

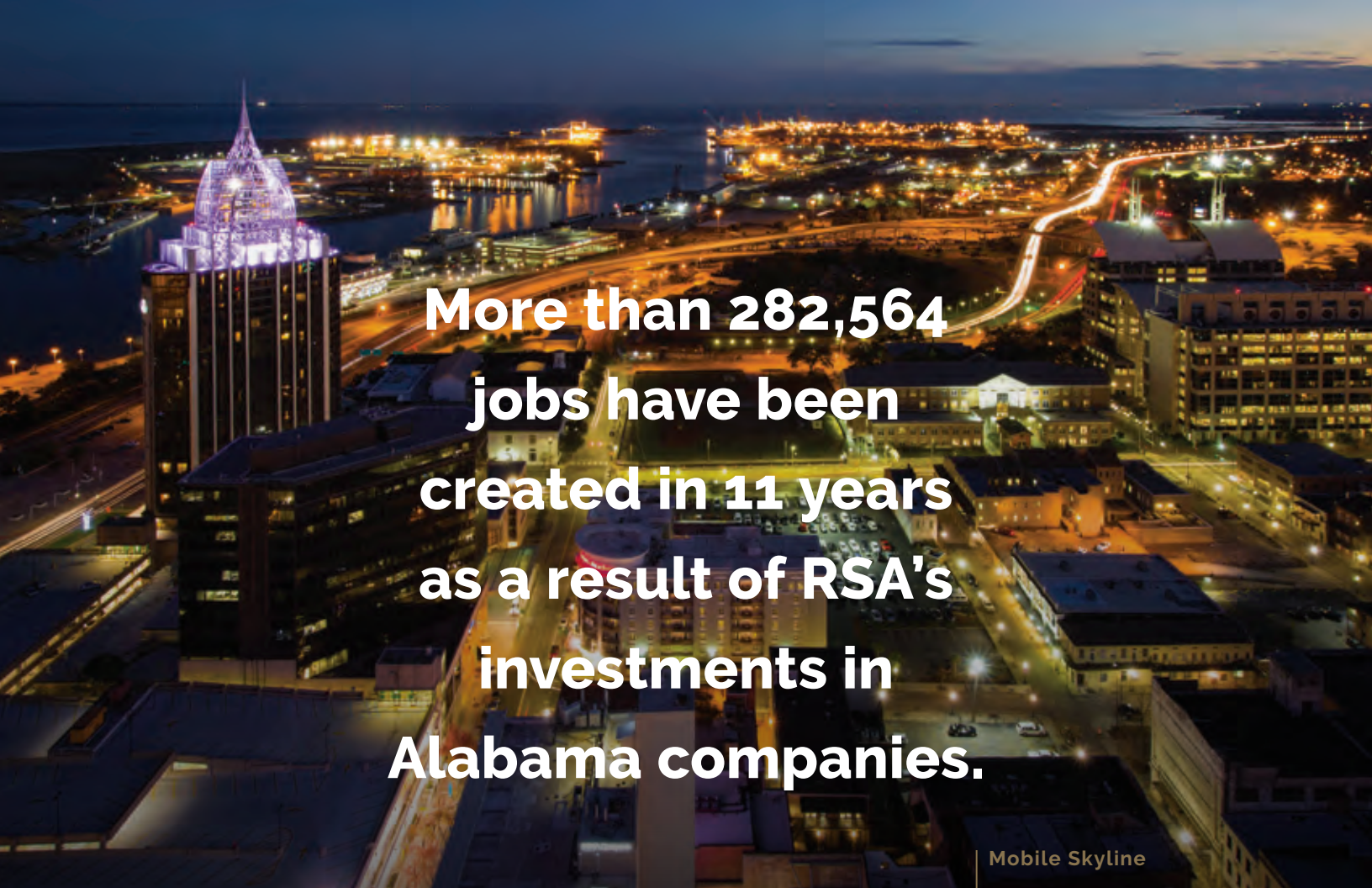
A N N U A L R E P O R T 2 0 1 9

REALIZING POTENTIAL



“Just maybe,
investing a small
percentage of
our assets back
into Alabama will
pay off in more
ways than we
can imagine.”

— Dr. David G. Bronner



**More than 282,564
jobs have been
created in 11 years
as a result of RSA's
investments in
Alabama companies.**

Mobile Skyline

To say RSA has made its mark on Alabama is an understatement. Of course, we contribute significantly through providing sound pension benefits to retirees at the lowest expense possible to the state. But in addition, RSA's strategic investments in Alabama have advanced the state's economy through development activities that help to attract or expand various industries and businesses, promotion of tourism, and major construction projects. It is truly a compelling story of how a public pension fund has improved the quality of life in Alabama.



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A LETTER FROM Dr. Bronner

The Boards of Control and the Retirement Systems of Alabama (RSA) staff are pleased to present the 43rd Annual Report for the fiscal year ended September 30, 2019.

The RSA currently manages 24 funds with aggregate assets of approximately \$41.8 billion. For fiscal year 2019, the Teachers' Retirement System (TRS) assets totaled \$25.3 billion, the Employees' Retirement System (ERS) assets totaled \$12.5 billion, and the Judicial Retirement Fund (JRF) assets totaled \$308.1 million. The annualized return was 2.63% for the TRS, 2.78% for the ERS, and 3.82% for the JRF.

The 2019 fiscal year got off to a rough start with equity markets performing poorly through the end of the first fiscal quarter, down nearly 14%. The Fed had raised short-term rates and trade war concerns were still running high. The new calendar year brought better performance as equity markets turned around and performed generally well through the remainder of the year. Despite a couple of small downturns, 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 single-digit positive returns. However, domestic mid-cap and small-cap equities were still negative year over year. Emerging markets also finished slightly negative, as did international equities.

Fixed income had a very strong year, returning close to 9.5% for the fiscal year. With all the global and political uncertainty in the markets, the Federal Reserve reversed course and lowered short-term rates twice during the latter half of the fiscal year. This, coupled with stable economic data and optimism regarding trade talks, allowed fixed income markets to rally and credit spreads to remain steady, finishing the year on a positive note. Markets have continued to be reactionary around macroeconomic and political events, 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, 55 Water Street, the RSA's office building located in New York City, announced the lease renewal for EmblemHealth. The company is one of the largest non-profit health insurers and has maintained its headquarters in the building since 2003. The transaction is one of the largest leases of the year in Lower Manhattan which will extend their lease for 15 years.



“Our aim is to serve the interests of our members by preserving the excellent benefits and soundness of the Systems...”

Montgomery Performing Arts Centre

In other real estate news, Marriott International named the RSA's Riverview Renaissance Plaza Hotel in Mobile its "2018 Marriott Franchise Hotel of the Year" among Marriott's Distinctive Premium Hotels in North America. This award's honors are based on reviews for guest satisfaction, employee opinions, financial records, market share, and overall property performance. The Grand Hotel Golf Resort & Spa, Autograph Collection was also honored; *USA Today* named the Grand Hotel in its Top 5 Historic Hotels as voted on by industry experts as well as a public vote. Lastly, the Renaissance Birmingham Ross Bridge Golf Resort & Spa was named to *Golf Magazine's* 100 Best Golf Resorts in North America. More than 3,700 golfers reviewed 250 golf resorts across North America for the rankings. This was the first time that Ross Bridge was named to *Golf Magazine's* listing.

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. ■

A handwritten signature in black ink, reading "David G. Bronner".

David G. Bronner
CHIEF EXECUTIVE OFFICER

THE ROBERT TRENT JONES GOLF TRAIL

ORIGIN **AL** THINKING

11 | The Lakewood Club

“ I wanted to improve Alabama and help ourselves so others would want to join us. I wanted to feature Alabama's natural beauty. I wanted to enhance the image of Alabama. I wanted to promote economic development in Alabama. I wanted something of which all Alabamians could be proud. I wanted something no other state had.”

