic funding objectives of the Teachers' Retirement System of Alabama (TRS) is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement.

TRS maintains a funding policy that was effective September 30, 2012. In order to meet the objectives listed above, the System will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of system actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to attain a funded ratio which is consistent with the fiscal health and long-term stability of the System.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demands for liquidity.
- To develop a pattern of contribution rates expressed as a percentage of member payroll as measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board. In no event will the employer contribution rate be negative.
- To provide intergenerational equity for taxpayers with respect to System costs.

To track progress in achieving the funding objectives, the following benchmarks are measured annually as of the valuation date:

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial, methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
 - **Transitional UAAL** – The UAAL established as of the initial valuation date for which this funding policy is adopted.
 - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.
- **UAAL Amortization Period and Contribution Rates**
 - In each valuation 1/15th of the Transitional UAAL will be amortized over a closed period. The closed period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years. The remaining Transitional UAAL each year will be amortized over an open period. The open period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years. After 15 years the entire Transitional UAAL will be closed.
 - Each New Incremental UAAL shall be amortized over a closed 30 year period.
 - Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Section 16-25-21.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

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

www.CavMacConsulting.com

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



- In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, a contribution rate for the term life insurance fund, individual amortization rate for each of the New Incremental UAAL bases, the individual amortization rate for each of the 15 closed periods for the Transitional UAAL and the amortization of any remaining open portion of the Transitional UAAL.

In order to measure progress toward this fundamental objective and funding policy, TRS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2014. This valuation indicates that the current employer contribution rates of 12.01% of payroll for Tier I members and 10.82% of payroll for Tier II members, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. There are 135,230 active members as of September 30, 2014.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among TRS members and their beneficiaries. The data are reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of TRS during the years October 1, 2005 to September 30, 2010. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. There have been no changes since the previous valuation.

We provided the following information and supporting schedules in the Actuarial and Statistical Sections:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2014
- Ten-Year History of Average Monthly Benefit Payments as of September 30



Board of Control
July 10, 2015
Page 2

Based upon the valuation results and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Teachers' Retirement System of Alabama continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

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

Edward A. Macdonald, ASA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'John Garrett'.

John Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

S:\Alabama Teachers\2015 Correspondence\TRS CAFR letter_09302014.docx

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

Ultimate Investment Rate of Return: 8% per annum, compounded annually, including price inflation at 3%.

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 3.25% per annum:

<u>Years of Service</u>	<u>Annual % Rate</u>
0	8.25
1	6.50
2	5.75
3	5.50
4	5.25
5	5.00
6	5.00
7	4.75
8 to 13	4.50
14 to 18	4.00
19 & Over	3.50

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

Age	Male						
	Annual % Rate of						
	Death*	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.02	0.04		30.00			
25	0.02	0.05		15.68	10.00		
30	0.03	0.05		14.25	5.40	5.00	
35	0.05	0.10		14.25	5.40	3.00	
40	0.07	0.18		14.00	5.40	2.50	1.00
45	0.09	0.31	0.10	14.00	5.00	2.50	1.00
50	0.12	0.51	0.10	12.50	4.50	2.50	1.00
55	0.20	0.96	0.10	12.00	4.00	2.50	1.00
60	0.40	0.50	0.10	12.00	4.00		
65	0.77			12.00	6.00		
69	1.20			12.00	6.00		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females with an adjustment factor of 0.75 for males and 0.50 for females.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

Age	Female						
	Annual % Rate of						
	Death*	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.01	0.10		28.50			
25	0.01	0.10		14.00	8.00		
30	0.01	0.10		14.00	5.80	4.00	
35	0.02	0.15		14.00	5.00	3.00	
40	0.03	0.16		12.00	4.50	2.10	1.10
45	0.04	0.33	0.15	11.50	3.75	2.10	0.75
50	0.06	0.63	0.15	11.00	3.75	2.10	0.75
55	0.11	0.99	0.15	11.00	3.75	2.50	0.75
60	0.21	0.25	0.25	12.00	4.50		
65	0.40			14.00	6.00		
69	0.62			14.00	6.00		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females with an adjustment factor of 0.75 for males and 0.50 for females.

Service Retirement:

The assumed annual rates of service retirement for Tier 1 members who are first eligible for unreduced benefits upon attaining 25 years of service but before age 65 are as follows:

Age Group	Annual % Rate	
	Male*	Female **
47 & Under	20.00	25.00
48	20.00	17.00
49	20.00	16.00
50 to 52	15.00	16.00
53 to 54	14.00	16.00
55 to 59	15.00	20.00
60	15.00	15.00
61	20.00	25.00
62	35.00	35.00
63	30.00	25.00
64	25.00	30.00

*Retirement rates are increased by 7% in the year first eligible for unreduced retirement from age 50 through age 54 and by 10% from age 55 through age 60.

**Retirement rates are increased by 7% in the year first eligible for unreduced retirement from age 50 through age 54 and by 20% from age 55 through age 60.

The assumed annual rates of service retirement for Tier 1 members who are first eligible for unreduced benefits before attaining 25 years of service and all members age 65 and over are as follows:

Age	Annual % Rate	
	Male	Female
60	13.00	20.00
61	12.00	15.00
62	28.00	25.00
63	20.00	20.00
64	15.00	18.00
65	30.00	30.00
66	28.00	30.00
67	20.00	25.00
68	20.00	28.00
69	20.00	22.00
70	20.00	25.00
71 to 74	20.00	22.00
75 & Above	100.00	100.00

The assumed annual rates of service retirement for Tier 2 members are as follows:

Age	Annual % Rate			
	Male		Female	
	Less than 25 years of service	25 or more years of service	Less than 25 years of service	25 or more years of service
62	50.00	60.00	50.00	65.00
63	20.00	30.00	20.00	25.00
64	15.00	25.00	18.00	30.00
65	30.00	30.00	30.00	30.00
66	28.00	28.00	30.00	30.00
67	20.00	20.00	25.00	25.00
68	20.00	20.00	28.00	28.00
69	20.00	20.00	22.00	22.00
70	20.00	20.00	25.00	25.00
71 to 74	20.00	20.00	22.00	22.00
75 & Above	100.00	100.00	100.00	100.00

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

Deaths after Retirement: Rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set back one year for females. Rates of mortality for the period after disability retirement are according to the RP-2000 Disabled Mortality Table with an adjustment factor of 0.85 for males. Representative values of the assumed annual rates of death after retirement are as follows:

Age	Annual % Rate of Death After			
	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
35	0.07	0.04	1.92	0.75
40	0.10	0.05	1.92	0.75
45	0.12	0.08	1.92	0.75
50	0.16	0.12	2.46	1.15
55	0.27	0.21	3.01	1.65
60	0.53	0.41	3.57	2.18
65	1.03	0.80	4.26	2.80
70	1.77	1.38	5.32	3.76
75	3.06	2.26	6.98	5.22
80	5.54	3.74	9.30	7.23
85	9.97	6.35	12.04	10.02
90	17.27	11.39	15.59	14.00
95	25.96	17.74	22.74	19.45

Spousal Benefits: For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit payable from the death benefit fund and 25% will elect the spousal benefit payable from the pension accumulation fund and included in the liabilities of the System.

Benefits Payable upon Separation from Service: For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions or the value of the deferred annuity. Assumed refunds are reduced by 10% to account for interest accumulation adjustments which are less than the "regular" 4% rate adopted by the Board.

Unused Sick Leave: 3% load on service retirement liabilities for Tier 1 active members. No load for Tier 2 active members.

Percentage Married: 100% of active members are assumed to be married with the husband 3 years older than the wife.

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

Assets Method: Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. Each year, 20% of the difference between market value and expected actuarial value is recognized. The actuarial value of assets was set equal to the market value on September 30, 2012. 5-year smoothing commenced again beginning September 30, 2013.

Liability for Current Inactive Members: Member Contribution Balance is multiplied by a factor of 2.0.

Valuation Interest Rate Smoothing: The valuation liabilities are calculated using a smoothed interest rate method. The interest rate assumed during the look forward period (currently 25 years from the valuation date) is the investment rate of return expected to be earned during the look forward period based on the actual rate of return earned during the look back period (currently 5 years) such that the average assumed rate of return over the combined 30 year period is equivalent to the assumed ultimate investment rate of return (currently 8%). The interest rate after the 25 year look forward period is the ultimate investment rate of return of 8%.

Corridor Limit on Interest Smoothing: The smoothed interest rate used during the 25 year look forward period is limited to a corridor of 0.50% around the ultimate investment rate of return. In addition, the limited smoothed interest rate may not increase by more than 1/8% percent each year.

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 "individual 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 each 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 (TRS) was established on September 15, 1939, and became effective September 30, 1941. The valuation took into account 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 Tier 1 member is calculated using compensation for the 3 highest years in the last 10 years of creditable service. The average compensation of a Tier 2 member is calculated using compensation for the 5 highest years in the last 10 years of creditable service.

Membership Service – all service rendered while a member of the 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 the 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Benefits

Service Retirement Allowance

Condition for Allowance

Tier 1 - The service retirement allowance is payable upon the request of a member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.

Tier 2 - The service retirement allowance is payable upon the request of a member who has completed at least 10 years of creditable service and who has attained age 62 (age 56 with 10 years of creditable service for certified law enforcement, correctional officers, and firefighters).

Amount of Allowance

Tier 1 - Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as certified law enforcement, correctional officer, or firefighter.

Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 1.65% of their average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Tier 1 & 2 - 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").

Disability Retirement Allowance

Condition for Allowance

A disability retirement allowance may be granted to a member who has completed at least 10 years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for a service retirement.

Amount of Allowance

Tier 1 - Upon disability retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as certified law enforcement, correctional officer, or firefighter.

Tier 2 - Upon disability retirement, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Tier 1 & 2 - 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").

Benefits Payable upon Separation of Service

A 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 membership in the System and file for service retirement after reaching age 60 for Tier 1 members and age 62 for Tier 2 members.

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 under “Special Privileges at Retirement” or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which retirement contributions were made for the previous scholastic year (July 1-June 30).*

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

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

In the event of the death of a member which is not job-related and who has 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 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 member had applied for a refund of member 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.

Special Privileges at Retirement

In lieu of the full retirement allowance, a 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 the member dies before the annuity payments equal the present value of the annuity at the date of retirement, the balance is paid to a designated beneficiary or to the member’s estate, or

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member deferred receipt of a retirement allowance and continued employment for a period of three to five years. At the end of the period, the member withdrew from active service and received the retirement benefit calculated at the time of enrollment in the DROP, and also received a payment for the deferred retirement benefits and employee contributions while participating in the DROP and interest earned on DROP deposits. The effect of Act 2011-27 was that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

Term Life Insurance

Upon the death of a contributing member, a term life insurance benefit of \$15,000 is paid (pro-rated for part-time members).

Member Contributions

Tier 1 - Prior to October 1, 2011, covered members contributed 5% of earnable compensation. From October 1, 2011, to September 30, 2012, covered members contributed 7.25% of earnable compensation. Beginning October 1, 2012, covered members contribute 7.50% of earnable compensation. Prior to October 1, 2011, certified law enforcement, correctional officers, and firefighters contributed 6% of earnable compensation. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters contributed 8.25% of earnable compensation. Beginning October 1, 2012, certified law enforcement, correctional officers, and firefighters contribute 8.50% of earnable compensation. DROP participants continue to contribute during the DROP period but receive a refund of these contributions and regular interest upon retirement.

Tier 2 – Covered members contribute 6% of earnable compensation. Certified law enforcement, correctional officers, and firefighters contribute 7% of earnable compensation.

Tier 1 & 2 - If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement Systems of Alabama shall first reduce the employee contribution rate. "Regular Interest" is 4% which is the rate adopted by the Board and applied to the balance in each member's account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on the *Code of Alabama 1975, Section 16-25-20(b)*).

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules

Supporting Schedules

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase/ (Decrease) in Average Pay
9/30/2014	A	135,230	\$ 6,214,949,700	\$ 45,958	1.48
9/30/2013	B	133,919	6,065,042,345	45,289	2.06
9/30/2012	C	133,791	5,936,831,043	44,374	3.74
9/30/2011	D	135,768	5,807,655,862	42,776	(0.12)
9/30/2010	E	136,290	5,836,902,762	42,827	(0.01)
9/30/2009	F	137,935	5,908,098,156	42,832	1.55

A - In addition, there are 1,748 employees with annual compensation of \$120,210,805 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

B - In addition, there are 3,029 employees with annual compensation of \$198,322,151 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

C - In addition, there are 4,436 employees with annual compensation of \$285,484,977 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

D - In addition, there are 5,625 employees with annual compensation of \$351,906,404 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

E - In addition, there are 5,737 employees with annual compensation of \$346,301,313 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

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

The following table presents a six-year history of funding progress:

SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	% Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2014	\$ 20,809,871	\$ 30,837,829	\$ 10,027,958	67.5	\$ 6,335,161	158.3
9/30/2013	19,629,816	29,665,843	10,036,027	66.2	6,263,364	160.2
9/30/2012**	18,786,008	28,251,367	9,465,359	66.5	6,222,316	152.1
9/30/2011*	19,430,135	28,776,316	9,346,181	67.5	6,159,562	151.7
9/30/2010	20,132,779	28,299,523	8,166,744	71.1	6,183,204	132.1
9/30/2009	20,582,348	27,537,400	6,955,052	74.7	6,236,922	111.5

**Reflects changes in methods.

*Reflects changes in assumptions.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules (Continued)

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

SOLVENCY TEST								
(Dollar Amounts in Thousands)								
Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets			
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)	
9/30/2014	\$ 4,589,021	\$ 18,104,369	\$ 8,144,439	\$ 20,809,871	100	90	0.0	
9/30/2013	4,261,269	17,666,932	7,737,642	19,629,816	100	87	0.0	
9/30/2012 &	3,921,179	17,085,972	7,244,216	18,786,008	100	87	0.0	
9/30/2011 #	3,620,301	17,245,088	7,910,927	19,430,135	100	92	0.0	
9/30/2010	3,498,959	16,083,293	8,717,271	20,132,779	100	100	6.3	
9/30/2009	3,233,664	15,328,508	8,975,228	20,582,348	100	100	22.5	

& Reflects change in methods.

