

2018 Annual Report

GROWTH

DRIVING



NO SINGLE DEVELOPMENT IN THE PAST
FIVE DECADES HAS CHANGED THE OVERALL
LANDSCAPE AND IMAGE OF ALABAMA MORE
THAN BUILDING AND PROMOTING RSA'S
ROBERT TRENT JONES GOLF TRAIL WITH
THE RSA HOTELS, SPAS, CONFERENCE
CENTERS, AND ADJACENT RESIDENTIAL
AND COMMERCIAL DEVELOPMENT.

**THIS INSPIRES AND DRIVES US
TO PURSUE EVEN GREATER
ACHIEVEMENTS FOR**



THE FUTURE.



Ross Bridge, Hoover



A LETTER FROM **Dr. Bronner**

The Boards of Control and the Retirement Systems of Alabama (RSA) staff are pleased to present the 42nd Annual Report for the fiscal year ended September 30, 2018.

The RSA currently manages 24 funds with aggregate assets of approximately \$43.8 billion. For fiscal year 2018, the Teachers' Retirement System (TRS) assets totaled \$25.6 billion, the Employees' Retirement System (ERS) assets totaled \$12.6 billion, and the Judicial Retirement Fund (JRF) assets totaled \$313.1 million. The annualized return was 9.42% for the TRS, 9.29% for the ERS, and 9.32% for the JRF.

Market performance during fiscal year 2018 was generally good, with equity markets performing well over the course of the year. Like fiscal year 2017, domestic equity markets did not experience the seasonal weakness usually seen in August and September; therefore, levels closed near their highs for the year. Domestic large-cap equities turned in double-digit positive returns, as did domestic mid-cap and small-cap equities. Emerging markets' strong performance early in the year lost much of its steam into fiscal year end, finishing slightly negative, while international equities struggled some as well, turning in low, single-digit returns for the fiscal year. Fixed income markets faced rising rates over the course of the year and ended with a slightly negative return overall. With the Federal Reserve continuing to raise short-term rates around strong economic data and steady equity markets, interest rates rose and the yield curve flattened in response. Credit spreads remained fairly stable throughout the year and helped to somewhat offset the rise in yields. Markets have continued to be reactionary around macroeconomic and global events as they have been the last few years, and we expect this to continue for the time being. We also continue to see fundamentals influencing performance as well as company earnings and strong balance sheets.

During the fiscal year, Gray Television, Inc. announced that it was purchasing Raycom Media for \$3.65 billion. This merger will create the third largest U.S. television station owner with 142 stations in 92 markets, reaching 24% of all U.S. households. After closing, the RSA will continue its investment in Gray/Raycom through a preferred stock issue and receiving common stock representing roughly 11% ownership of Gray.

The company will continue to have a building headquarters in Montgomery and support a \$30 million annual advertising program for the Robert Trent Jones Golf Trail and other RSA-owned properties for the next 10 years.

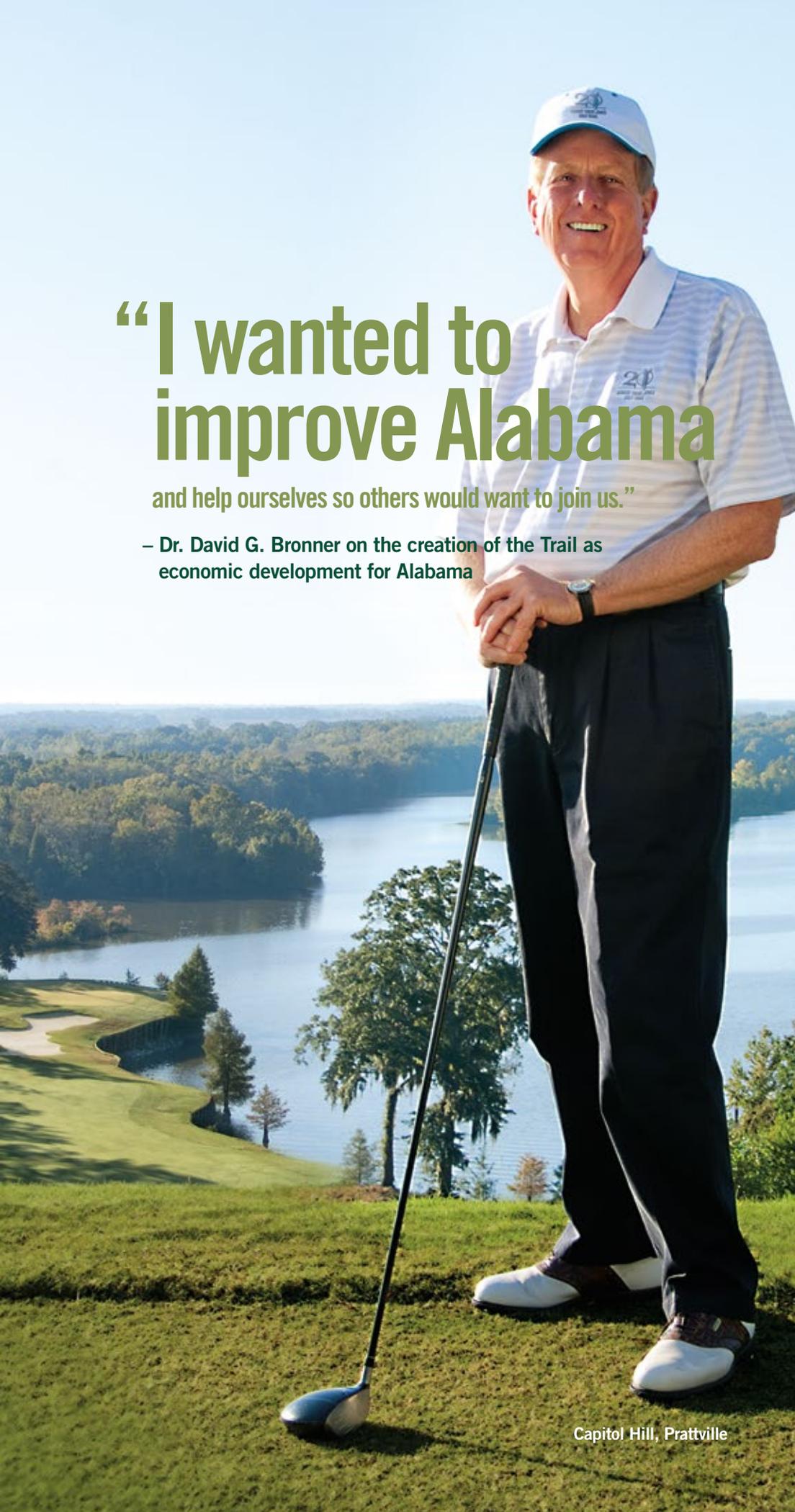
Also during the fiscal year, the RSA was honored in Toronto, Canada, for economic development throughout Alabama by the International Economic Development Council (IEDC) with the Institutional Leadership Award. This award recognizes leaders of a community institution who have made significant contributions in support of economic development through leadership, financial support, and local investments, along with demonstration of a sustained effort in promotion and support of local economic development programs.

***U.S. News and World Report* published its list of best hotels and resorts for 2018, and The Grand Hotel Marriott Resort, Golf Club & Spa topped both lists.**

For the "Best Hotels in Alabama," the Grand Hotel Marriott Resort was named the best, followed by the Battle House Renaissance Mobile Hotel & Spa, while the Renaissance Birmingham Ross Bridge Golf Resort came in fourth. For the "Best Resorts in Alabama," the Grand Hotel Marriott Resort was named the best, while the Renaissance Birmingham Ross Bridge Golf Resort was a close second on the list.

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. ■

David G. Bronner
CHIEF EXECUTIVE OFFICER



“I wanted to improve Alabama

and help ourselves so others would want to join us.”

– Dr. David G. Bronner on the creation of the Trail as economic development for Alabama

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ALABAMA'S ROBERT TRENT JONES GOLF TRAIL

ECONOMIC IMPACT IN FULL

The Robert Trent Jones Golf Trail has changed the economy, the image, and the culture of Alabama. Over 12 million rounds of golf have been played at Alabama's RTJ courses over the past 26 years. But another kind of green emanates from these courses—money from employment, tourism, and housing spurred by one of the greatest construction efforts in Alabama history. With great momentum, we have leveraged the success of the Trail, leading to significant residential and commercial development by the RSA and private developers. As of 2018, well over 8,000 homes have been constructed with more on the way. Millions of square feet of commercial space—including the Trail clubhouses, RSA hotels, private hotels, restaurants, service stations, grocery stores, and other retail outlets—have been built near courses on the Trail. This collective development has created jobs in banking, construction, real estate, insurance, retail, recreation, and healthcare. And billions of dollars in increased tax revenue generated from the development includes ad valorem, lodging, sales and use, income, utilities, fuel, tobacco, and liquor. ■

11
GOLF SITES
26
COURSES

Cambrian Ridge
Greenville, AL

Capitol Hill
Prattville, AL

Grand National
Auburn/Opelika, AL

Hampton Cove
Huntsville, AL

Highland Oaks
Dothan, AL

Magnolia Grove
Mobile, AL

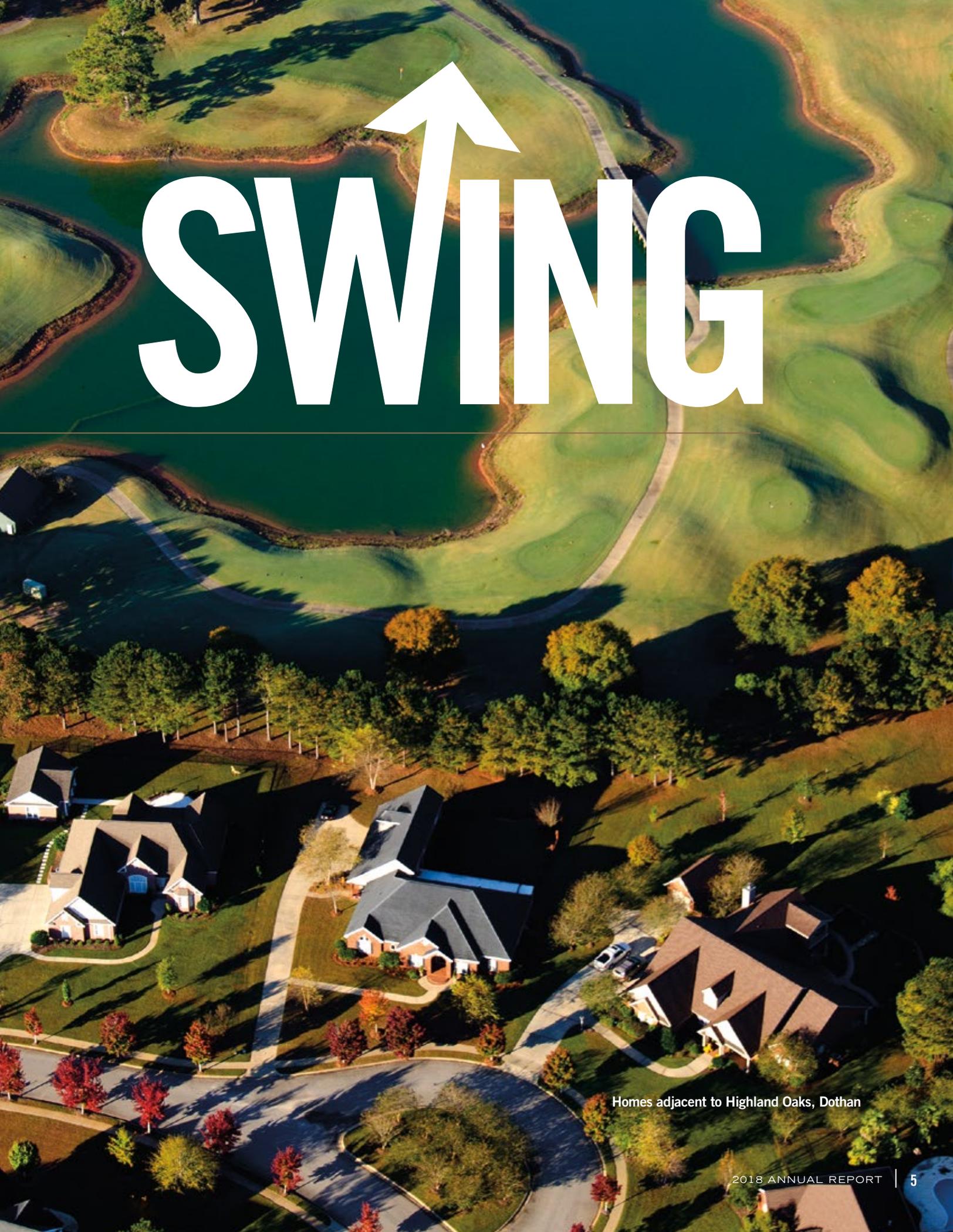
Oxmoor Valley
Birmingham, AL

Ross Bridge
Hoover, AL

Silver Lakes
Anniston/Gadsden, AL

The Shoals
Florence/Muscle Shoals, AL

The Lakewood
Golf Club
Point Clear, AL



SWING

Homes adjacent to Highland Oaks, Dothan



RESIDENTIAL COMMUNITIES

RSA's residential development on the Trail includes multiple award-winning, master-planned communities that are continuing to help revitalize almost every region of Alabama. A number of sprawling neighborhoods feature a variety of home types—from Southern cottage style plans for smaller families and empty nesters, to prestigious luxury residences that reflect a classic country club lifestyle. These successful developments have been instrumental in promoting a positive view of Alabama and help business and industry recruit new talent to the state.

The Colony at the Grand, Fairhope



HOME SITES
on the TRAIL

THE SHOALS
FLORENCE/MUSCLE SHOALS

HAMPTON COVE
HUNTSVILLE

SILVER LAKES
ANNISTON/GADSDEN

ROSS BRIDGE
BIRMINGHAM

NATIONAL VILLAGE
AUBURN/OPELIKA

HIGHLAND OAKS
DOTHAN

THE COLONY AT THE GRAND
FAIRHOPE

LUXURY on the TRAIL

8

resort hotels,
offering 2,065
rooms plus 20
restaurants
and lounges.

