The RSA manages 23 funds worth \$37.7 billion. || 92.4% of TRS retirees live in the state of Alabama. || ERS paid \$949 million in retirement benefits to 43,712 retirees and beneficiaries in 2014. || 148,662 PEEHIP hospital/medical contracts covering 301,970 Alabamians. || The average age for ERS retirees is 69 and 70 for TRS retirees. || Developers have built 8,306 housing units with a value of \$2.7 billion around RTJ sites. || 95.5% of ERS retirees live in Alabama. || RSA-1 has net assets of \$1.3 billion in its bond investment fund. || RSA-1 has net assets of \$476.6 million in its stock investment fund. || TRS paid nearly \$2 billion in benefits to 83,977 retirees and beneficiaries in 2014. || \$1,662 was the ERS average monthly benefit for retirees in 2014. || ERS total membership was 124,730 at the end of the fiscal year. || In 2014, the TRS average monthly benefit for retirees was \$1,793. || RSA funds rank in the top 13th percentile of the State Street Public Funds Universe. || 58.87 is the average age at retirement for ERS members and 58.83 for TRS members. || PCH Hotels collect and remit approximately \$14.7 million annually in state and local taxes. || TRS consists of 209 education based organizations, universities, post-secondary institutions, K-12 schools & other agencies. || Total PEEHIP claims expense for active and retired members for 2014 was \$1.25 billion. ||





The mission of the Retirement Systems of Alabama is to serve the interests of our members by preserving the excellent benefits and soundness of the Systems at the least expense to the state of Alabama and Call Alabama and taxpayers.

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12.13%
TEACHERS'
RETIREMENT SYSTEM

12.02%
EMPLOYEES'
RETIREMENT SYSTEM

12.45%

JUDICIAL

RETIREMENT FUND

These results ranked the RSA funds in the top 13th percentile

(70 funds over \$1 billion)
for both the one-year
and three-year period,
and top 25th percentile
over the past five years.



CELEBRATING SUCCESS FROM THE SHOALS TO MOBILE

The Boards of Control and the Retirement Systems of Alabama (RSA) staff are pleased to present the 38th Annual Report for the fiscal year ended September 30, 2014.

The RSA currently manages 23 funds with aggregate assets of approximately \$37.7 billion. For fiscal year 2014, the Teachers' Retirement System (TRS) assets totaled \$22.3 billion, the Employees' Retirement System (ERS) assets totaled \$10.8 billion, and the Judicial Retirement Fund (JRF) assets totaled \$275.7 million. The annualized return was 12.13% for the TRS, 12.02% for the ERS and 12.45% for the JRF. These results ranked the RSA funds in the top 13th percentile of the State Street Public Funds Universe (70 funds over \$1 billion) for both the one-year and three-year period. The RSA was in the top 25th percentile over the past five years.

In a remarkable decision in support of the RSA investing in Alabama, the Alabama Supreme Court ordered the dismissal of a lawsuit challenging the legality of RSA's investments in state projects that have greatly increased economic development and improved the image of the state of Alabama. On the last day of 2014, the Alabama Supreme Court issued an opinion in the Denson v. Bronner case that confirmed that RSA has ample discretion under the Prudent Man Rule and Alabama law to select its investments.

Market performance during fiscal year 2014 was fairly stable, with equity markets performing well over the course of the year; domestic and international equities returned over 14% during this time period. Fixed-income markets experienced a solid positive return for the year as interest rates were a bit choppy early on, and then steadily moved lower. Returns within this sector were over 4% for the fiscal year. Markets have continued to be somewhat reactionary around macroeconomic and global events as they have been the past few years, but we continue to see fundamentals influencing performance as well as company earnings and strong balance sheets.

The Robert Trent Jones Golf Trail celebrated another milestone during the fiscal year when it announced its 10 millionth round of golf since opening 21 years ago. In other golf news, the Trail will hold its first PGA event in July 2015. The event will be known as the "Barbasol Championship" and be held at the Lakes Course in Opelika. This event will be the first in a four-year contract and is the first PGA tournament held in Alabama since 1990. Additionally, the Trail welcomed the LPGA tour back to Prattville after a year absence; Yokohama Tire was announced as the new title sponsor, making the tournament an even larger international event.

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 the RSA Battle House Tower, RSA Trustmark Building,
Renaissance Mobile Riverview Plaza Hotel & Spa and Battle House Renaissance Mobile Hotel & Spa.

Lastly, the RSA was repaid in full earlier this year on the \$580 million investment in Wise Metals initiated in 2006. Our 13.5% equity interest, at no cost to RSA, was sold for \$58.7 million. Recently, Wise sold out to Constellium Aluminum for \$1.4 billion; the company plans to expand for the auto industry in the coming years, which will be a huge win for Alabama and the Shoals area.

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 Alabama Legislature, this goal will be achieved.

David G. Bronner

CHIEF EXECUTIVE OFFICER



Membership Activity 2014

5,465

-		TRS	ERS	JRF
	NEW MEMBERS	10,455	9,086	47
	WITHDRAWN MEMBERS	4,860	5,481	7
	SERVICE RETIREMENTS	3,281	1,967	33
	DISABILITY RETIREMENTS	395	302	0
	SURVIVING SPOUSES	4	8	0
	NEW BENEFICIARIES	347	279	5

Our Membership by the Numbers

TEACHERS' RETIREMENT SYSTEM
EMPLOYEES' RETIREMENT SYSTEM
JUDICIAL RETIREMENT FUND

TOTAL MEMBERSHIP FOR 2014 (AS OF SEPTEMBER 30, 2014)

ACTIVE DROP RETIRED TOTAL

128,070

83,977 213,796

80,118

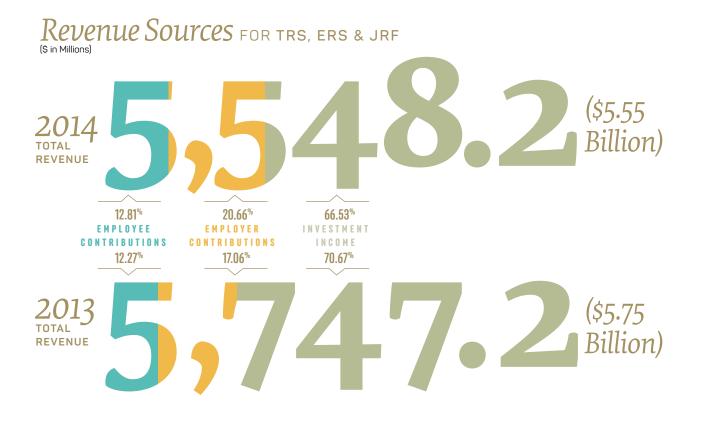
43,712

124,730

337

711

4,977 18,730 4,236 2014 RSA Members 2,166 3,853 **Active and Retired County by County** 1,958 1,643 5,259 7,096 2,618 4,453 **1,200** 8,159 4,423 / 721 42,055 5,501 TRS 1,404 17,703 12,525 993 1,387 1,345 1,952 779 2,905 CHILTON **2,781** 745 8,001 12,875 AUTAUGA **4,431** 1,725 MONTGOMERY **20,892** 2,078 0WNDE 846 636 1,654 PIKE **3,331** 1,373 2,015 1,272 1.386 CONECUE 945 3,099 2,657 **2,683** 2,536 5,922 MOBILE **26,514** 95.5% of ERS retirees and 92.4% of TRS retirees reside 12,697 in Alabama.





208,525 2,649

339,237



Funds Under Management (37.7 Billion) AS OF SEPTEMBER 30, 2014 (\$ IN THOUSANDS)

	TOTAL FU	NDS MANAGED (
Teachers' Retirement System	\$	22,285,470
Employees' Retirement System		10,809,605
Judicial Retirement Fund		275,700
Alabama Cultural Resources Preservation Trust Fund		12,225
Alabama Firefighters Annuity & Benefit Fund		65
Division of Wildlife and Freshwater Fisheries		20,451
Alabama Nongame Wildlife Endowment Trust		16
Alabama Underground & Aboveground Storage Tank Trust Fund	d	33,291
Clerks' & Registers' Supernumerary Fund		11,599
Alabama Senior Services Trust Fund		33,001
Alabama State Employees' Health Insurance Fund		75,406
Local Government Health Insurance Fund		121,816
PEIRAF—Deferred Compensation Plan (RSA-1)		1,782,728
Public Education Employees' Health Insurance Fund		126,444
Alabama Retired Education Employees' Health Care Trust		1,184,901
Public Employees' Individual Retirement Account Fund		84,412
Alabama Marine Resources Endowment Trust Fund		1,412
Alabama Trust Fund		269,150
Alabama Treasury Fund		250,163
Charlotte Thorn Trust Fund		9,026
County Municipal Trust Fund		132,837
Alabama State Employees' Retired Health Care Trust Fund		156,192
State Docks Pension Plans		16,218

(1) Includes investments at fair value, cash, buildings net of depreciation, and land

TOTAL ASSETS UNDER MANAGEMENT

Asset allocation is a strategic long-term decision in the pension investment management process. The RSA is dedicated to preserving the sound financial position it has established over the years through a diversified investment program. The objective of the RSA is to allocate investments in the most effective way that reflects policy standards while maximizing returns.

\$ 37,692,128





CHIEF EXECUTIVE OFFICER DAVID G. BRONNER, PH.D., J.D.

DONALD L. YANCEY, M.P.A., J.D.

Administrative Staff

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LEURA G. CANARY, J.D.

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NEAH L. MITCHELL, J.D.