Reflects changes in actuarial assumptions.

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

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

Retirees Added §*			Retirees Removed		Retirees - Year-end*		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2014	4,820	\$ 113,117	1,396	\$ 30,044	83,977	\$ 1,607,518	5.45	\$ 19,142
2013	4,627	104,280	1,369	29,107	80,553	1,524,445	5.19	18,925
2012	5,043	111,252	1,132	18,234	77,295	1,449,272	6.86	18,750
2011	4,088	87,692	1,212	25,189	73,384	1,356,254	4.83	18,482
2010	3,447	71,293	1,104	22,736	70,508	1,293,751	3.90	18,349
2009	3,188	63,583	1,180	24,121	68,165	1,245,194	3.27	18,267

§ Includes retirees completing DROP participation and entering regular retirement.

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

ANALYSIS OF ACTUARIAL GAINS AND LOSSES

(Dollar Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2013	\$ 10,036,027
Normal Cost for 2014 Plan Year	78,783
Contributions Received During the Year	(716,753)
Interest to Year End	<u>806,692</u>
Expected Unfunded Actuarial Liability as of September 30, 2014	<u>10,204,749</u>
Actuarial (Gains)/Losses During the Year	
From Investments	(453,348)
From Actuarial Liabilities	<u>278,557</u>
Total Actuarial (Gains)/Losses During the Year	<u>(174,791)</u>
Actual Unfunded Actuarial Liability as of September 30, 2014	<u>\$ 10,029,958</u>



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 10, 2015

Board of Control
Employees' Retirement System
of Alabama

Dear Board Members:

The basic funding objectives of the Employees' Retirement System of Alabama (ERS) is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement.

ERS maintains a funding policy that was effective September 30, 2012. In order to meet the objectives listed above, the System will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of system actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to attain a funded ratio which is consistent with the fiscal health and long-term stability of the System.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demands for liquidity.
- To develop a pattern of contribution rates expressed as a percentage of member payroll as measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board. In no event will the employer contribution rate be negative.
- To provide intergenerational equity for taxpayers with respect to System costs.

To track progress in achieving the funding objectives, the following benchmarks are measured annually as of the valuation date:

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial, methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
 - **Transitional UAAL** – The UAAL established as of the initial valuation date for which this funding policy is adopted.
 - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.
- **UAAL Amortization Period and Contribution Rates**
 - For those employers with a funded percentage less than 100% in the valuation prior to the adoption of the funding policy: In each valuation 1/15th of the Transitional UAAL will be amortized over a closed period. The closed period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years. The remaining Transitional UAAL each year will be amortized over an open period. The open period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years. After 15 years the entire Transitional UAAL will be closed.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

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

www.CavMacConsulting.com

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



- For those employers with a funded percentage 100% or greater in the valuation prior to the adoption of the funding policy: In each valuation 1/15th of the Transitional UAAL will be amortized over a 30 year closed period. The remaining Transitional UAAL each year will be amortized over a 30 year open period. After 15 years the entire Transitional UAAL will be closed.
- Each New Incremental UAAL shall be amortized over a closed 30 year period.
- Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Section 36-27-24.
- In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, the individual amortization rate for each of the New Incremental UAAL bases, the individual amortization rate for each of the 15 closed periods for the Transitional UAAL and the amortization of any remaining open portion of the Transitional UAAL. If the resulting contribution rate will not support the cash flow and projected benefit payment needs of a particular unit or employer then the RSA staff may approve a more aggressive funding policy for these units or employers.

In order to measure progress toward this fundamental objective and funding policy, ERS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2014. This valuation indicates that the current employer contribution rates for State employees (other than State policemen) of 13.89% of payroll for Tier I members and 13.25% of payroll for Tier II members and employer contribution rates for State policemen of 57.25% if payroll for Tier I members and 53.55% of payroll for Tier II members, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. In addition, there are varying employer contribution rates for each participating Local employer actuarially determined in accordance with the funding policy. There are 84,694 total active members as of September 30, 2014.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among ERS members and their beneficiaries. The data are reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of ERS during the years October 1, 2005 to September 30, 2010. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. The valuation reflects the impact of Act 2013-67 which provides that State policemen hired on or after January 1, 2015 will no longer be eligible for benefits under the code section covering State policemen, but instead will be covered under the provisions pertaining to State employees who are law enforcement officers.

We provided most of the information used in the supporting schedules in the Actuarial and Statistical Sections, as well as the Schedules of Funding Progress and the employer contributions shown in the Schedules of Employer Contributions in the Financial Section.



Board of Control
July 10, 2015
Page 3

We provided the following information and supporting schedules in the Actuarial and Statistical Sections:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2014
- Ten-Year History of Average Monthly Benefit Payments as of September 30

Based upon the valuation results and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Employees' Retirement System of Alabama continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald', with a stylized, cursive script.

Edward A. Macdonald, ASA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'John Garrett', with a stylized, cursive script.

John Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

S:\Alabama Employees\Correspondence\2015\2016 ERS CAFR Letter.Doc

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

Ultimate Investment Rate of Return: 8% per annum, compounded annually, including price inflation at 3%.

Salary Increases: Representative values of the assumed annual rates of future salary increases for State and Local Employees are as follows and include inflation at 3.25% per annum:

Years of Service	Annual % Rate
0	7.25
1	7.25
2	6.00
3	5.50
4	5.25
5	5.25
6	5.25
7	5.00
8	5.00
9 to 13	4.75
14 to 16	4.50
17	4.00
18 & Over	3.75

The assumed annual rate of future salary increases for State Police is 5% per year for all years of service.

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

State and Local Employees - Male							
Annual % Rate of							
Age	Death*	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.03	0.04		28.00			
25	0.03	0.06		19.50	10.00		
30	0.05	0.08		17.50	7.00	5.00	
35	0.08	0.10		16.00	6.00	4.75	
40	0.10	0.27		15.50	4.50	3.50	2.50
45	0.14	0.42	0.25	14.00	4.00	3.00	2.25
50	0.20	0.77	0.25	13.00	4.00	2.75	2.00
55	0.36	1.53	0.25	12.00	3.75	2.75	2.00
60	0.71	2.50	0.25	12.00	4.25		
65	1.30			16.00	7.00		
69	1.99			17.00	7.00		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90 for males and 0.70 for females.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

State and Local Employees - Female							
Annual % Rate of							
Age	Death*	Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
20	0.01	0.04		34.00			
25	0.01	0.06		24.00	12.00		
30	0.02	0.08		20.00	8.25	6.50	
35	0.03	0.14		18.00	7.25	6.00	
40	0.04	0.29		16.00	6.00	4.00	3.00
45	0.07	0.43	0.25	14.75	5.25	3.75	2.50
50	0.10	0.69	0.25	14.00	4.50	3.50	2.50
55	0.19	1.24	0.25	14.00	4.00	3.00	2.50
60	0.38	0.25	0.25	14.00	4.00		
65	0.71			14.00	8.50		
69	1.09			14.00	8.50		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90 for males and 0.70 for females.

State Police				
Annual % Rate of				
Age	Death*		Disability	Withdrawal**
	Male	Female		
20	0.03	0.01	0.08	3.00
25	0.03	0.01	0.10	3.00
30	0.05	0.02	0.14	2.50
35	0.08	0.03	0.22	1.75
40	0.10	0.04	0.34	1.75
45	0.14	0.07	0.46	1.75
50	0.20	0.10	0.60	
55	0.36	0.19		
60	0.71	0.38		
62	0.91	0.50		
65	1.30	0.71		

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90 for males and 0.70 for females.

**A rate of 4% is assumed during the first four years of employment.

Service Retirement: The assumed annual rates of service retirement for Tier 1 and Tier 2 members are as follows:

Tier 1 State and Local Employees				
Annual % Rate of Service Retirement				
Age	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
	Male*	Female**	Male	Female
47 & Under	16.00	13.00		
48 to 51	11.00	11.00		
52 to 54	10.00	10.00		
55 to 59	16.00	16.00		
60	16.00	25.00	12.00	16.00
61	20.00	16.00	11.00	13.00
62	42.00	32.00	28.00	26.00
63	35.00	28.00	23.00	20.00
64	30.00	25.00	18.00	15.00
65			30.00	28.00
66			30.00	28.00
67			25.00	23.00
68 to 74			23.00	23.00
75 & Above			100.00	100.00

*Retirement rates are increased by 10% in the year a member attains 25 years of service at or before age 60.

**Retirement rates are increased by 7% in the year a member attains 25 years of service at or before age 60.

Tier 2 State and Local Employees				
Annual % Rate of Service Retirement				
Age	Less than 25 years of service		25 or more years of service	
	Male	Female	Male	Female
62	40.00	45.00	55.00	60.00
63	23.00	20.00	35.00	28.00
64	18.00	15.00	30.00	25.00
65	30.00	28.00	30.00	28.00
66	30.00	28.00	30.00	28.00
67	25.00	23.00	25.00	23.00
68 to 74	23.00	23.00	23.00	23.00
75 & Above	100.00	100.00	100.00	100.00

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

Tier 1 State Police			
Annual % Rate of Service Retirement			
Age	Under age 60 with	Under age 60 with	Under Age 60 with
	less than 20 years	between 20 and 24	25 or more years of
	of service & All	years of service	service
	over age 60		
< 52			25.00
52	10.00	25.00	25.00
53	10.00	25.00	25.00
54	10.00	25.00	25.00
55	10.00	15.00	25.00
56	10.00	15.00	25.00
57	10.00	15.00	25.00
58	10.00	15.00	25.00
59	10.00	15.00	25.00
60	40.00		
62	40.00		
65	100.00		

Tier 2 State Police			
Annual % Rate of Service Retirement			
Age	Under age 60 with	Under age 60	Under Age 60
	less than 20 years	with between 20	with 25 or
	of service & All	and 24 years of	more years of
	over age 60	service	service
56	40.00	60.00	75.00
57	10.00	15.00	25.00
58	10.00	15.00	25.00
59	10.00	15.00	25.00
60	40.00		
62	40.00		
65	100.00		

Death after Retirement: The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Mortality Table. In our opinion, the projection of the RP-2000 mortality rates with Scale AA continues to provide a sufficient margin in the assumed rates of mortality to all for additional improvement in mortality experience.

Death in Active Service Benefit: For those members eligible for service retirement who die in active service, it is assumed that 75% of beneficiaries will elect the lump sum death benefit and 25% will elect the Option 3 allowance.

Benefits Payable upon Separation from Service: For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions or the value of the deferred annuity.

Unused Sick Leave: 2.25% load on service retirement liabilities for Tier 1 active members. No load for Tier 2 active members.

Percent Married: 100% of active members are assumed to be married with the husband 3 years older than the wife.

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

Asset Method: Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. Each year, 20% of the difference between market value and expected actuarial value is recognized. In order to reduce short-term volatility in valuation results and because the market value and actuarial value of assets were close in value, the actuarial value of assets was set equal to the market value on September 30, 2012. 5-year smoothing commenced again beginning September 30, 2013.

Liability for Current Inactive Members: Member Contribution Balance is multiplied by a factor of 2.5 for State Employees and 3.0 for Local Employees and State Police.

Valuation Interest Rate Smoothing: The valuation liabilities are calculated using a smoothed interest rate method. The interest rate assumed during the look forward period (currently 25 years from the valuation date) is the investment rate of return expected to be earned during the look forward period based on the actual rate of return earned during the look back period (currently 5 years) such that the average assumed rate of return over the combined 30 year period is equivalent to the assumed ultimate investment rate of return (currently 8%). The interest rate after the 25 year look forward period is the ultimate investment rate of return of 8%.

Corridor Limit on Interest Smoothing: The smoothed interest rate used during the 25 year look forward period is limited to a corridor of 0.50% around the ultimate investment rate of return. In addition, the limited smoothed interest rate may not increase or decrease by more than 1/8% each year.

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 "individual 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 each 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. 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 (ERS) was established on October 1, 1945. The valuation took into account 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 Tier 1 member is calculated using compensation for the 3 highest years in the last 10 years of creditable service. The average compensation of a Tier 2 member is calculated using compensation for the 5 highest years in the last 10 years of creditable service.

Membership Service – all service rendered while a member of the System and for which contributions were 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 the 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 Police

Service Retirement Allowance

Condition for Allowance	<p>Tier 1 - The service retirement allowance is payable upon the request of a member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.</p> <p>Tier 2 - The service retirement allowance is payable upon the request of a member who has completed at least 10 years of creditable service and who has attained age 62 or age 56 for certified law enforcement, correctional officers, and firefighters.</p>
Amount of Allowance	<p>Tier 1 - Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a certified law enforcement, correctional officer, or firefighter.</p> <p>Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 1.65% of their average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.</p> <p>Tier 1 & 2 - 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 – All Members").</p>

Disability Retirement Allowance

Condition for Allowance	<p>A disability retirement allowance may be granted to a member who has completed at least 10 years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for service retirement.</p>
Amount of Allowance	<p>Tier 1 - Upon disability retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a certified law enforcement, correctional officer, or firefighter.</p> <p>Tier 2 - Upon disability retirement, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.</p> <p>Tier 1 & 2 - 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 – All Members").</p>

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Benefits Payable upon Separation of Service

A member who withdraws from service is entitled to receive his or her 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 for Tier 1 members or age 62 for Tier 2 members.