6

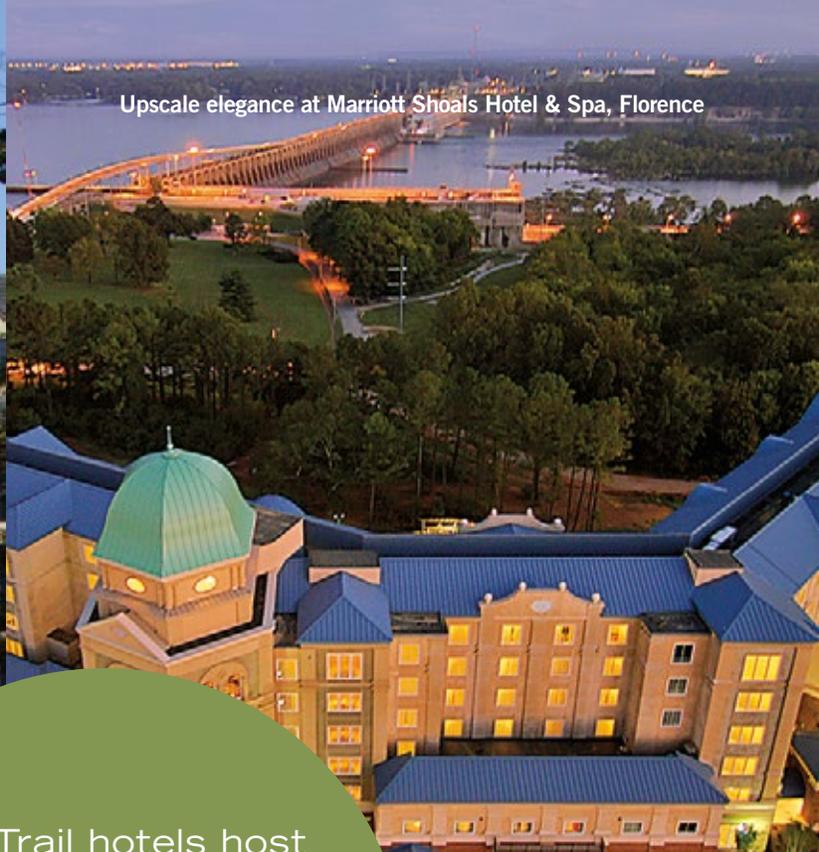
hotels with
world-class spas,
a collective 77,000 square
feet and 38 treatment rooms
providing complete spa
treatments and salon services.

The Lakewood Golf Club and The Grand Hotel Golf
Resort & Spa, Autograph Collection, Point Clear



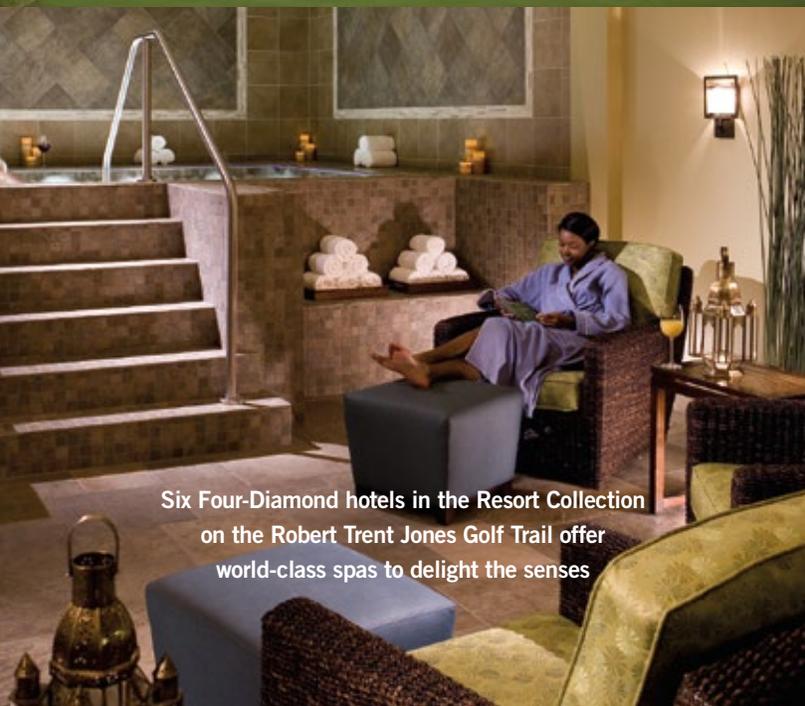


Renaissance Ross Bridge Golf Resort & Spa, Birmingham



Upscale elegance at Marriott Shoals Hotel & Spa, Florence

The Trail hotels host
some 2,500
national and
international
meetings each year.



Six Four-Diamond hotels in the Resort Collection on the Robert Trent Jones Golf Trail offer world-class spas to delight the senses



Experience iconic Gulf Coast luxury at the newly renovated Grand Hotel Golf Resort & Spa, Autograph Collection, Point Clear



IN 2018, THERE WERE

3,133

PEOPLE EMPLOYED BY
RTJ PROPERTIES

1,003

GOLF EMPLOYEES

2,000

HOTEL EMPLOYEES

130

SPA EMPLOYEES

Chef's Garden, The Grand, Point Clear



RSA Investments 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
Alabama State Bar Building* / Montgomery
Barton AL Property / Florence
Bell Microproducts* / Montgomery
CIBA-GEIGY Chemical Company* / Mobile
Circle S Industries* / Selma
Colony at the Grand* / Point Clear, Real Estate and Condo Development
CNHI, LLC / Montgomery
Conventional Mortgages* / Alabama Loans, Residential Funding, MGIC, FBS—were the servicers
Danberry at Inverness* / Birmingham
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 Village / Auburn/Opelika
Navistar Diesel of Alabama, LLC* / Huntsville
Navistar Big Bore Diesels, LLC* / Huntsville

*FULLY PAID

*PARKING DECK

Office Buildings and Parking Decks:

- > Alabama Center for Commerce* / Montgomery
- > Alabama Center for Postsecondary Education / Montgomery
- > RSA Criminal Justice Center+ / Montgomery
- > RSA Dexter Avenue Building (Datacenter)+ / Montgomery
- > RSA Headquarters+ / Montgomery
- > RSA Plaza+ / Montgomery
- > RSA Tower Complex (Includes the RSA Tower, RSA Activity Center, Helen Hunt Early Learning Center, and RSA Pavilion)+ / Montgomery
- > RSA Union+ / Montgomery
- > Royal Street Parking Deck+ / 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 Management Company / Statewide

Perdido Beach Hilton* / Gulf Beach Hotel

Point Clear Partners, LLC* / Point Clear, Real Estate and Condo Development

PPG Industries* / Huntsville

Raycom Media / Montgomery

Robert Trent Jones Golf Trail / Golf Courses, Statewide

Rohr* / (IDB City of Foley)

RSA Resort Hotel Properties / Statewide

Signal International* / Mobile

SiO2 Medical Products / Auburn

Springhill Medical Center* / Mobile

SunBelt Golf Corporation Management Company / 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

World Marine / Mobile



KEEPING ALABAMA ON COURSE

LEGAL

In fiscal year 2018, the RSA Legal Division handled a wide variety of matters involving the many areas of law that pertain to the RSA's operations, including pension law, fiduciary and trust law, constitutional law, tax law, health insurance law, securities law, contract law, construction law, commercial real estate law, and employment law.

Litigation matters have continued to comprise a significant portion of the RSA legal staff's responsibilities. The legal staff has worked to defend the RSA's interests in court cases involving constitutional, statutory, and administrative issues. The legal staff also continued to represent the RSA in employment-related matters, providing counsel in navigating various regulatory and compliance matters that arose during the year. The RSA continues to litigate matters as necessary to protect the interests of its members.

In addition, the RSA legal staff assisted with issues pertaining to the RSA's real estate holdings and other investments, providing legal advice on general operational issues and construction projects and pursuing litigation for the recovery of certain construction costs.

Other important areas of practice for the RSA legal staff were litigating on behalf of and providing legal guidance related to the administration of the Public Education Employees' Health Insurance Plan (PEEHIP), education employees' self-funded group health plan. In 2018, the legal staff continued to vigorously defend PEEHIP in litigation at the trial and appellate levels, as well as providing representation for the health plan in other matters including regulatory and compliance issues and contractual negotiations and agreements. The legal staff assisted PEEHIP in reviewing and implementing policies and plan design features to ensure consistency with the Affordable Care Act and other applicable laws and regulations. Legal staff also worked to ensure that PEEHIP met applicable privacy and security requirements under the Health Insurance Portability and Accountability Act (HIPAA) and Health Information Technology for Economic and Clinical Health Act (HITECH), which govern the privacy and security of PEEHIP members' and their dependents' health information.

RSA legal staff provided support to RSA-1, the Section 457 deferred compensation plan administered by RSA staff. The legal staff assisted RSA-1 in administering its plan document, complying with appropriate IRS

and other applicable rules and regulations, and resolving legal questions involving plan participants.

Other major areas of practice for the RSA Legal Division include the review and negotiation of contracts for the RSA and PEEHIP, training, compliance, and legal advice on day-to-day operational issues. The legal staff successfully protected RSA's interests in the negotiation of a number of significant contracts in 2018, including contracts essential to RSA's accounting operations, investment activities, real estate valuations, and PEEHIP operations. Legal staff also provides legal advice and assistance daily on issues which arise during the course of business, including training as needed on all other aspects of the operations of the RSA, PEEHIP, and their 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. ■

LEGISLATIVE

The 2018 Regular Session of the Alabama Legislature began January 9, 2018, and ended on March 29, 2018. The Legislature enacted a General Fund budget and an Education Trust Fund budget, which fully funded both the Employees' Retirement System (ERS) and the Teachers' Retirement System (TRS). In addition, the Legislature funded the Public Education Employees' Health Insurance Plan (PEEHIP) at the requested rate of \$800 per employee per month. The Legislature also granted one-time bonuses in the amount of one dollar per month of service to ERS and TRS retirees. No other legislation which materially affects the RSA was enacted. ■

More economic impact details regarding Alabama's Robert Trent Jones Golf Trail may be found in the book, *The Robert Trent Jones Golf Trail: Its History and Economic Impact* by Mark Fagan with a Foreword by David G. Bronner.



Number One, The Judge—One of the three courses at RTJ's Capitol Hill, Prattville

Staff, Advisors, and Medical Board



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

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

ADMINISTRATIVE STAFF

CHIEF INVESTMENT OFFICER
R. MARC GREEN, M.B.A., CFA

CHIEF ACCOUNTANT AND FINANCIAL OFFICER
DIANE E. SCOTT, B.S., CPA, CGMA

GENERAL COUNSEL
LEURA G. CANARY, J.D.

LEGISLATIVE COUNSEL
NEAH M. SCOTT, J.D.

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

EMPLOYEES' & JUDICIAL RETIREMENT EXECUTIVE
WILLIAM F. KELLEY, JR., J.D.

DIRECTOR OF PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE PLAN
DONNA M. JOYNER, B.S., CPA, CGBA

DIRECTOR OF RSA-1
RHONDA H. PETERS, B.S.

INFORMATION TECHNOLOGY SERVICES
MICHAEL T. BAKER, B.S.

MEMBER SERVICES
PENNY K. WILSON, B.S.

COMMUNICATIONS
MICHAEL E. PEGUES, M.A.

FIELD SERVICES
CHRISTOPHER C. GALLUP, B.S.

ADVISORS

INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
CARR, RIGGS & INGRAM, LLC

INVESTMENT CONSULTANT
REGIONS BANK N.A., MR. ALAN MCKNIGHT

INVESTMENT CUSTODIAN
STATE STREET BANK AND TRUST COMPANY

CONSULTING ACTUARY
CAVANAUGH MACDONALD CONSULTING, LLC,
MR. EDWARD A. MACDONALD

ATTORNEY GENERAL
HON. STEVE MARSHALL

CHIEF EXAMINER
HON. RACHEL RIDDLE

MEDICAL BOARD

CHAIR
GLENN YATES, M.D.
GREGORY BORG, M.D.
MALCOLM BROWN, M.D.

The award-winning Colony at the Grand, Point Clear

DEMOGRAPHIC HIGHLIGHTS

The Trail has contributed to an increase in the number of retirees residing in Alabama. Retirees have stayed in Alabama and kept their income and assets in Alabama. Retirees have relocated to Alabama and transferred their income and assets to Alabama. And their continued spending contributes to the economic stability of Alabama.

MEMBERS REMAINING
IN ALABAMA
AFTER RETIREMENT.

91.4%
TRS

95.0%
ERS

RSA'S NATIONAL VILLAGE AT GRAND NATIONAL IN AUBURN/OPELIKA, ALABAMA, AND THE COLONY AT THE GRAND HOTEL IN FAIRHOPE, ALABAMA, HAVE MET THE REQUIREMENTS FOR "BEST IN CLASS" RECOGNITION FROM THE AMERICAN ASSOCIATION OF RETIREMENT COMMUNITIES.

ACTIVE & RETIRED
MEMBERS FROM
**TRS, ERS,
& JRF**

358,506

59%

ACTIVE

TRS	131,652
ERS	80,840
JRF	342
TOTAL	212,834

41%

RETIRED

TRS	95,556
ERS	49,713
JRF	403
TOTAL	145,672

TOTAL

TRS	227,208
ERS	130,553
JRF	745
TOTAL	358,506

Membership Activity

NEW MEMBERS

TRS	ERS	JRF	TOTAL
11,191	9,005	8	20,204

WITHDRAWN MEMBERS

TRS	ERS	JRF	TOTAL
2,777	5,159	4	7,940

SERVICE RETIREMENTS

TRS	ERS	JRF	TOTAL
4,126	2,360	8	6,494

DISABILITY RETIREMENTS

TRS	ERS	JRF	TOTAL
301	202	3	506

SURVIVING SPOUSES

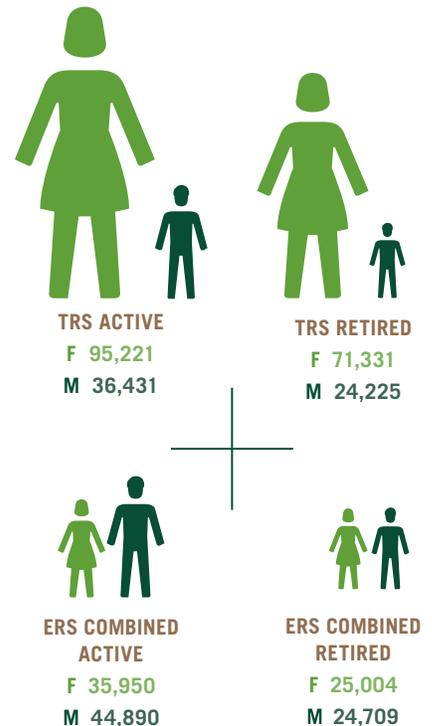
TRS	ERS	JRF	TOTAL
4	0	0	4

NEW BENEFICIARIES

TRS	ERS	JRF	TOTAL
516	363	10	889

2018 Demographics

FEMALE AND MALE COMPARISON



ERS Active and Retired members are comprised of state and local employees.