— Dr. David G. Bronner

1 | Cambrian Ridge





11
GOLF SITES

26
COURSES

8 | Ross Bridge

**The Robert Trent Jones Golf Trail is
the largest golf course construction
project ever attempted.**

Over 13.5 million rounds of golf have been played on RTJ courses over the last 27 years—with its visitors spending money that benefits every part of Alabama. Now one of the top golf destinations in the world according to *GOLF* magazine, *Golf Digest*, and the Golf Channel, the Trail has international coverage with premier LPGA tournaments that will not only influence additional rounds of golf, but international attention for our state.

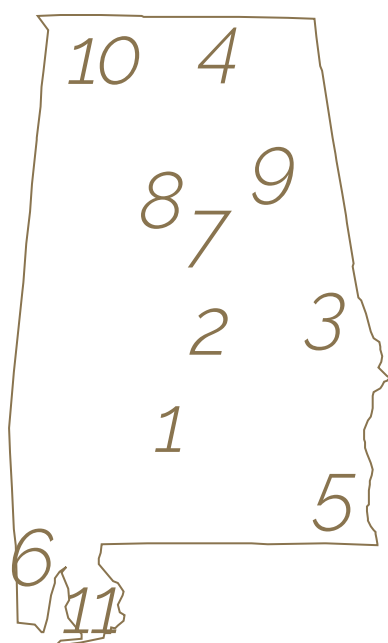
Tourism spending in Alabama

AS A RESULT OF THE TRAIL AND RSA TOURISM PROMOTIONS

\$3.3 B
1990

\$15.6 B
2018

7 Oxmoor Valley



1 Cambrian Ridge
Greenville, AL

2 Capitol Hill
Prattville, AL

3 Grand National
Auburn/Opelika, AL

4 Hampton Cove
Huntsville, AL

5 Highland Oaks
Dothan, AL

6 Magnolia Grove
Mobile, AL

7 Oxmoor Valley
Birmingham, AL

8 Ross Bridge
Hoover, AL

9 Silver Lakes
Anniston/Gadsden, AL

10 The Shoals
Florence/Muscle Shoals, AL

11 The Lakewood Club
Point Clear, AL



RSA HOTELS, CONFERENCE CENTERS, & RESORTS

SOUTHERN HOSPITALITY

6 | Ross Bridge



The RSA owns and manages eight upscale hotels, including notable favorites from *Travel + Leisure*, *Condé Nast Traveler*, *Successful Meetings*, and other leading publications. As our hospitality ambassadors, these properties welcome investors to the state every day, and host some 2,500 national and international meetings each year. Not only are these hotels showcasing the best of Alabama, they also employ thousands of Alabama workers.

1 | Grand National

7 | Riverview Plaza

HOTELS



Shoals **3**



Capitol Hill **5**

- 1** Auburn Marriott Opelika Resort & Spa at Grand National
Opelika, AL
- 2** Grand Hotel Golf Resort & Spa, Autograph Collection
Point Clear, AL
- 3** Marriott Shoals Hotel & Spa
Florence, AL
- 4** The Battle House Renaissance Mobile Hotel & Spa
Mobile, AL

- 5** Montgomery Marriott Prattville Hotel & Conference Center at Capitol Hill
Prattville, AL
- 6** Renaissance Birmingham Ross Bridge Golf Resort & Spa
Hoover, AL
- 7** Renaissance Mobile Riverview Plaza Hotel
Mobile, AL
- 8** Renaissance Montgomery Hotel & Spa at the Convention Center
Montgomery, AL



The Grand 2



Battle House 4

Of the top four Alabama hotels ranked in 2018 by *U.S. News & World Report*, three are owned by the Retirement Systems of Alabama and are part of the RTJ Resort Collection including

#1, The Grand Hotel Golf Resort & Spa, Autograph Collection (top left),

#2, The Battle House Renaissance Mobile Hotel & Spa (bottom left),

and **#4**, The Renaissance Birmingham Ross Bridge Golf Resort & Spa in Hoover (below).

6 | **Ross Bridge**



A NEW REALITY

RSA investments are making Alabama
a great place to work and live.

Our real estate holdings are powerful recruiting tools that
attract major companies to move to Alabama creating
jobs, in addition to billions in increased tax revenue.

**RSA's Battle House Tower (right) is the tallest
building on the Gulf Coast east of Houston.**



RSA has not only reshaped the
skylines of Montgomery and Mobile,
it has also helped to transform
much of the rest of the state,
from Mobile's Battle House Tower to
multiple blocks in the Capitol City, and from
sprawling residential communities
to key commercial developments.

First-class RSA real estate sit amidst historical landmarks in Montgomery





Residential Development at RTJ's Ross Bridge



Revitalized Mobile landmark, The Van Antwerp serves as modern commercial space

ECONOMIC DEVELOPMENT IN ALABAMA

A VALUABLE PARTNER

Over the years, the RSA has partnered with Alabama state government, utility companies, and industrial leaders in virtually every major recent economic development success in the state.

This includes the introduction or expansion of the following industries: automotive, aerospace, biotech, information technology, distribution, metals, chemical, forestry products, electronics, plastics and rubber, railcar manufacturing, oil and gas, maritime, and agribusiness. The RSA played a substantial role in recruiting Mercedes-Benz, Honda, Toyota, Navistar, Hyundai, Airbus, and Thyssenkrupp to Alabama. And the RSA continues to be a major contributor to Alabama's growth, helping create a fiscally sustainable and vibrant state for the next generation.

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 2 North Royal / 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



ADVOCATES FOR ALABAMA

LEGAL

In fiscal year 2019, 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. Cases litigated during 2019 have involved practice areas including real estate, health benefits, employment law, and corporate matters, among others. The RSA continues to litigate as necessary to protect the interests of its members.

Throughout 2019, the RSA legal staff provided legal advice and assistance daily on issues that arose during the course of business. The legal staff advised the RSA on items involving benefits and administrative operations, and provided guidance in resolving inquiries concerning contractual and statutory interpretation and application and in navigating state and federal regulatory requirements. The legal staff also provides training as needed on all aspects of the operations and governance of the RSA, PEEHIP, and the Boards of Control.

The RSA legal staff further supported the RSA in the drafting, negotiation, and review of contracts essential to day-to-day operations. In 2019, the legal staff successfully protected the RSA's interests in the negotiation of a number of significant contracts, including those necessary to administrative, accounting, investment, IT/security, and PEEHIP operations.

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 or monitoring litigation where necessary.

In 2019, the RSA legal staff also continued to advocate on behalf of PEEHIP in litigation, and to offer guidance and representation for the health plan in other matters such as transactions with service providers and plan compliance with governing laws and regulations, including the Affordable Care Act and other federal laws protecting the privacy and security of PEEHIP members' health information.

The RSA legal staff provided support as well to RSA-1, the Section 457 deferred compensation plan administered by RSA staff. The legal staff assisted RSA-1 in administering the plan, drafting amendments to the plan document, complying with appropriate IRS and other applicable rules and regulations, and resolving legal questions involving plan participants.

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 2019 Regular Session of the Alabama Legislature began March 5, 2019, and ended on May 31, 2019. 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) by setting the actuarially-calculated employer contribution rates for both systems.

In addition, the Legislature enacted two bills that will materially affect the Retirement Systems of Alabama (RSA) and its members.

First, Act 2019-316 provides a partial lump-sum option (PLOP) for RSA members at retirement. Members may take up to twenty-four months of their maximum benefit as a lump-sum distribution. The member's retirement benefit will then be actuarially reduced by a like amount. The option is available to members who retire on or after October 1, 2019.

Second, Act 2019-132 allows local government employers (such as cities and counties) that participate in the ERS, an agent multiple-employer plan, to elect to provide Tier I retirement benefits to Tier II members. Local employers may elect to increase benefits for their Tier II members by approving a resolution to do so within two years from the enactment of Act 2019-132. The ERS Board may deny elections for local employers who have historically been non-compliant with ERS requirements or who may lack the financial stability to pay the employer contributions necessary to fund the increased benefit. ■



STAFF, ADVISORS, AND MEDICAL BOARD

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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. TOWNES, B.S., CPA,
CGBA

DIRECTOR OF RSA-1

RHONDA H. PETERS, B.S.

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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. LARRY LANGER

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.