TEACHERS' RETIREMENT EXECUTIVE CHRISTOPHER P. TOWNES, M.B.A.

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Mr. Brian Sullivan

STATE STREET BANK AND TRUST COMPANY

CAVANAUGH MACDONALD Consulting, LLC, Mr. Edward A. Macdonald

Hon. Luther Strange

CHIEF EXAMINER Mr. Ronald L. Jones

Medical Board

GLENN YATES, M.D.

GREGORY BORG, M.D.

MALCOLM BROWN, M.D.

Legal

n fiscal year 2014, the RSA Legal Division addressed a myriad of issues involving a broad range of topics, including pension law, fiduciary and trust law, tax law, health insurance law, securities law, contract law, construction law, commercial real estate law and employment law.

Litigation constitutes a significant part of the RSA legal staff's duties. The legal staff is working with the Attorney General's Office to defend the RSA's interests in several ongoing cases involving challenges to legislative changes to the pension benefit plans. Legal staff is also defending several cases involving challenges to the authority of the ERS, TRS and PEEHIP Boards of Control to exercise their discretion in the administration of the pension funds and the health care plan and have obtained favorable rulings upholding that authority. The most significant of these was the Alabama Supreme Court's far-reaching and important decision in *Denson v. Bronner*, in which the Supreme Court ordered the dismissal of a case challenging the legality of RSA's Alabama investments. The Supreme Court held that the RSA has broad discretion in the selection of investments under the Prudent Man Rule and Alabama law and is entitled to deference in the exercise of that discretion.

On the affirmative side, the legal staff has pursued recoveries to the funds for losses experienced as a result of the BP oil spill. As in years past, the RSA also participated in securities fraud litigation, which can result in considerable recoveries. The RSA legal staff also assisted the RSA's real estate holdings and other investments. This assistance included providing legal advice on general operational issues and on construction projects, including pursuing litigation when necessary.

Another important area of practice for the RSA legal staff was providing legal guidance related to the administration of the PEEHIP, the education employees' self-funded group health plan. The legal staff assisted in reviewing and implementing the Affordable Care Act and the administrative regulations issued pursuant to the law. Legal staff was frequently called upon to interpret and advise on the implementation of the Health Insurance Portability and Accountability Act (HIPAA) and Health Information Technology for Economic and Clinical Health Act (HITECH) and regulations relating to the privacy and security

of PEEHIP members' and their dependents' health information.

Other major areas of practice for the RSA Legal Division include the review and negotiation of contracts for the RSA and PEEHIP. As an example, this year the legal staff led a successful multi-month negotiation of a contract for the complete overhaul of the RSA IT system. Legal staff also provides legal advice and assistance daily and training as needed on all other aspects of the operations of the RSA and its Boards of Control.

The RSA legal staff stands ready to assist the RSA in meeting any new challenges that may arise for public pensions and health insurance programs and to maintain and enhance the RSA's service to its members.

Legislation

he 2014 Regular Legislative Session began on January 14, 2014, and ended on April 3, 2014. The Legislature passed the General Fund Budget (Act 2014-284) and the Education Trust Fund Budget (Act 2014-456). ERS and TRS were funded at the requested rates. PEEHIP was funded at the rate of \$780 per employee per month.

During the 2014 Legislative Session, the Legislature passed Act 2014-457 (HB30), which codifies RSA's exemption from the Alabama Administrative Procedures Act, and Act 2014-429 (SB267), which granted a one-time \$2 per service month bonus to be paid to all state employees who retired prior to October 1, 2013, and to beneficiaries of retirees receiving benefits.

Another important piece of legislation affecting the RSA was Act 2014-297 (SB120), which applies the return-to-work limitations to retirees who work as independent contractors for participating employers. As a result, retirees who return to work as independent contractors for participating employers are now subject to the same compensation caps as are currently applied to retirees who return to work as employees for participating employers. The Act further requires retirees to provide written notice of postretirement employment with participating employers to RSA.

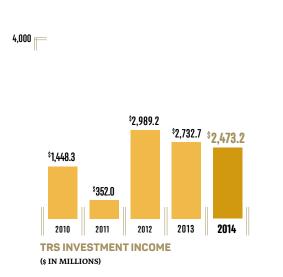
Finally, Act 2014-84 (HB243) proposed a constitutional amendment to allow certain Cullman County officials to participate in ERS. The constitutional amendment was ratified by voters on November 4, 2014.

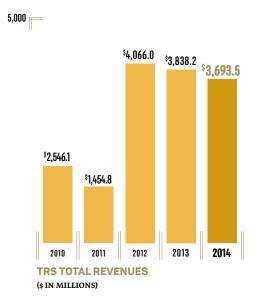
Teachers' Retirement System The financial impact of education in Alabama is immeasurable; in fact, the education professionals across the state are some of our greatest assets. The RSA works to, whether active or retired, keep these assets strong. IN 2014, TRS HAD MEMBERS TOTALING chers' Retirement System of Alabama (TRS) provides retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions.

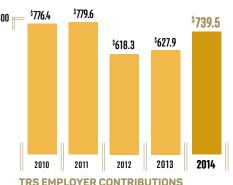
Revenue

Sources









2012 TRS EMPLOYEE CONTRIBUTIONS (\$ IN MILLIONS)

TRS EMPLOYER CONTRIBUTIONS (\$ IN MILLIONS)

For Terry Sheffield, education is a family affair. He, his wife, his sister and his mother have all spent their lives working in Alabama schools. And as a caregiver for his mother who's now in her eighties and suffers from declining health, he takes comfort in knowing her TRS benefits are there.

"Without good benefits and health insurance, so many seniors just don't have the out-ofpocket," says the now-retired agriculture teacher and basketball coach. "My whole family really believes in the RSA and in this system. We chose teaching over other careers because the benefits are so good."

"There are so many families involved in RSA," he adds, "and retirees all over Alabama use those benefits to buy cars and food and medicine. That's money that goes back into our economy and helps businesses and people across our state."

POSTSECONDARY 30 STATE AND MISCELLANEOUS AGENCIES



TERRY GAILLARD

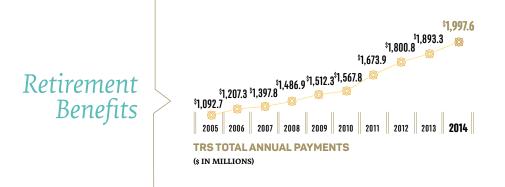
Auburn, AL

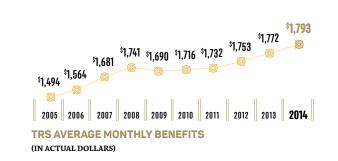
After losing his wife in 2012, Terry was grateful that her benefits were there to see him through some very difficult times. DROP benefits even paid for her funeral. "After all the expensive care she needed, I would be a broke man without those benefits," he says. "And the TRS survivor benefits make it so much easier on the spouse. I sleep so well at night you wouldn't believe."

The TRS paid \$2 billion in retirement benefits to \$2,077 retirees and beneficiaries in 2014.



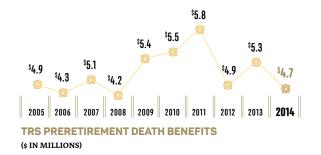






CHAIR

EX OFFICIO



EX OFFICIO

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2014, AND 2013

		(\$ IN T	HOUS	ANDS)
Assets		2014		2013
	2 24 225			
ASH	\$ —	31,935	\$	26,140
ECEIVABLES				
Employee Contributions		38,809		37,717
Employer Contributions		61,300		50,937
Investment Sales Receivable		18,787		14,605
Real Estate Investment Receivable		998		1,038
Dividends and Interest		68,125		69,232
TOTAL RECEIVABLES		188,019	1	173,529
NVESTMENTS, AT FAIR VALU	E			
Domestic Equity	11,	820,999	10,5	514,970
Domestic Fixed Income	4	,736,010	4,7	62,920
International Equities	2	,985,814	2,9	951,446
Real Estate	2,	095,289	1,9	963,274
Short-Term		522,791	(378,156
TOTAL INVESTMENTS	22,	160,903	20,5	70,766
INIVESTED OF SUBITIES				
INVESTED SECURITIES LENDING COLLATERAL	1,0	096,592	1,	166,230
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	_	92,633		96,071
	23,	92,633 570,082	22,0	96,071 032,736
LESS ACCUMULATED DEPRECIATION	23,		22,0	· ·
LESS ACCUMULATED DEPRECIATION	23,		22,0	· ·
LESS ACCUMULATED DEPRECIATION TOTAL ASSETS	23,		22,0	· ·
LESS ACCUMULATED DEPRECIATION TOTAL ASSETS Liabilities	23,	570,082		032,736
TOTAL ASSETS Liabilities Accounts Payable and Other Liabilities	23,	570,082 4,731		4,948
TOTAL ASSETS Liabilities Accounts Payable and Other Liabilities Investment Purchases Payable		4,731 23,739	-	4,948 38,095
TOTAL ASSETS Liabilities Accounts Payable and Other Liabilities Investment Purchases Payable Other Postemployment Benefits	1,	4,731 23,739 3,713	1,1	4,948 38,095 3,091

For Pension Benefits \$ 22,441,307 \$ 20,820,372

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014, AND 2013

Additions	(\$ IN THOUSANDS) 2014 2013	
Additions	•	
CONTRIBUTIONS		
Employee	\$ 477,300	\$ 474,241
Employer	739,547	627,892
Transfers from Employees' Retirement System	3,549	3,345
TOTAL CONTRIBUTIONS	1,220,396 1,105,47	
INVESTMENT INCOME		
From Investing Activities		
Net Increase in Fair Value of Investments	1,853,288	2,090,646
Interest and Dividends	618,861	638,766
Total Investment Income from Investing Activities	2,472,149	2,729,412
Less Investment Expenses, Net	5,732	5,712
Net Investment Income from Investing Activities	2,466,417	2,723,700
From Securities Lending Activities		
Securities Lending Income	9,629	12,753
Less Securities Lending Expenses		
Borrower Rebates	65	401
Management Fees	2,829	3,346
Total Securities Lending Expenses	2,894	3,747
Net Income from Securities Lending Activities	6,735	9,006
TOTAL NET INVESTMENT INCOME	2,473,152	2,732,706
TOTAL ADDITIONS	3,693,548	3,838,184

Deductions

Net Increase

TOTAL DEDUCTIONS	2,072,613	1,967,938
Depreciation	4,336	4,312
Administrative Expenses	13,103	12,591
Transfers to Employees' Retirement System	2,880	1,823
Return of Contributions and Death Benefits	54,699	55,891
Retirement Allowance Payments	1,997,595	1,893,321

Net Position Restricted For Pension Benefits

BEGINNING OF YEAR	
END OF YEAR	

18,950,126
\$20,820,372

1,620,935 1,870,246



The employees of the state of Alabama and many of our municipalities come from all professions and walks of life.