MEMBERS & BENEFITS PAID BY COUNTY

TOTAL BENEFITS PAID IN 2018

\$3.3 BILLION

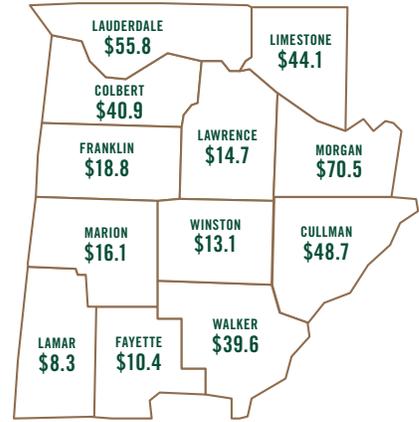


\$3.0

BILLION

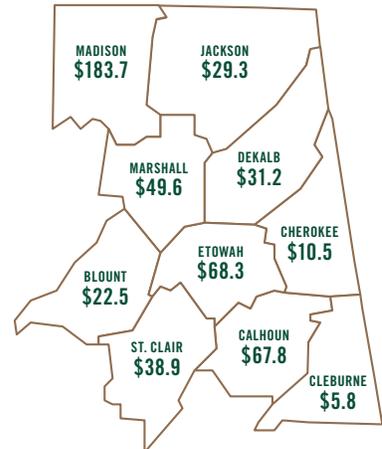
WAS PAID IN ALABAMA

COUNTY BY COUNTY FIGURES ARE LISTED AS DOLLARS IN MILLIONS OF BENEFITS PAID



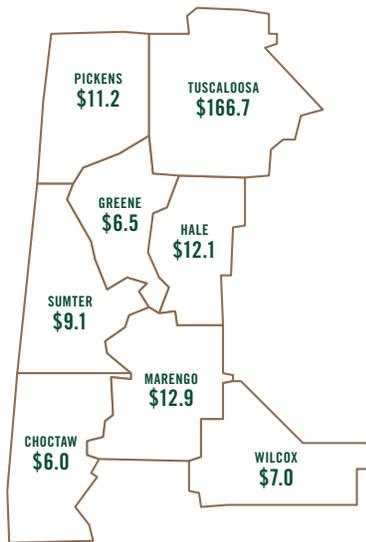
NORTHWEST

COUNTY	ACTIVE	RETIRED
LAUDERDALE	4,025	2,410
LIMESTONE	4,270	1,906
COLBERT	2,960	1,861
FRANKLIN	1,604	865
LAWRENCE	1,178	729
MORGAN	5,424	3,230
MARION	1,528	778
WINSTON	1,199	664
CULLMAN	3,938	2,197
LAMAR	747	415
FAYETTE	1,001	501
WALKER	3,225	1,911



NORTHEAST

COUNTY	ACTIVE	RETIRED
MADISON	15,365	7,468
JACKSON	2,511	1,448
MARSHALL	4,400	2,238
DEKALB	3,022	1,483
BLOUNT	1,997	1,080
ETOWAH	5,077	3,148
CHEROKEE	848	497
ST. CLAIR	3,632	1,734
CALHOUN	6,311	3,228
CLEBURNE	569	287



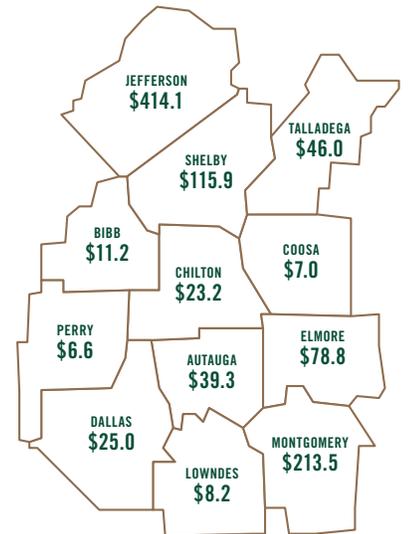
WEST

COUNTY	ACTIVE	RETIRED
PICKENS	1,001	607
TUSCALOOSA	14,218	7,175
GREENE	494	362
HALE	1,100	625
SUMTER	904	444
MARENGO	1,164	616
CHOCTAW	368	322
WILCOX	685	399



SOUTHWEST

COUNTY	ACTIVE	RETIRED
WASHINGTON	763	596
CLARKE	1,332	897
MONROE	1,000	639
CONECUH	678	390
BUTLER	956	559
MOBILE	18,884	11,242
BALDWIN	10,431	5,579
ESCAMBIA	1,726	1,133



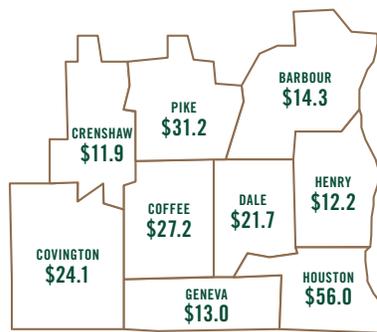
CENTRAL

COUNTY	ACTIVE	RETIRED
JEFFERSON	32,036	16,850
SHELBY	10,964	4,420
TALLADEGA	3,780	2,339
BIBB	1,034	537
CHILTON	2,120	1,126
COOSA	558	340
PERRY	517	321
DALLAS	2,184	1,196
AUTAUGA	3,573	1,713
ELMORE	6,099	3,348
LOWNDES	571	427
MONTGOMERY	15,266	8,629



EAST

COUNTY	ACTIVE	RETIRED
CLAY	773	442
RANDOLPH	982	608
TALLAPOOSA	2,064	1,368
CHAMBERS	1,434	774
LEE	11,434	4,620
MACON	1,159	765
RUSSELL	1,682	761
BULLOCK	628	366



SOUTHEAST

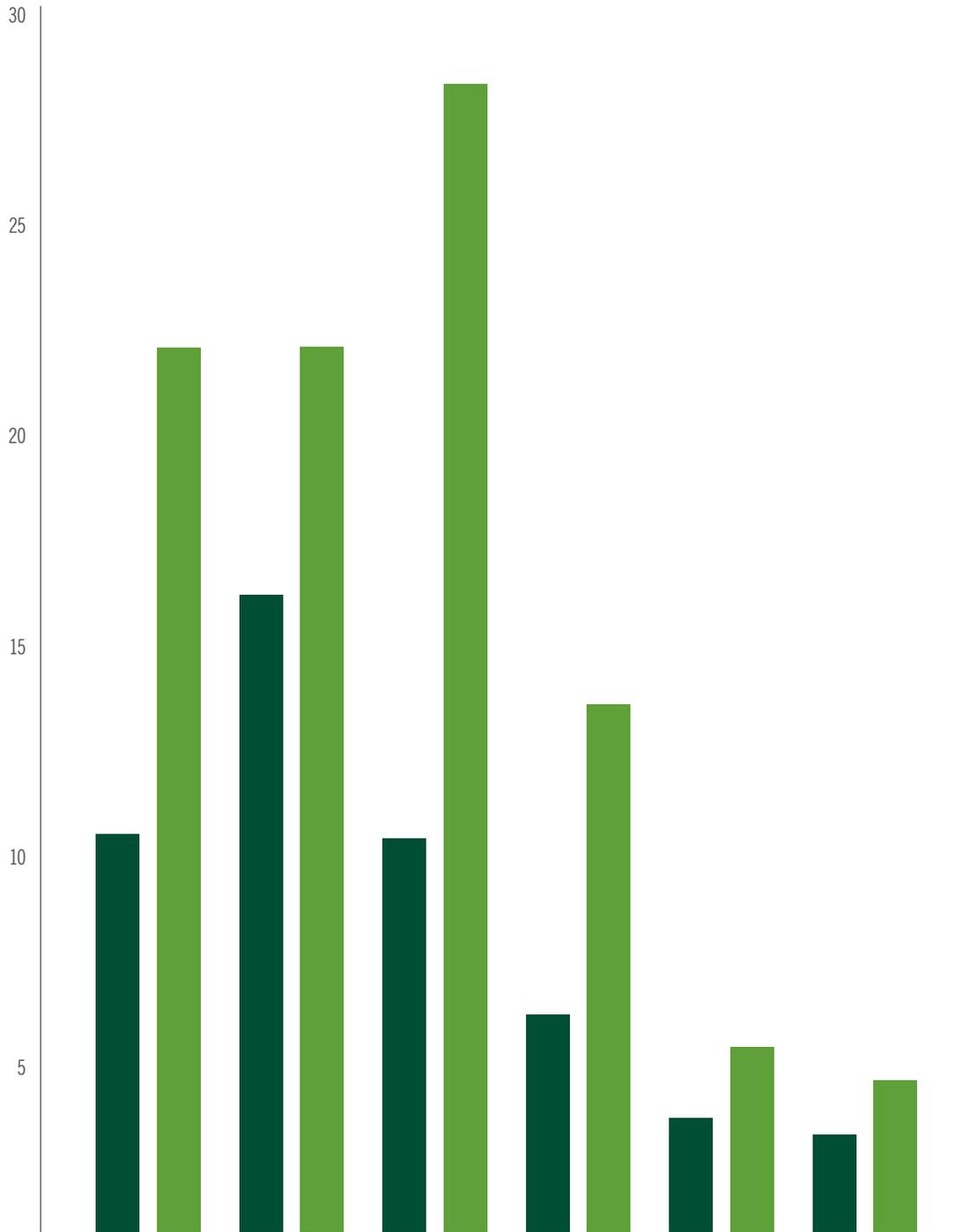
COUNTY	ACTIVE	RETIRED
CRENSHAW	928	563
PIKE	2,457	1,292
BARBOUR	1,200	748
COVINGTON	1,919	1,154
COFFEE	2,418	1,262
DALE	2,067	1,068
HENRY	1,023	584
GENEVA	1,300	649
HOUSTON	4,512	2,534



RSA Retirees and Benefits Paid

RETIREES
In thousands

% RETIREES IN
2018 RECEIVING
< \$30K
ANNUALLY



ANNUAL BENEFITS	ERS	TRS
\$0-\$9,999	10,657 21.4%	22,107 23.1%
\$10,000-\$19,999	16,343 32.9%	22,117 23.2%
\$20,000-\$29,999	11,806 23.7%	28,133 29.4%
\$30,000-\$39,999	6,037 12.2%	13,308 13.9%
\$40,000-\$49,999	2,639 5.3%	5,256 5.5%
\$50,000+	2,231 4.5%	4,635 4.9%



RSA Active Members by Benefit Tier



COMPARISON OF TIER I AND TIER II MEMBERS IN THE COMBINED SYSTEMS IN 2018, 2017, AND 2016



TIER I MEMBERS
147,214 (69.3%)

TIER II MEMBERS
65,278 (30.7%)



TIER I MEMBERS
156,183 (73.7%)

TIER II MEMBERS
55,820 (26.3%)



TIER I MEMBERS
164,996 (77.8%)

TIER II MEMBERS
47,029 (22.2%)

FINANCIAL HIGHLIGHTS

TOTAL INVESTED
ASSETS
BY SYSTEM



\$25.6

BILLION



\$12.6

BILLION



\$313.1

MILLION

Highland Oaks, Dothan



Revenue Sources for TRS, ERS, and JRF

INVESTMENT
INCOME



EMPLOYER
CONTRIBUTIONS*



EMPLOYEE
CONTRIBUTIONS
\$739.1 Million



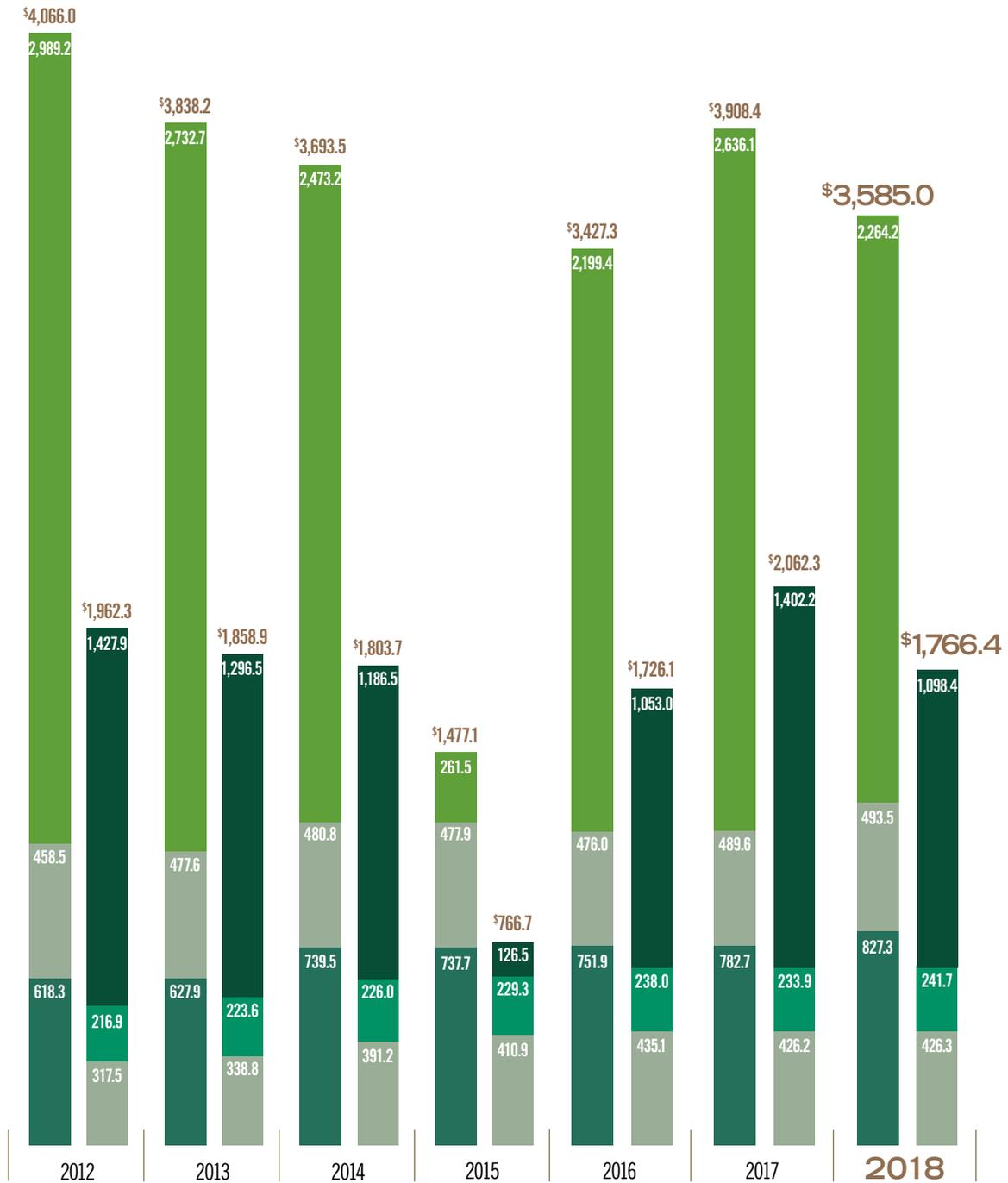
INVESTMENTS
AND
CONTRIBUTIONS
ADDING UP TO

\$5.4 BILLION

*Note: Employer Contributions includes a one-time transfer of \$24.7 million from PEEHIP to TRS to fund a one-time lump-sum bonus payment to TRS retirees authorized by Act 481 of the Legislature of 2018.