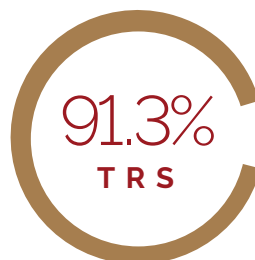
DEMOGRAPHIC HIGHLIGHTS

ENHANCING QUALITY OF LIFE

In Kiplinger's 2018 list of "20 Best States To Retire," **Alabama's impressive rank of #6** is due in no small part to the quality of life created by the RSA.

We have contributed significantly to the state's economic expansion and tourism that makes Alabama a better place to live. And this has sparked an increased number of retirees residing in Alabama—where their continued spending provides to the economic stability of the state.

MEMBERS REMAINING
IN ALABAMA AFTER
RETIREMENT





IN 2019, RSA SERVED A TOTAL OF

368,566

ACTIVE & RETIRED

MEMBERS FROM TRS, ERS, & JRF

59%

ACTIVE

TRS	134,471
ERS	84,420
JRF	366
TOTAL	219,257

41%

RETIRED

TRS	97,927
ERS	50,930
JRF	452
TOTAL	149,309

TOTAL

TRS	232,398
ERS	135,350
JRF	818
TOTAL	368,566

MEMBERSHIP ACTIVITY

NEW MEMBERS

TRS	ERS	JRF	TOTAL
11,935	11,399	88	23,422

WITHDRAWN MEMBERS

TRS	ERS	JRF	TOTAL
4,323	5,690	13	10,026

SERVICE RETIREMENTS

TRS	ERS	JRF	TOTAL
4,168	2,295	54	6,517

DISABILITY RETIREMENTS

TRS	ERS	JRF	TOTAL
294	178	0	472

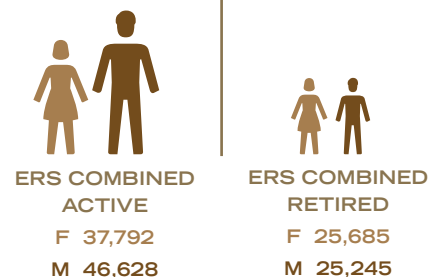
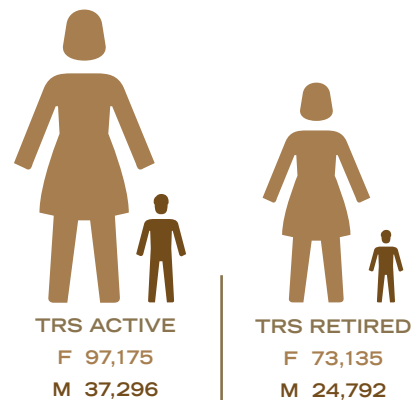
SURVIVING SPOUSES

TRS	ERS	JRF	TOTAL
6	7	0	13

NEW BENEFICIARIES

TRS	ERS	JRF	TOTAL
507	392	3	902

2019 DEMOGRAPHICS FEMALE AND MALE COMPARISON



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



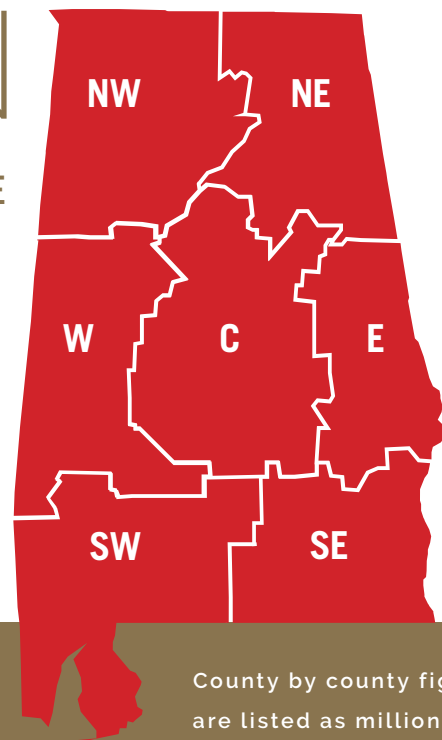
TOTAL BENEFITS PAID IN 2019

\$3.4 BILLION

\$3.1

BILLION

PAID HERE AT HOME



County by county figures are listed as millions of benefits paid.



Members and Benefits Paid by County

NORTHWEST

COUNTY	ACTIVE	RETIRED	BENEFITS
LAUDERDALE	3,543	2,504	\$ 57.7
LIMESTONE	3,767	2,034	47.3
COLBERT	2,526	1,926	42.8
FRANKLIN	1,452	899	19.7
LAWRENCE	1,044	760	15.4
MORGAN	4,662	3,374	74.3
MARION	1,324	818	17.0
WINSTON	1,015	699	13.9
CULLMAN	3,436	2,299	51.4
LAMAR	629	436	8.9
FAYETTE	819	524	11.0
WALKER	2,721	1,983	41.2

NORTHEAST

COUNTY	ACTIVE	RETIRED	BENEFITS
MADISON	12,955	7,784	\$ 193.2
JACKSON	2,192	1,521	31.2
MARSHALL	3,822	2,339	52.4
DEKALB	2,715	1,547	32.9
BLOUNT	1,733	1,129	23.6
ETOWAH	4,420	3,261	71.6
CHEROKEE	743	531	11.6
ST. CLAIR	3,200	1,825	41.5
CALHOUN	5,507	3,361	71.2
CLEBURNE	485	294	6.1

CENTRAL

COUNTY	ACTIVE	RETIRED	BENEFITS
JEFFERSON	27,587	17,473	\$ 433.2
SHELBY	9,712	4,706	124.3
TALLADEGA	3,269	2,427	48.8
BIBB	846	565	11.8
CHILTON	1,839	1,189	24.8
COOSA	489	339	7.1
PERRY	443	326	6.8
DALLAS	1,795	1,293	26.8
AUTAUGA	3,244	1,812	41.8
ELMORE	5,502	3,509	82.5
LOWNDES	487	418	8.1
MONTGOMERY	13,739	8,817	219.5

WEST

COUNTY	ACTIVE	RETIRED	BENEFITS
PICKENS	829	624	\$ 11.9
TUSCALOOSA	12,660	7,402	173.6
GREENE	404	380	6.9
HALE	972	650	12.7
SUMTER	745	455	9.4
MARENGO	1,002	641	13.5
CHOCTAW	318	334	6.3
WILCOX	608	411	7.3

EAST

COUNTY	ACTIVE	RETIRED	BENEFITS
CLAY	625	463	\$ 9.8
RANDOLPH	822	633	12.4
TALLAPOOSA	1,798	1,411	34.3
CHAMBERS	1,274	830	16.2
LEE	10,049	4,859	132.4
MACON	951	810	16.4
RUSSELL	1,442	792	14.5
BULLOCK	547	379	7.6

SOUTHWEST

COUNTY	ACTIVE	RETIRED	BENEFITS
WASHINGTON	622	614	\$ 11.9
CLARKE	1,167	905	17.9
MONROE	844	655	13.7
CONECUH	572	401	7.4
BUTLER	825	594	12.1
MOBILE	15,633	11,588	239.3
BALDWIN	8,946	5,921	138.4
ESCAMBIA	1,520	1,189	25.0

SOUTHEAST

COUNTY	ACTIVE	RETIRED	BENEFITS
CRENSHAW	791	579	\$ 12.3
PIKE	2,221	1,358	33.0
BARBOUR	1,033	751	14.6
COVINGTON	1,659	1,213	25.1
COFFEE	2,077	1,319	28.9
DALE	1,772	1,111	22.6
HENRY	874	595	12.6
GENEVA	1,112	670	13.5
HOUSTON	3,760	2,653	59.6