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 under "Special Privileges at Retirement – All Members" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which retirement contributions were made 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 to retire, the designated beneficiary shall receive the return of member contributions and total earned interest. Also, the designated beneficiary shall receive an additional death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which 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 one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the annual earnable compensation of the member at the time of death.*

In the event of the death of a member which is not job-related who has 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 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 member had applied for a refund of member 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)

Prior to March 25, 2011, a member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member deferred receipt of a retirement allowance and continued employment for a period of three to five years. At the end of the period, the member withdrew from active service and received the retirement benefit calculated at the time of enrollment in the DROP, and also received a payment for the deferred retirement benefits and employee contributions while participating in the DROP and interest earned on DROP deposits. The effect of Act 2011-27 was that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

Member Contributions

Tier 1 - Prior to October 1, 2011, covered members contributed 5% of earnable compensation. From October 1, 2011, to September 30, 2012, covered members contributed 7.25% of earnable compensation. Beginning October 1, 2012, covered members contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters contributed 6% of earnable compensation until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters contributed 8.25% of earnable compensation. Beginning October 1, 2012, certified law enforcement, correctional officers, and firefighters contribute 8.50% of earnable compensation. DROP participants continue to contribute during the DROP period but receive a refund of these contributions and regular interest upon retirement.

Tier 2 – Covered members contribute 6% of earnable compensation. Certified law enforcement, correctional officers, and firefighters contribute 7% of earnable compensation.

Tier 1 & 2 - If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement Systems of Alabama shall first reduce the employee contribution rate. “Regular Interest” is 4% which is the rate adopted by the Board and applied to the balance in each member’s account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on the *Code of Alabama 1975, Section 36-27-25(g)*).

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Benefits – Members Classified as State Police

Service Retirement Allowance

Condition of Allowance

Tier 1 - A retirement allowance is payable upon the request of a member who has completed 25 years of creditable service or who has attained age 52 and completed at least 10 years of creditable service.

Tier 2 - A retirement allowance is payable upon the request of any member who has attained age 56 and completed at least 10 years of creditable service.

Amount of Allowance

Tier 1 - 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 creditable service.

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.

Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance

Tier 1 - Upon disability 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 creditable service.

Tier 2 - Upon disability retirement, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of creditable service.

Benefits Payable upon
Separation from Service

A 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 in the membership of the System and file for service retirement after reaching age 52 for Tier 1 members or age 56 for Tier 2 members.

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 Members” or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which the member made retirement contributions for the previous 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 to retire, the designated beneficiary shall receive the return of member contributions and total earned interest. Also, the designated beneficiary shall receive an additional death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which the member made retirement contributions 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 one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the annual earnable compensation of the member at the time of death.*

In the event of the death of a member which is not job-related and who has 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 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 member had applied for a refund of member 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 52 years of age. Under the DROP, the member deferred receipt of a retirement allowance and continued employment for a period of three to five years. At the end of the period, the member withdrew from active service and received the retirement benefit calculated at the time of enrollment in the DROP, and also received a payment for the deferred retirement benefits and employee contributions while participating in the DROP and interest earned on DROP deposits. The effect of Act 2011-27 was that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

Member Contributions

Each member contributes 10% of earnable compensation. DROP participants continue to contribute during the DROP period but receive a refund of these contributions and regular interest upon retirement.

Special Privileges at Retirement – All Members

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

- Option 1: If the 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 the designated beneficiary or to the member's estate, or
- Option 2: After the member's death, the member's retirement 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Supporting Schedules

Supporting Schedules

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase/ (Decrease) in Average Pay
9/30/2014	A	84,694	\$ 3,387,186,858	\$ 39,993	1.61
9/30/2013	B	84,035	3,307,511,468	39,359	6.02
9/30/2012	C	84,169	3,124,791,422	37,125	(5.88)
9/30/2011	D	85,633	3,377,717,419	39,444	(1.00)
9/30/2010	E	86,967	3,464,913,031	39,842	0.38
9/30/2009	F	87,647	3,478,635,402	39,689	3.65

A - In addition, there are 891 members with compensation of \$57,153,873 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

B - In addition, there are 1,514 members with compensation of \$93,084,090 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

C - In addition, there are 2,121 members with compensation of \$127,211,439 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

D - In addition, there are 2,708 members with compensation of \$162,963,178 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

E - In addition, there are 2,593 members with compensation of \$154,756,911 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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

The following table presents a six-year history of funding progress:

SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (A)	Actuarial Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2014	\$ 10,134,581	\$ 15,138,294	\$ 5,003,713	66.9	\$ 3,444,341	145.3
9/30/2013	9,546,459	14,536,600	4,990,141	65.7	3,400,596	146.7
9/30/2012	9,116,551	13,884,995	4,768,444	65.7	3,252,003	146.6
9/30/2011	9,456,158	14,366,796	4,910,638	65.8	3,540,681	138.7
9/30/2010	9,739,331	14,284,119	4,544,788	68.2	3,619,670	125.6
9/30/2009	9,928,104	13,756,176	3,828,072	72.2	3,620,243	105.7

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Supporting Schedules (Continued)

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

SOLVENCY TEST					% of Accrued Liabilities Covered by Reported Assets		
(Dollar Amounts in Thousands)							
Valuation Date	Aggregate Accrued Liabilities For			Reported Assets			
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
9/30/2014	\$ 2,484,050	\$ 8,366,277	\$ 4,287,967	\$ 10,134,581	100	91	0.0
9/30/2013	2,363,600	8,085,291	4,087,709	9,546,459	100	89	0.0
9/30/2012 &	2,218,478	7,781,431	3,885,086	9,116,551	100	89	0.0
9/30/2011 #	2,112,356	7,722,942	4,531,498	9,456,158	100	95	0.0
9/30/2010	2,050,051	7,130,938	4,535,113	9,739,331	100	100	12.3
9/30/2009	1,973,511	6,707,240	5,075,425	9,928,104	100	100	24.6

& Reflects changes in methods.

Reflects changes in actuarial assumptions.

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

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS								
Retirees Added §*			Retirees Removed		Retirees - Year-end*		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2014	2,617	\$ 59,959	1,012	\$ 20,185	43,712	\$ 769,723	5.45	\$ 17,609
2013	2,628	59,930	972	19,036	42,107	729,949	5.93	17,336
2012	2,846	64,800	977	18,759	40,451	689,055	7.16	17,034
2011	2,444	53,577	921	17,228	38,582	643,014	5.99	16,666
2010	2,030	42,920	958	17,571	37,059	606,665	4.36	16,370
2009	1,942	40,480	619	11,148	35,987	581,316	5.31	16,153

§ Includes retirees completing DROP participation and entering regular retirement.

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

ANALYSIS OF ACTUARIAL GAINS AND LOSSES

(Dollar Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2013	\$ 4,990,141
Normal Cost for 2014 Plan Year	61,367
Contributions Received During the Year	(379,163)
Interest to Year End	<u>406,943</u>
Expected Unfunded Actuarial Liability as of September 30, 2014	<u>5,079,288</u>
 Actuarial (Gains)/Losses During the Year	
From Investments	(198,776)
From Actuarial Liabilities	<u>123,201</u>
Total Actuarial (Gains)/Losses During the Year	<u>(75,575)</u>
Actual Unfunded Actuarial Liability as of September 30, 2014	<u><u>\$ 5,003,713</u></u>



Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 10, 2015

Board of Control
Employees' Retirement System of
Alabama for the Administration of
the Judicial Retirement Fund

Dear Board Members:

The basic funding objectives of the Judicial Retirement Fund of Alabama (JRF) is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement.

JRF maintains a funding policy that was effective September 30, 2012. In order to meet the objectives listed above, the Fund will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of fund actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to attain a funded ratio which is consistent with the fiscal health and long-term stability of the Fund.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demands for liquidity.
- To develop a pattern of contribution rates expressed as a percentage of member payroll as measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board. In no event will the employer contribution rate be negative.
- To provide intergenerational equity for taxpayers with respect to Fund costs.

To track progress in achieving the funding objectives, the following benchmarks are measured annually as of the valuation date:

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial, methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
 - **Transitional UAAL** – The UAAL established as of the initial valuation date for which this funding policy is adopted.
 - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes, assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.
- **UAAL Amortization Period and Contribution Rates**
 - The Transitional UAAL will be amortized over a closed period. The closed period shall be the amortization period for the valuation preceding the adoption of the funding policy not to exceed 30 years.
 - Each New Incremental UAAL shall be amortized over a closed 30 year period.
 - Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Sections 36-27-24 and 12-18-2.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144

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

www.CavMacConsulting.com

Offices in Englewood, CO • Kennesaw, GA • Bellevue, NE



Board of Control
July 10, 2015
Page 2

- In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, the individual amortization rate for each of the New Incremental UAAL bases and the amortization rate for the Transitional UAAL.

In order to measure progress toward this fundamental objective and funding policy, JRF has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2014. This valuation indicates that the current employer contribution rate of 40.65% of payroll, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. There are 338 active members as of September 30, 2014.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement Fund staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among JRF members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of JRF during the years October 1, 2005 to September 30, 2010. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. There were no changes since the previous valuation.

We provided the following information and supporting schedules in the Actuarial and Statistical Sections:

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2014
- Ten-Year History of Average Monthly Benefit Payments as of September 30

Based upon the valuation results and the presumption that future contributions will be made at the necessary level to ensure adequate funding and to meet accounting standards, it is our opinion that the Judicial Retirement Fund of Alabama continues in sound condition in accordance with the actuarial principles of level percent of payroll financing.

Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

John Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation are based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

Ultimate Investment Rate of Return: 8% per annum, compounded annually, including inflation at 3%.

Salary Increases: 4% per annum, compounded annually, including wage inflation at 3.25%.

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

Age	Annual % Rate of			
	Withdrawal	Death*		Disability**
		Male	Female	
30	2.50	0.03	0.02	0.04
35	2.50	0.05	0.03	0.08
40	2.50	0.07	0.04	0.14
45	2.50	0.09	0.07	0.22
50	2.50	0.12	0.10	0.33
55	2.50	0.20	0.19	0.50
60	2.50	0.40	0.38	0.79
64	2.50	0.69	0.63	1.14

*Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward one year for females with an adjustment factor of 0.75 for males and 0.70 for females.

**Disability rates turn off at retirement eligibility.

Rates of Retirement: Before age 70, 30% of members are assumed to retire in the first year of eligibility and 10% in each year thereafter. Of the remaining members, 50% are assumed to retire each year between ages 70 and 74, and all remaining members are assumed to retire at age 75.

Deaths after Retirement: Rates of mortality for the period after service retirement are according to the RP-2000 Mortality Table with projection scale AA to 2015 set forward one year for females. The RP-2000 Disabled Mortality Table adjusted for males by a factor of 0.85 is used for the period after disability retirement. Representative values of assumed mortality are as follows:

Age	Annual % Rate of Death After			
	Service Retirement		Disability Retirement	
	Male	Female	Male	Female
55	0.27	0.27	3.01	1.65
60	0.53	0.54	3.57	2.18
65	1.03	1.02	4.27	2.80
70	1.77	1.72	5.32	3.76
75	3.06	2.75	6.98	5.22
80	5.54	4.57	9.30	7.23
85	9.97	7.89	12.04	10.02
90	17.27	13.82	15.59	14.01

Percent Married: 85% of active members are assumed to be married with the husband 4 years older than the wife.

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

Assets: Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. Each year, 20% of the difference between market value and expected actuarial value is recognized. In order to reduce short-term volatility in valuation results and because market value and actuarial value of assets were close in value, the actuarial value of assets was set equal to the market value on September 30, 2012. 5-year smoothing commenced again beginning September 30, 2013.

Liability for Current Inactive Members: Member Contribution Balance is multiplied by a factor of 3.0.

Post Retirement Increases: Allowances of retired members and spouses who receive benefits based on the salaries prescribed by law for the position are assumed to increase by 3.25% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

For district judges, a factor of 1.5 is applied to the liability for prospective spousal benefits to account for salary increases expected to occur between the member's retirement and death.

Benefits Payable upon Separation from Service: Active members who terminated from service prior to becoming eligible for a benefit are assumed to receive a refund of contributions with interest assumed to be 4% per year.

Valuation Interest Rate Smoothing: The valuation liabilities are calculated using a smoothed interest rate method. The interest rate assumed during the look forward period (currently 25 years from the valuation date) is the investment rate of return expected to be earned during the look forward period based on the actual rate of return earned during the look back period (currently 5 years) such that the average assumed rate of return over the combined 30 year period is equivalent to the assumed ultimate investment rate of return (currently 8%). The interest rate after the 25 year look forward period is the ultimate investment rate of return of 8%.

Corridor Limit on Interest Smoothing: The smoothed interest rate used during the 25 year look forward period is limited to a corridor of 0.50% around the ultimate investment rate of return. In addition, the smoothed interest rate may not increase or decrease by more than 1/8% each year.

Actuarial Cost Method

1. The valuation is prepared on the projected benefit basis, under which the present value, at the interest rate assumed to be earned in the future, of each member's expected benefit payable at retirement or death is determined, based on age, service, sex and compensation. The calculations take into account the probability of a member's death or termination of employment prior to becoming eligible for a benefit, as well as the probability of his terminating with a service, disability or survivor's benefit. Future salary increases are also anticipated. The present value of the expected benefits payable on account the active members is added to the present value of expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable from the Fund on account of the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the Fund 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 "individual entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his behalf.
4. The unfunded accrued liability contributions are determined by subtracting the present value of prospective employer normal contributions and member contributions together with the current assets held from the present value of expected benefits to be paid from the Fund.