7-YEAR HIGHLIGHTS

(DOLLARS IN MILLIONS)



TRS

ERS

INVESTMENT INCOME

EMPLOYEE CONTRIBUTIONS

EMPLOYER CONTRIBUTIONS



Funds Under Management

AS OF SEPTEMBER 30, 2018 (DOLLARS IN THOUSANDS)



MANAGED IN-HOUSE, KEEPING COSTS LOW COMPARED TO OTHER STATE PENSION SYSTEMS



	TOTAL INVESTED ASSETS		TOTAL INVESTED ASSETS
Teachers' Retirement System	\$25,621,694	Public Education Employees' Health Insurance Fund	\$291,762
Employees' Retirement System	12,598,316	Alabama Retired Education Employees' Health Care Trust	1,435,659
Judicial Retirement Fund	313,106	Public Employees' Individual Retirement Account Fund	72,927
Alabama Cultural Resources Preservation Trust Fund	14,118	Alabama Marine Resources Endowment Trust Fund	2,079
Alabama Firefighters Annuity and Benefit Fund	216	Alabama Trust Fund	317,135
Division of Wildlife and Freshwater Fisheries	23,208	Alabama Treasury Fund	343,445
Alabama Nongame Wildlife Endowment Trust	17	Charlotte Thorn Trust Fund	10,902
Alabama Underground and Aboveground Storage Tank Trust Fund	21,466	County Municipal Trust Fund	140,414
Clerks' and Registers' Supernumerary Fund	11,961	Alabama State Employees' Retired Health Care Trust Fund	183,377
Alabama Senior Services Trust Fund	43,877	State Docks Pension Plans	18,903
Alabama State Employees' Health Insurance Fund	116,559	Marion Military Institute Foundation	6,482
Local Government Health Insurance Fund	125,118		
PEIRAF-Deferred Compensation Plan (RSA-1)	2,106,877		

TOTAL INVESTED ASSETS UNDER MANAGEMENT

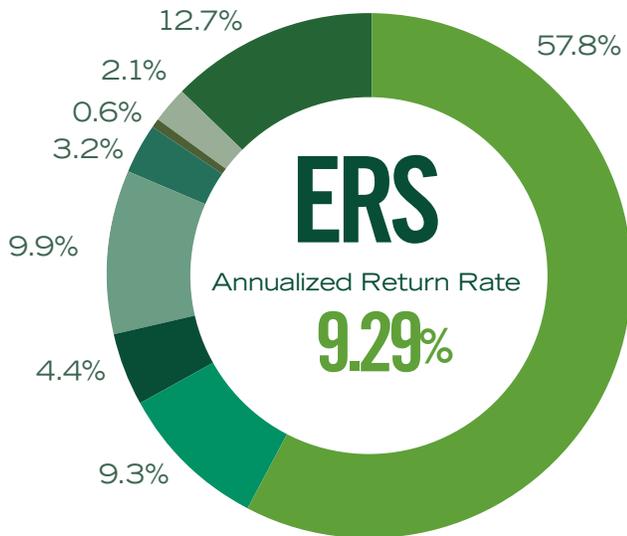
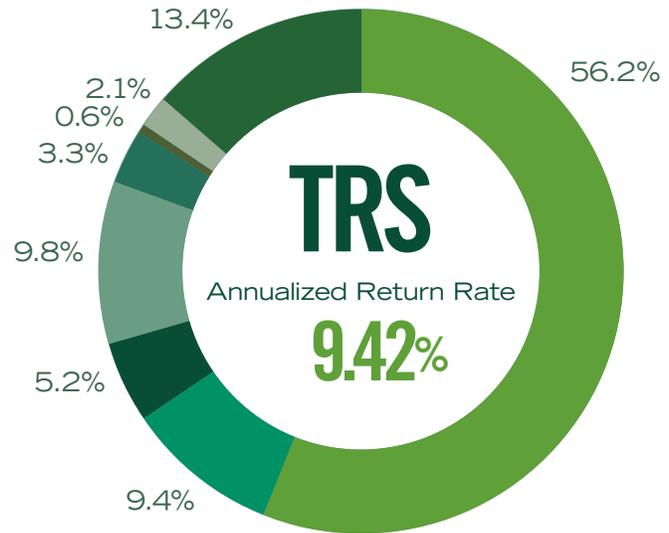
\$43,819,618



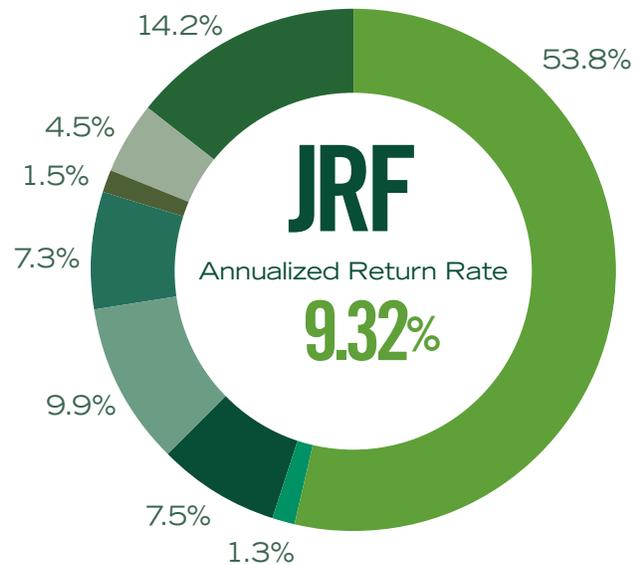
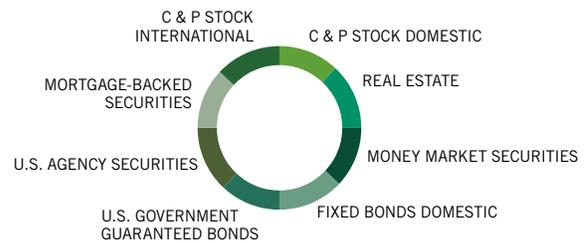
Asset Allocation

AS OF SEPTEMBER 30, 2018

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.



ASSET ALLOCATION





IN 2018, **TRS** SERVED A TOTAL OF
227,208
ACTIVE AND RETIRED MEMBERS

THE TRS
CONSISTS OF
210
UNITS



14

UNIVERSITIES



25

POSTSECONDARY
INSTITUTIONS



139

K-12 SYSTEMS



32

STATE &
MISCELLANEOUS
AGENCIES

MEMBERSHIP INCREASED BY **3,123** IN 2018

3,123



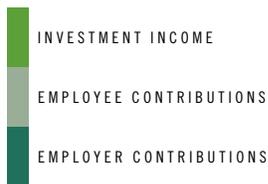
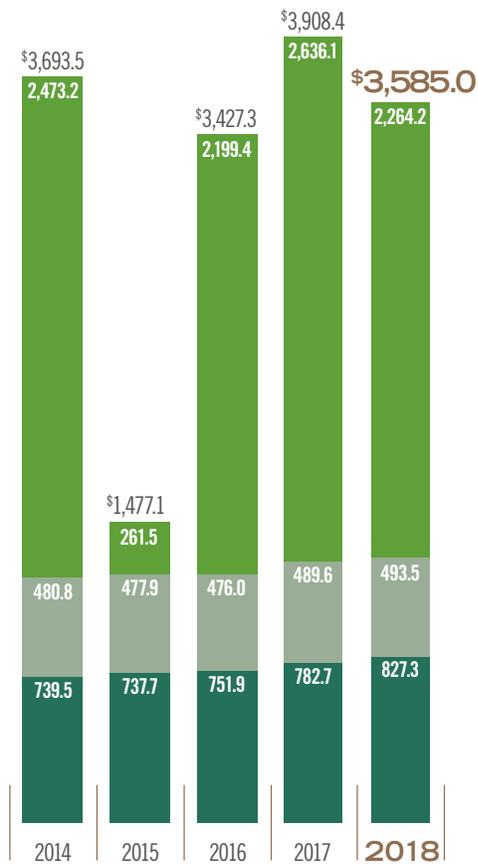
The Teachers' Retirement System of Alabama (TRS) provides retirement allowances and other specified benefits for qualified persons employed by state-supported educational institutions.

Grand National, Auburn/Opelika

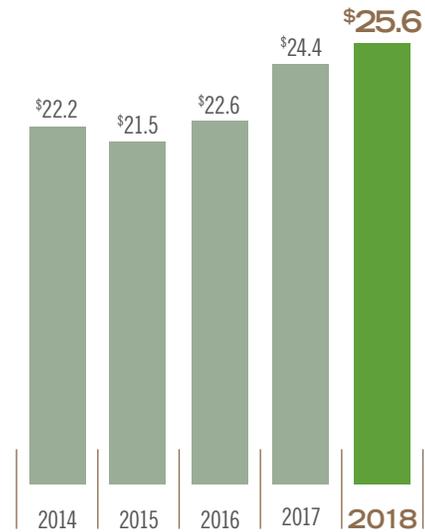


Benefits Administration

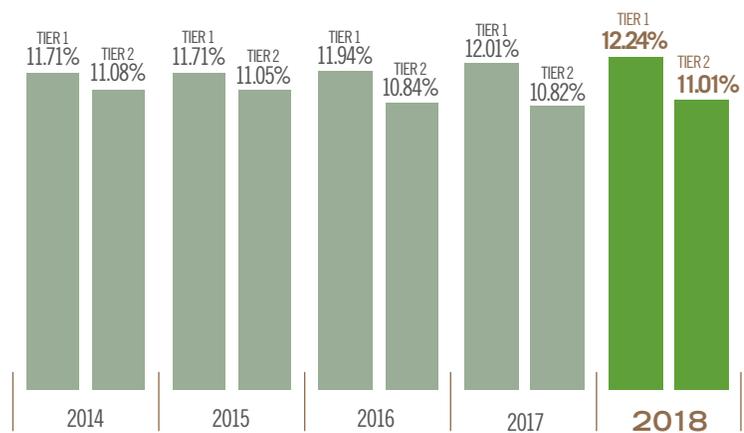
TRS REVENUE SOURCES
(DOLLARS IN MILLIONS)



PORTFOLIO AT FAIR VALUE
(DOLLARS IN BILLIONS)



EMPLOYER RATE
(% OF COVERED PAYROLL)

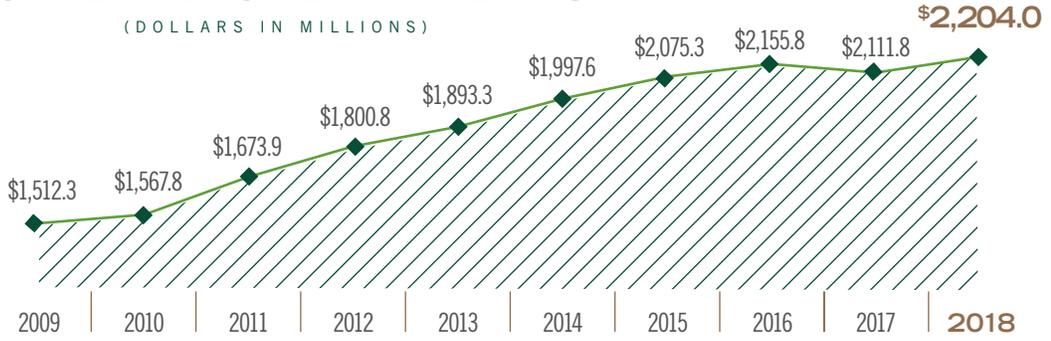




Retirement Benefits

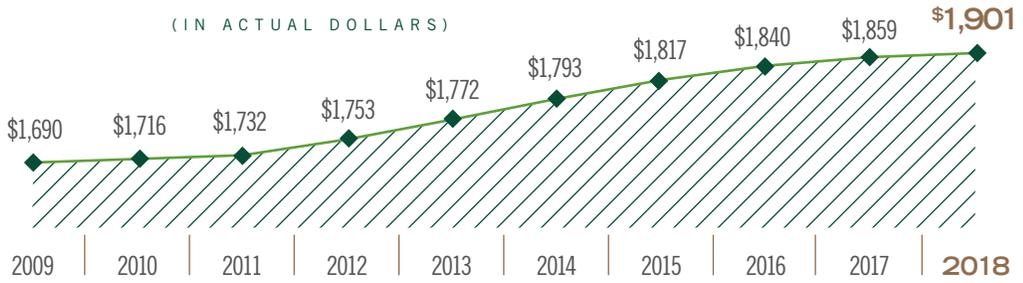
TOTAL ANNUAL PAYMENTS

(DOLLARS IN MILLIONS)



AVERAGE MONTHLY BENEFITS

(IN ACTUAL DOLLARS)



PRERETIREMENT DEATH BENEFITS

(DOLLARS IN MILLIONS)