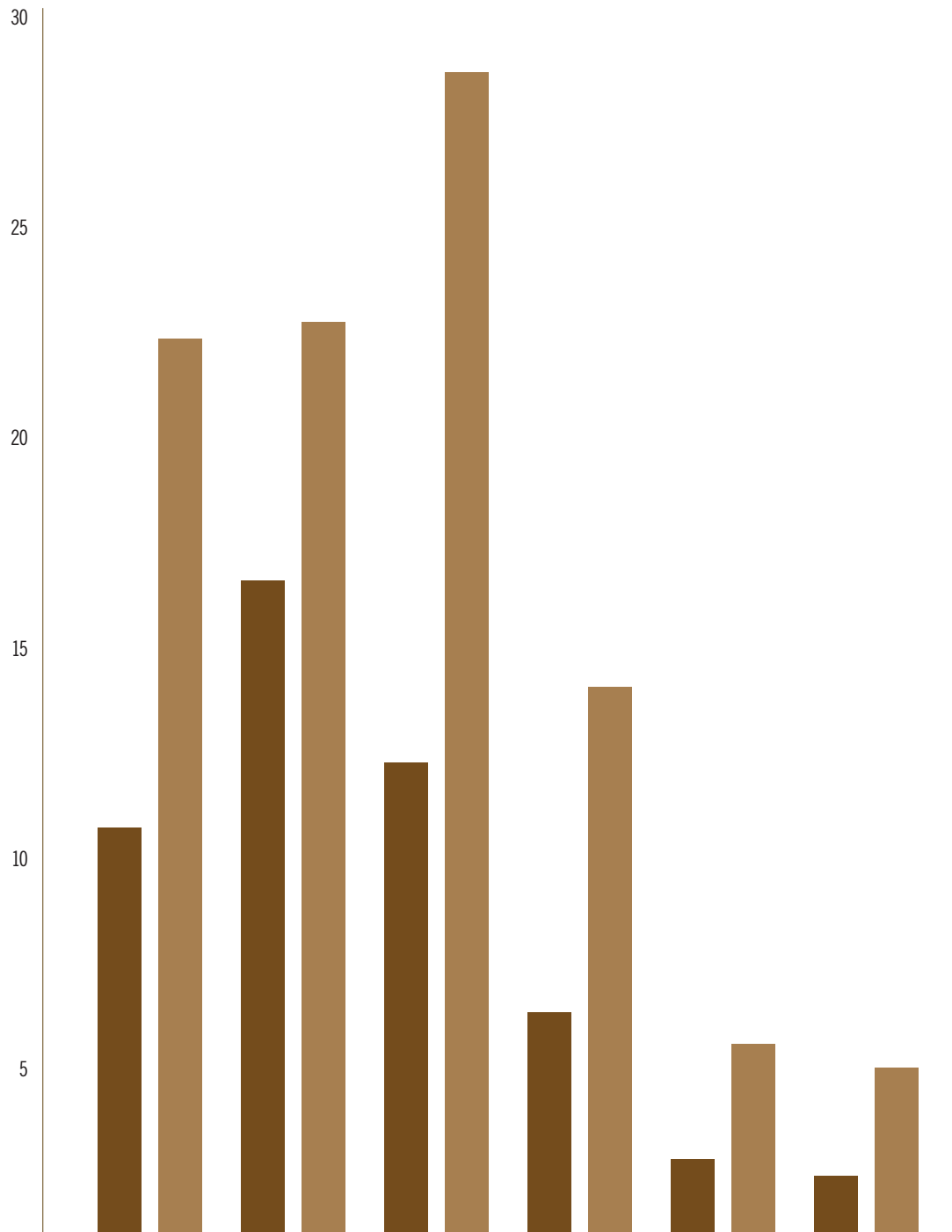
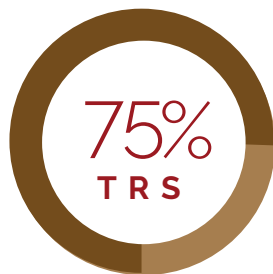


RSA Retirees and Benefits Paid

RETIREES

In thousands

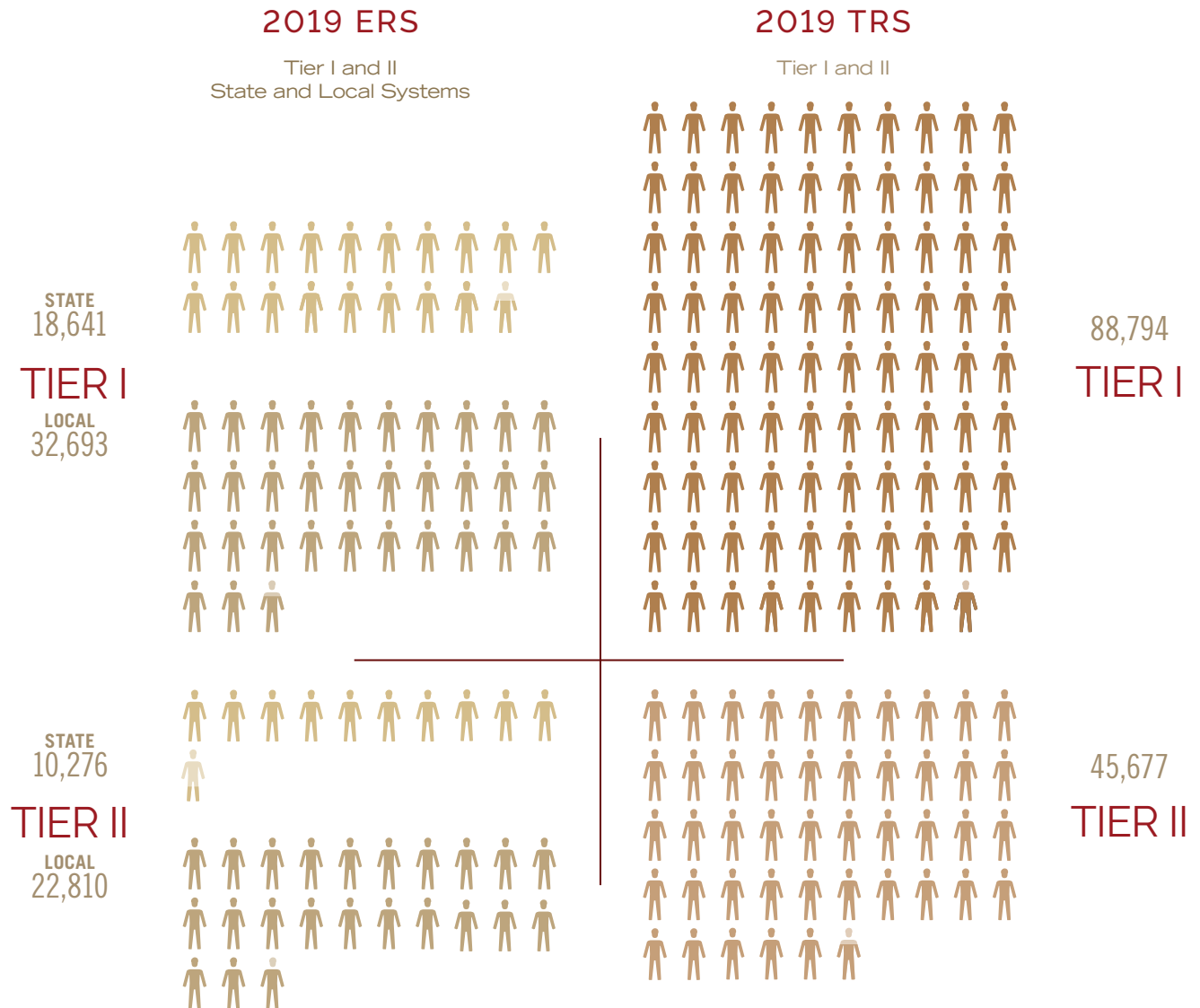
% RETIREES IN
2019 RECEIVING
< \$30K
ANNUALLY



By System		\$0-\$9,999		\$10,000-\$19,999		\$20,000-\$29,999		\$30,000-\$39,999		\$40,000-\$49,999		\$50,000+	
ANNUAL BENEFITS Paid in thousands	ERS	10,609	20.8%	16,548	32.5%	12,165	23.9%	6,341	12.5%	2,814	5.5%	2,453	4.8%
	TRS	22,257	22.7%	22,647	23.1%	28,590	29.2%	13,923	14.2%	5,536	5.7%	4,974	5.1%