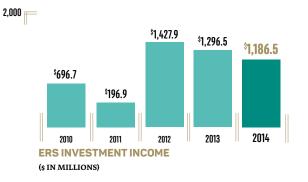
ERS benefits help these public servants enjoy peace of mind in their later years.

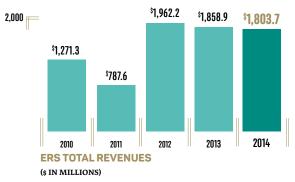
IN 2014, ERS HAD MEMBERS TOTALING

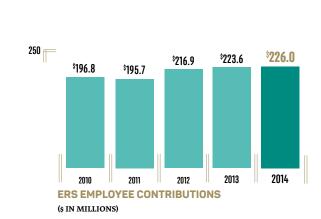
124,730

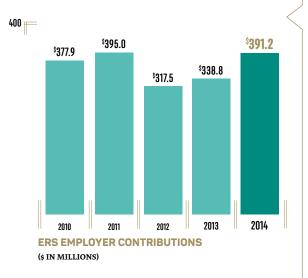
The Employees' Retirement System of Alabama (ERS) provides retirement allowances and other specified benefits for qualified state employees, state police, and, on an elective basis, employees of cities, counties, towns and quasi-public organizations.











Revenue Sources

Paul and Rema met when they were teenagers in the Air Force and have been married almost 52 years. Thanks to ERS, as retired state and county workers they can spend their retirement years hunting and traveling in their RV.

"We can sit back, relax and do what we want," Rema says. "Anywhere else, I'd be scared that my pension would disappear, but not with RSA. I don't have to worry because I know that money will be there forever."

Rema and George are quick to point out that RSA's investments benefit everyone in the state, not just retirees. "Not only do they invest in businesses that provide jobs, but it's making money for us!" Rema says. It's a win-win situation for Alabama.





BILLY SHOEMAKER Tuscumbia, AL

"I couldn't imagine back then how good the benefits would be," explains Billy, who went to work building bridges for the state at the age of 17. After 40 years and "more fun than anybody ever had in a career," Billy now serves as mayor of Tuscumbia and sees the work that RSA does across the state. "Instead of paying others to manage their properties, they're strengthening our state and our retirement. It shows you they're looking out for all of us."

The ERS paid \$949 million

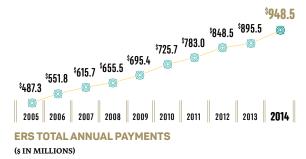
in retirement benefits to

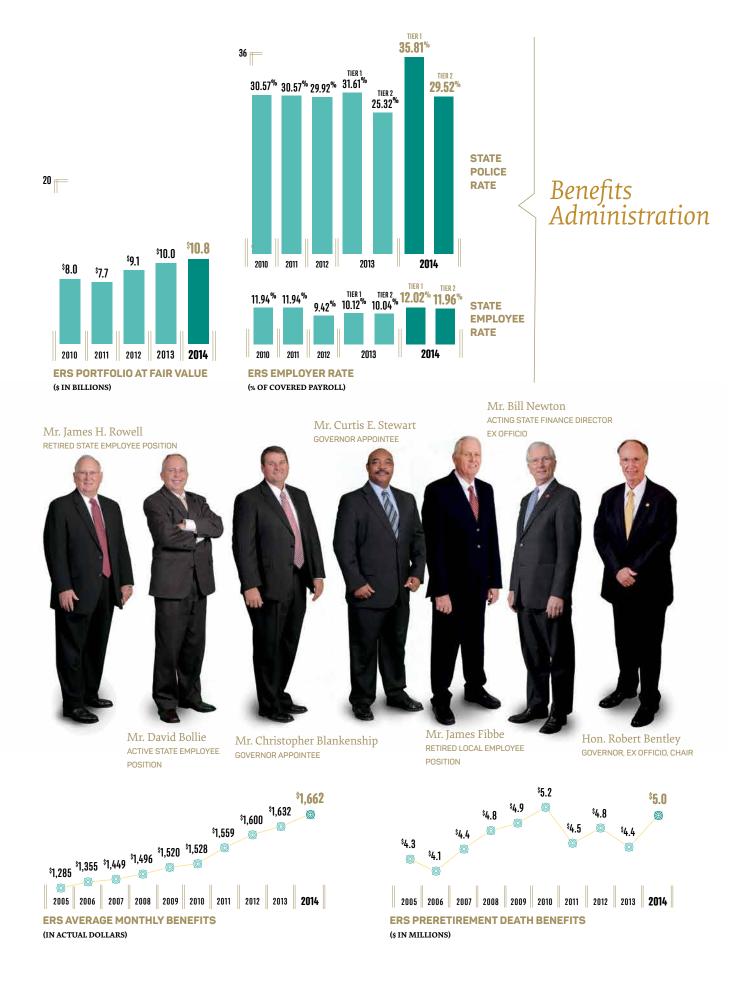
43,712

retirees and beneficiaries in 2014.



Retirement Benefits





Liabilities

PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION

TOTAL ASSETS

Accounts Payable and Other Liabilities	2,520	2,875
Investment Purchases	12,054	19,122
Other Postemployment Benefits	3,806	3,241
Securities Lending Collateral	523,848	500,085

Net Position Restricted For Pension Benefits \$10,883,952 \$10,091,940

TOTAL LIABILITIES

542,228 525,323

523,848

46,121

11,426,180 10,617,263

500,085

47,760

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30	, 2014, AND 2013	
	(\$ IN 1	THOUSANDS)
Additions	2014	2013
CONTRIBUTIONS		
Employee	\$ 223,135	\$ 221,823
Employer	391,181	338,819
Transfers from Teachers' Retirement System	2,880	1,823
Transfers from Judicial Retirement Fund	1	
TOTAL CONTRIBUTIONS	617,197	562,465

INVESTMENT INCOME

From	invest	ıng Ad	ctivities

888,303	984,714
298,049	310,220
1,186,352	1,294,934
2,766	2,549
1,183,586	1,292,385
4,199	5,780
	298,049 1,186,352 2,766 1,183,586

TOTAL NET INVESTMENT INCOME	1,186,529	1,296,460
Net Income from Securities Lending Activities	2,943	4,075
Total Securities Lending Expenses	1,256	1,705
Management Fees	1,235	1,519
Borrower Rebates	21	186
Less Securities Lending Expenses		

Deductions

Net Increase

TOTAL ADDITIONS

Retirement Allowance Payments	948,478	895,475
Return of Contributions and Death Benefits	47,937	44,837
Transfers to Teachers' Retirement System	3,549	3,345
Transfers to Judicial Retirement Fund	83	242
Administrative Expenses	9,612	9,767
Depreciation	2,055	2,015
TOTAL DEDUCTIONS	1,011,714	955,681

Net Position Restricted For Pension Benefits

BEGINNING OF YEAR END OF YEAR

10,091,940 9,188,696 \$10,883,952 \$10,091,940

903,244

792,012

1,803,726 1,858,925

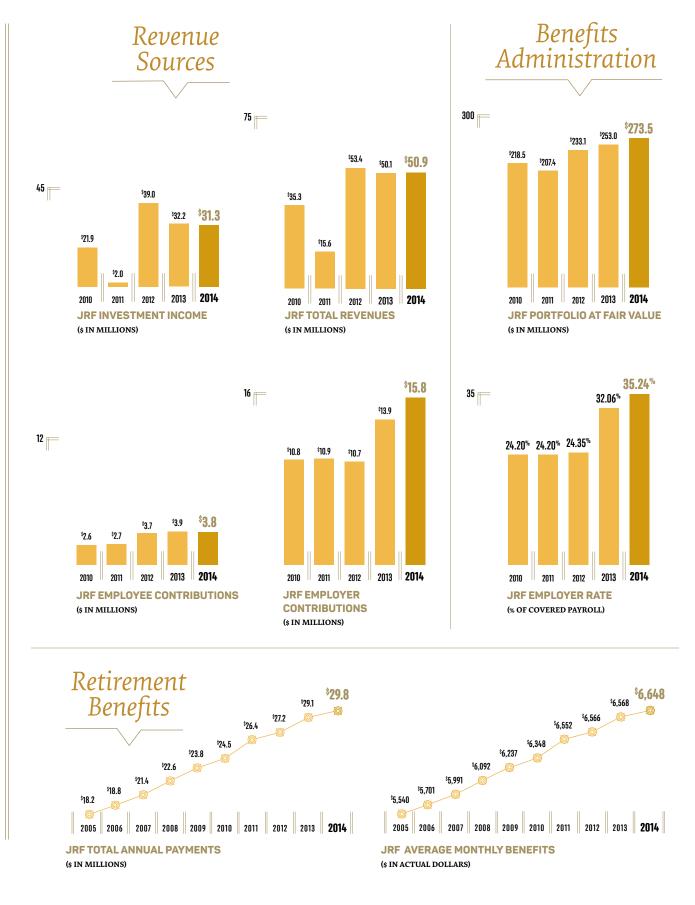
Judicial Retirement Fund



The Judicial Retirement Fund of Alabama (JRF) provides retirement allowances and other specified benefits for supreme court justices, court of appeals judges, circuit court judges, district court judges, and probate judges.