Board of Control



MR. LUTHER P. HALLMARK
Superintendent Position
Chair



MR. JOHN R. WHALEY
Teacher Position
Vice Chair



HON. YOUNG BOOZER
State Treasurer
Ex Officio



MR. RICHARD BROWN
Principal Position



DR. SUSAN WILLIAMS BROWN
Postsecondary Position



MR. KELLY BUTLER
State Finance Director
Ex Officio



MRS. SUSAN LOCKRIDGE
Support Personnel
Position



DR. ERIC MACKEY
State Superintendent of
Education, Ex Officio



MS. CHARLENE MCCOY
Teacher Position



DR. CATHY MCNEAL
Teacher Position



MS. PEGGY MOBLEY
Retired Position



MS. KELLI D. SHOMAKER
Higher Education Position



MR. RUSSELL J. TWILLEY
Support Personnel
Position



DR. JOSEPH G. VAN MATRE
Higher Education
Position



MR. JOE WARD
Retired Position



Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ASSETS	2018	2017
CASH	\$ 34,831	\$ 57,413
RECEIVABLES		
Employee Contributions	40,209	38,750
Employer Contributions	67,229	63,362
Investment Sales Receivable	—	52,290
Real Estate Investment Receivable	815	866
Dividends and Interest	81,420	72,031
Transfers from PEEHIP	24,700	—
TOTAL RECEIVABLES	214,373	227,299
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	14,407,115	13,901,047
Domestic Fixed Income	4,044,570	3,928,819
International Equities	3,417,268	3,294,618
Real Estate	2,415,071	2,401,236
Short-Term	1,337,670	864,603
TOTAL INVESTMENTS	25,621,694	24,390,323
INVESTED SECURITIES LENDING COLLATERAL	1,052,082	1,189,852
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	107,508	105,664
TOTAL ASSETS	27,030,488	25,970,551
DEFERRED OUTFLOWS OF RESOURCES		
PENSIONS	4,567	—
OPEB	980	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,547	5,355
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	27,036,035	25,975,906
LIABILITIES		
Accounts Payable and Other Liabilities	7,093	6,732
Federal Withholding Payable	—	23,498
Investment Purchases Payable	1,475	76,787
Net OPEB Liability	16,708	—
Other Postemployment Benefits	—	5,720
Net Pension Liability	19,504	21,164
Securities Lending Collateral	1,052,082	1,189,852
TOTAL LIABILITIES	1,096,862	1,323,753
DEFERRED INFLOWS OF RESOURCES		
PENSIONS	2,106	—
OPEB	1,634	—
TOTAL DEFERRED INFLOWS OF RESOURCES	3,740	696
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,100,602	1,324,449
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 25,935,433	\$ 24,651,457

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ADDITIONS	2018	2017
CONTRIBUTIONS		
Employee Contributions	\$ 488,503	\$ 486,542
Employer Contributions	802,598	782,695
Transfers from Employees' Retirement System	4,963	3,096
Transfers from PEEHIP	24,700	—
TOTAL CONTRIBUTIONS	1,320,764	1,272,333
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	1,615,440	2,021,774
Interest and Dividends	650,293	613,353
Total Investment Income from Investing Activities	2,265,733	2,635,127
Less: Investment Expenses, Net	9,171	8,685
Net Investment Income from Investing Activities	2,256,562	2,626,442
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	23,246	20,125
Less Securities Lending Expenses		
Borrower Rebates	12,385	7,350
Management Fees	3,189	3,112
Total Securities Lending Expenses	15,574	10,462
Net Income from Securities Lending Activities	7,672	9,663
TOTAL NET INVESTMENT INCOME	2,264,234	2,636,105
TOTAL ADDITIONS	3,584,998	3,908,438
DEDUCTIONS		
Retirement Allowance Payments	2,204,031	2,111,830
Return of Contributions and Death Benefits	58,538	55,634
Transfers to Employees' Retirement System	4,899	3,413
Transfers to Judicial Retirement Fund	9	—
Administrative Expenses	15,952	16,390
Depreciation	6,338	6,012
TOTAL DEDUCTIONS	2,289,767	2,193,279
NET INCREASE	1,295,231	1,175,159
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	24,651,457	22,936,298
ADJUSTMENTS FOR APPLICATION OF GASB 75	(11,255)	—
BEGINNING OF YEAR—AS ADJUSTED	24,640,202	22,936,298
END OF YEAR	\$25,935,433	\$24,651,457



IN 2018, **ERS** SERVED A TOTAL OF
130,553
ACTIVE AND RETIRED MEMBERS

THE ERS
CONSISTS OF
1,004
UNITS

127

STATE
AGENCIES

65

COUNTIES

297

CITIES

515

OTHER PUBLIC
ENTITIES

MEMBERSHIP INCREASED BY

1,379

IN 2018



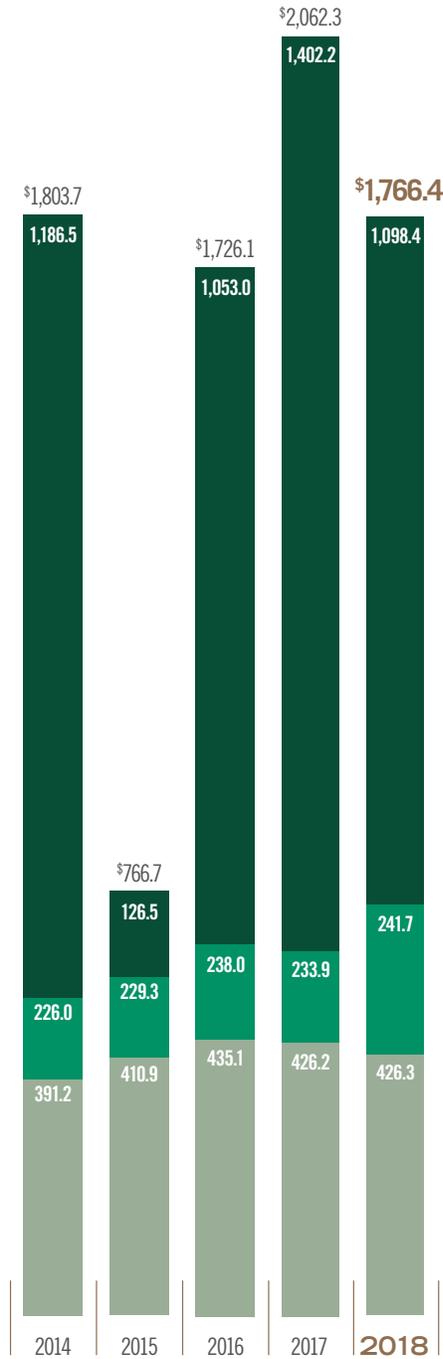
The Employees' Retirement System of Alabama (ERS) provides retirement allowances and other specified benefits for qualified state employees, state police, and, on an elective basis, employees of cities, counties, towns, and quasi-public organizations.

Grand National, Auburn/Opelika

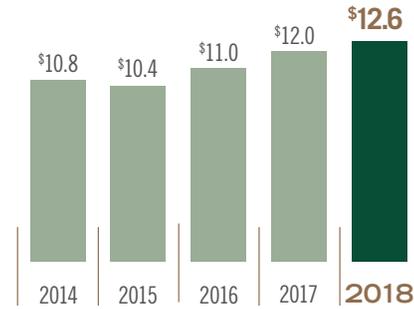


Benefits Administration

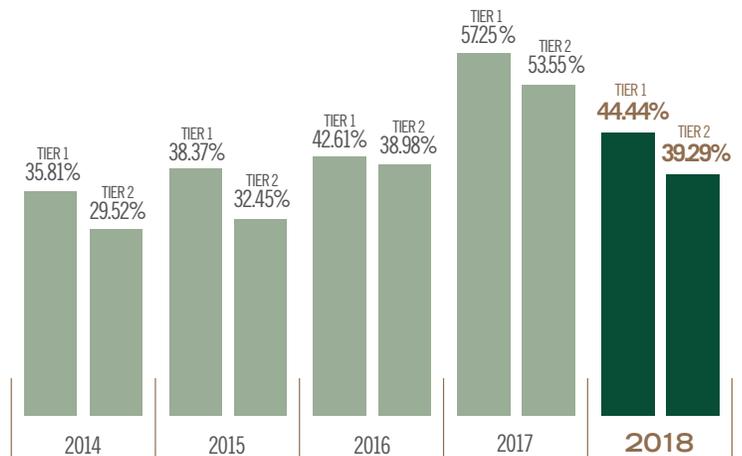
ERS REVENUE SOURCES (DOLLARS IN MILLIONS)



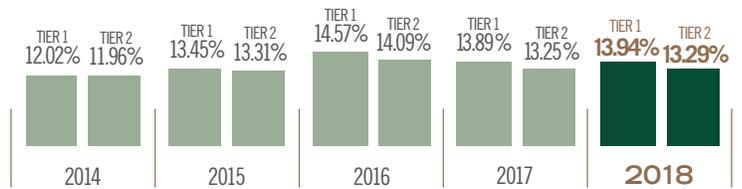
PORTFOLIO AT FAIR VALUE (DOLLARS IN BILLIONS)



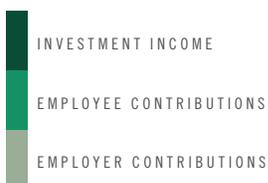
EMPLOYER RATE (% OF COVERED PAYROLL)



State Police Rate

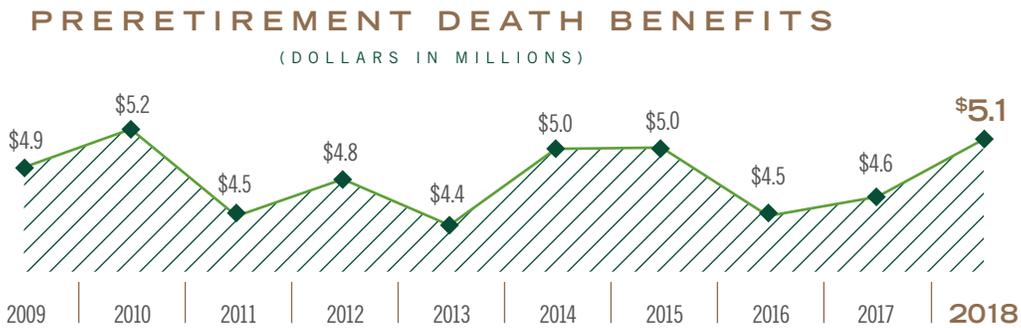
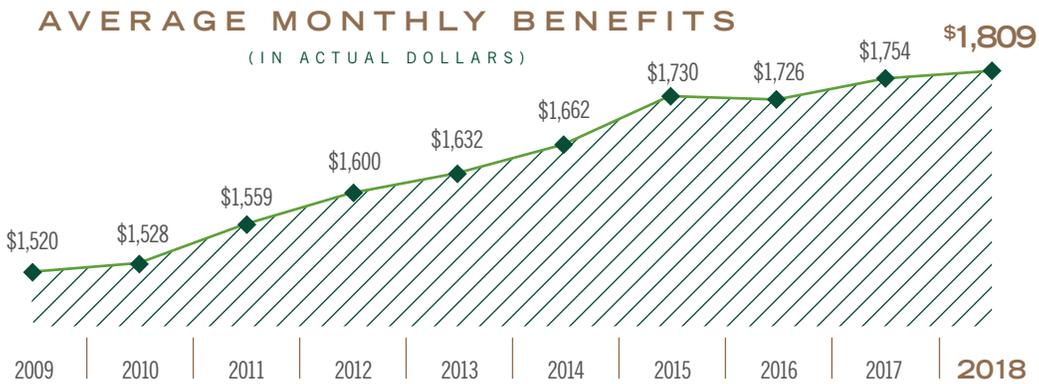


State Employee Rate





Retirement Benefits





Board of Control



HON. KAY IVEY
Governor
Ex Officio, Chair



MRS. JACKIE B. GRAHAM
State Personnel Director
Ex Officio, Vice Chair



MR. DAVID BOLLIE
Active State
Employee Position



HON. YOUNG BOOZER
State Treasurer
Ex Officio



MR. KELLY BUTLER
State Finance Director
Ex Officio



MR. JAMES FIBBE
Retired Local
Employee Position



MR. JOHN D. FREE
Governor Appointee



MS. ELLEN LEONARD
Governor Appointee



MR. BEN POWELL
Active Local
Employee Position



MR. JAMES H. ROWELL
Retired State
Employee Position



MR. CURTIS E. STEWART
Governor Appointee



MR. STEPHEN C. WALKLEY
Active State
Employee Position



MR. STEVEN W. WILLIAMS
Active Local
Employee Position



EMPLOYEES' RETIREMENT SYSTEM

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ASSETS	2018	2017
CASH	\$ 12,547	\$ 9,140
RECEIVABLES		
Employee Contributions	18,268	19,124
Employer Contributions	32,457	34,545
Investment Sales Receivable	—	28,075
Real Estate Investment Receivable	408	433
Dividends and Interest	41,407	33,903
TOTAL RECEIVABLES	92,540	116,080
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	7,277,756	7,025,435
Domestic Fixed Income	1,997,706	1,933,088
International Equities	1,602,600	1,467,563
Real Estate	1,171,372	1,163,825
Short-Term	548,882	420,173
TOTAL INVESTMENTS	12,598,316	12,010,084
INVESTED SECURITIES LENDING COLLATERAL	543,229	551,930
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	48,107	48,373
TOTAL ASSETS	13,294,739	12,735,607
DEFERRED OUTFLOWS OF RESOURCES		
PENSIONS	2,501	—
OPEB	306	—
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,807	3,758
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,297,546	12,739,365
LIABILITIES		
Accounts Payable and Other Liabilities	3,566	3,630
Investment Purchases Payable	799	38,979
Net OPEB Liability	11,871	—
Other Postemployment Benefits	—	5,335
Net Pension Liability	14,468	16,850
Securities Lending Collateral	543,229	551,930
TOTAL LIABILITIES	573,933	616,724
DEFERRED INFLOWS OF RESOURCES		
PENSIONS	1,859	—
OPEB	1,402	—
TOTAL DEFERRED INFLOWS OF RESOURCES	3,261	170
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	577,194	616,894
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 12,720,352	\$ 12,122,471

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ADDITIONS	2018	2017
CONTRIBUTIONS		
Employee Contributions	\$ 236,842	\$ 230,488
Employer Contributions	426,340	426,215
Transfers from Teachers' Retirement System	4,899	3,413
TOTAL CONTRIBUTIONS	668,081	660,116
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	775,132	1,098,859
Interest and Dividends	323,182	302,295
Total Investment Income from Investing Activities	1,098,314	1,401,154
Less: Investment Expenses, Net	3,395	3,305
Net Investment Income from Investing Activities	1,094,919	1,397,849
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	10,589	9,127
Less Securities Lending Expenses		
Borrower Rebates	5,647	3,424
Management Fees	1,449	1,389
Total Securities Lending Expenses	7,096	4,813
Net Income from Securities Lending Activities	3,493	4,314
TOTAL NET INVESTMENT INCOME	1,098,412	1,402,163
TOTAL ADDITIONS	1,766,493	2,062,279
DEDUCTIONS		
Retirement Allowance Payments	1,096,883	1,050,340
Return of Contributions and Death Benefits	45,070	47,683
Unit Withdrawals	350	1,000
Transfers to Teachers' Retirement System	4,963	3,096
Transfers to Judicial Retirement Fund	102	261
Administrative Expenses	11,219	11,982
Depreciation	2,544	2,520
TOTAL DEDUCTIONS	1,161,131	1,116,882
NET INCREASE	605,362	945,397
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	12,122,471	11,177,074
ADJUSTMENTS FOR APPLICATION OF GASB 75	(7,481)	—
BEGINNING OF YEAR—AS ADJUSTED	12,114,990	11,177,074
END OF YEAR	\$12,720,352	\$12,122,471



IN 2018, **JRF** SERVED A TOTAL OF
745 ACTIVE AND
RETIRED
MEMBERS

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, circuit clerks, district attorneys, and probate judges. Responsibility for the management and administration of the JRF is vested in the ERS Board of Control.