RSA Active Members by Benefit Tier



COMPARISON OF TIER I AND TIER II MEMBERS IN THE COMBINED SYSTEMS IN 2019, 2018, AND 2017



FINANCIAL HIGHLIGHTS

2019 ANNUAL OVERVIEW

TOTAL INVESTED ASSETS BY SYSTEM

TRS	ERS	JRF
\$25.3	\$12.5	\$308.1
BILLION	BILLION	MILLION



Revenue Sources for TRS, ERS, and JRF

\$3.1 BILLION
TOTAL INVESTMENTS AND
CONTRIBUTIONS ADDING UP TO
TOTAL REVENUE FOR 2019

30.7%

\$946.0 MILLION

INVESTMENT
INCOME

44.0%

\$1,354.9 MILLION

EMPLOYER
CONTRIBUTIONS

25.3%

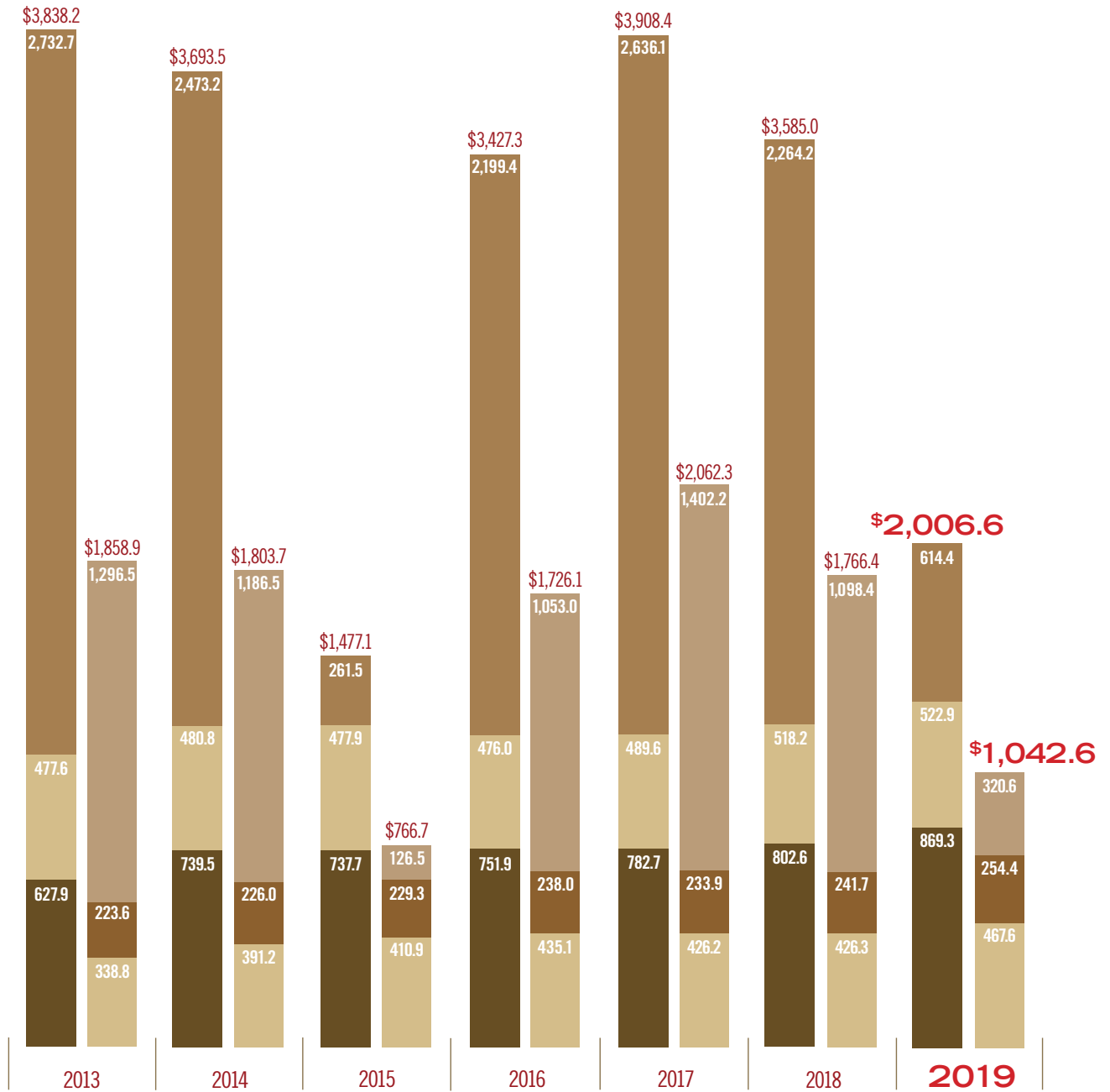
\$781.5 MILLION

EMPLOYEE
CONTRIBUTIONS



7-YEAR HIGHLIGHTS

(DOLLARS IN MILLIONS)



TRS

INVESTMENT INCOME

EMPLOYEE CONTRIBUTIONS

EMPLOYER CONTRIBUTIONS

ERS



Funds Under Management

AS OF SEPTEMBER 30, 2019 (DOLLARS IN THOUSANDS)

24
FUNDS

\$41.8

BILLION

IN ASSETS UNDER MANAGEMENT

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

TOTAL INVESTED ASSETS		TOTAL INVESTED ASSETS	
Teachers' Retirement System	\$ 25,264,700	Public Education Employees' Health Insurance Fund	\$ 163
Employees' Retirement System	12,456,104	Alabama Retired Education Employees' Health Care Trust	1,491
Judicial Retirement Fund	308,091	Public Employees' Individual Retirement Account Fund	74,746
Alabama Cultural Resources Preservation Trust Fund	14,535	Alabama Marine Resources Endowment Trust Fund	2,352
Alabama Firefighters Annuity and Benefit Fund	278	Alabama Trust Fund	279,186
Division of Wildlife and Freshwater Fisheries	25,486	Alabama Treasury Fund	525,742
Alabama Nongame Wildlife Endowment Trust	17	Charlotte Thorn Trust Fund	11,532
Alabama Underground and Aboveground Storage Tank Trust Fund	16,521	County Municipal Trust Fund	136,111
Clerks' and Registers' Supernumerary Fund	12,617	Alabama State Employees' Retired Health Care Trust Fund	190,063
Alabama Senior Services Trust Fund	49,989	State Docks Pension Plans	20,446
Alabama State Employees' Health Insurance Fund	123,582	Marion Military Institute Foundation	6,780
Local Government Health Insurance Fund	129,547		
PEIRAF-Deferred Compensation Plan (RSA-1)	2,198,950		