Honor Court, Dexter Avenue Building, Montgomery





Statement of Fiduciary Net Position AS OF SEPTEMBER 30, 2014, AND 2013 (\$ IN THOUSANDS) 2014 2013 **Assets** CASH \$ 2,195 \$ 1,981 RECEIVABLES **Employee Contributions** 169 168 **Employer Contributions** 533 481 Investment Sales Receivable - -Dividends and Interest 922 965 TOTAL RECEIVABLES 1,624 1,615 INVESTMENTS, AT FAIR VALUE Domestic Equity 153,148 144,746 60,091 Domestic Fixed Income 60,695 39,348 International Equities 39,814 Real Estate 3,395 3,062 5,755 Short-Term 16,453 TOTAL INVESTMENTS 273,505 253,002 INVESTED SECURITIES LENDING COLLATERAL 25,328 25,187 TOTAL ASSETS 302,652 281,785 Liabilities Accounts Payable and Other Liabilities 38 90 Investment Purchases Payable 155 116 Other Postemployment Benefits 35 32 Securities Lending Collateral 25,328 25,187 TOTAL LIABILITIES 25.556 25.425 **Net Position Restricted For Pension Benefits** \$ 277,096 \$ 256,360

	(\$ IN THOUSANDS)	
lditions	2014	2013
NTRIBUTIONS		
Employee	\$ 3,681	\$ 3,677
Employer	15,790	13,903
Transfers from Employees' Retirement System	83	242
TOTAL CONTRIBUTIONS	19,554	17,822
VESTMENT INCOME		
From Investing Activities		
Net Increase in Fair Value of Investments	24,197	25,207
nterest and Dividends	7,030	6,912
Total Investment Income from Investing Activities	31,227	32,119
Net Investment Income from Investing Activities	31,227	32,119
From Securities Lending Activities		
Securities Lending Income	167	184
Less Securities Lending Expenses		
Borrower Rebates	1	10
Management Fees	49	48
Total Securities Lending Expenses	50	58
Net Income from Securities Lending Activities	117	126
TOTAL NET INVESTMENT INCOME	31,344	32,245
TOTAL ADDITIONS	50,898	50,067
eductions		
Retirement Allowance Payments	29,826	29,112
Return of Contributions and Death Benefits	54	196
Transfers to Employees' Retirement System	1	
Administrative Expenses	281	280
TOTAL DEDUCTIONS	20.402	20.500
TOTAL DEDUCTIONS	30,162	29,588
et Increase	20,736	20,479
et Position Restricted		
or Pension Benefits		
or Pension Benefits BEGINNING OF YEAR	256,360	235,881

Public Education Employees' Health Insurance Plan



The Public Education Employees' Health Insurance Plan (PEEHIP) provides health care for active and retired public education employees. Blue Cross and Blue Shield administers the Hospital Medical Plan and the Flexible Spending Account Plan; Southland National administers the Optional Plans; and MedImpact administers the Prescription Drug Plan.



"I don't know how we could have done it without PEEHIP," says school bus driver Jackie Brown, whose son suffered from epileptic seizures. Thanks to his health insurance Jackie was able to take his son to the Mayo Clinic, where he became one of the first people in the country to receive advanced laser surgery that cured his seizures for good. "I used to think as a kid I wanted to become a school bus driver," Jackie remembers. Now he's glad he did.

Total claims expense for active and retired members for 2014 was \$1.25 billion.



Marilyn Jones taught school and worked in administration for 36 years at Hoover City Schools, while at the same time raising three children and later three grandchildren. Her adopted grandkids were eligible to stay on her insurance through college, while providing Marilyn the benefits she needs to control her diabetes and osteoporosis.

"I compared the cost of my plan to other families with kids, and PEEHIP was about half of what theirs was," she remembers. "And when you see a hospital bill and how high it is, you're so glad you didn't have to pay it."

Marilyn calls the plan "a Godsend," and says she is happy that the RSA looks out for teachers and their families. "They have to make some tough decisions, but they always give the benefit of the doubt to the people they serve."

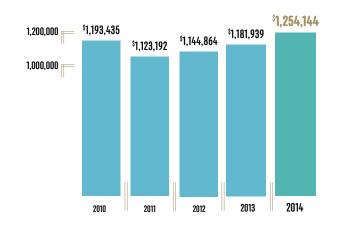


Statement of Net Position AS OF SEPTEMBER 30, 2014, AND 2013 (\$ IN THOUSANDS) 2014 2013 **Assets** CASH \$ 7,711 \$ 7,326 RECEIVABLES Premiums 1,947 1,901 4,674 5,851 Prescription Drug Rebates 17 10 Interest **TOTAL RECEIVABLES** 7,808 6,592 **DEPOSIT WITH CLAIMS-PAYING AGENT** 913 1,896 INVESTMENTS, AT FAIR VALUE 118,733 164,625 TOTAL ASSETS \$ 135,165 180,439 Liabilities Accounts Payable 311 \$ 249 Reported Claims Payable 28,982 23,662 Due to Other Governments 9,514 468 418 Employee Benefits Payable Other Postemployment Benefits 627 761 39,537 Claims Incurred But Not Reported 45,381 TOTAL LIABILITIES 85,417 64,493 NET POSITION-UNRESTRICTED 49,748 115,946 TOTAL LIABILITIES AND NET POSITION \$135,165 \$180,439

148,662
PEEHIP hospital/medical contracts covering
301,970
people.

Statement of Revenues, Expenses & Changes in Fund Net Position FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2014, AND 2013 (\$ IN THOUSANDS) 2014 2013 **Operating Revenues** Premiums \$ 741,903 \$ 742,514 TOTAL OPERATING REVENUES 741,903 742,514 **Operating Expenses** 774,060 Claims 795,270 9,675 Fees and Assessments Administrative 3.465 3,203 TOTAL OPERATING EXPENSES 777,263 808,410 OPERATING (LOSS) (66,507) (34,749) **Investment Revenues** Interest Income 507 309 TOTAL INVESTMENT REVENUES 309 507 CHANGE IN NET POSITION (66,198) (34,242) **Net Position-Unrestricted** BEGINNING OF YEAR 115,946 150,188 **END OF YEAR** \$49,748 \$115,946

Total Claims Expense Active and Retired (\$ IN THOUSANDS)



		OUSANDS)
Assets	2014	2013
RECEIVABLES		
Prescription Drug Rebates	\$ 10,813	\$ 7,778
Medicare Part D Subsidy	33	
Interest and Dividends	3,915	3,487
Investment Sales Receivable	1	3
Employer Group Waiver Plan (EGWP)	45,998	20,709
TOTAL RECEIVABLES	60,760	31,977
DEPOSIT WITH CLAIMS-PAYING AG	ENT 539	684
NVESTMENTS, AT FAIR VALU Commercial Paper	87,989	124,993
Money Market Funds	42,207	27,139
U.S. Government Guaranteed Bonds	99,371	95,006
U.S. Agency Securities	31,930	33,904
Mortgage-Backed Securities	52,964	47,682
Corporate Bonds	146,349	132,449
International Securities	118,507	117,241
Common Stocks	601,740	495,161
Preferred Stocks	3,844	
TOTAL INVESTMENTS	1,184,901	1,073,575
NVESTED SECURITIES ENDING COLLATERAL	72,522	71,200
TOTAL ASSETS	\$ 1,318,722	\$ 1,177,436
Liabilities Reported Claims Payable	\$ 11,756	\$ 9,625
Investment Purchases Payable	1,139	439
Due to Other Governments	1,855	255
Claims Incurred But Not Reported	23,049	20,977
Securities Lending Collateral	72,522	71,200
TOTAL LIABILITIES	110,321	102,496
Net Position Restricted 1		
Postemployment Benefi		

Separately issued, audited financial statements are available upon request.