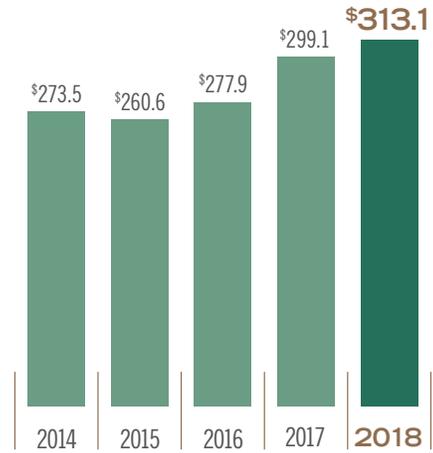
Capitol Hill, Prattville



Benefits Administration

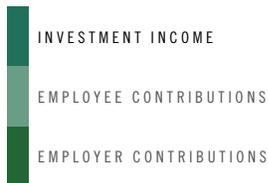
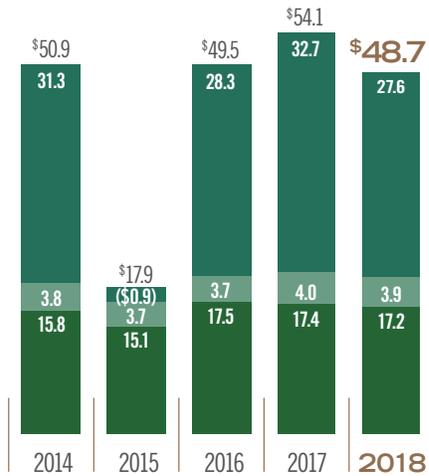
PORTFOLIO AT FAIR VALUE

(DOLLARS IN MILLIONS)



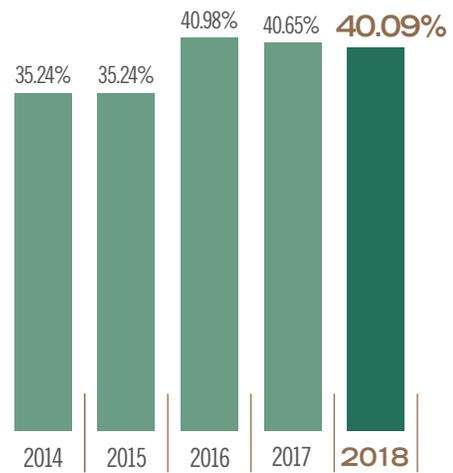
JRF REVENUE SOURCES

(DOLLARS IN MILLIONS)



EMPLOYER RATE

(% OF COVERED PAYROLL)

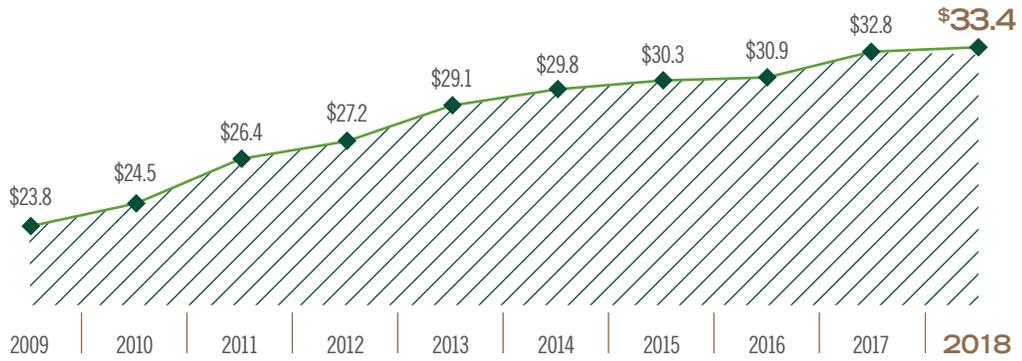




Retirement Benefits

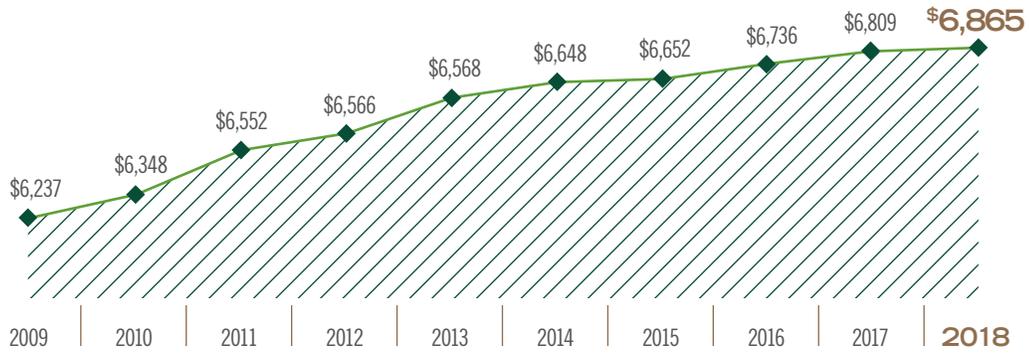
TOTAL ANNUAL PAYMENTS

(DOLLARS IN MILLIONS)



AVERAGE MONTHLY BENEFITS

(IN ACTUAL DOLLARS)





Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ASSETS	2018	2017
CASH	\$ 2,868	2,636
RECEIVABLES		
Employee Contributions	176	173
Employer Contributions	602	614
Real Estate Investment Receivable	–	14
Dividends and Interest	977	903
TOTAL RECEIVABLES	1,755	1,704
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	168,449	164,278
Domestic Fixed Income	72,713	69,172
International Equities	44,473	45,067
Real Estate	4,107	4,101
Short-Term	23,364	16,473
TOTAL INVESTMENTS	313,106	299,091
INVESTED SECURITIES LENDING COLLATERAL	10,456	18,115
TOTAL ASSETS	328,185	321,546
DEFERRED OUTFLOWS OF RESOURCES		
PENSIONS	48	–
OPEB	3	–
TOTAL DEFERRED OUTFLOWS OF RESOURCES	51	83
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	328,236	321,629
LIABILITIES		
Accounts Payable and Other Liabilities	59	62
Investment Purchases Payable	–	503
Net OPEB Liability	99	–
Other Postemployment Benefits	–	47
Net Pension Liability	275	302
Securities Lending Collateral	10,456	18,115
TOTAL LIABILITIES	10,889	19,029
DEFERRED INFLOWS OF RESOURCES		
PENSIONS	23	–
OPEB	10	–
TOTAL DEFERRED INFLOWS OF RESOURCES	33	22
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,922	19,051
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 317,314	\$ 302,578

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018, AND 2017

(\$ IN THOUSANDS)

ADDITIONS	2018	2017
CONTRIBUTIONS		
Employee Contributions	\$ 3,756	\$ 3,711
Employer Contributions	17,180	17,373
Transfers from Teachers' Retirement System	9	–
Transfers from Employees' Retirement System	102	261
TOTAL CONTRIBUTIONS	21,047	21,345
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	20,071	25,639
Interest and Dividends	7,471	6,910
Total Investment Income from Investing Activities	27,542	32,549
Net Investment Income from Investing Activities	27,542	32,549
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	248	270
Less Securities Lending Expenses:		
Borrower Rebates	134	90
Management Fees	34	44
Total Securities Lending Expenses	168	134
Net Income from Securities Lending Activities	80	136
TOTAL NET INVESTMENT INCOME	27,622	32,685
TOTAL ADDITIONS	48,669	54,030
DEDUCTIONS		
Retirement Allowance Payments	33,419	32,807
Return of Contributions and Death Benefits	130	353
Administrative Expenses	328	334
TOTAL DEDUCTIONS	33,877	33,494
NET INCREASE	14,792	20,536
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	302,578	282,042
ADJUSTMENTS FOR APPLICATION OF GASB 75	(56)	–
BEGINNING OF YEAR—AS ADJUSTED	302,522	282,042
END OF YEAR	\$317,314	\$302,578

IN 2018, PEEHIP MEDICAL COVERAGE SERVED

302,000

MEMBERS AND DEPENDENTS.



TOTAL CLAIMS EXPENSE ACTIVE AND RETIRED

(\$ IN THOUSANDS)





Statement of Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	(\$ IN THOUSANDS)	
ASSETS	2018	2017
CURRENT		
Cash	\$ 2,121	\$ 4,508
Premiums Receivable	2,121	1,144
Prescription Drug Rebates Receivable	6,105	17,821
Interest Receivable	344	139
Deposit with Claims-Paying Agent	3,334	1,559
TOTAL CURRENT ASSETS	14,025	25,171
NONCURRENT		
INVESTMENTS, AT FAIR VALUE		
Investments, Restricted	119,134	67,689
Investments, Unrestricted	172,628	125,103
Total Investments, At Fair Value	291,762	192,792
Total Assets	305,787	217,963
Deferred Outflows of Resources		
Net Pension Liability	691	874
Net Other Post Employment Benefit (OPEB) Liability	96	-
Total Deferred Outflows of Resources	787	874
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	306,574	218,837
LIABILITIES		
CURRENT		
Accounts Payable	1,212	361
Due to Other Governments	350	335
Compensated Absences, Current	16	16
Reported Claims Payable	28,696	28,349
Due to Teachers' Retirement System	24,700	-
Claims Incurred But Not Reported	56,463	54,917
TOTAL CURRENT LIABILITIES	111,437	83,978
NONCURRENT		
Compensated Absences	466	430
Net Pension Liability	3,112	3,450
Other Postemployment Benefits	-	1,192
Net OPEB Liability	3,437	-
TOTAL NONCURRENT LIABILITIES	7,015	5,072
TOTAL LIABILITIES	118,452	89,050
DEFERRED INFLOWS OF RESOURCES		
Net Pension Liability	336	89
Net OPEB Liability	338	-
Total Deferred Inflows of Resources	674	89
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	119,126	89,139
NET POSITION-RESTRICTED	119,134	67,689
NET POSITION-UNRESTRICTED	68,314	62,009
TOTAL NET POSITION	187,448	129,698
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 306,574	\$ 218,837

Statement of Revenues, Expenses, & Changes in Fund Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018, AND 2017

	(\$ IN THOUSANDS)	
OPERATING REVENUES	2018	2017
PREMIUMS		
Unrestricted	\$ 961,046	\$ 951,717
Restricted	50,014	67,430
TOTAL PREMIUMS	1,011,060	1,019,147
OPERATING EXPENSES		
Claims	927,086	910,527
Fees and Assessments	354	445
Administrative	3,199	3,170
TOTAL OPERATING EXPENSES	930,639	914,142
OPERATING INCOME/(LOSS)	80,421	105,005
INVESTMENT REVENUES		
Interest Income		
Interest Income-Unrestricted	3,033	1,157
Interest Income-Restricted	1,431	259
TOTAL INTEREST INCOME	4,464	1,416
TOTAL INVESTMENT REVENUES	4,464	1,416
TRANSFER TO TEACHERS' RETIREMENT SYSTEM	24,700	-
CHANGE IN NET POSITION	60,185	106,421
NET POSITION		
BEGINNING NET POSITION—AS PREVIOUSLY REPORTED	129,698	23,277
ADJUSTMENT FOR APPLICATION OF GASB 75	(2,435)	-
BEGINNING OF YEAR—AS ADJUSTED	127,263	23,277
ENDING NET POSITION		
UNRESTRICTED	68,314	62,009
RESTRICTED	119,134	67,689
TOTAL NET POSITION	\$ 187,448	\$ 129,698



Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	(\$ IN THOUSANDS)	
ASSETS	2018	2017
RECEIVABLES		
Prescription Drug Rebates	\$ 7,470	\$ 4,416
Interest and Dividends	4,142	4,003
Investment Sales Receivable	—	112
Employer Group Waiver Plan (EGWP)	—	41,307
TOTAL RECEIVABLES	11,612	49,838
DEPOSIT WITH CLAIMS-PAYING AGENT	3,462	712
INVESTMENTS, AT FAIR VALUE		
Money Market Funds	81,410	71,877
U.S. Government Guaranteed Bonds	130,083	124,363
U.S. Agency Securities	24,668	24,591
Mortgage-Backed Securities	80,396	76,103
Corporate Bonds	175,207	170,198
International Securities	184,721	133,177
Common Stocks	755,331	717,794
Preferred Stocks	3,843	4,020
TOTAL INVESTMENTS	1,435,659	1,322,123
INVESTED SECURITIES LENDING COLLATERAL	51,392	81,437
TOTAL ASSETS	1,502,125	1,454,110
LIABILITIES		
Reported Claims Payable	8,361	6,392
Investment Purchases Payable	—	937
Due to Other Governments	52	54
Claims Incurred But Not Reported	13,517	16,727
Securities Lending Collateral	51,392	81,437
TOTAL LIABILITIES	73,322	105,547
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 1,428,803	\$ 1,348,563