Summary of Plan Provisions as Interpreted for Valuation Purposes

The Judicial Retirement Fund (JRF) was established as of September 18, 1973. The valuation took into account amendments to the JRF effective 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 of Alabama, judge of the Alabama Court of Civil Appeals, judge of the Alabama Court of Criminal Appeals, judge of a Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury became a member of the JRF if the member was holding office on the date that it was established and elected to come under its provisions. Any such justice or judge elected or appointed to office after September 18, 1973, or any district or probate judge elected or appointed to office after October 10, 1975, or October 1, 1976, respectively, automatically becomes a member by virtue of their position. 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.

Creditable Service

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

Benefits

Service Retirement Benefit

Condition of Benefit

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

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

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

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

Amount of Benefit

The service retirement benefit for a member is equal to:

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Plan Provisions (Continued)

Disability Retirement Benefit

Condition of Benefit A disability retirement benefit is payable to a member who becomes permanently, physically or mentally, unable to carry out his duties on a full-time basis, provided the member has completed five or more years of creditable service.

Amount of Benefit The disability retirement benefit for a member other than a district or probate judge who was a member prior to July 30, 1979, is equal to 25% of the salary prescribed by law for the position from which the member retires on disability plus 10% of such salary for each year of creditable service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.

The disability retirement benefit for a judge who became a member on or after July 30, 1979, or who is a district or probate judge is equal to 25% of his salary immediately prior to retirement plus 10% of such salary for each year of creditable service in excess of five years. The disability retirement benefit is subject to a minimum of 30% and a maximum of 75% of such salary.

Spousal Benefit

Condition of Benefit Upon the death of an active, inactive or retired member with at least 5 years of creditable service, a death benefit is payable to the member's spouse.

Amount of Benefit The death benefit payable to 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 creditable service, not to exceed 30% of such salary.

The death benefit payable to the spouse of a district judge consists of a yearly benefit equal to 3% of the position's salary prescribed by law at the time of death for each year of creditable service, not to exceed 30% of such salary.

The death benefit for the spouse of a probate judge is a yearly benefit equal to the greater of \$480 for each year of creditable service to a maximum of 10 years, or 3% of the member's salary at the time of separation from service for each year of creditable service, not to exceed 30% of such salary.

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

Benefit Payable upon 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 for which the member has sufficient creditable service upon reaching an eligible retirement age.

A member terminating service prior to reaching eligibility for retirement benefits may elect to receive a return of contributions and accrued interest. "Regular Interest" is 4% which is the rate adopted by the Board and applied to the balance in each member's account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on the *Code of Alabama 1975, Section 36-27-25(g)*).

Member Contributions

Prior to October 1, 2011, each member contributed 6% of earnable compensation. From October 1, 2011, to September 30, 2012, each member will contributed 8.25% of earnable compensation. Beginning October 1, 2012, each member contributes 8.50% of earnable compensation.

If a positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement Systems of Alabama shall first reduce the employee contribution rate.

State Contributions

The State makes contributions, which in addition to the members' contributions, are sufficient to provide the retirement allowances described.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules

Supporting Schedules

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

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date	Number	Annual Payroll*	Annual Average Pay	% Increase/ (Decrease) in Average Pay
9/30/2014	338	\$ 42,698,909	\$ 126,328	1.94
9/30/2013	338	41,887,006	123,926	(1.61)
9/30/2012	337	42,446,426	125,954	0.58
9/30/2011	334	41,826,338	125,229	(1.70)
9/30/2010	338	43,060,614	127,398	0.78
9/30/2009	342	43,234,239	126,416	3.18

The following table presents a six-year history of funding progress:

SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2014	\$ 257,452	\$ 422,863	\$ 165,411	60.9	\$ 42,699	387.4
9/30/2013*	243,316	414,200	170,884	58.7	41,887	408.0
9/30/2012	234,300	380,470	146,170	61.6	42,446	344.4
9/30/2011	235,870	393,635	157,765	59.9	41,826	377.2
9/30/2010	246,197	358,459	112,262	68.7	43,061	260.7
9/30/2009	252,646	340,978	88,332	74.1	43,234	204.3

*Reflects changes in methods

The following schedule presents six years of solvency tests:

SOLVENCY TEST								
(Dollar Amounts in Thousands)								
Aggregate Accrued Liabilities For						% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)					
			Active Members (Employer					
Valuation Date	Active Member Contributions	Retirants and Beneficiaries	Financed Portion)	Reported Assets	(1)	(2)	(3)	
9/30/2014	\$ 40,981	\$ 268,439	\$ 113,443	\$ 257,452	100	81	0.0	
9/30/2013	* 37,366	270,430	106,404	243,315	100	76	0.0	
9/30/2012	* 38,341	237,197	104,932	234,300	100	83	0.0	
9/30/2011	32,898	250,731	110,006	235,870	100	81	0.0	
9/30/2010	33,950	218,969	105,540	246,197	100	97	0.0	
9/30/2009	32,533	215,730	92,715	252,646	100	100	4.7	

*Reflects a change in methods.

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

SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS								
Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2014	9	\$ 918	10	\$ 798	374	\$ 28,684	0.42	\$ 76,695
2013	33	3,144	4	315	375	28,564	10.99	76,171
2012	6	569	3	236	346	25,735	1.31	74,379
2011	28	2,939	10	786	343	25,402	9.26	74,058
2010	15	1,446	11	838	325	23,249	2.69	71,535
2009	19	1,877	10	748	321	22,641	5.25	70,533

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

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

ANALYSIS OF ACTUARIAL GAINS AND LOSSES

(Dollar Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2013	\$ 170,884
Normal Cost for 2014 Plan Year	5,315
Contributions Received During the Year	(15,250)
Interest to Year End	<u>13,233</u>
Expected Unfunded Actuarial Liability as of September 30, 2014	<u>174,182</u>
Actuarial (Gains) Losses During the Year	
From Investments	(6,332)
From Actuarial Liabilities	<u>(2,439)</u>
Total Actuarial (Gains) Losses During the Year	<u>(8,771)</u>
Actual Unfunded Actuarial Liability as of September 30, 2014	<u>\$ 165,411</u>



Component Units of the State of Alabama Comprehensive Annual Financial Report

STATISTICAL SECTION



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

Financial Trends

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

Additions by Source – Ten-Year History – page 139

Deductions by Type – Ten-Year History – page 140

Benefits by Type – Ten-Year History – page 141

Ten-Year History of Additions, Reductions, and Changes in Net Position – page 142

Retirees and Beneficiaries

These schedules provide information concerning the retirees and beneficiaries receiving benefits.

Retired Members by Type of Benefit – page 148

Ten-Year History of Average Monthly Benefit Payments – page 151

Participating Units

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

Local Participating Employers – page 154

Largest Employers – Ten-Year History – page 164

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Additions by Source

Ten-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM

ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions			Investment Income	Total
		Amount	Employer Rate (%)			
			Tier 1	Tier 2 ©		
2015	\$ 477,918	\$ 737,671	11.71	11.05	\$ 261,468	\$ 1,477,057
2014	480,849	739,547	11.71	11.08	2,473,152	3,693,548
2013	477,586	627,892	10.08	9.44	2,732,706	3,838,184
2012	458,534	618,306	10.00	-	2,989,162	4,066,002
2011	323,196	779,644	12.51	-	351,965	1,454,805
2010	321,403	776,421	12.51	-	1,448,312	2,546,136
2009	323,706	753,518	12.07	-	(1,485,126)	(407,902)
2008	327,004	729,995	11.75	-	(3,336,697)	(2,279,698)
2007	305,086	540,847	9.36	-	3,312,796	4,158,729
2006	281,455	434,195	8.17	-	1,582,359	2,298,009

EMPLOYEES' RETIREMENT SYSTEM

ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions							Investment Income	Total
		Employer Rate (%)								
		State								
		Tier 1		Tier 2 ©		Local				
		Regular	Law	Regular	Law					
2015	\$ 229,254	\$ 410,932	13.45	38.37	13.31	32.45	*	\$ 126,490	\$ 766,676	
2014	226,016	391,181	12.02	35.81	11.96	29.52	*	1,186,529	1,803,726	
2013	223,646	338,819	10.12	31.61	10.04	25.32	*	1,296,460	1,858,925	
2012	216,870	317,520	9.42	29.92	-	-	*	1,427,858	1,962,248	
2011	195,709	394,998	11.94	30.57	-	-	*	196,939	787,646	
2010	196,758	377,898	11.94	30.57	-	-	*	696,677	1,271,333	
2009	210,281	451,139	11.88	30.99	-	-	*	(887,881)	(226,461)	
2008	191,654	329,339	10.26	30.42	-	-	*	(1,574,094)	(1,053,101)	
2007	184,140	277,254	7.78	24.12	-	-	*	1,596,592	2,057,986	
2006	187,126	241,750	6.77	21.36	-	-	*	703,604	1,132,480	

JUDICIAL RETIREMENT FUND

ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Investment Income	Total
		Amount	Employer Rate (%)		
2015	\$ 3,683	\$ 15,077	35.24	\$ (856)	\$ 17,904
2014	3,764	15,790	35.24	31,344	50,898
2013	3,919	13,903	32.06	32,245	50,067
2012	3,681	10,747	24.35	39,011	53,439
2011	2,654	10,906	24.20	2,022	15,582
2010	2,566	10,814	24.20	21,925	35,305
2009	2,701	10,326	23.23	758	13,785
2008	2,707	9,880	23.05	(38,322)	(25,735)
2007	2,636	9,307	22.50	34,581	46,524
2006	2,497	8,916	21.93	20,851	32,264

§ Includes transfers from other systems.

* Local agency rates differ for each participating agency.

© A new tier of benefits was established for members hired on or after January 1, 2013, which included different contribution rates for the members and their employers.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Deductions by Type

Ten-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Service Transfers	Administrative Expenses	Depreciation	Total
2015	\$ 2,075,302	\$ 58,060	\$ 3,432	\$ 15,074	\$ 4,258	\$ 2,156,126
2014	1,997,595	54,699	2,880	13,103	4,336	2,072,613
2013	1,893,321	55,891	1,823	12,591	4,312	1,967,938
2012	1,800,805	49,453	1,937	11,555	4,344	1,868,094
2011	1,673,881	49,304	2,012	10,820	4,243	1,740,260
2010	1,567,790	43,628	1,790	11,979	4,264	1,629,451
2009	1,512,260	42,337	1,767	11,005	4,128	1,571,497
2008	1,486,871	37,317	1,683	12,216	578	1,538,665
2007	1,397,808	37,474	2,406	9,614	480	1,447,782
2006	1,207,251	36,683	3,008	11,325	462	1,258,729

EMPLOYEES' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Unit Withdrawals & Service Transfers	Administrative Expenses	Depreciation	Total
2015	\$ 1,018,515	\$ 51,024	\$ 4,059	\$ 11,136	\$ 2,046	\$ 1,086,780
2014	948,478	47,937	3,632	9,612	2,055	1,011,714
2013	895,475	44,837	3,587	9,767	2,015	955,681
2012	848,464	40,746	2,180	10,616	1,981	903,987
2011	782,957	36,798	2,157	10,002	2,029	833,943
2010	725,660	33,868	1,633	10,334	2,111	773,606
2009	695,430	32,640	2,718	9,413	2,038	742,239
2008	655,467	31,387	3,355	9,892	311	700,412
2007	615,661	31,829	3,034	7,813	298	658,635
2006	551,793	31,780	3,368	7,850	337	595,128

JUDICIAL RETIREMENT FUND DEDUCTIONS BY TYPE

Fiscal Year	Benefit Payments	Contribution Refunds & Death Benefits	Service Transfers	Administrative Expenses	Depreciation	Total
2015	\$ 30,348	\$ 100	\$ 55	\$ 356	\$ -	\$ 30,859
2014	29,826	54	1	281	-	30,162
2013	29,112	196	-	280	-	29,588
2012	27,183	253	-	257	-	27,693
2011	26,379	34	-	276	-	26,689
2010	24,526	235	-	317	-	25,078
2009	23,821	145	68	552	-	24,586
2008	22,587	83	186	526	-	23,382
2007	21,356	183	-	474	-	22,013
2006	18,777	45	-	432	-	19,254

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Ten-Year History

(Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM

BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2015	\$ 1,947,983	\$ 66,636	\$ 60,683	\$ 14,095	\$ 43,965
2014	1,876,615	62,674	58,306	11,225	43,474
2013	1,778,541	58,669	56,111	11,684	44,207
2012	1,692,169	55,109	53,527	11,269	38,184
2011	1,571,682	51,873	50,326	13,174	36,130
2010	1,469,928	49,287	48,576	13,032	30,596
2009	1,419,727	46,085	46,448	12,293	30,044
2008	1,395,060	44,628	47,183	12,007	25,310
2007	1,313,092	40,432	44,284	11,695	25,779
2006	1,131,936	35,228	40,087	10,523	26,160

EMPLOYEES' RETIREMENT SYSTEM

BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2015	\$ 919,657	\$ 42,308	\$ 56,550	\$ 9,800	\$ 41,224
2014	855,857	39,488	53,133	9,687	38,250
2013	806,846	37,730	50,899	7,889	36,948
2012	763,881	36,161	48,422	8,969	31,777
2011	703,128	34,538	45,291	7,806	28,992
2010	649,532	33,009	43,119	8,994	24,874
2009	621,519	32,167	41,744	9,032	23,608
2008	584,391	30,827	40,249	9,188	22,199
2007	548,425	28,595	38,641	7,779	24,050
2006	490,553	25,729	35,511	7,158	24,622

JUDICIAL RETIREMENT FUND

BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability Benefits	Death Benefits & Refunds	
	Retirants	Survivors		Death	Resignation
2015	\$ 26,082	\$ 3,839	\$ 427	\$ 8	\$ 92
2014	25,796	3,703	327	-	54
2013	25,022	3,715	375	-	196
2012	23,307	3,501	375	-	253
2011	22,773	3,231	375	-	34
2010	20,763	3,388	375	-	235
2009	19,856	3,589	376	-	145
2008	18,807	3,387	393	-	83
2007	17,918	3,093	345	-	183
2006	15,367	3,093	317	-	45