TOTAL INVESTED ASSETS UNDER MANAGEMENT

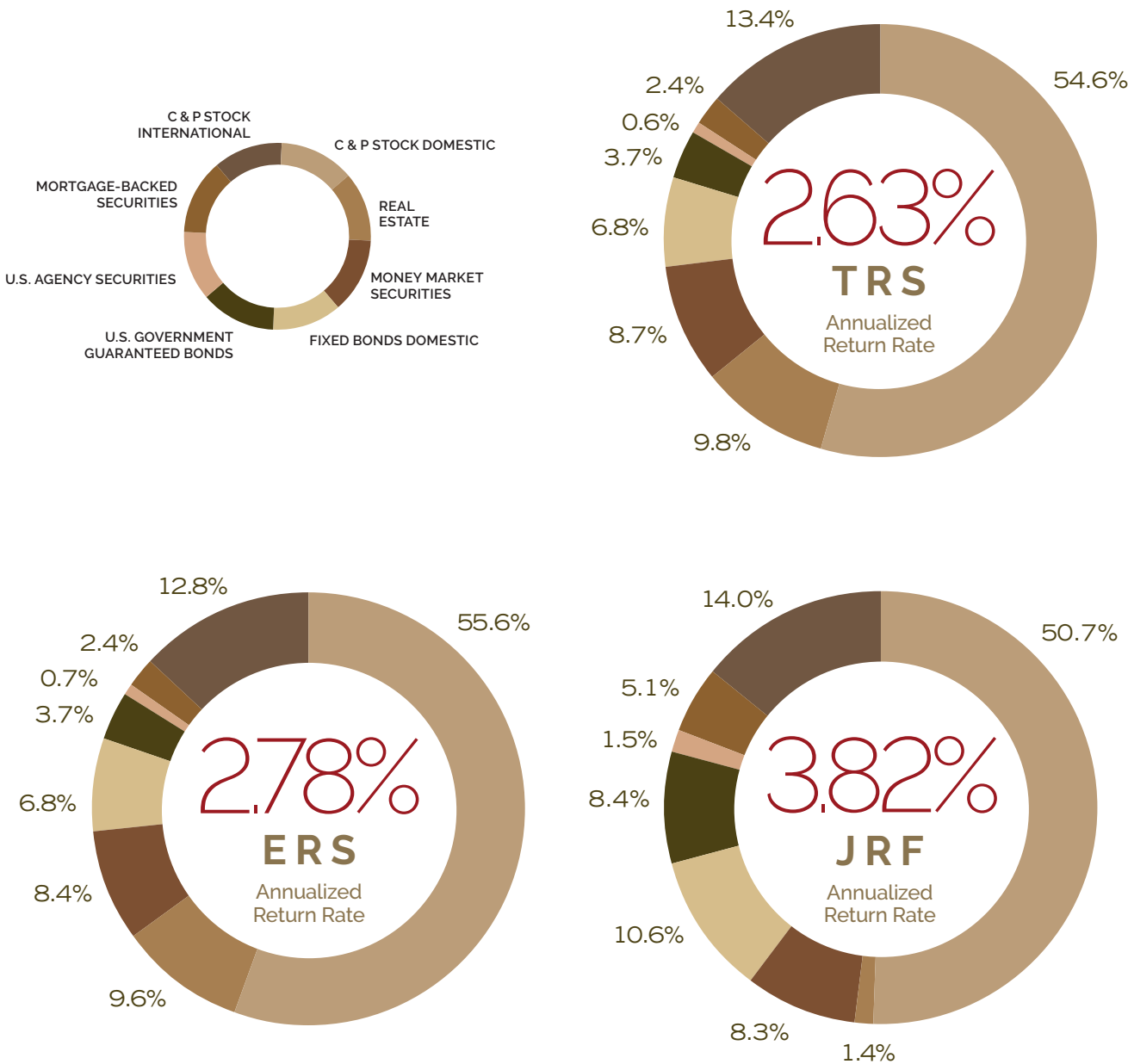
\$ 41,849,029



Asset Allocation

AS OF SEPTEMBER 30, 2019

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.



TEACHERS' RETIREMENT SYSTEM

IN 2019, **TRS** SERVED A TOTAL OF

232,398

ACTIVE AND RETIRED MEMBERS

THE TRS CONSISTS OF **211** UNITS

13

UNIVERSITIES

25

POSTSECONDARY
INSTITUTIONS

138

K-12 SYSTEMS

35

STATE &
MISCELLANEOUS
AGENCIES

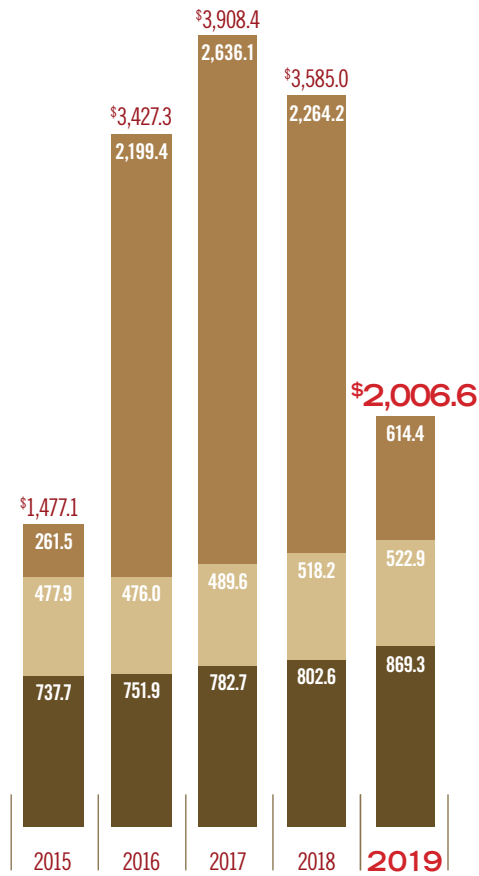
MEMBERSHIP INCREASED BY **5,190** IN 2019

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

Benefits Administration

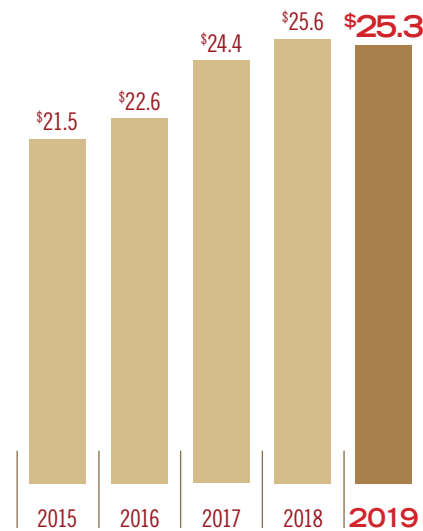
TRS REVENUE SOURCES

(DOLLARS IN MILLIONS)



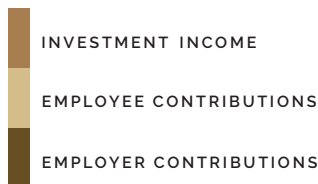
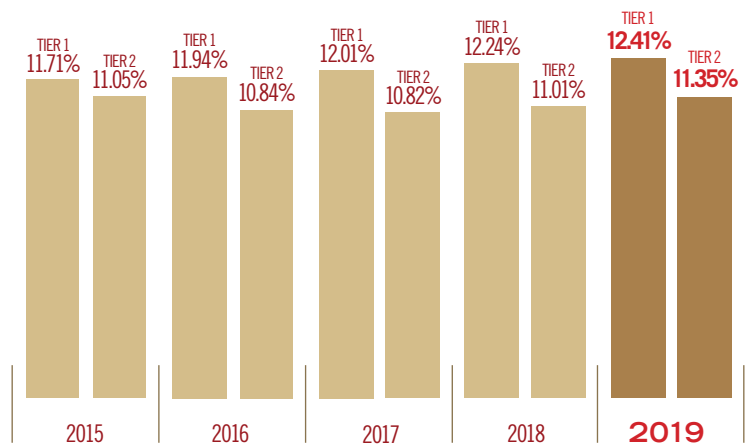
PORTFOLIO AT FAIR VALUE

(DOLLARS IN BILLIONS)



EMPLOYER RATE

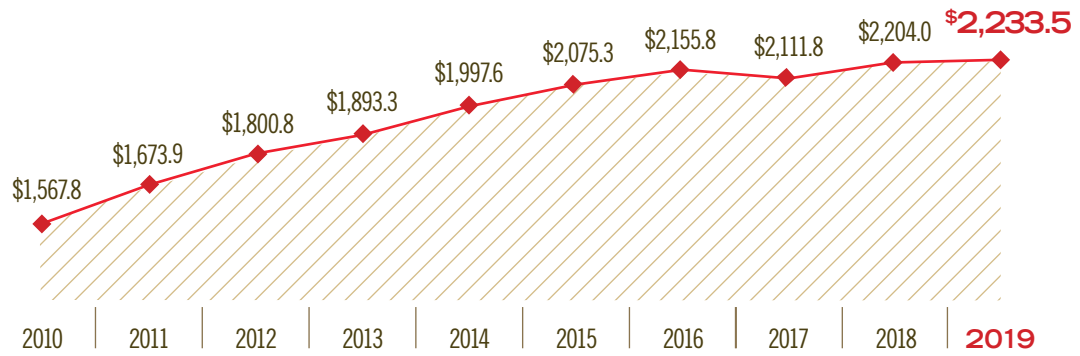
(% OF COVERED PAYROLL)