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2018, AND 2017

	(\$ IN THOUSANDS)	
ADDITIONS	2018	2017
CONTRIBUTIONS		
Employee Contributions	\$ 137,237	\$ 143,091
Employer Contributions	245,545	243,146
Employer Group Waiver Plan (EGWP)	587	23,195
TOTAL CONTRIBUTIONS	383,369	409,432
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	80,278	106,997
Interest and Dividends	33,763	30,645
Total Investment Income from Investing Activities	114,041	137,642
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	1,402	1,226
Less Securities Lending Expenses:		
Borrower Rebates	751	408
Management Fees	191	199
Total Securities Lending Expenses	942	607
Net Income from Securities Lending Activities	460	619
TOTAL NET INVESTMENT INCOME	114,501	138,261
TOTAL ADDITIONS	497,870	547,693
DEDUCTIONS		
BENEFITS	416,235	438,032
FEES AND ASSESSMENTS	49	(56)
ADMINISTRATIVE EXPENSES	1,346	1,354
TOTAL DEDUCTIONS	417,630	439,330
CHANGE IN NET POSITION	80,240	108,363
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS		
BEGINNING OF YEAR	1,348,563	1,240,200
END OF YEAR	\$ 1,428,803	\$ 1,348,563



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 HAS A NET ASSET VALUE OF

\$1.2 BILLION
IN ITS BOND INVESTMENT
FUND AND

\$829 MILLION
IN ITS STOCK INVESTMENT
FUND

RSA-1 Highlights

12-MONTH PERIOD ENDING	INCOME YIELD (IN %)	MARKET VALUE CHANGE (IN %)	TOTAL RETURN (IN %)	TOTAL NET ASSET VALUE (\$ IN MILLIONS)	PARTICIPATING MEMBERS
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
SEPTEMBER 30, 2015 (FIXED INVESTMENT OPTION)	3.42	-0.50	2.91	1,328.7	34,226
SEPTEMBER 30, 2015 (STOCK INVESTMENT OPTION)	2.14	-2.76	-0.61	491.4	19,188
SEPTEMBER 30, 2015 (STIF INVESTMENT OPTION)	0.07	0.00	0.07	13.9	383
SEPTEMBER 30, 2016 (FIXED INVESTMENT OPTION)	3.48	2.61	6.09	1,372.5	34,095
SEPTEMBER 30, 2016 (STOCK INVESTMENT OPTION)	2.30	13.09	15.39	561.7	19,708
SEPTEMBER 30, 2016 (STIF INVESTMENT OPTION)	0.41	0.00	0.41	40.8	1,127
SEPTEMBER 30, 2017 (FIXED INVESTMENT OPTION)	3.50	-2.68	0.82	1,303.1	33,826
SEPTEMBER 30, 2017 (STOCK INVESTMENT OPTION)	2.21	16.28	18.49	690.3	20,954
SEPTEMBER 30, 2017 (STIF INVESTMENT OPTION)	0.87	0.00	0.87	51.1	1,841
					
SEPTEMBER 30, 2018 (FIXED INVESTMENT OPTION)	3.34	-3.85	-0.51	1,219.6	33,634
SEPTEMBER 30, 2018 (STOCK INVESTMENT OPTION)	2.10	15.81	17.91	829.4	22,425
SEPTEMBER 30, 2018 (STIF INVESTMENT OPTION)	1.71	0.00	1.71	66.8	2,657

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.

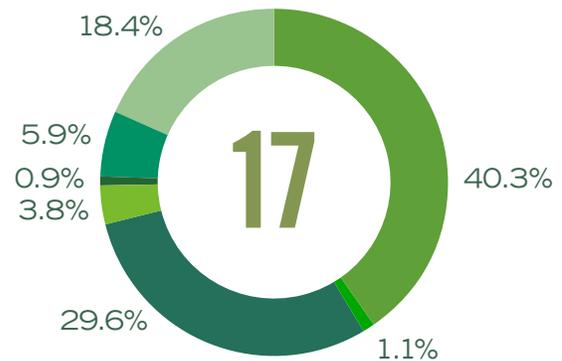
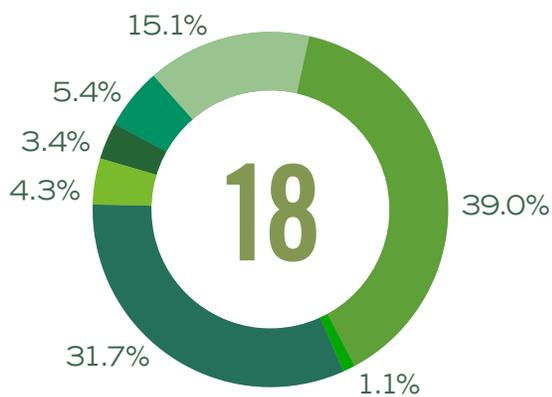


ALLOCATIONS

All numbers as of September 30, 2018, and September 30, 2017



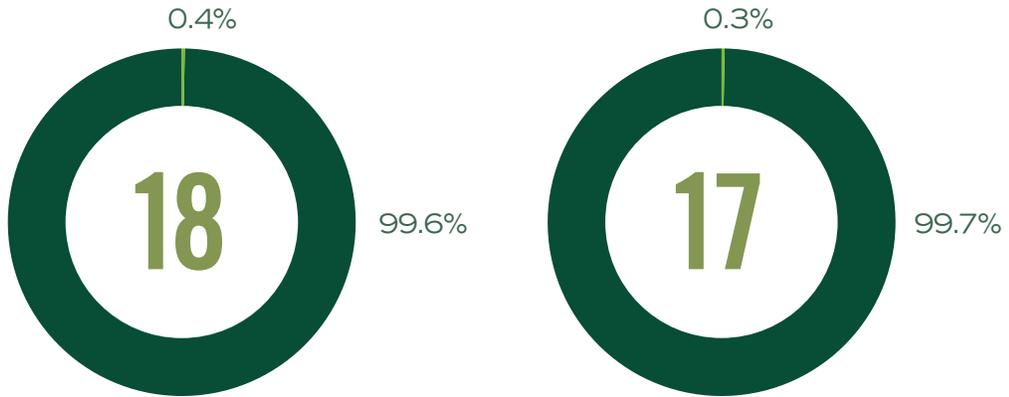
PEIRAF / INVESTMENT ALLOCATION



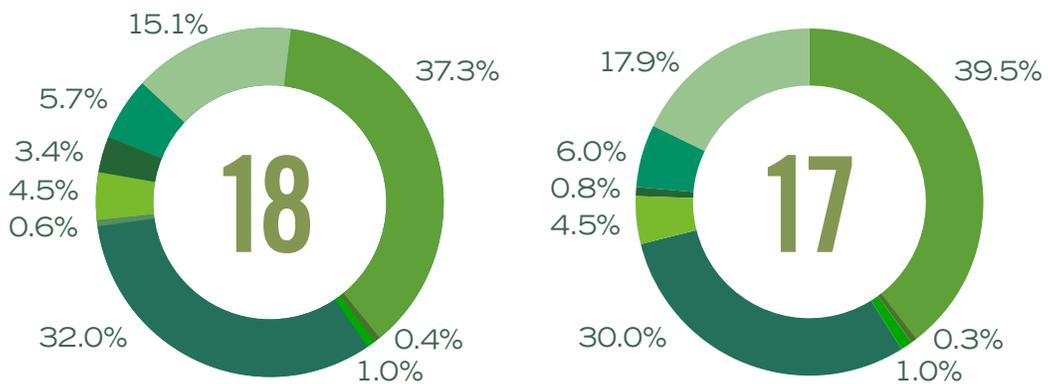
RSA-1 / SHORT-TERM INVESTMENT



RSA-1 / INVESTMENT ALLOCATION STOCK FUND



RSA-1 / INVESTMENT ALLOCATION BOND FUND





PUBLIC EMPLOYEES' INDIVIDUAL RETIREMENT ACCOUNT FUND
 |||| FINANCIAL STATEMENTS

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	IN ACTUAL DOLLARS	
ASSETS	2018	2017
CASH	\$ 101	\$ 100
INTEREST RECEIVABLE	527,006	597,875
INVESTMENTS, AT FAIR VALUE		
Money Market and Mutual Funds	3,151,662	3,050,702
U.S. Government Guaranteed Bonds	23,105,817	23,513,779
U.S. Agency Securities	3,955,778	4,671,026
Mortgage-Backed Securities	13,467,208	15,304,084
Corporate Bonds	28,451,944	32,005,726
Preferred Stock	794,926	831,452
TOTAL INVESTMENTS	72,927,335	79,376,769
INVESTED SECURITIES LENDING COLLATERAL	3,509,168	8,166,599
TOTAL ASSETS	76,963,610	88,141,343
LIABILITIES		
Securities Lending Collateral	3,509,168	8,166,599
TOTAL LIABILITIES	3,509,168	8,166,599
NET POSITION RESTRICTED FOR PEIRAF BENEFITS	\$ 73,454,442	\$ 79,974,744

Statement of Changes in Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	IN ACTUAL DOLLARS	
ADDITIONS	2018	2017
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Interest and Dividends	\$ 2,523,666	\$ 2,872,774
Net Decrease in Fair Value of Investments	(3,066,713)	(2,227,834)
Total Investment (Loss)/Income from Investing Activities	(543,047)	644,940
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	118,482	99,332
Less Securities Lending Expenses:		
Borrower Rebates	74,896	42,622
Management Fees	12,814	13,694
Total Securities Lending Expenses	87,710	56,316
Net Income from Securities Lending Activities	30,772	43,016
TOTAL NET INVESTMENT INCOME	(512,275)	687,956
TOTAL ADDITIONS	(512,275)	687,956
DEDUCTIONS		
Normal Distributions	6,008,027	5,370,494
TOTAL DEDUCTIONS	6,008,027	5,370,494
CHANGE IN NET POSITION	(6,520,302)	(4,682,538)
NET POSITION RESTRICTED FOR PEIRAF BENEFITS		
BEGINNING OF YEAR	79,974,744	84,657,282
END OF YEAR	\$ 73,454,442	\$ 79,974,744



Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	IN ACTUAL DOLLARS	
ASSETS	2018	2017
CASH	\$ 179,621	\$ 208,125
CONTRIBUTIONS RECEIVABLE	4,136	-
INTEREST AND DIVIDENDS RECEIVABLE	9,124,664	9,666,787
INVESTMENTS, AT FAIR VALUE		
Commercial Paper	7,004,664	-
Money Market Funds	124,743,363	111,829,998
U.S. Government Guaranteed Bonds	387,085,130	388,001,804
U.S. Agency Securities	68,586,346	77,196,950
Mortgage-Backed Securities	223,462,131	241,794,393
Corporate Bonds	452,279,131	511,340,714
Private Placements	5,585,418	4,447,334
Common and Preferred Stocks	838,130,611	700,388,682
TOTAL INVESTMENTS	2,106,876,794	2,034,999,875
INVESTED SECURITIES LENDING COLLATERAL	120,850,056	124,213,973
TOTAL ASSETS	2,237,035,271	2,169,088,760
LIABILITIES		
Securities Lending Collateral	120,850,056	124,213,973
TOTAL LIABILITIES	120,850,056	124,213,973
NET POSITION RESTRICTED FOR DEFERRED COMPENSATION BENEFITS	\$ 2,116,185,215	\$ 2,044,874,787

Statement of Changes in Fiduciary Net Position

AS OF SEPTEMBER 30, 2018, AND 2017

	IN ACTUAL DOLLARS	
ADDITIONS	2018	2017
MEMBER CONTRIBUTIONS	\$ 82,690,430	\$ 91,174,965
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Interest and Dividends	57,412,392	58,201,703
Net Increase in Fair Value of Investments	60,654,728	56,578,557
Total Investment Income from Investing Activities	118,067,120	114,780,260
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	2,548,352	2,376,619
Less Securities Lending Expenses:		
Borrower Rebates	1,591,215	1,066,968
Management Fees	280,154	316,125
Total Securities Lending Expenses	1,871,369	1,383,093
Net Income from Securities Lending Activities	676,983	993,526
TOTAL NET INVESTMENT INCOME	118,744,103	115,773,786
TOTAL ADDITIONS	201,434,533	206,948,751
DEDUCTIONS		
Normal Distributions	129,630,513	136,786,025
Emergency Withdrawals	493,592	546,629
TOTAL DEDUCTIONS	130,124,105	137,332,654
CHANGE IN NET POSITION	71,310,428	69,616,097
NET POSITION RESTRICTED FOR DEFERRED COMPENSATION BENEFITS		
BEGINNING OF YEAR	2,044,874,787	1,975,258,690
END OF YEAR	\$ 2,116,185,215	\$ 2,044,874,787

INVESTMENT HIGHLIGHTS

PROVIDING OUTSTANDING RESULTS
WITH ONE OF THE LOWEST INVESTMENT
EXPENSES IN THE INDUSTRY

55 Water Street, New York



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Senior Equity Analyst
Portfolio Manager



Equity Activity

Last year, we wrote about the somewhat concerted global earnings rebound. 2018 was more of a U.S. story, as we witnessed a divergence in growth around the world. Corporate tax reform and increased business confidence in the economy drove a strong acceleration in corporate earnings domestically. Looking abroad, macro events in many developed markets and a stronger dollar proved to be headwinds for international stocks.

Within our domestic portfolio, there was not much variation in returns across market capitalization. Both large cap and small cap stocks performed well, though the market was rather narrow in large cap with the big technology companies leading the charge. The only equity asset class with a negative return was emerging markets. As many of these countries are export dependent, the stronger dollar generally puts the brakes on those economies. Also China represents $\frac{1}{4}$ of that index, and the trade war issues with the Trump administration have weighed heavily on China shares. We were reluctant to add to our underweight position in emerging markets this year with all the obvious headwinds, but do expect to eventually rotate more money there when things settle down.

Considering we are in one of the longer running bull markets of all time, the RSA has continued to put some hedges in place to dampen downside volatility within the equity portfolio. We have tactically rolled out put-spread collars at various strikes and maturities that give 4-5% downside protection. There is a cost associated with these as protection is not free, but we feel it prudent to have these trades on given our substantial equity market exposure.