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2015	2014	2013	2012	2011
Additions					
Contributions					
Employee	\$ 473,903	\$ 477,300	\$ 474,241	\$ 456,518	\$ 321,137
Employer	737,671	739,547	627,892	618,306	779,644
Transfers from Employees' Retirement System	4,015	3,549	3,345	2,016	2,059
Transfers from Judicial Retirement Fund	-	-	-	-	-
Total Contributions	<u>1,215,589</u>	<u>1,220,396</u>	<u>1,105,478</u>	<u>1,076,840</u>	<u>1,102,840</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	(381,400)	1,853,288	2,090,646	2,349,955	(278,407)
Interest and Dividends	<u>640,910</u>	<u>618,861</u>	<u>638,766</u>	<u>634,695</u>	<u>624,546</u>
Total Investment Income from Investing Activities	259,510	2,472,149	2,729,412	2,984,650	346,139
Less: Investment Expenses, Net	<u>6,407</u>	<u>5,732</u>	<u>5,712</u>	<u>5,260</u>	<u>5,305</u>
Net Investment Income from Investing Activities	<u>253,103</u>	<u>2,466,417</u>	<u>2,723,700</u>	<u>2,979,390</u>	<u>340,834</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	11,512	9,629	12,753	13,670	15,643
Less Securities Lending Expenses:					
Borrower Rebates	365	65	401	433	1,261
Management Fees	<u>2,782</u>	<u>2,829</u>	<u>3,346</u>	<u>3,465</u>	<u>3,251</u>
Total Securities Lending Expenses	3,147	2,894	3,747	3,898	4,512
Net Income from Securities Lending Activities	<u>8,365</u>	<u>6,735</u>	<u>9,006</u>	<u>9,772</u>	<u>11,131</u>
Total Net Investment Income	<u>261,468</u>	<u>2,473,152</u>	<u>2,732,706</u>	<u>2,989,162</u>	<u>351,965</u>
Total Additions	<u>1,477,057</u>	<u>3,693,548</u>	<u>3,838,184</u>	<u>4,066,002</u>	<u>1,454,805</u>
Deductions					
Retirement Allowance Payments	2,075,302	1,997,595	1,893,321	1,800,805	1,673,881
Return of Contributions and Death Benefits	58,060	54,699	55,891	49,453	49,304
Transfers to Employees' Retirement System	3,432	2,880	1,823	1,937	2,012
Transfers to Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	15,074	13,103	12,591	11,555	10,820
Depreciation	<u>4,258</u>	<u>4,336</u>	<u>4,312</u>	<u>4,344</u>	<u>4,243</u>
Total Deductions	<u>2,156,126</u>	<u>2,072,613</u>	<u>1,967,938</u>	<u>1,868,094</u>	<u>1,740,260</u>
Net Increase/(Decrease)	(679,069)	1,620,935	1,870,246	2,197,908	(285,455)
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	22,441,307	20,820,372	18,950,126	16,752,218	17,037,673
Adjustment for Application of GASB 68	<u>(14,507)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Beginning of Year - as adjusted	22,426,800	20,820,372	18,950,126	16,752,218	17,037,673
End of Year	<u>\$ 21,747,731</u>	<u>\$ 22,441,307</u>	<u>\$ 20,820,372</u>	<u>\$ 18,950,126</u>	<u>\$ 16,752,218</u>

	2010	2009	2008	2007	2006
Additions					
Contributions					
Employee	\$ 319,770	\$ 321,100	\$ 323,822	\$ 302,272	\$ 278,220
Employer	776,421	753,518	729,995	540,847	434,195
Transfers from Employees' Retirement System	-	2,606	3,182	2,814	3,235
Transfers from Judicial Retirement Fund	1,633	-	-	-	-
Total Contributions	1,097,824	1,077,224	1,056,999	845,933	715,650
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	886,997	(2,083,048)	(4,057,823)	2,589,858	878,743
Interest and Dividends	559,941	580,656	705,555	719,910	703,189
Total Investment Income from Investing Activities	1,446,938	(1,502,392)	(3,352,268)	3,309,768	1,581,932
Less: Investment Expenses, Net	5,415	5,419	5,990	5,105	4,947
Net Investment Income from Investing Activities	1,441,523	(1,507,811)	(3,358,258)	3,304,663	1,576,985
<i>From Securities Lending Activities</i>					
Securities Lending Income	12,519	33,782	83,588	136,869	84,052
Less Securities Lending Expenses:					
Borrower Rebates	2,820	6,685	57,695	126,966	77,407
Management Fees	2,910	4,412	4,332	1,770	1,271
Total Securities Lending Expenses	5,730	11,097	62,027	128,736	78,678
Net Income from Securities Lending Activities	6,789	22,685	21,561	8,133	5,374
Total Net Investment Income	1,448,312	(1,485,126)	(3,336,697)	3,312,796	1,582,359
Total Additions	2,546,136	(407,902)	(2,279,698)	4,158,729	2,298,009
Deductions					
Retirement Allowance Payments	1,567,790	1,512,260	1,486,871	1,397,808	1,207,251
Return of Contributions and Death Benefits	43,628	42,337	37,317	37,474	36,683
Transfers to Employees' Retirement System	1,790	1,767	1,683	2,406	2,982
Transfers to Judicial Retirement Fund	-	-	-	-	26
Administrative Expenses	11,979	11,005	12,216	9,614	11,325
Depreciation	4,264	4,128	578	480	462
Total Deductions	1,629,451	1,571,497	1,538,665	1,447,782	1,258,729
Net Increase/(Decrease)	916,685	(1,979,399)	(3,818,363)	2,710,947	1,039,280
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	16,120,988	18,100,387	21,918,750	19,207,803	18,168,523
Adjustment for Application of GASB 68	-	-	-	-	-
Beginning of Year - as adjusted	16,120,988	18,100,387	21,918,750	19,207,803	18,168,523
End of Year	\$ 17,037,673	\$ 16,120,988	\$ 18,100,387	\$ 21,918,750	\$ 19,207,803

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2015	2014	2013	2012	2011
Additions					
Contributions					
Employee	\$ 225,767	\$ 223,135	\$ 221,823	\$ 214,933	\$ 193,697
Employer	410,932	391,181	338,819	317,520	394,998
Transfers from Teachers' Retirement System	3,432	2,880	1,823	1,937	2,012
Transfers from Judicial Retirement Fund	55	1	-	-	-
Total Contributions	<u>640,186</u>	<u>617,197</u>	<u>562,465</u>	<u>534,390</u>	<u>590,707</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(186,154)	888,303	984,714	1,114,737	(112,758)
Interest and Dividends	311,516	298,049	310,220	310,748	307,152
Total Investment Income from Investing Activities	125,362	1,186,352	1,294,934	1,425,485	194,394
Less: Investment Expenses, Net	2,771	2,766	2,549	2,256	2,308
Net Investment Income from Investing Activities	<u>122,591</u>	<u>1,183,586</u>	<u>1,292,385</u>	<u>1,423,229</u>	<u>192,086</u>
From Securities Lending Activities					
Securities Lending Income	5,353	4,199	5,780	6,445	6,891
Less Securities Lending Expenses:					
Borrower Rebates	164	21	186	174	517
Management Fees	1,290	1,235	1,519	1,642	1,521
Total Securities Lending Expenses	<u>1,454</u>	<u>1,256</u>	<u>1,705</u>	<u>1,816</u>	<u>2,038</u>
Net Income from Securities Lending Activities	3,899	2,943	4,075	4,629	4,853
Total Net Investment Income	<u>126,490</u>	<u>1,186,529</u>	<u>1,296,460</u>	<u>1,427,858</u>	<u>196,939</u>
Total Additions	<u>766,676</u>	<u>1,803,726</u>	<u>1,858,925</u>	<u>1,962,248</u>	<u>787,646</u>
Deductions					
Retirement Allowance Payments	1,018,515	948,478	895,475	848,464	782,957
Return of Contributions and Death Benefits	51,024	47,937	44,837	40,746	36,798
Unit Withdrawals	-	-	-	-	-
Transfers to Teachers' Retirement System	4,015	3,549	3,345	2,016	2,059
Transfers to Judicial Retirement Fund	44	83	242	164	98
Administrative Expenses	11,136	9,612	9,767	10,616	10,002
Depreciation	2,046	2,055	2,015	1,981	2,029
Total Deductions	<u>1,086,780</u>	<u>1,011,714</u>	<u>955,681</u>	<u>903,987</u>	<u>833,943</u>
Net Increase/(Decrease)	<u>(320,104)</u>	<u>792,012</u>	<u>903,244</u>	<u>1,058,261</u>	<u>(46,297)</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	10,883,952	10,091,940	9,188,696	8,130,435	8,176,732
Adjustment for Application of GASB 68	(11,944)	-	-	-	-
Beginning of Year - as adjusted	<u>10,872,008</u>	<u>10,091,940</u>	<u>9,188,696</u>	<u>8,130,435</u>	<u>8,176,732</u>
End of Year	<u><u>\$ 10,551,904</u></u>	<u><u>\$ 10,883,952</u></u>	<u><u>\$ 10,091,940</u></u>	<u><u>\$ 9,188,696</u></u>	<u><u>\$ 8,130,435</u></u>

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	2015	2014	2013	2012	2011
Additions					
Contributions					
Employee	\$ 3,639	\$ 3,681	\$ 3,677	\$ 3,517	\$ 2,556
Employer	15,077	15,790	13,903	10,747	10,906
Transfers from Teachers' Retirement System	-	-	-	-	-
Transfers from Employees' Retirement System	44	83	242	164	98
Total Contributions	18,760	19,554	17,822	14,428	13,560
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(7,695)	24,197	25,207	32,112	(4,961)
Interest and Dividends	6,698	7,030	6,912	6,748	6,853
Total Investment Income from Investing Activities	(997)	31,227	32,119	38,860	1,892
Less: Investment Expenses, Net	-	-	-	-	-
Net Investment Income from Investing Activities	(997)	31,227	32,119	38,860	1,892
From Securities Lending Activities					
Securities Lending Income	195	167	184	215	201
Less Securities Lending Expenses:					
Borrower Rebates	7	1	10	12	22
Management Fees	47	49	48	52	49
Total Securities Lending Expenses	54	50	58	64	71
Net Income from Securities Lending Activities	141	117	126	151	130
Total Investment Income	(856)	31,344	32,245	39,011	2,022
Total Additions	17,904	50,898	50,067	53,439	15,582
Deductions					
Retirement Allowance Payments	30,348	29,826	29,112	27,183	26,379
Return of Contributions and Death Benefits	100	54	196	253	34
Transfers to Employees' Retirement System	55	1	-	-	-
Transfers to Teachers' Retirement System	-	-	-	-	-
Administrative Expenses	356	281	280	257	276
Total Deductions	30,859	30,162	29,588	27,693	26,689
Net Increase/(Decrease)	(12,955)	20,736	20,479	25,746	(11,107)
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	277,096	256,360	235,881	210,135	221,242
Adjustment for Application of GASB 68	(267)	-	-	-	-
Beginning of Year - as adjusted	276,829	256,360	235,881	210,135	221,242
End of Year	\$ 263,874	\$ 277,096	\$ 256,360	\$ 235,881	\$ 210,135

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2014

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	1,330	828	363	139	262	310	400	357	1
251 - 500	8,634	6,337	854	1,443	2,592	3,537	1,442	1,058	5
501 - 750	8,262	6,612	630	1,020	2,249	3,512	1,505	991	5
751 - 1,000	6,857	5,583	543	731	1,722	2,903	1,245	982	5
1,001 - 1,250	5,857	4,841	421	595	1,282	2,435	1,251	885	4
1,251 - 1,500	5,528	4,668	367	493	1,143	2,204	1,351	829	1
1,501 - 1,750	6,822	6,178	269	375	1,243	3,013	1,659	904	3
1,751 - 2,000	8,692	8,226	213	253	1,548	4,147	1,789	1,203	5
2,001 - 2,250	8,394	8,105	165	124	1,315	4,177	1,777	1,122	3
2,251 - 2,500	6,663	6,476	117	70	1,062	3,384	1,369	844	4
2,501 - 2,750	4,758	4,625	89	44	723	2,357	1,054	624	-
2,751 - 3,000	3,430	3,329	77	24	534	1,607	785	502	2
3,001 - 3,250	2,582	2,511	63	8	368	1,183	650	377	4
3,251 - 3,500	1,924	1,867	53	4	279	833	512	299	1
3,501 - 3,750	1,509	1,466	38	5	218	650	425	213	3
3,751 - 4,000	1,162	1,131	28	3	173	515	296	173	5
4,001 - 4,250	1,005	980	24	1	143	449	254	157	2
4,251 - 4,500	720	698	21	1	100	306	191	120	3
4,501 - 4,750	543	529	14	-	69	217	155	101	1
4,751 - 5,000	438	429	9	-	60	171	140	65	2
Over 5,000	1,847	1,796	46	5	227	627	620	358	15
Totals ³	86,957	77,215	4,404	5,338	17,312	38,537	18,870	12,164	74

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 1,748 DROP

participants as of September 30, 2014.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2014

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	373	162	191	20	72	40	72	178	11
251 - 500	3,685	2,305	983	397	964	927	813	915	66
501 - 750	4,912	3,371	727	814	1,559	1,580	830	836	107
751 - 1,000	4,635	3,258	520	857	1,473	1,606	687	775	94
1,001 - 1,250	5,050	3,995	373	682	1,254	1,964	882	823	127
1,251 - 1,500	4,414	3,708	269	437	1,028	1,797	841	656	92
1,501 - 1,750	4,117	3,639	183	295	892	1,681	786	685	73
1,751 - 2,000	3,678	3,381	110	187	753	1,565	622	668	70
2,001 - 2,250	3,017	2,826	69	122	608	1,201	599	559	50
2,251 - 2,500	2,474	2,317	68	89	498	1,031	483	418	44
2,501 - 2,750	1,980	1,885	38	57	357	840	397	349	37
2,751 - 3,000	1,530	1,467	35	28	288	641	280	298	23
3,001 - 3,250	1,296	1,246	33	17	242	569	221	244	20
3,251 - 3,500	895	872	13	10	156	395	163	165	16
3,501 - 3,750	724	713	6	5	144	328	116	125	11
3,751 - 4,000	503	495	4	4	91	231	74	98	9
4,001 - 4,250	419	416	2	1	66	192	71	80	10
4,251 - 4,500	325	316	4	5	57	145	65	55	3
4,501 - 4,750	250	248	2	-	49	104	42	50	5
4,751 - 5,000	211	207	2	2	44	83	33	47	4
Over 5,000	787	778	6	3	160	333	116	168	10
Totals ³	45,275	37,605	3,638	4,032	10,755	17,253	8,193	8,192	882

¹ Type of Retirement

A - Service
B - Survivor benefit
C - Disability

² Option

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

³ Includes 891 DROP participants as of September 30, 2014.