T T4.4	(\$ IN T	HOUSANDS)
dditions	2014	2013
ONTRIBUTIONS		
Employee	\$ 101,356	\$ 98,215
Employer	323,753	310,444
Employer Group Waiver Plan (EGWP)	46,210	28,340
Medicare Part D Retiree Drug Subsidy	1,132	6,276
TOTAL CONTRIBUTIONS	472,451	443,275
IVESTMENT INCOME		
From Investing Activities		
Net Increase in Fair Value of Investments	81,960	83,993
Interest and Dividends	27,653	24,739
Total Investment Income from Investing Activities	109,613	108,733
From Securities Lending Activities		
Securities Lending Income	851	756
Less Securities Lending Expenses		
Borrower Rebates	3	24
Management Fees	252	199
Total Securities Lending Expenses	255	223
Income from Securities Lending Activities, Net	596	533
TOTAL INVESTMENT INCOME	110,209	109,266
TOTAL ADDITIONS	582,660	552,541
- d	447,312	407,8 79
ENEFITS	1,887	
ENEFITS	1,887 449,199	407,879
ENEFITS EES AND ASSESSMENTS TOTAL DEDUCTIONS		407,879 144,662
Deductions ENEFITS EES AND ASSESSMENTS TOTAL DEDUCTIONS Change in Net Position Net Position Restricted Postemployment Benefi	449,199 133,461 For Other	
ENEFITS EES AND ASSESSMENTS TOTAL DEDUCTIONS Change in Net Position Net Position Restricted	449,199 133,461 For Other	



"So many retirees are struggling to make ends meet," says former teacher and administrator Jaann Wells. "It's very comforting to know that those RSA-1 checks will be there every month. I know teachers who are buying houses and doing what they want in retirement, and not having to worry about money."

Jaann explains that between her benefits and her Social Security, she's actually earning more than when she worked. "I talk to a lot of teachers and say 'Stay in and get those benefits. You're going to be very happy when you retire!"

She gives credit to the RSA for believing in Alabama. "They invested in our state, and they have been very successful," she says, "and it's so nice to have that extra income. RSA-1 is like having an insurance policy for your retirement."



RSA-1 DEFERRED COMPENSATION PLAN

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

RSA-1	High	lial	nts

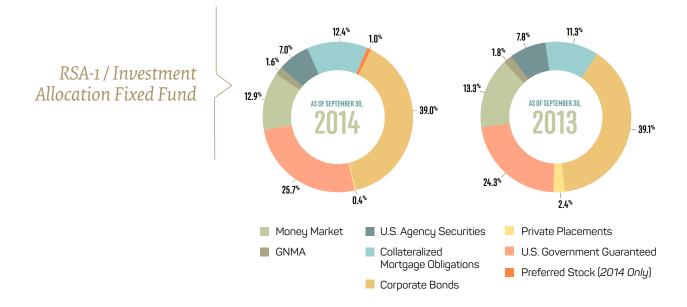
12-MONTH PERIOD ENDING	INCOME YIELD (IN %)	MARKET VALUE CHANGE (IN %)	TOTAL RETURN (IN %)	TOTAL NET ASSETS (\$ IN MILLIONS)	PARTICIPATING MEMBERS
SEPTEMBER 30, 2010 (FIXED INVESTMENT OPTION)	4.32	3.69	8.01	1,125.9	33,162
SEPTEMBER 30, 2010 (STOCK INVESTMENT OPTION)	2.21	7.71	9.92	206.6	15,520
SEPTEMBER 30, 2011 (FIXED INVESTMENT OPTION)	4.01	0.38	4.39	1,196.4	33,624
SEPTEMBER 30, 2011 (STOCK INVESTMENT OPTION)	2.02	-0.98	1.04	223.1	16,170
SEPTEMBER 30, 2012 (FIXED INVESTMENT OPTION)	3.79	1.67	5.46	1,301.2	34,039
SEPTEMBER 30, 2012 (STOCK INVESTMENT OPTION)	2.29	27.51	29.80	293.0	16,203
SEPTEMBER 30, 2013 (FIXED INVESTMENT OPTION)	3.57	-3.68	-0.11	1,294.4	34,199
SEPTEMBER 30, 2013 (STOCK INVESTMENT OPTION)	2.34	16.76	19.10	369.1	16,889
SEPTEMBER 30, 2014 (FIXED INVESTMENT OPTION)	3.60	0.56	4.17	1,313.6	34,059
SEPTEMBER 30, 2014 (STOCK INVESTMENT OPTION)	2.14	17.53	19.67	476.6	18,068

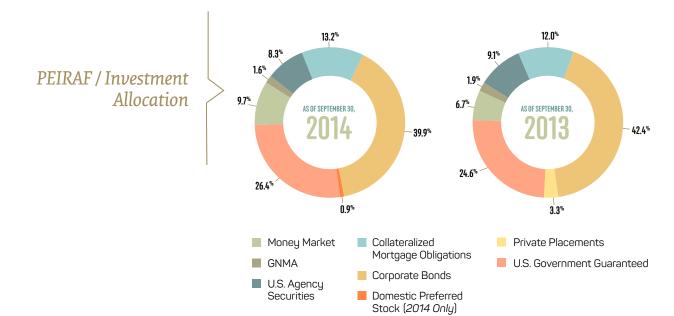
PEIRAF DEDUCTIBLE EMPLOYEE CONTRIBUTION PLAN

The Public Employees' Individual Retirement Account Fund (PEIRAF) was established to allow public employees to conveniently and economically receive the fullest benefits offered by the Economic Recovery Tax Act (ERTA) of 1981 as it relates to individual retirement accounts. PEIRAF has operated as a fixed-income portfolio since its creation in 1982. Funds are invested in fixed-income investments such as corporate bonds, U.S. agency obligations, government national mortgage association securities, and commercial paper.

The Tax Reform Act of 1986 prohibited contributions to deductible voluntary employee contribution plans, such as PEIRAF, for years after 1986. Accordingly, the PEIRAF Board of Control discontinued receiving contributions to this plan after December 31, 1986. However, the PEIRAF continues to reinvest the interest earnings of existing PEIRAF member accounts.







RSA-1 HAS NET ASSETS OF \$1.3 billion IN ITS BOND INVESTMENT FUND AND \$476.6 million

2014 PARTICIPATION

34,059 MEMBERS IN THE BOND FUND

18,068 MEMBERS IN THE STOCK FUND



MARILYN DRAKE

IN ITS STOCK INVESTMENT FUND.

RSA is focused on giving back to our communities, and many of our retirees are doing the same. Marilyn Drake, who retired after 34 years in education, says her benefits from RSA-1 allow her to spend her time doing charity work like knitting caps for preemie babies at the hospital. "It's given me time to pursue my goal of giving back," she says. "And I have peace of mind and confidence that my money is secure."

		IN AC	TUAL DO	DLLAR
Assets	20	014	2	2013
CASH	<u> </u>		\$	1
RECEIVABLES				
Interest Receivable	693	,357	67	75,735
Investment Sales Receivable				7,181
TOTAL RECEIVABLES	693	,357	68	32,916
NVESTMENTS, AT FAIR VA	ALUE			
Commercial Paper	2,998	,896	1,99	9,462
Money Market and Mutual Funds	5,164	,689	3,66	51,801
U.S. Government Guaranteed Bonds	22,252	,647	20,814,648	
U.S. Agency Securities	7,046	,934	7,712,66	
Mortgage-Backed Securities	12,505	,615	11,706,752	
Corporate Bonds	33,648	3,241	35,903,34	
Private Placements			2,78	30,651
Preferred Stock	795	5,214		
TOTAL INVESTMENTS	84,412	,236	84,57	79,319
INVESTED SECURITIES LENDING COLLATERAL	9,615	.050	11,36	88,979
TOTAL ASSETS	94,720,	644	96,6	31,215
Liabilities				
Investment Purchases Payable	144	,682		
Securities Lending Collateral	9,615	,050	11,36	68,979
TOTAL LIABILITIES	9,759	,732	11,36	88,979

AS OF SEPTEMBER 30, 2014, AND 2013	IN AC	TUAL DOLLAR
Additions	2014	2013
NVESTMENT INCOME		
From Investing Activities		
Interest and Dividends	\$3,186,917	\$3,363,459
Net Increase/(Decrease) in Fair Value of Investments	435,267	(3,135,723
Total Investment Income from Investing Activities	3,622,184	227,736
From Securities Lending Activities		
Securities Lending Income	75,238	105,761
Less Securities Lending Expenses		
Borrower Rebates	2,145	4,051
Management Fees	21,702	27,930
Total Securities Lending Expenses	23,847	31,981
Income from Securities Lending Activities, Net	51,391	73,780
NET INVESTMENT INCOME	3,673,575	301,516
TOTAL ADDITIONS	3,673,575	301,516
Deductions		
Normal Distributions	3,974,899	4,949,485
TOTAL DEDUCTIONS	3,974,899	4,949,485
Change in Net Position	(301,324)	(4,647,969)
Net Position Restricted for PEIRAF Benefits		
BEGINNING OF YEAR	85,262,236	89,910,205
-		

Assets	2014	2013
CASH	\$ 51	\$
INTEREST AND DIVIDENDS RECEIVAE	LE 9,797,893	9,325,14
INVESTMENTS, AT FAIR VALUE		
Commercial Paper	90,489,060	105,996,42
Money Market Funds	79,869,345	67,495,2
U.S. Government Guaranteed Bonds	335,395,570	313,025,7
U.S. Agency Securities	91,685,825	99,946,3
Mortgage-Backed Securities	182,885,999	168,316,16
Corporate Bonds	509,854,511	502,441,5
Private Placements	5,745,096	31,109,73
Common and Preferred Stocks	486,802,864	365,932,8
TOTAL INVESTMENTS	1,782,728,270	1,654,264,1
INVESTED SECURITIES LENDING COLLATERAL	108,608,018	173,906,49
TOTAL ASSETS	1,901,134,232	1,837,495,70
Liabilities Investment Purchases Payable Securities Lending Collateral	2,245,073 108,608,018	123,33
TOTAL LIABILITIES	110,853,091	174,029,87
Net Position Restricted Compensation Benefits	For Deferi	