For the year, the RSA domestic equity portfolios returned 17.71%, 17.75%, and 17.27% for the TRS, ERS, and JRF, respectively. Both developed and emerging international equities performance lagged U.S. equities. Total international equity returns were 2.47% for TRS, 2.13% for ERS, and 2.47% for JRF. The combined total returns for the overall equity portfolios were 14.27%, 14.36%, and 13.91% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 15.46%, 11.51%, and 10.43% for TRS, 15.46%, 11.55%, and 10.46% for ERS, and 15.44%, 11.70%, and 10.74% for JRF, respectively. ■

Fixed Income Activity

At the beginning of fiscal year 2018, the Federal Reserve (Fed) had just opted not to raise short-term interest rates at its late September meeting. However, hawkish rhetoric from policymakers and the upcoming reduction in the Fed's balance sheet were able to lift rates higher in those last few weeks. The Committee's rate expectations remained intact with one additional rate hike expected in 2017 and three more scheduled for the upcoming year.

The month of October was very supportive of risk assets due to better than expected corporate earnings and fairly solid economic data. Investment grade and high yield corporates outperformed their treasury counterparts by approximately 50 basis points (bps). Flows into the high grade sector continued unabated as companies were able to issue record amounts of debt during the month. The European Central Bank (ECB) also began laying out plans to reduce its asset purchases next year as the euro-zone economy grew at its quickest pace in over five years.

The market's expectation of a December rate adjustment was confirmed by the latest minutes from the Federal Open Market Committee (FOMC) meeting. Short-term rates continued their march higher, a move that had been unrelenting since the beginning of September. However, the lack of inflation allowed the long end to slide, further flattening the yield curve. As always, the potential of an inverted curve draws investors' interest as one has proceeded all recessions over the last 40 years. Also of note, Jerome Powell was nominated to take the reins from Janet Yellen as the next Fed Chairman.

The Federal Reserve did in fact increase the range for the federal funds rate to 1.25-1.50% in December. Spread products benefitted from the risk-on environment provided by the strength in economic activity and labor market conditions. This move was also enhanced by the passing of the tax reform bill in Congress. While January was much appreciated from an equity holder's perspective, the fixed income market struggled quite a bit. Not only did short-term rates continue their move higher, but the long end of the curve finally broke out from its stable base. Some concluded it had to do with Chinese officials rethinking its foreign-exchange holdings or it may have simply been the realization of larger fiscal deficits going forward due to the recently-passed tax package. Even though agency and mortgage-backed securities posted negative returns for the month, both were able to outpace treasury securities due to their lower-duration profile.

Despite a healthy employment picture with wage growth inching closer to 3.0%, volatility abruptly returned to



financial markets. The implosion of the short volatility trade in early February sent risk assets reeling and a couple of funds had to be liquidated. Even in the midst of increased volatility, interest rates were able to move higher throughout the month. As expected, both investment grade and high yield debt struggled in this environment. Volatility continued unabated into March. While employment numbers were strong once again, the threat of a trade war began to materialize, highlighted by the resignation of Gary Cohn as Director of the National Economic Council. Treasury securities returned close to 1.0% during the month, while corporate debt underperformed for the second month in a row.

The Fed upgraded its outlook for the economy at the March meeting and increased the federal funds rate by another 25bps. Trade tensions with China aside, treasury yields rose approximately 25bps on the short end in April with the long end performing marginally better. Agency and mortgage debt minimized their losses during this time, while the investment grade sector was plagued with heavy supply and weak demand. The treasury sector was able to recapture losses experienced from the previous month as political risk in Italy produced a flight to quality within fixed income markets.

Policymakers raised the federal funds rate once again at its June gathering. Just as treasury yields began to recover from the political upheaval in Italy by mid-month, they quickly fell again as trade tensions and emerging market weakness came into focus. Treasury market returns were essentially flat for the month, while high grade corporates underperformed for the fifth consecutive month. Risk assets rebounded meaningfully in July due to strong corporate earnings and healthy economic data. A light issuance calendar helped provide the largest excess return month of the year for the corporate sector.

The fixed income market produced a mixed bag during the month of August. Treasury yields fell across the curve due to weakness in emerging market currencies as corporate spreads widened at the margin. The FOMC took no action in August, continuing a pattern of raising rates at every other meeting since last December. More recently, the path of least resistance for rates has been higher. The Fed has remained domestically-focused where economic growth and the labor market remain strong. Fed Chairman Jay Powell and other monetary officials raised short term rates to 2.25% at the upper end at its September meeting. Expectations of another move at the December meeting are highly likely.

Chairman Powell's job will likely become more difficult going forward. The Fed is the only central bank that is currently shrinking its balance sheet. The ECB is tapering bond purchases and hopes to end this process by

calendar year-end. However, policymakers in Europe have recently lowered their economic forecast for next year. The Bank of Japan will likely maintain its asset purchase program for the foreseeable future. The question remains how global risk assets will respond to further rate increases. With the rate of return on safe assets rising, at least here at home, the attractiveness of riskier ones should diminish. It will be a delicate balancing act for policymakers after a decade of easy money has supported financial markets in turbulent times.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were -0.70% for the TRS, -0.74% for the ERS, and -0.69% for the JRF. The five-year annualized returns were 2.72% for the TRS, 2.71% for the ERS, and 2.57% for the JRF. The ten-year annualized returns were 4.88% for the TRS, 4.88% for the ERS, and 4.85% for the JRF. ■

FOR 2018,
THE RSA'S PEER GROUP
RANKINGS (STATE STREET
PUBLIC FUNDS UNIVERSE
GREATER THAN \$1 BILLION)
WERE IN THE

17TH PERCENTILE
FOR TRS,
13TH PERCENTILE
FOR ERS, AND
15TH PERCENTILE
FOR JRF.

THE THREE-, FIVE-, AND
SEVEN-YEAR RANKINGS
REMAIN IN THE

TOP 30%

FOR THE TRS, ERS, AND JRF.



Returns

For the period ended September 30, 2018 (In %) Net Asset Value 1 Year 3 Years 5 Years 10 Years

TOTAL PORTFOLIO

TRS	\$25,701,098,364	9.42	10.53	8.88	7.77
ERS	12,638,637,414	9.29	10.78	9.00	7.58
JRF	314,076,390	9.32	10.72	8.70	8.72

TOTAL DOMESTIC EQUITY

TRS	13,277,540,128	17.71	16.88	13.33	11.78
ERS	6,540,350,592	17.75	16.84	13.30	11.75
JRF	167,899,671	17.27	16.88	13.59	12.05

DOMESTIC EQUITY BENCHMARKS

S&P 500	17.91	17.31	13.95	11.97
Mid Cap 400	14.21	15.68	11.91	12.49
Small Cap 600	19.08	19.41	13.32	12.86

TOTAL INTERNATIONAL EQUITY

TRS	3,437,243,052	2.47	10.14	4.85	5.70
ERS	1,610,862,695	2.13	10.06	4.78	5.66
JRF	44,741,273	2.47	10.26	4.86	5.87

INTERNATIONAL EQUITY BENCHMARKS

Morgan Stanley EAFE	2.74	9.23	4.42	5.38
MSCI Emerging Markets	(0.81)	12.36	3.61	5.40

TOTAL FIXED INCOME AND ALTERNATIVES

TRS	7,648,094,452	0.78	2.42	4.57	3.88
ERS	3,938,276,023	0.56	3.48	5.16	3.77
JRF	78,052,197	(0.51)	1.68	2.53	4.31

FIXED INCOME BENCHMARKS

Barclays Aggregate	(1.22)	1.31	2.16	3.77
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Maturity Structure

The 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 %)

Years to Maturity	TRS			ERS		
	2018	2017	2016	2018	2017	2016
0 to <5	30	29	25	30	29	25
5 to <10	17	17	13	17	17	12
10 to <30	52	52	61	52	53	62
= or >30	1	2	1	1	1	1

Quality Evaluation

The 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 %)

Rating	TRS			ERS		
	2018	2017	2016	2018	2017	2016
AAA	38	36	27	38	36	26
AA	1	1	1	1	1	1
A	8	10	7	8	9	7
BAA	16	14	13	16	14	12
BA	1	2	2	1	2	2
B	—	—	1	—	1	1
Not Rated	36	37	49	36	37	51



Broker Commissions Paid

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2018

	COMMISSIONS STOCK TRANSACTIONS (\$ IN THOUSANDS)	FIXED SECURITIES COMMISSIONS (\$ IN THOUSANDS)
BANK OF AMERICA / MERRILL LYNCH	388	63
BARCLAYS	104	35
BERNSTEIN	313	
BTIG	16	
CITIGROUP	289	123
CONVERGEX	187	
CORNERSTONE	47	
COWEN	41	
CREDIT SUISSE	76	17
DEUTSCHE BANK		3
GOLDMAN SACHS		173
HARBOR FINANCIAL	25	
INTERNATIONAL STRATEGY AND INVESTMENT—ISI	324	
ISSUER DESIGNATED		106
JEFFERIES	97	
JP MORGAN CHASE	150	130
KEYBANC CAPITAL MARKETS	59	39
MORGAN KEEGAN	20	
MORGAN STANLEY	1,072	134
NATIONAL BANK OF COMMERCE SECURITIES	76	
RAYMOND JAMES & ASSOCIATES	56	3
RENAISSANCE SECURITIES	247	
ROYAL BANK OF CANADA—RBC	236	58
SECURITIES CAPITAL	26	
SOUTHWEST SECURITIES	21	
STIFEL NICOLAUS	447	35
STRATEGAS	269	
SUNTRUST		14
UNION BANK OF SWITZERLAND—UBS WARBURG	65	
WELLS FARGO	425	125
TOTAL	<u>\$5,076</u>	<u>\$1,058</u>

Dow Jones Industrial Average
1 YEAR



Dow Jones Industrial Average
5 YEAR

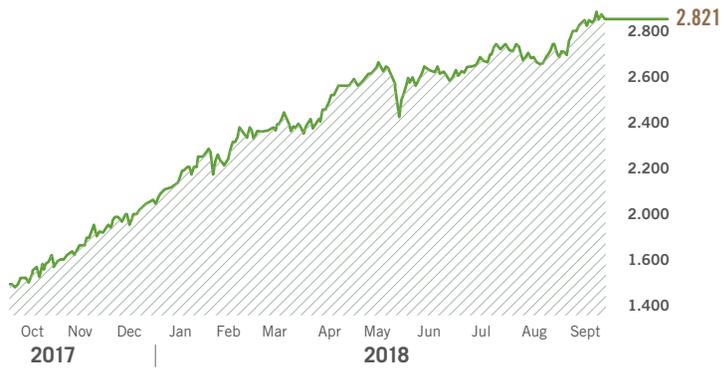


S&P 500 Index
1 Year

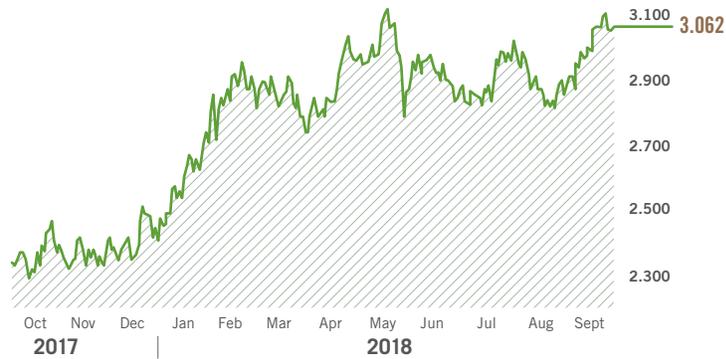


S&P 500 Index
5 Year

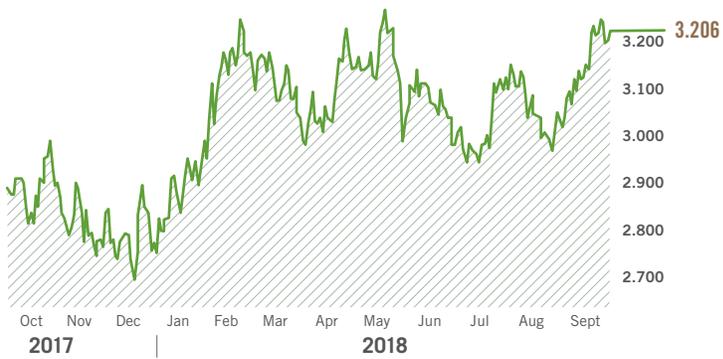




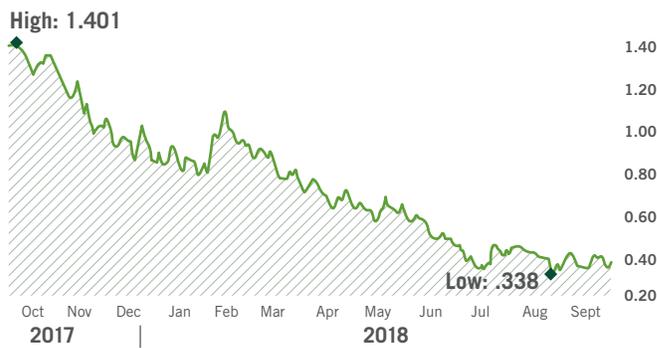
U.S. Treasury 2 Year Note
(YIELD)



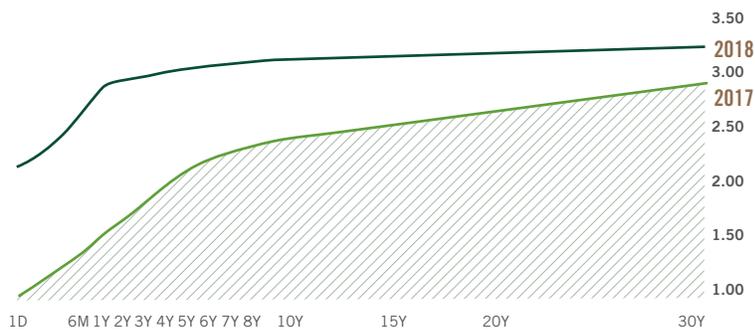
U.S. Treasury 10 Year Bond
(YIELD)



U.S. Treasury 30 Year Bond
(YIELD)



Spread Difference Between 2 Year & 30 Year Treasuries



U.S. Treasury Yield Curve 2017 vs. 2018

THE RETIREMENT SYSTEMS OF ALABAMA

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TO VISIT MEMBER SERVICES

MEMBER SERVICES

RSA HEADQUARTERS
201 SOUTH UNION STREET
MONTGOMERY, AL 36104

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.

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 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-hand side before Adams Avenue. Members may park in the open lot in front of the parking deck.

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RSA Headquarters
201 South Union Street
Montgomery, AL 36104

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