Does not include 37 pensioners entitled to deferred benefits, but not currently in receipt.

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2014

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	1	-	1	-	-	1
751 - 1,000	5	-	4	1	1	4
1,001 - 1,250	4	-	4	-	-	4
1,251 - 1,500	10	-	10	-	-	10
1,501 - 1,750	8	1	7	-	-	8
1,751 - 2,000	7	-	7	-	-	7
2,001 - 2,250	2	-	2	-	-	2
2,251 - 2,500	1	-	1	-	-	1
2,501 - 2,750	1	-	1	-	-	1
2,751 - 3,000	5	1	3	1	2	3
3,001 - 3,250	7	4	3	-	2	5
3,251 - 3,500	18	4	14	-	-	18
3,501 - 3,750	42	1	41	-	1	41
3,751 - 4,000	1	1	-	-	1	-
4,001 - 4,250	6	6	-	-	2	4
4,251 - 4,500	7	6	1	-	3	4
4,501 - 4,750	11	7	3	1	2	9
4,751 - 5,000	12	6	6	-	-	12
Over 5,000	225	222	-	3	40	185
Totals	375	259	110	6	54	321

† Type of Retirement

A - Service

B - Survivor benefit

C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2014					
Average monthly benefit	\$ 790	\$ 1,273	\$ 1,675	\$ 2,374	\$ 3,236
Average final average salary	\$ 40,969	\$ 46,200	\$ 47,036	\$ 56,099	\$ 60,273
Number of active retirants	855	656	633	1,397	364
2013					
Average monthly benefit	\$ 810	\$ 1,201	\$ 1,653	\$ 2,325	\$ 3,204
Average final average salary	\$ 41,846	\$ 43,291	\$ 46,143	\$ 55,080	\$ 59,738
Number of active retirants	879	676	600	1,216	278
2012					
Average monthly benefit	\$ 733	\$ 1,151	\$ 1,644	\$ 2,288	\$ 2,896
Average final average salary	\$ 37,417	\$ 41,518	\$ 46,432	\$ 53,707	\$ 54,443
Number of active retirants	951	643	638	1,411	493
2011					
Average monthly benefit	\$ 721	\$ 1,230	\$ 1,660	\$ 2,448	\$ 3,362
Average final average salary	\$ 36,580	\$ 43,817	\$ 47,340	\$ 58,430	\$ 64,558
Number of active retirants	797	595	632	1,674	732
2010					
Average monthly benefit	\$ 691	\$ 1,140	\$ 1,596	\$ 2,309	\$ 3,206
Average final average salary	\$ 36,194	\$ 41,368	\$ 45,033	\$ 55,481	\$ 61,883
Number of active retirants	721	499	520	1,701	847
2009					
Average monthly benefit	\$ 693	\$ 1,099	\$ 1,533	\$ 2,229	\$ 3,089
Average final average salary	\$ 35,464	\$ 39,601	\$ 43,549	\$ 53,066	\$ 59,139
Number of active retirants	632	476	432	1,726	770
2008					
Average monthly benefit	\$ 687	\$ 1,063	\$ 1,463	\$ 2,124	\$ 3,010
Average final average salary	\$ 34,769	\$ 38,493	\$ 41,345	\$ 50,504	\$ 57,764
Number of active retirants	699	504	443	1,538	843
2007					
Average monthly benefit	\$ 650	\$ 1,044	\$ 1,490	\$ 2,001	\$ 2,791
Average final average salary	\$ 32,988	\$ 37,638	\$ 42,325	\$ 47,239	\$ 53,602
Number of active retirants	589	533	407	1,539	798
2006					
Average monthly benefit	\$ 634	\$ 982	\$ 1,349	\$ 1,917	\$ 2,839
Average final average salary	\$ 31,362	\$ 34,986	\$ 38,264	\$ 45,351	\$ 54,489
Number of active retirants	498	372	339	1,763	860
2005					
Average monthly benefit	\$ 594	\$ 960	\$ 1,389	\$ 1,995	\$ 2,783
Average final average salary	\$ 28,010	\$ 32,773	\$ 36,774	\$ 44,703	\$ 51,621
Number of active retirants	728	624	443	2,003	894

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2014					
Average monthly benefit	\$ 737	\$ 1,144	\$ 1,676	\$ 2,326	\$ 3,258
Average final average salary	\$ 38,296	\$ 42,040	\$ 48,423	\$ 54,092	\$ 60,078
Number of active retirants	532	319	316	725	337
2013					
Average monthly benefit	\$ 718	\$ 1,257	\$ 1,738	\$ 2,392	\$ 3,236
Average final average salary	\$ 37,933	\$ 46,357	\$ 49,200	\$ 54,929	\$ 59,595
Number of active retirants	537	385	321	661	337
2012					
Average monthly benefit	\$ 723	\$ 1,214	\$ 1,856	\$ 2,475	\$ 3,170
Average final average salary	\$ 38,160	\$ 43,479	\$ 49,415	\$ 54,904	\$ 58,675
Number of active retirants	566	370	486	757	283
2011					
Average monthly benefit	\$ 728	\$ 1,230	\$ 1,871	\$ 2,423	\$ 3,207
Average final average salary	\$ 38,584	\$ 43,878	\$ 49,583	\$ 55,598	\$ 59,990
Number of active retirants	529	341	434	975	459
2010					
Average monthly benefit	\$ 667	\$ 1,144	\$ 1,819	\$ 2,386	\$ 3,054
Average final average salary	\$ 35,383	\$ 41,444	\$ 48,399	\$ 55,257	\$ 57,575
Number of active retirants	399	316	366	954	420
2009					
Average monthly benefit	\$ 1,399	\$ 1,449	\$ 1,661	\$ 2,064	\$ 2,764
Average final average salary	\$ 40,605	\$ 39,986	\$ 37,807	\$ 47,298	\$ 46,613
Number of active retirants	700	436	345	772	428
2008					
Average monthly benefit	\$ 1,443	\$ 1,389	\$ 1,765	\$ 1,982	\$ 2,767
Average final average salary	\$ 43,159	\$ 42,731	\$ 44,673	\$ 47,099	\$ 53,152
Number of active retirants	566	346	262	670	322
2007					
Average monthly benefit	\$ 1,331	\$ 1,288	\$ 1,592	\$ 1,975	\$ 2,650
Average final average salary	\$ 40,544	\$ 41,247	\$ 43,439	\$ 46,209	\$ 51,484
Number of active retirants	601	318	230	761	334
2006					
Average monthly benefit	\$ 1,285	\$ 1,095	\$ 1,558	\$ 1,779	\$ 2,543
Average final average salary	\$ 39,200	\$ 36,950	\$ 41,455	\$ 43,714	\$ 48,532
Number of active retirants	508	281	204	878	349
2005					
Average monthly benefit	\$ 1,271	\$ 1,008	\$ 1,482	\$ 1,848	\$ 2,592
Average final average salary	\$ 38,257	\$ 34,812	\$ 38,980	\$ 43,707	\$ 49,007
Number of active retirants	621	379	280	1,151	307

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

	Years of Credited Service				
	10-14	15-19	20-24	25-29	30+
2014					
Average monthly benefit	\$ 8,528	\$ 9,158	\$ 9,051	\$ 9,371	\$ -
Average final average salary	\$ 136,441	\$ 146,529	\$ 144,812	\$ 149,936	\$ -
Number of active retirants	2	3	2	1	-
2013					
Average monthly benefit	\$ 7,458	\$ 8,297	\$ 9,128	\$ 9,216	\$ 7,224
Average final average salary	\$ 119,322	\$ 132,747	\$ 146,050	\$ 147,448	\$ 115,578
Number of active retirants	5	10	3	5	9
2012					
Average monthly benefit	\$ 6,993	\$ 9,184	\$ 9,371	\$ 7,230	\$ -
Average final average salary	\$ 111,884	\$ 146,937	\$ 149,936	\$ 115,676	\$ -
Number of active retirants	1	1	1	3	-
2011					
Average monthly benefit	\$ 7,940	\$ 8,658	\$ 8,381	\$ 9,170	\$ 10,897
Average final average salary	\$ 127,032	\$ 138,522	\$ 134,096	\$ 146,720	\$ 174,352
Number of active retirants	7	9	5	8	2
2010					
Average monthly benefit	\$ 6,796	\$ 8,819	\$ 9,319	\$ 7,147	\$ -
Average final average salary	\$ 108,736	\$ 141,102	\$ 149,104	\$ 114,352	\$ -
Number of active retirants	3	2	3	2	-
2009					
Average monthly benefit	\$ 7,247	\$ 7,899	\$ 8,020	\$ 9,899	\$ 10,750
Average final average salary	\$ 115,950	\$ 126,376	\$ 128,320	\$ 158,384	\$ 172,000
Number of active retirants	6	2	5	5	1
2008					
Average monthly benefit	\$ 7,189	\$ 5,741	\$ 9,054	\$ 8,993	\$ -
Average final average salary	\$ 115,028	\$ 91,863	\$ 144,864	\$ 143,888	\$ -
Number of active retirants	3	2	1	4	-
2007					
Average monthly benefit	\$ 6,761	\$ 8,167	\$ 7,786	\$ 6,486	\$ 7,507
Average final average salary	\$ 108,168	\$ 130,679	\$ 124,576	\$ 103,776	\$ 120,112
Number of active retirants	5	9	6	6	11
2006					
Average monthly benefit	\$ 7,824	\$ 8,223	\$ 7,642	\$ -	\$ -
Average final average salary	\$ 125,190	\$ 131,568	\$ 122,272	\$ -	\$ -
Number of active retirants	2	1	5	-	-
2005					
Average monthly benefit	\$ 8,611	\$ 8,990	\$ 10,434	\$ 8,040	\$ 12,454
Average final average salary	\$ 137,776	\$ 143,840	\$ 166,944	\$ 128,640	\$ 199,264
Number of active retirants	1	3	3	3	1

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Abbeville Water Works & Sewer Board
Abbeville, City of
Adamsville, City of
Addison, Town of
Alabama Cooperative Extension System
Alabama Elk River Development Agency
Alabama Historic Ironworks Commission
Alabama League of Municipalities
Alabama Municipal Electric Authority
Alabama Rural Water Association
Alabama Space Science Exhibit Commission
Alabama Sports Hall of Fame
Alabama Tombigbee Regional Commission
Alabaster Water Board
Alabaster, City of
Albertville Housing Authority
Albertville Municipal Utilities Board
Albertville, City of
Alexander City Housing Authority
Alexander City, City of
Aliceville Housing Authority
Aliceville, City of
AltaPointe Health Systems
Altoona, Town of
Andalusia Housing Authority
Andalusia Utilities Board
Andalusia, City of
Anniston & Calhoun County Public Library
Anniston Housing Authority
Anniston Water Works & Sewer Board
Anniston, City of
Arab Housing Authority
Arab Sewer Board
Arab Water Works Board
Arab, Town of
Argo, Town of
Arley, Town of
Ashford Housing Authority
Ashland Housing Authority
Ashland Water Works & Sewer Board
Ashland, City of
Ashville Water & Sewer Board
Ashville, Town of
Association of County Commissioners of
Alabama
Athens Utilities
Athens, City of
Athens-Limestone County Emergency
Management Communications District
Athens-Limestone Public Library
Atmore Housing Authority

Atmore, City of
Attalla Housing Authority
Attalla Water Works Board
Attalla, City of
Auburn Housing Authority
Auburn Water Works Board
Auburn, City of
Autauga County Commission
Autauga County Emergency Management
Communication District
Autauga County Water Authority
Autauga-Prattville Public Library
B. B. Comer Memorial Library
Bakerhill Water Authority
Bakerhill, Town of
Baldwin County Commission
Baldwin County Emergency Communication
District
Baldwin County Sheriff's Office
Baldwin County Soil & Water Conservation
District
Barbour County Commission
Bay Minette Housing Authority
Bay Minette, City of
Bayou La Batre Utilities Board
Bayou La Batre, City of
Bear Creek Development Authority
Bear Creek Water Works Board
Bear Creek, Town of
Beatrice, Town of
Beauregard Water Authority
Berry, Town of
Bessemer, City of
Beulah Utilities District
Bibb County Commission
Bibb County Emergency Management
Communication District
Big Wills Water Authority
Billingsley, Town of
Birmingham Racing Commission
Birmingham Regional Planning Commission
Birmingham Fire District
Black Warrior Solid Waste Disposal Authority
Blount County Commission
Blount County Communications District
Blount County Industrial Development Board
Blount County Water Authority
Blountsville Utility Board
Blountsville, Town of
Boaz Board of Water & Sewer Commissioners
Boaz, City of