		ACTUAL DOLLAR
dditions	2014	2013
EMBER CONTRIBUTIONS	\$141,903,626	\$145,428,181
IVESTMENT INCOME		
From Investing Activities		
Interest and Dividends	53,136,165	51,649,934
Net Increase in Fair Value of Investments	72,815,095	2,606,115
Total Investment Income from Investing Activities	125,951,260	54,256,049
From Securities Lending Activities		
Securities Lending Income	2,076,508	1,975,095
Less Securities Lending Expenses		
Borrower Rebates	16,301	48,976
Management Fees	611,444	521,034
Total Securities Lending Expenses	627,745	570,010
Income from Securities Lending Activities, Net	1,448,763	1,405,085
NET INVESTMENT INCOME	127,400,023	55,661,134
TOTAL ADDITIONS	269,303,649	201,089,315
. 1 . 4		
Deductions		
Normal Distributions	142,018,196	131,270,610
Emergency Withdrawals	470,207	569,384
TOTAL DEDUCTIONS	142,488,403	131,839,994
Change in Net Position	1 126,815,246	69,249,321
let Position Restricte	d For Defe	red
Compensation Benefit	:S	
ompensation benefit	1,663,465,895	1,594,216,574
BEGINNING OF YEAR	1,003,403,633	1,000 1,000 1

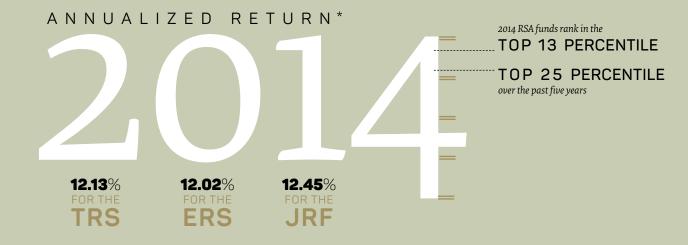


Investments has achieved outstanding results while having the lowest investment expenses in the industry. The public pension fund average of 187 pension funds is 47 basis points annually, while RSA's is only 2 basis points.



The RSA manages 23 funds worth \$37.7 billion.







The annualized return was 12.13% for the TRS, 12.02% for the ERS and 12.45% for the JRF. These results ranked the RSA funds in the top 13th percentile of the State Street Public Funds Universe (70 funds over \$1 billion) for both the one-year and three-year period. The RSA was in the top 25 percentile over the past five years.

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Equity Activity

fter a choppy end to the last quarter of the past fiscal year, the market came out with guns blazing in the first fiscal quarter of 2014. Some of this can be attributed to continued market-friendly actions by the various central banks around the world, and especially the Federal Reserve. As we have talked about previously, there has been a noticeable dichotomy between Main Street and Wall Street. The past several years have seen continued fiscal tightening, which has been a drag on GDP, as well as reluctance on the part of the private sector to ramp up its capital spending. The markets were very nervous on the direction being taken by the Federal Reserve regarding the taper program, and the extension, if you will, of the taper was well received.

The March quarter of the year was basically written off as the weather impact of the unrelenting polar vortexes basically shut down commerce. The market and earnings did rebound in the June quarter as things normalized and we saw a pop in inventory restocking. The summer months were basically a chop sideways, with a big drawdown at the end of July related to Chairwoman Yellen's speech, which caused a quick but short-lived rise in credit spreads.

What we expect looking forward is not materially different than what we have talked about in prior reports. Inflation remains in check, budget deficits have greatly improved, and Washington remains in gridlock, which usually works out well for the equity market. Valuations are up but not to levels that are signaling a must sell sign. Public companies are still onto the gig that returning capital to shareholders has been rewarding to their share prices. We continue to see share shrinkage at about a 3.0% annual run rate, which provides a boost to earnings growth.

Merger and acquisition activity has really picked up, but not to frothy levels either. The U.S. equity markets have done relatively well versus other markets, and we are evaluating when to reallocate some money overseas. The valuation difference is getting close to warranting that shift, though continued dollar strength complicates the decision.

For the year, RSA domestic equity portfolios increased 17.18%, 17.27%, and 18.44% for TRS, ERS, and

JRF funds, respectively. International equity returns were positive but meager relative to those of the U.S. There was little difference between developed and emerging market returns within the portfolio. Total international equity returns were 4.89% for TRS, 4.88% for ERS, and 4.90% for JRF. The combined total return for the overall equity portfolios was 14.37%, 14.57%, and 15.48% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 20.21%, 13.32%, and 7.98% for TRS, 20.25%, 13.39%, and 8.01% for ERS, and 20.90%, 14.17%, and 7.81% for JRF, respectively.

Fixed Income Activity

t the beginning of fiscal year 2014, the Federal Reserve had just made the decision not to alter the pace of its purchases of treasury and mortgage-backed securities. Fixed income investors, who were expecting a \$10-15 billion reduction at the September meeting, were delighted as the inaction produced positive returns across all asset classes. With Washington passing a continuing resolution and a debt ceiling showdown shelved for another day, risk assets rallied once again during the month of October. As expected, high-yield debt was the best-performing sector within fixed income, highlighting the benefits of moving down the credit spectrum during this time. After the post-non-taper rally that resulted in a 50 basis points drop in 10yr yields, an upward trend in interest rates reasserted itself in the following weeks. Minutes from the Federal Open Market Committee's October meeting revealed that policymakers expected the upcoming data to "warrant trimming the pace of purchases in coming months." With the economy growing 2.8% in the third quarter and the continuing presence of encouraging data, the Fed began its longanticipated tapering program in December.

There was quite a reversal in investor sentiment as the new calendar year began. A weak employment report for the month of December and economic weakness caused in part by poor weather had market participants seeking safety within the treasury market. The substantial downward move in interest rates led

Fixed Income Activity FISCAL YEAR 2014, cont.

to positive returns across all sectors of fixed income. Investment-grade debt managed to outperform due to its longer duration profile, despite spreads drifting slightly wider. The Federal Reserve announced another \$10 billion reduction in asset purchases at its January meeting, the last one under the authority of Chairman Ben Bernanke. Janet Yellen, in her opening testimony to Congress, acknowledged the recent weakness in economic data and stated that the recovery in the labor market was "far from complete."

Interest rates were a little choppy during March due to the uncertainty surrounding the events in Ukraine. Mid-month, the belly of the treasury curve came under pressure as the new Fed Chairwoman Janet Yellen stated that "the central bank's stimulus program could end this fall and benchmark interest rates could rise six months later." Market expectations at the time were that the first rate hike would come in late summer/ early fall of 2016. This statement caught investors off guard as it implied that the initial rate hike could come as early as March of next year. While the middle portion of the curve experienced weakness, the long end remained unchanged, causing the entire curve to flatten. Over the next several weeks, confidence grew as optimism over the future prospects of the economy started to percolate. The minutes of the Federal Reserve's meeting also eased concern about the timing of future rate hikes.

Interest rates moved swiftly higher in late May as the European Central Bank lowered its main refinancing rate and took its deposit rate into negative territory. These actions, in concert with additional bank liquidity measures, were made to encourage lending and help a struggling European economy. Riskier sectors within fixed income outperformed during this time. However, the longer end of the curve held in relatively well with the help of tame inflation readings and foreign buying. European weakness remained a key obstacle with continued anemic growth and relatively high unemployment. Despite stability at home, this theme pushed yields lower across the globe during the summer months.

Toward the end of July, sentiment changed rather quickly within credit markets. Possibly driven by

the strength in the 4.0% 2Q GDP print, expectations on the timing of the Fed's first rate hike were pulled forward once again. This resulted in a mass exodus from the high-yield market as spreads backed up approximately 50 basis points. Roughly \$10 billion of capital exited the space and the asset class lost over 1.30% in July. However, institutional investors did rush back in to pick up the pieces in the following weeks. As expected, the long end of the curve offered safety during this time. Looking abroad, flat to negative growth continued within the three most influential countries in Europe. All the while, the Federal Reserve systematically reduced its asset purchases with October set for QE3 expiration.

September, as is historically the case, was pretty eventful. Strong economic data and the perception of earlier future rate hikes led to an abrupt increase in interest rates. Risk assets struggled in this fastmoving rate environment. High-yield securities lost approximately 2% during the month, while investment grade debt gave up over 1.25%. July and September now represent the two worst months of high-yield performance in the past three years. The fear, in relation to rising rates, is the unknown reaction of the retail investor base that now owns a larger proportion of the market than in previous cycles. This, coupled with diminished liquidity due to regulatory requirements, has resulted in a very skittish credit market. Despite the recent hiccup in credit, much of 2014 can be summed up by the continued rally in government yields. Economic weakness abroad, coupled with the lack of inflationary pressures, led to a flattening trend of the yield curve. As a result, duration trumped all other factors in determining performance. Going forward, the divergence of growth rates and policy decisions among global powers will leave outcomes as uncertain as ever.

For the fiscal year, the total annual returns for the public domestic fixed-income portfolios were 4.31% for the TRS, 4.32% for the ERS, and 4.10% for the JRF. The five-year annualized returns were 5.18% for the TRS, 5.17% for the ERS, and 5.25% for the JRF. The ten-year annualized returns were 5.72% for the TRS, 5.74% for the ERS, and 5.52% for the JRF.

2014 Broker Commissions Paid For Fiscal Year Ended September 30, 2014

Maturity Structure

he management of maturities for the bond portfolio is an integral part of the RSA's objective of providing a stable cash flow to meet retirement benefit needs. The RSA has historically structured its purchases in longer-term securities with intermediate call protection or average lives in order to meet its retirement obligations.