Retirement Benefits

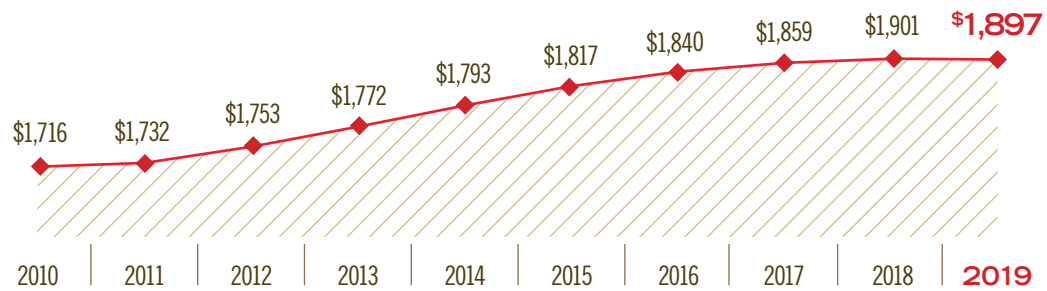
TOTAL ANNUAL PAYMENTS

(DOLLARS IN MILLIONS)



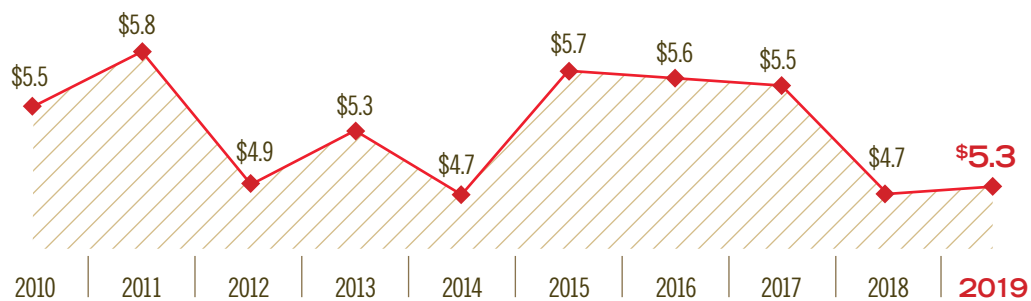
AVERAGE MONTHLY BENEFITS

(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



MR. RICHARD BROWN
Principal Position



**DR. SUSAN WILLIAMS
BROWN**
Postsecondary Position



MR. KELLY BUTLER
State Finance Director
Ex Officio



MS. AMY C. CREW
Teacher Position



MRS. SUSAN LOCKRIDGE
Support Personnel
Position



DR. ERIC MACKEY
State Superintendent of
Education, Ex Officio



MS. CHARLENE MCCOY
Teacher Position



HON. JOHN MCMILLAN, JR.
State Treasurer
Ex Officio



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, 2019, AND 2018

(\$ IN THOUSANDS)

ASSETS	2019	2018
CASH	\$ 71,531	\$ 34,831
RECEIVABLES		
Employee Contributions	52,968	40,209
Employer Contributions	90,488	67,229
Transfers Receivable from ERS	111	—
Investment Sales Receivable	7,678	—
Real Estate Investment Receivable	764	815
Dividends and Interest	71,155	81,420
Miscellaneous Receivable	153	24,700
TOTAL RECEIVABLES	223,317	214,373
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	13,785,646	14,407,115
Domestic Fixed Income	3,434,749	4,044,570
International Equities	3,385,579	3,417,268
Real Estate	2,470,955	2,415,071
Short-Term	2,187,771	1,337,670
TOTAL INVESTMENTS	25,264,700	25,621,694
INVESTED SECURITIES LENDING COLLATERAL	699,940	1,052,082
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	112,159	107,508
TOTAL ASSETS	26,371,647	27,030,488
DEFERRED OUTFLOWS OF RESOURCES		
PENSIONS OPEB	5,412 1,647	4,567 980
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	26,378,706	27,036,035
LIABILITIES		
Accounts Payable and Other Liabilities	7,882	7,093
Transfers Payable to ERS	235	—
Investment Purchases Payable	8,818	1,475
Net OPEB Liability	16,182	16,708
Net Pension Liability	20,897	19,504
Securities Lending Collateral	699,940	1,052,082
TOTAL LIABILITIES	753,954	1,096,862
DEFERRED INFLOWS OF RESOURCES		
PENSIONS OPEB	2,271 3,033	2,106 1,634
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	759,258	1,100,602
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 25,619,448	\$ 25,935,433

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

(\$ IN THOUSANDS)

ADDITIONS	2019	2018
CONTRIBUTIONS		
Employee Contributions	\$ 516,675	\$ 488,503
Employer Contributions	869,336	802,598
Transfers from Employees' Retirement System	6,234	4,963
Transfers from PEEHIP	—	24,700
TOTAL CONTRIBUTIONS	1,392,245	1,320,764
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	33,671	1,615,440
Interest and Dividends	583,329	650,293
Total Investment Income from Investing Activities	617,000	2,265,733
Less Investment Expenses, Net	9,205	9,171
Net Investment Income from Investing Activities	607,795	2,256,562
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	28,905	23,246
Less Securities Lending Expenses		
Borrower Rebates	19,431	12,385
Management Fees	2,842	3,189
Total Securities Lending Expenses	22,273	15,574
Net Income from Securities Lending Activities	6,632	7,672
TOTAL NET INVESTMENT INCOME	614,427	2,264,234
TOTAL ADDITIONS	2,006,672	3,584,998
DEDUCTIONS		
Retirement Allowance Payments	2,233,514	2,204,031
Return of Contributions and Death Benefits	56,861	58,538
Transfers to Employees' Retirement System	4,187	4,899
Transfers to Judicial Retirement Fund	—	9
Administrative Expenses	20,583	15,952
Depreciation	7,512	6,338
TOTAL DEDUCTIONS	2,322,657	2,289,767
NET (DECREASE)/INCREASE	(315,985)	1,295,231
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	25,935,435	24,651,457
ADJUSTMENT FOR APPLICATION OF GASB 75	—	(11,255)
BEGINNING OF YEAR—AS ADJUSTED	25,935,435	24,640,202
END OF YEAR	\$25,619,448	\$25,935,433

EMPLOYEES' RETIREMENT SYSTEM

IN 2019, **ERS** SERVED A TOTAL OF

135,350

ACTIVE AND RETIRED MEMBERS

THE ERS CONSISTS OF **1,001** UNITS

127

STATE
AGENCIES

65

COUNTIES

296

CITIES

513

OTHER PUBLIC
ENTITIES

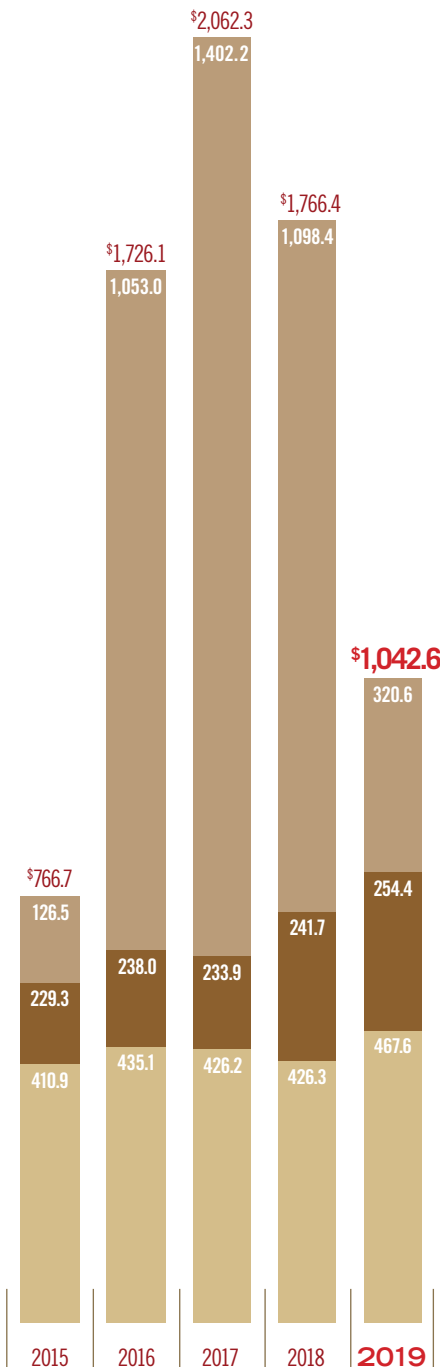
MEMBERSHIP INCREASED BY **4,797** IN 2019

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.