Boldo Water & Fire Protection Authority
Boston Housing Authority
Brantley Housing Authority
Brent Housing Authority
Brent, City of
Brewton Housing Authority
Brewton, City of
Bridgeport Housing Authority
Bridgeport Utilities Board
Bridgeport, City of
Brilliant, Town of
Brookwood, Town of
Brundidge, City of
Buhl-Elrod-Holman Water Authority
Bullock County Commission
Butler County Commission
Butler County Emergency Communication
District
Butler, City of
Cahaba Center for Mental Health & Mental
Retardation
Cahaba Valley Fire & Emergency Medical
Rescue District
Calera, City of
Calhoun County 9-1-1 District
Calhoun County Commission
Calhoun County Community Punishment &
Corrections Authority
Calhoun County Economic Development
Council
Calhoun County Water & Fire Protection
Authority
Calhoun-Cleburne Mental Health Board
Camden, City of
Camp Hill, City of
Carbon Hill Utilities Board
Carbon Hill, City of
Carl Elliott Regional Library
Carroll's Creek Water Authority
Carrollton, Town of
Castleberry, Town of
Cedar Bluff Utilities Board & Solid Waste
Authority
Cedar Bluff, Town of
Center Point Fire District
Center Point, City of
Central Alabama Aging Consortium
Central Alabama Regional Planning &
Development Commission
Central Alabama Youth Services
Central Elmore Water & Sewer Authority
Central Talladega County Water District

Centre Water Works & Sewer Board
Centre, City of
Centreville, City of
Chambers County Commission
Chambers County Development Authority
Chambers County Emergency Management
Communications District
Chambers County Library Board
Chatom, City of
Cheaha Regional Library
Cheaha Regional Mental Health Center
Chelsea, City of
Cherokee County Commission
Cherokee County Water & Sewer Authority
Cherokee, Town of
Chickasaw Housing Authority
Chickasaw Utilities Board
Chickasaw, Town of
Childersburg Water Works, Sewer & Gas Board
Childersburg, City of
Chilton County Commission
Chilton County Soil & Water Conservation
District
Chilton Water Authority
Chilton/Clanton Public Library
Chilton-Shelby Mental Health Center
Choctaw County Emergency Communications
District
Citizenship Trust American Village
Clanton Housing Authority
Clanton Water Works & Sewer Board
Clanton, City of
Clarke County Commission
Clarke County Industrial Development Board
Clarke County Soil & Water Conservation
District
Clarke-Mobile Counties Gas District
Clay County Commission
Clay County E911
Clay County Water Authority
Clayton Housing Authority
Clayton Water Works & Sewer Board
Clayton, City of
Cleburne County Commission
Cleveland, Town of
Coaling Water Authority
Coaling, Town of
Coffee County Commission
Coffee County Water Authority
Coffeeville, Town of
Coker Water Authority
Colbert County Commission

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Colbert County Emergency Management Communications District	Dadeville, Waterworks and Sewer Board of Dale County Commission
Colbert County Tourism & Convention Bureau	Dale County Water Authority
Collinsville Water Works & Sewer Board	Daleville Housing Authority
Collinsville, City of	Daleville, City of
Columbia, Town of	Dallas County Commission
Columbiana Housing Authority	Dallas County Water & Sewer Authority
Columbiana Water Works Board	Daphne Utilities Board
Columbiana, Town of	Daphne, City of
Concord Fire District	Dauphin Island Park & Beach Board
Conecuh County Commission	Dauphin Island Water & Sewer Authority
Conecuh County E911	Dauphin Island, Town of
Conecuh County Soil & Water Conservation District	Decatur Utilities
Cook Springs Water Authority	Decatur, City of
Cooperative District for Northeast Alabama Gas	DeKalb County Commission
Coosa County Commission	DeKalb County Economic Development Authority
Coosa County Emergency Communication Management Board	DeKalb County Emergency Communications District
Coosa Valley Youth Services	DeKalb County Hospital Association
Coosada, Town of	DeKalb County Mental Retardation Board
Cordova Water & Gas Board	DeKalb County Soil & Water Conservation District
Cordova, City of	DeKalb-Cherokee Counties Gas District
Cottonwood Housing Authority	DeKalb-Jackson Water Supply District Board
Cottonwood, City of	Demopolis Housing Authority
Courtland, Town of	Demopolis Water Works & Sewer Board
Covington County Commission	Demopolis, City of
Covington County E911 Board	Dora Waterworks & Gas Board
Covington County Water Authority	Dora, City of
Cowarts, Town of	Dothan, City of
Crenshaw County Commission	Dothan-Houston County Intellectual Disabilities Board
Crenshaw County Emergency Communications District	Double Springs Water Works Board
Creola, City of	Double Springs, Town of
Crossville, Town of	Douglas Water Authority
Cuba, Town of	Douglas, Town of
Cullman Area Mental Health Authority	Dutton, Town of
Cullman County Center for the Developmentally Disabled	East Alabama Mental Health-Mental Retardation Board
Cullman County Commission	East Alabama Regional Planning & Development Commission
Cullman County E-911	East Alabama Water, Sewer & Fire Protection District
Cullman County Soil & Water Conservation District	East Brewton Water Works & Sewer Board
Cullman Power Board	East Brewton, City of
Cullman, City of	East Central Alabama Gas District
Cullman-Jefferson Counties Gas District	East Central Baldwin County Water & Fire Protection Authority
Cumberland Mountain Water Authority	East Lauderdale County Water & Fire Protection Authority
Curry Water Authority	Eclectic, Town of
CWM Water Authority	
Dadeville Housing Authority	
Dadeville Water Supply & Gas Board	
Dadeville, City of	

Elba Water & Electric Board
Elba, City of
Elberta, City of
Electric Cities of Alabama
Elmore County Commission
Elmore County Emergency Communications
District
Elmore Water & Sewer Authority
Enterprise Housing Authority
Enterprise Water Works Board
Enterprise, City of
Ernest F. Ladd Memorial Stadium
Escambia County Commission
Escambia County Cooperative Library System
Escambia County Emergency Communications
District
Etowah County Commission
Etowah County Communications District
Etowah County Community Corrections
Etowah County Tourism Board
Etowah Solid Waste Disposal Authority
Eufaula Housing Authority
Eufaula Water Works & Sewer Board
Eufaula, City of
Eutaw Medical Clinic Board
Eutaw, City of
Evergreen Housing Authority
Evergreen, City of
Excel, Town of
Fairfield, City of
Fairhope Public Library
Fairhope, City of
Falkville, Town of
Fayette County Commission
Fayette County E911 District
Fayette County Water Authority
Fayette Gas Board
Fayette Housing Authority
Fayette Water Works Board
Fayette, City of
Fayetteville Water Authority
Five Star Water Supply District
Flomaton, Town of
Florence Housing Authority
Florence Lauderdale Port Authority
Florence/Lauderdale Tourism Board
Foley Utilities Board
Foley, City of
Forestdale Fire District
Fort Deposit Water Works & Sewer Board
Fort Deposit, Town of
Fort Payne Housing Authority

Fort Payne Improvement Authority
Fort Payne Water Works Board
Fort Payne, City of
Fosters-Ralph Water Authority
Franklin County Commission
Franklin County Soil & Water Conservation
District
Franklin County Water Service Authority
Frisco City, Town of
Fultondale Gas Board
Fultondale, Town of
Fyffe, Town of
Gadsden Water Works & Sewer Board
Gadsden, City of
Gantt, Town of
Garden Town, Town of
Gardendale, City of
Geneva County Commission
Geneva County E911
Geneva Water Works & Sewer Board
Geneva, City of
Georgiana Housing Authority
Georgiana, City of
Geraldine, Town of
Gilbertown Utilities Board
Gilbertown, Town of
Glencoe Water & Sewer Board
Glencoe, City of
Goodwater, City of
Gordo, City of
Governmental Utility Services Corporation of
Moody
Governmental Utility Services Corporation of
the City of Bessemer
Grant, Town of
Graysville Public Library
Graysville, City of
Greater Etowah Mental Retardation 310 Board
Greene County Ambulance Service
Greene County Commission
Greene County E911 Communication District
Greene County Hospital & Nursing Home
Greene County Housing Authority
Greene County Industrial Development
Authority
Greene County Racing Commission
Greenhill Water & Fire Protection Authority
Greensboro Housing Authority
Greensboro, City of
Greenville Housing Authority
Greenville Water Works & Sewer Board
Greenville, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Grove Hill, City of
Guin Housing Authority
Guin Water Works & Sewer Board
Guin, City of
Gulf Shores Utilities Board
Gulf Shores, City of
Guntersville Electric Board
Guntersville Housing Authority
Guntersville Water Works & Sewer Board
Guntersville, City of
Gurley, Town of
Hackleburg Housing Authority
Hackleburg Water Board
Hackleburg, Town of
Hackneyville Water & Fire Protection Authority
Hale County Commission
Hale County Emergency Medical Service
Hale County Soil & Water Conservation District
Haleyville, City of
Hamilton Housing Authority
Hamilton, City of
Hanceville Water Works & Sewer Board
Hanceville, City of
Harpersville, Town of
Hartford, City of
Hartselle Utilities Board
Hartselle, City of
Hartselle, Housing Authority of the City of
Harvest-Monrovia Water, Sewer & Fire
Protection Authority
Hayden, Town of
Hayneville, City of
Headland Housing Authority
Headland, City of
Heflin Water Works & Sewer Board
Heflin, City of
Helena Utilities Board
Helena, City of
Henry County Commission
Henry County Soil & Water Conservation
District
Henry County Water Authority
Highland Water Authority
Hillsboro, Town of
Historic Blakeley Authority
Historic Chattahoochee Commission
Hodges, Town of
Hokes Bluff Water Board
Hokes Bluff, Town of
Holly Pond, Town of
Hollywood, Town of
Homewood, City of

Hoover, City of
Horseshoe Bend Regional Library
Houston County Commission
Houston County Soil Conservation District
Houston County Water Authority
Houston-Love Memorial Library
Hueytown, City of
Huguley Water, Sewer & Fire Protection
Authority
Huntsville & Madison County Railroad
Authority
Huntsville Electric Utilities System
Huntsville Gas Utilities System
Huntsville Solid Waste Disposal Authority
Huntsville Waterworks Utilities System
Huntsville, City of
Huntsville/Madison County Convention &
Visitors Bureau
Huntsville-Madison County Airport Authority
Huntsville-Madison County Marina & Port
Authority
Huntsville-Madison County Mental Health
Center Board
Indian Pines Recreational Authority
International Motorsports Hall of Fame
Irondale, City of
J. Paul Jones Hospital
Jackson County Commission
Jackson County Economic Development
Authority
Jackson County Emergency Management
Communications District
Jackson County Soil & Water Conservation
District
Jackson County Water Authority
Jackson, City of
Jackson's Gap Water Authority
Jackson's Gap, Town of
Jacksonville Housing Authority
Jacksonville Water Works, Gas & Sewer Board
Jacksonville, City of
Jasper Waterworks & Sewer Board
Jasper, City of
Jefferson County Department of Health
Jefferson County Housing Authority
Jefferson-Blount-St. Clair Mental Health
Authority
Jemison, Town of
Joppa, Hulaco & Ryan Water Authority
Kennedy, City of
Killen, City of
Kinsey, Town of

LaFayette, City of
Lamar County Commission
Lamar County Communications District
Lamar County Gas District
Lamar County Water & Fire Protection Authority
Lanett, City of
Lauderdale County Commission
Lauderdale County Community Corrections Authority
Lauderdale County Regional Library System
Lawrence County Commission
Lee County Commission
Leeds Housing Authority
Leeds Water Works Board
Leeds, City of
Lee-Russell Council of Governments
Leesburg, Town of
Leighton Water & Sewer Board
Leighton, Town of
Level Plains, Town of
Lexington, Town of
Limestone County Commission
Limestone County Water & Sewer Authority
Lincoln, City of
Linden, City of
Lineville Housing Authority
Lineville Waterworks & Sewer Board
Lineville, City of
Littleville, Town of
Livingston Housing Authority
Livingston, City of
Loachapoka Water Authority
Locust Fork, Town of
Lowndes County Commission
Loxley, City of
Luverne Housing Authority
Luverne, City of
Lynn, Town of
Macon County Commission
Macon County Racing Commission
Madison County 310 Board
Madison County Commission
Madison County Communications District
Madison Water & Wastewater Board
Madison, City of
Magnolia Springs, Town of
Malvern, Town of
Maplesville Waterworks & Gas Board
Maplesville, City of
Marengo County Commission

Marengo County Economic & Industrial Development Authority
Marengo County Emergency Communications District
Marengo Nursing Home
Margaret, Town of
Marion County Commission
Marion County Emergency Communications District
Marion County Public Water Authority
Marion Housing Authority
Marion, City of
Marshall County Commission
Marshall County Community Punishment & Corrections Authority
Marshall County Emergency Telephone Services
Marshall County Gas District
Marshall County Soil & Water Conservation District
Marshall-Jackson Mental Retardation Authority
McAdory Area Fire District
McIntosh, Town of
Mental Health Board of Bibb, Pickens & Tuscaloosa County
Mental Health Center of North Central Alabama
Mental Retardation/Developmental Disabilities Board
Mentone Water Works Board
Mentone, Town of
Middle Alabama Area Agency on Aging
Midfield Library Board
Midfield, City of
Midway, Town of
Mildred B. Harrison Library
Millbrook, City of
Millerville Water Authority
Millport Housing Authority
Millport, Town of
Mobile Airport Authority
Mobile Area Water & Sewer System
Mobile County Commission
Mobile County Communications District
Mobile County Emergency Management Agency
Mobile County Health Department
Mobile County Housing Authority
Mobile County Law Enforcement & Firefighters' Pension Fund
Mobile County Personnel Board
Mobile County Racing Commission