MATURITY STRUCTURE (IN %)						
	TRS				ERS	
Years to Maturity	2014	2013	2012	2014	2013	2012
0 TO <5	24	26	29	22	26	30
5 TO <10	17	19	20	17	18	19
10 TO <30	58	54	50	60	55	50
= OR >30	1	1	1	1	1	1

Quality Evaluation

he RSA continued its long-standing policy of investing in high-quality fixed-income products. Bond ratings, however, provide only a starting point in the evaluation of the relative investment qualities of a bond. Times have changed dramatically over the past decade, and few companies today have a rating of AAA to A. Many companies are now rated BAA or lower.

QUALITY EVALUATION (IN %)							
	TRS				ERS		
Rating	2014	2013	2012	2014	2013	2012	
AAA	26	26	28	25	25	27	
AA	2	1	2	1	1	2	
Α	8	9	8	8	8	8	
BAA	15	13	15	14	13	14	
ВА	1	1	2	1	1	2	
NOT RATED	48	50	45	51	52	47	

Investment Returns / 2014

			10-Year
17.18	22.22	15.45	8.3
17.27	22.16	15.41	8.33
18.44	22.96	15.87	8.46
uity			
4.89	13.60	6.70	6.8
4.88	13.55	6.68	6.8
4.90	13.49	6.85	N/
8.42	8.04	7.61	
8.18	8.04	7.70	4.0
			4.0
8.18	8.04	7.70	4.0
8.18	8.04	7.70	4.3 4.0 5.3
8.18 4.37	8.04 3.45	7.70 4.94	5.3
	17.27 18.44 uity 4.89 4.88	17.27 22.16 18.44 22.96 uity 4.89 13.60 4.88 13.55	17.27 22.16 15.41 18.44 22.96 15.87 uity 4.89 13.60 6.70 4.88 13.55 6.68

19.73	22.99	15.70	8.11
15.29	19.02	14.85	8.15
11.82	22.43	16.37	10.29
5.74	22.86	16.24	9.33
4.25	13.65	6.56	6.32
4.30	7.19	4.42	10.68
3.90	2.41	4.03	4.73
3.96	2.43	4.12	4.62
	15.29 11.82 5.74 4.25 4.30 3.90	15.29 19.02 11.82 22.43 5.74 22.86 4.25 13.65 4.30 7.19 3.90 2.41	15.29 19.02 14.85 11.82 22.43 16.37 5.74 22.86 16.24 4.25 13.65 6.56 4.30 7.19 4.42 3.90 2.41 4.03

"The Retirement Systems of Alabama has given the state a competitive edge on many important economic development projects over the years.

Their involvement in economic development and commitment to invest in what is good for Alabama has contributed to much of the success the state has enjoyed."

BILL TAYLOR

President Economic Development Partnership of Alabama

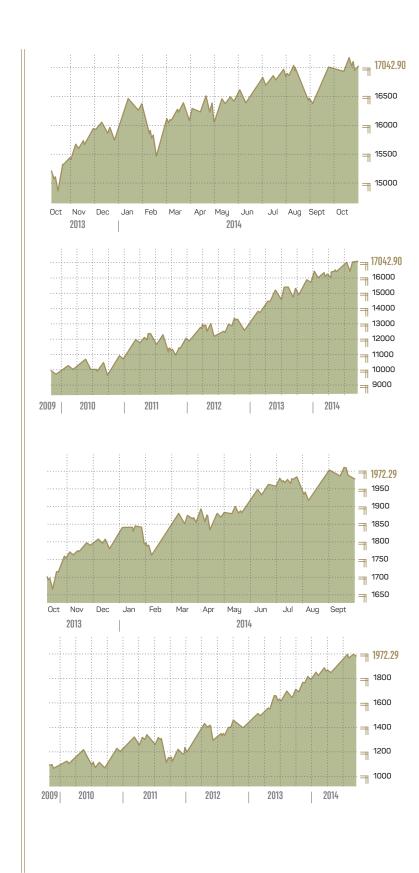
	COMMISSIONS STOCK TRANSACTIONS (\$ IN THOUSANDS)	COMMISSIONS BOND TRANSACTIONS (\$ IN THOUSANDS)	
AVONDALE			
BANC OF AMERICA / MERRILL LYNCH	\$ 133	\$ 109	
BARCLAYS	282	19	
BTIG	44		
BERNSTEIN	274		
CITIGROUP	498	135	
CONVERGEX	378		
COWEN	56		
CREDIT SUISSE	33	110	
DEUTSCHE BANK	318	45	
FIRST DISCOUNT	17		
GOLDMAN SACHS	22	117	
HARBOR FINANCIAL			
HOWARD WEIL	30		
IBERIA	23		
ISI	438		
ISSUER DESIGNATED		170	
JANNEY CAPITAL MARKETS	72		
JEFFERIES	104		
JP MORGAN CHASE	114	41	
KEYBANC CAPITAL MARKETS	62		
MONTROSE	6		
MORGAN STANLEY	817		
MYERS & ASSOCIATES	5		
NBC SECURITIES	79		
OPPENHEIMER	52		
RAYMOND JAMES			
RBC BANK	41		
RENMAC	73		
SANDLER O'NEIL	59		
SECURITIES CAPITAL	17		
SOUTHWEST SECURITIES	11		
STERNE, AGEE & LEACH			
STIFEL NICOLAUS	235	47	
STRATEGAS	231		
UBS WARBURG	33		
WELLS FARGO	403	77	
Total	\$ 5,249	\$ 970	

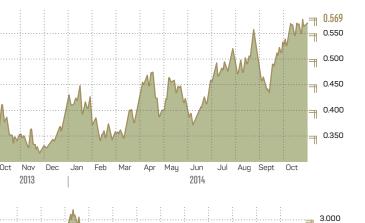
Dow Jones Industrial Average 1-Year

Dow Jones Industrial Average 5-Year

S&P 500 Index 1-Year

S&P 500 Index 5-Year

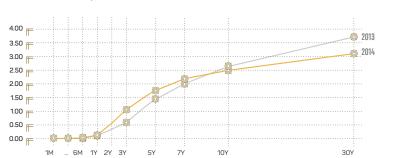












U.S. Treasury 2-Year Note (Yield)

U.S. Treasury 10-Year Bond (Yield)

U.S. Treasury 30-Year Bond (Yield)

Spread Difference Between 2-Year & 30-Year Treasuries

U.S. Treasury Yield Curve 2014 vs. 2013

Real Estate and Alternative Investments



It's easy to see how RSA benefits our members. But our alternative investments in real estate, businesses, and recreational facilities like the Robert Trent Jones Golf Trail, and PCH hotels and spas make Alabama a better place to do business, visit and simply enjoy. And the money that flows out of those investments improves the quality of life for everyone, creating jobs and opportunities across our state.

But it doesn't stop there. Every one of those dollars multiplies throughout our economy, benefiting every Alabama business and helping families put food on the table. Whether it's another hotel, an office skyscraper or hosting charitable golf tournaments to groups like the Wounded Warriors Project, the RSA is working tirelessly to improve the lives of everyone in Alabama.

- ACON Alabama Energy Investors | Tuscaloosa
- − ADEM Laboratory* || *Montgomery*
- − Alabama Cruise Terminal* || Mobile
- Alabama River Group, Inc.* ∥ Monroeville
- − Alabama River Chip Mill* || Monroeville
- Alabama River Recycling* || Monroeville
- Bell Microproducts* || Montgomery
- CIBA-GEIGY Chemical Company* || Mobile
- Circle S Industries* || Selma
- Community Newspaper Holdings, Inc. || Montgomery
- − Conventional Mortgages* || Alabama Loans, Residential Funding, MGIC, FBS – were the servicers
- Danberry at Inverness | Birmingham (sold 2014)
- Daniel Senior Living, LLC* || Assisted Living Facilities in Huntsville and Birmingham
- − Dole Foods* || Birmingham
- Dominion Senior Living of West Mobile || Mobile
- − Drummond Company* || Birmingham
- − Dynamit Nobel Chemical Company* || Mobile
- − Embassy Suites* || Montgomery
- − Fairway Outdoor Advertising || Statewide
- − First Alabama Bancshares* || Birmingham
- − GKN Aerospace || Tallassee
- − Gordon Persons Building* || Montgomery
- − Gulf Coast Exploration & Science Theatre* || Mobile
- IDB Southwire Med. Volt Cable Company[∗] || Heflin
- − IPSCO Saskatchewan, Inc.* || Mobile
- − Kay Fairs, Inc.* || Theodore
- Kvaerner Oilfields Products* || Mobile
- Mercedes Benz U.S.* || Tuscaloosa
- National Alabama Corporation || Florence
- − National Village || Auburn/Opelika
- Navistar Diesel of Alabama, LLC* | Huntsville
- − Navistar Big Bore Diesels, LLC* || Huntsville

Office Buildings and Parking Decks:

- > Alabama Center for Commerce | Montgomery
- > Alabama Center for Postsecondary Education ||
- > Alabama State Bar Building* || Montgomery
- > RSA Criminal Justice Center || Montgomery
- > RSA Dexter Avenue || Montgomery
- > RSA Headquarters || Montgomery
- > RSA Plaza || Montgomery
- > RSA Tower Complex || Montgomery
- > RSA Union || Montgomery
- > Mobile Parking Garage || Mobile
- > RSA Battle House Tower || Mobile
- > RSA North Royal Street || Mobile
- > RSA Trustmark Building || Mobile
- > RSA Van Antwerp Building || Mobile
- PCH Hotels and Resorts/ Alabama Real Estate Holdings || Hotels, Statewide
- ─ Perdido Beach Hilton* || Gulf Beach Hotel
- Point Clear Partners, LLC || Point Clear, Real Estate and Condo Development
- − PPG Industries* || Huntsville
- Raycom Media || Montgomery
- Rohr^{*} ∥ (IDB City of Foley)
- Signal International || Mobile
- SiO2 Medical Products || Auburn
- Springhill Medical Center* || Mobile
- − SunBelt Golf Corporation || *Golf Courses*, *Statewide*
- − The Explore Center, Inc.* || Mobile
- − The Shops of Grand River || *Leeds*
- − USB-IDB United Technology* || Huntsville
- − US Steel* || Fairfield
- − Walmart Distribution Center* || Cullman
- Williamson Commerce Center* || Anniston
- − Wise Metals* || Florence