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Mobile County Water, Sewer & Fire Protection Authority
Mobile Public Library
Mobile, City of
Monroe County Commission
Monroeville Housing Authority
Monroeville Water Works Board
Monroeville, City of
Montevallo Water Works & Sewer Board
Montevallo, City of
Montgomery Area Mental Health Authority
Montgomery County Commission
Montgomery County Soil & Water Conservation District
Montgomery Water Works & Sanitary Sewer Board
Moody, City of
Morgan County Commission
Morgan County Emergency Management Communication District
Morgan County Soil & Water Conservation District
Moulton Housing Authority
Moulton, City of
Moundville, City of
Mountain Brook Library Board
Mountain Brook Park & Recreation Board
Mountain Brook, City of
Mt. Vernon, Town of
Munford Water Authority
Munford, Town of
Muscle Shoals Electric Board
Muscle Shoals Utilities Board
Muscle Shoals, City of
Myrtlewood, Town of
Nauvoo, Town of
Nectar, Town of
New Hope, Town of
New London Water, Sewer & Fire Protection Authority
New Site, Town of
North Alabama Gas District
North Baldwin Utilities
North Central Alabama Mental Retardation Authority
North Central Alabama Regional Council of Governments
North Dallas County Water Authority
North Marshall Utilities Board
North Shelby County Fire & Emergency Medical District
North Shelby Library

Northeast Alabama MR/DD Authority
Northeast Alabama Water, Sewer & Fire Protection District
Northeast Morgan County Water & Sewer Authority
Northport Housing Authority
Northport, City of
Northwest Alabama Council of Local Governments
Northwest Alabama Mental Health Center
Northwest Alabama Regional Airport
Notasulga, Town of
Oak Grove, Town of
Oakman Water Works Board
Oakman, Town of
Odenville Utilities Board
Odenville, Town of
Ohatchee, Town of
Oneonta Housing Authority
Oneonta Utilities Board
Oneonta, City of
Opelika Housing Authority
Opelika Utilities Board
Opelika, City of
Opp Utilities Board
Opp, City of
Orange Beach Water, Sewer & Fire Protection Authority
Orange Beach, Town of
Owassa/Brownville Water Authority
Owens Cross Roads, City of
Oxford Emergency Medical Services
Oxford, City of
Ozark Utilities Board
Ozark, City of
Ozark-Dale County E911
Parrish Water Works & Sewer Board
Parrish, Town of
Pelham, City of
Pell City Housing Authority
Pell City, City of
Pennington Utilities Board
Pennington, City of
Perry County Capital Improvement Cooperative District
Perry County Commission
Perry County E911
Perry County Water Authority
Phenix City Utilities
Phenix City, City of
Phil Campbell Housing Authority
Phil Campbell Water Works & Sewer Board

Phil Campbell, Town of
Pickens County Commission
Pickens County Cooperative Library
Pickens County E911 Board
Pickens County Water Authority
Piedmont Housing Authority
Piedmont, City of
Pike County Commission
Pike County Communications District
Pike County Soil & Water Conservation District
Pike County Water Authority
Pike Road, Town of
Pine Bluff Water Authority
Pine Hill, Town of
Pine Level Water Authority
Pinson, City of
Pisgah, Town of
Pleasant Grove, City of
Prattville Housing Authority
Prattville Water Works Board
Prattville, City of
Priceville, Town of
Prichard Housing Authority
Quint-Mar Water Authority
Ragland Water Works Board
Ragland, Town of
Rainbow City Utilities Board
Rainbow City, City of
Rainsville, City of
Randolph County Commission
Randolph County E911
Red Bay Housing Authority
Red Bay Water Works & Gas Board
Red Bay, City of
Reform Housing Authority
Reform, City of
Regional Housing Authority of Lawrence,
Cullman & Morgan Counties
Rehobeth, City of
Remlap-Pine Mountain Water Authority
Repton, Town of
Riverbend Center for Mental Health
Riverside, Town of
Roanoke Utility Board
Roanoke, City of
Robertsdale, City of
Rockford Utilities Board
Rocky Ridge Fire District
Rogersville Water Works & Sewer Board
Rogersville, Town of
Russell County Commission

Russell County Emergency Communications
District
Russell County Soil & Water Conservation
District
Russell County Water Authority
Russellville Electric Board
Russellville Gas Board
Russellville Housing Authority
Russellville Water & Sewer Board
Russellville, City of
Rutledge, Town of
Saraland Water Service
Saraland, City of
Sardis City Water Board
Sardis, City of
Satsuma Water Works Board
Satsuma, City of
Scottsboro Electric Power Board
Scottsboro Housing Authority
Scottsboro Public Library
Scottsboro Public Park & Recreation Board
Scottsboro Waterworks, Sewer & Gas Board
Scottsboro, City of
Section Waterworks Board
Section, Town of
Selma Housing Authority
Selma Water & Sewer Board
Selma, City of
Sheffield Utilities Board
Sheffield, City of
Shelby County Commission
Shelby County Community Corrections
Shelby County Economic & Industrial
Development Authority
Shelby County Emergency Management
Communications District
Shelby County Soil Conservation District
Shoals Committee on Programs & Employment
for the Mentally Retarded
Shoals Economic Development Authority
Shoals Solid Waste Disposal Authority
Shorter, Town of
Silas, Town of
Silverhill, Town of
Skyline, Town of
Slocomb Waterworks & Sewer Board
Slocomb, Town of
Smiths Station, City of
Smiths Water & Sewer Authority
Snead, Town of
Somerville, Town of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

South Alabama Gas District	Sylacauga, City of
South Alabama Regional Planning Commission	Sylvan Springs, Town of
South Central Alabama Development Commission	Sylvania, Town of
South Central Alabama Mental Health Board	Talladega County Commission
South Central Alabama Regional Housing Authority	Talladega County Emergency Management Communications District
South Crenshaw County Water Authority	Talladega County Soil & Water Conservation District
South Marengo County Water & Fire Protection Authority	Talladega Water & Sewer Board
Southeast Alabama Regional Planning & Development Commission	Talladega, City of
Southeast Alabama Solid Waste Disposal Authority	Tallapoosa County Commission
Southeast Alabama Youth Services	Tallassee, City of
Southern Alabama Regional Council on Aging	Tarrant Alabama Housing Authority
Southside Water Works & Sewer Board	Tarrant Electric System
Southside, City of	Tarrant, City of
Southwest Alabama Water Authority	Taylor, Town of
Spanish Fort Fire Rescue Department	Tennessee Valley Exhibit Commission
Spanish Fort, City of	Thomaston, Town of
SpectraCare Health Systems	Thomasville, City of
Springville, Town of	Thorsby, Town of
St. Clair County Commission	Top of Alabama Regional Council of Governments
St. Clair County Community Punishment & Corrections Authority	Town Creek, Town of
St. Clair County Industrial Development Board	Triana, City of
St. Clair County Soil & Water Conservation District	TriCounty Agency for Intellectual Disabilities
St. Clair Regional Library	Trinity, Town of
St. Florian, Town of	Troy, City of
Star-Mindingall Water & Fire Protection Authority	Trussville Utilities Board
Steele, Town of	Trussville, City of
Stevenson Housing Authority	Turnerville Water & Fire Protection District
Stevenson Utilities Board	Tuscaloosa County Commission
Stevenson, City of	Tuscaloosa County Community Punishment and Corrections Authority
Stewartville Water Authority	Tuscaloosa County Industrial Development Authority
Sulligent Housing Authority	Tuscaloosa County Office of Public Defender
Sulligent, City of	Tuscaloosa County Park & Recreation Authority
Sumiton Housing Authority	Tuscaloosa County Parking & Transit Authority
Sumiton Water Works Board	Tuscaloosa County Soil & Water Conservation District
Sumiton, City of	Tuscaloosa County Special Tax Board
Summerdale, Town of	Tuscaloosa Housing Authority
Sumter County Commission	Tuscaloosa Public Library
Sumter County Industrial Development Authority	Tuscaloosa, City of
Sumter County Soil & Water Conservation District	Tuscumbia, City of
Sumter County Water Authority	Tuskegee Utilities Board
Sylacauga Parks & Recreation Board	Tuskegee, City of
Sylacauga Utilities Board	Union Grove Utilities Board
	Union Springs Utilities Board
	Union Springs, City of
	Uniontown Housing Authority
	Uniontown Utilities Board

Uniontown, Town of
USS Alabama Battleship Commission
Valley Grande, City of
Valley Head Water Works Board
Valley Head, City of
Valley Housing Authority
Valley, City of
Vance, Town of
Vernon Housing Authority
Vernon, City of
Vestavia Hills, City of
Vincent, City of
Von Braun Civic Center
Walker County Commission
Walker County E9-1-1 District
Walker County Housing Authority
Walker County Soil & Water Conservation
District
Wall Street Water Authority
Walnut Hill Water Authority
Warrior River Water Authority
Warrior, City of
Washington County Commission
Washington County E911 Communication
District
Washington County Soil & Water Conservation
District
Wattsville Water Authority
Weaver, City of
Webb, Town of
Wedowee Water, Sewer & Gas Board
Wedowee, City of
West Alabama Regional Commission
West Autauga Water Authority
West Escambia Utilities
West Etowah County Water Authority
West Jefferson, Town of
West Lauderdale County Water & Fire
Protection Authority
West Morgan–East Lawrence Water & Sewer
Authority
Wetumpka Water Works & Sewer Board
Wetumpka, City of
Wilcox County Commission
Wilcox County Gas District
Wilsonville, Town of
Wilton, Town of
Winfield Water Works & Sewer Board
Winfield, City of
Winston County Commission
Winston County E9-1-1 Communications
District

Woodstock, Town of
York Housing Authority
York, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Ten-Year History of Largest Employers

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
1) Employer	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	30,297	30,659	31,795	33,885	35,147	35,200	35,767	35,566	34,429	33,756
% of Total Active Members	35.40%	35.84%	36.85%	38.36%	39.24%	39.10%	39.53%	40.03%	39.63%	39.87%
2) Employer	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,243	2,209	2,192	2,195	2,175	2,227	2,293	2,185	2,188	2,174
% of Total Active Members	2.62%	2.58%	2.54%	2.48%	2.43%	2.47%	2.53%	2.46%	2.52%	2.57%
3) Employer	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	1,578	1,625	1,657	1,672	1,678	1,699	1,664	1,614	1,589	1,626
% of Total Active Members	1.84%	1.90%	1.92%	1.89%	1.87%	1.89%	1.84%	1.82%	1.85%	1.92%
4) Employer	AltaPointe Health*	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of
# of Active Members	1,341	1,282	1,254	1,310	1,335	1,421	1,337	1,288	1,278	1,272
% of Total Active Members	1.57%	1.50%	1.45%	1.48%	1.49%	1.58%	1.48%	1.45%	1.47%	1.50%
5) Employer	Mobile, City of	AltaPointe Health*	Madison County	Madison County	Madison County	Madison County	Madison County	Madison County	Madison County	Madison County
# of Active Members	1,254	1,236	1,154	1,162	1,133	1,060	1,102	1,068	1,073	1,071
% of Total Active Members	1.47%	1.44%	1.34%	1.32%	1.27%	1.18%	1.22%	1.20%	1.24%	1.26%
6) Employer	Madison County	Madison County	Helen Keller Hospital	Helen Keller Hospital	Helen Keller Hospital	Helen Keller Hospital	Helen Keller Hospital	Dothan, City of	Dothan, City of	Dothan, City of
# of Active Members	1,152	1,174	1,002	957	984	1,034	1,023	962	955	923
% of Total Active Members	1.35%	1.37%	1.16%	1.08%	1.10%	1.15%	1.13%	1.08%	1.10%	1.09%
7) Employer	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hospital	Dothan, City of	Dothan, City of	Dothan, City of	Helen Keller Hospital	Helen Keller Hospital	Helen Keller Hospital
# of Active Members	996	985	966	956	961	970	972	893	817	816
% of Total Active Members	1.16%	1.15%	1.12%	1.08%	1.07%	1.08%	1.07%	1.01%	0.94%	0.96%
8) Employer	Tuscaloosa, City of	Tuscaloosa, City of	AltaPointe Health*	Montgomery County	Montgomery County	Montgomery County	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of
# of Active Members	790	775	911	794	848	806	710	710	695	680
% of Total Active Members	0.92%	0.91%	1.06%	0.90%	0.95%	0.90%	0.78%	0.80%	0.80%	0.80%
9) Employer	Montgomery County	Montgomery County	Montgomery County	AltaPointe Health*	Tuscaloosa, City of	Tuscaloosa, City of	AltaPointe Health*	Hoover, City of	Hoover, City of	Hoover, City of
# of Active Members	769	767	771	762	745	732	674	636	633	616
% of Total Active Members	0.90%	0.90%	0.89%	0.86%	0.83%	0.81%	0.74%	0.72%	0.73%	0.73%
10) Employer	Hoover, City of	Helen Keller Hospital	Tuscaloosa, City of	Tuscaloosa, City of	AltaPointe Health*	AltaPointe Health*	Baldwin County	Greater Mobile-Washington Co. Mental Health Board	Greater Mobile-Washington Co. Mental Health Board	Greater Mobile-Washington Co. Mental Health Board
# of Active Members	678	729	763	757	668	685	655	631	704	713
% of Total Active Members	0.79%	0.85%	0.88%	0.86%	0.75%	0.76%	0.72%	0.71%	0.81%	0.84%
Total # of Active Members	85,385	85,549	86,290	88,341	89,560	90,018	90,472	88,849	86,874	84,674

* Formerly Greater Mobile-Washington Co. Mental Health Board

Source: Retirement Systems of Alabama records





201 South Union Street
Montgomery, Alabama 36104
877.517.0020
www.rsa-al.gov