*FULLY PAID



ROBERT TRENT JONES **GOLF TRAIL**

PCH HOTELS & RESORTS

THE SHOALS

36 Holes Muscle Shoals/Florence

Marriott Shoals Hotel & Spa

HAMPTON COVE

54 Holes Huntsville

SILVER LAKES

36 Holes Anniston/Gadsden

OXMOOR VALLEY 54 Holes Birmingham

ROSS BRIDGE

18 Holes Hoover

Renaissance Birmingham Ross Bridge Golf Resort & Spa

> **GRAND NATIONAL** 54 Holes Auburn/Opelika

> > National Village

Auburn Marriott Opelika Hotel & Conference Center at Grand National

CAPITOL HILL

54 Holes Prattville/Montgomery

Marriott Prattville Hotel & **Conference Center at Capitol Hill**

Renaissance Montgomery Hotel & Spa at the Convention Center

> **CAMBRIAN RIDGE** 36 Holes Greenville

HIGHLAND OAKS 36 Holes Dothan

MAGNOLIA GROVE 54 Holes Mobile

The Battle House Renaissance Mobile Hotel & Spa

Renaissance Mobile Riverview Plaza Hotel

LAKEWOOD GOLF CLUB

36 Holes Point Clear **Grand Hotel Marriott Resort**,

Golf Club & Spa The Colony at the Grand

hat started as a concept to enhance the image of the state has turned out to be one of the most successful achievements in the golf industry. The original Robert Trent Jones Golf Trail courses opened in 1992 and today, the Trail has 26 courses on 11 sites across Alabama. Before the Trail opened, Alabama tourism revenue was under \$1.8 billion. In 2014, tourism revenues exceeded \$11.8 billion and the Trail was the state's top attraction.

2014 RTJ ATTENDANCE

10 millionth round of golf!

2014 guest satisfaction surveys at Marriott and Renaissance hotels in North America rated four of the top five sites on Alabama's Robert Trent Jones Golf Trail.

Top 10 Marriott and Renaissance Hotels for Golf Satisfaction

- 1. Renaissance Birmingham Ross Bridge Golf Resort & Spa - Hoover, Ala.*
- 2. Auburn Marriott Opelika Hotel & Conference Center at Grand National
- 3. Sawgrass Marriott Golf Resort & Spa -Ponte Vedra Beach, Fla.
- 4. Montgomery Marriott Prattville Hotel & Conference Center at Capitol Hill Prattville, Ala.*
- 5. Grand Hotel Marriott Resort, Golf Club & Spa - Point Clear, Ala.*

- 6. Los Suenos Marriott Ocean & Golf Resort – Herradura, Costa Rica
- 7. The Vinoy Renaissance St. Petersburg Resort & Golf Club - St. Petersburg, Fla.
- 8. Ann Arbor Marriott Ypsilanti at Eagle Crest - Ypsilanti, Mich.
- 9. Marco Island Marriott Beach Resort, Golf Club & Spa - Marco Island, Fla.
- 10. Renaissance Indian Wells Resort & Spa - Indian Wells/Palm Springs, Cal.

"The investments made by the Retirement Systems of Alabama continue to have a significant economic impact on our state, and they contribute directly to an improved quality of life for all Alabamians. Projects in the Birmingham region such as Ross Bridge and the Robert Trent Jones Golf Trail at Oxmoor Valley, combined with other recreational, hospitality and business developments throughout the state, represent a very thoughtful and strategic way of making Alabama a better place to do business in, to visit, and to just simply enjoy. Each of those developments has a unique character and identity that we can all be proud of."

Taxes & RTJ Tourism

Increased tourism spending in counties with a golf complex and/or RSA hotels since 1995 is \$27.6 billion. Increased state sales and lodging taxes are \$1.2 billion and increased local sales and lodging taxes are \$1.7 billion.

PCH Hotels collect and remit approximately \$14.7 million annually in state and local taxes

RTJ remits approximately \$516,000 in state and local payroll taxes.

 $[^]st$ These golf locations are part of the Resort Collection on Alabama's Robert Trent Jones Golf Trail.



COMMUNITY NEWSPAPER HOLDINGS, INC. WINS COVETED AWARD

Editor & Publisher magazine named North of Boston Media Group, headed by Karen Andreas, "Publisher of the Year."

Community Newspaper Holdings, Inc., with headquarters in Montgomery, is the parent company to North of Boston Media Group.

CNHI operates in 22 states and provides the RSA with revenue and support for Alabama tourism. The award normally goes to the large papers, like the New York Times or the Chicago Tribune. Such an award to smaller papers is an exciting achievement for CNHI and the RSA.

Raycom Media Group IN THE NEWS

TVNewsCheck named Raycom Media Group as its STATION GROUP OF THE YEAR FOR 2015,

citing its innovative approach to technology, digital media and programming.

With 53 stations covering more than 13% of U.S. households, the group now **RANKS NO. 11** (by spot revenue) on the BIA/Kelsey.

ith the first Raycom Media Camellia Bowl out of the way, the city of Montgomery saw higher revenue from it than originally anticipated.

During a press conference, Montgomery Mayor Todd Strange said that last December, there was approximately \$25 million more that was spent in the city as opposed to December 2013, with the football game between Bowling Green State University and the University of South Alabama heavily contributing to that increase.

"We're here to say, with some certainty, that we were in the \$12 million range of economic impact," Strange said.

The Raycom Media Bowl was held December 20 at Cramton Bowl, where Bowling Green beat South Alabama 33-28. Crowd attendance for the game was estimated at nearly 22,000 people.



"The RSA's investments in downtown Mobile have modernized our city center while breathing new life into landmark historic buildings such as the Battle House Hotel, Van Antwerp Building, and the Trustmark Building. The halo effect from these investments has meant the relocation of significant businesses such as Southern Light, and tens of millions of dollars of private investment in buildings along Royal Street and beyond. The RSA's investment in lodging properties via the Renaissance Battle House and Riverview Hotels has spurred the construction of at least four (4) other lodging properties in downtown Mobile. The RSA's investments have not only been significant for the buildings the RSA owns, but they have caused significant private sector investment to take place in the immediate area."

ELIZABETH P. STEVENS President & CEO Downtown Mobile District Management Corp. Downtown Mobile Alliance

RSA Office Buildings

MONTGOMERY MOBILE Alabama Center for Commerce **RSA Battle House Tower** Alabama Center for Postsecondary RSA North Royal Street Education **RSA Trustmark Building RSA Criminal Justice Center** RSA Dexter Ave. | Datacenter RSA Van Antwerp Building **RSA Headquarters** RSA Plaza NEW YORK CITY RSA Tower Complex RSA Union 55 Water Street



www.rsa-al.gov

lease visit the Retirement Systems of Alabama website. All RSA members can register and easily change their address online, and add or update their phone number and email address. In addition, TRS, ERS, JRF and RSA-1 members can view their account information online. PEEHIP members can also view their current PEEHIP coverages, change coverages, enroll in new coverages, and/or enroll or re-enroll in flexible spending accounts during Open Enrollment.

RSA Headquarters 201 South Union St. Montgomery, AL 36104

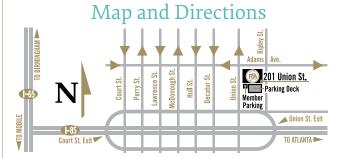


THE RETIREMENT SYSTEMS OF ALABAMA Organizational Chart



THE RETIREMENT SYSTEMS OF ALABAMA Member Services Contact Center

ake advantage of Member Services' personalized assistance concerning your retirement and health care benefits by contacting the Member Services Contact Center at **877.517.0020 or 334.517.7000**. You may also send an email to member.services@rsa-al.gov.



FROM THE WEST

Follow Highway 80 to I-65. Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the right-hand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right side before Adams Avenue. Members may park in the open lot in front of the parking deck.

FROM THE EAST

Follow I-85 South to downtown Montgomery and take the Union Street exit on the right. Take the first right on the service road onto Union Street. Continue on Union Street through one traffic light. The RSA Headquarters is on the right before Adams Avenue. Members may park in the open lot in front of the parking deck.

FROM THE SOUTH

Follow I-65 North to Montgomery. Approaching Montgomery, stay in the right-hand lane and exit onto I-85 North to Atlanta. Continue in the righthand lane; then take the first exit, which is Court Street. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park in the open lot in front of the parking deck.

FROM THE NORTH

Follow I-65 South into Montgomery. Take the I-85 North exit to the right to Atlanta. Stay in the right-hand lane and take the first exit on I-85, which is the Court Street exit. Stay on the service road until you reach Union Street. Turn left on Union Street. Continue on Union Street through two traffic lights. The RSA Headquarters is on the right before Adams Avenue. Members may park in the open lot in front of the parking deck.





RSA Headquarters 201 South Union St. Montgomery, AL 36104

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