Benefits Administration

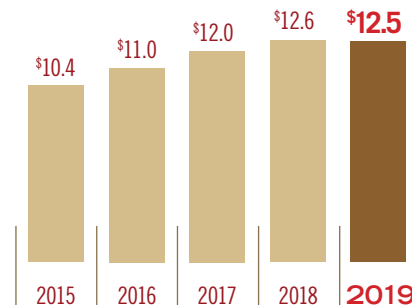
ERS REVENUE SOURCES

(DOLLARS IN MILLIONS)



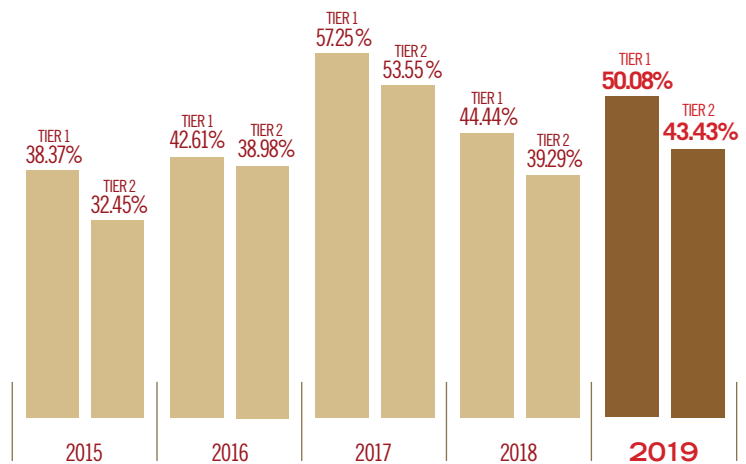
PORTFOLIO AT FAIR VALUE

(DOLLARS IN BILLIONS)

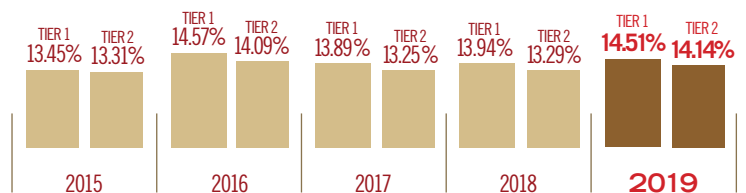


EMPLOYER RATE

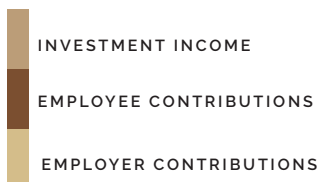
(% OF COVERED PAYROLL)



State Police Rate



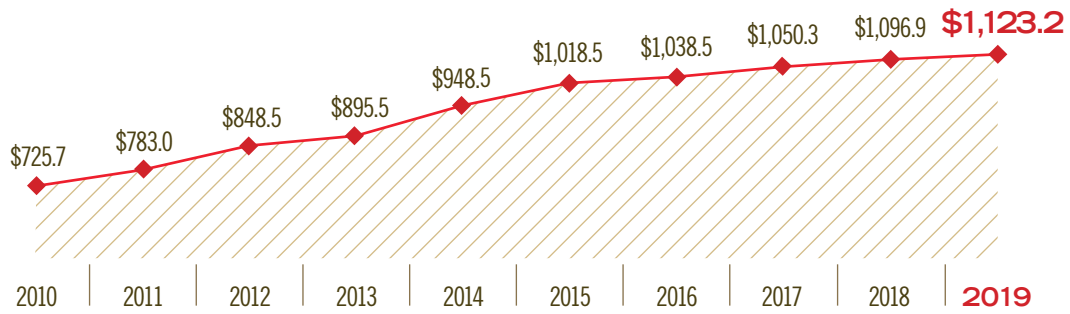
State Employee Rate



Retirement Benefits

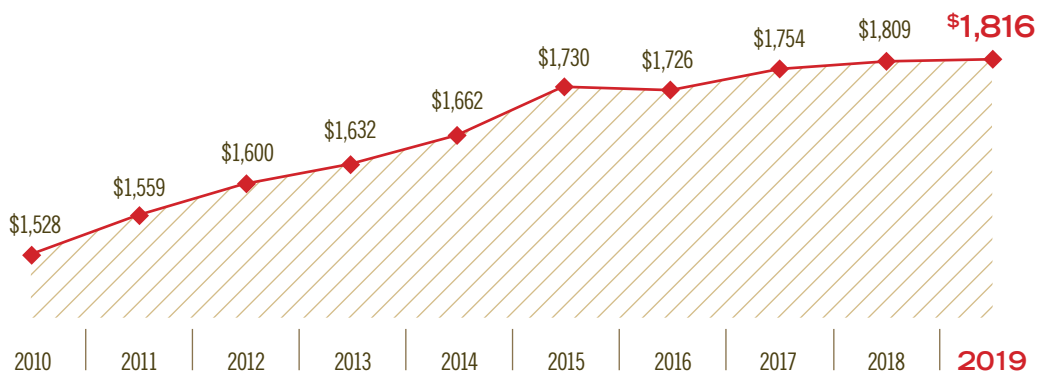
TOTAL ANNUAL PAYMENTS

(DOLLARS IN MILLIONS)



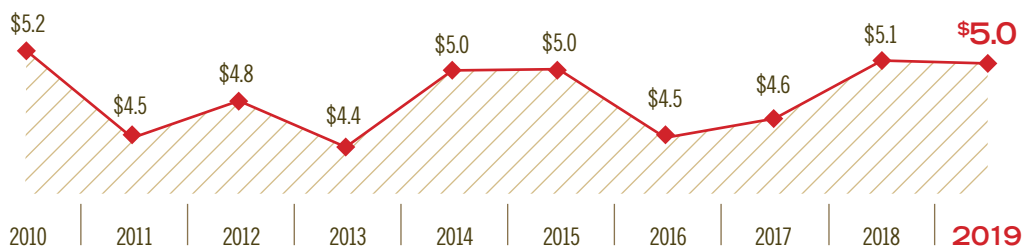
AVERAGE MONTHLY BENEFITS

(IN ACTUAL DOLLARS)



PRERETIREMENT DEATH BENEFITS

(DOLLARS IN MILLIONS)



Board of Control



HON. KAY IVEY
Governor
Ex Officio, Chair



MR. JAMES FIBBE
Retired Local
Employee Position, Vice Chair



MR. DAVID BOLLIE
Active State
Employee Position



MR. KELLY BUTLER
State Finance Director
Ex Officio



LT. DAVID COLSTON
Governor Appointee



MR. JOHN D. FREE
Governor Appointee



MRS. JACKIE B. GRAHAM
State Personnel Director
Ex Officio



MR. NORRIS GREEN
Retired State
Employee Position



MR. DAVID J. HARER
Active Local
Employee Position



HON. JOHN MCMILLAN, JR
State Treasurer
Ex Officio



MR. BEN POWELL
Active Local
Employee Position



MS. TAMMY ROLLING
Governor Appointee



MR. STEPHEN C. WALKLEY
Active State
Employee Position

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

(\$ IN THOUSANDS)

ASSETS	2019	2018
CASH	\$ 17,875	\$ 12,547
RECEIVABLES		
Employee Contributions	14,276	18,268
Employer Contributions	27,711	32,457
Transfers Receivable from TRS	235	—
Investment Sales Receivable	4,249	—
Real Estate Investment Receivable	382	408
Dividends and Interest	34,359	41,407
Miscellaneous Receivable	194	—
TOTAL RECEIVABLES	81,406	92,540
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	6,925,941	7,277,756
Domestic Fixed Income	1,693,333	1,997,706
International Equities	1,594,696	1,602,600
Real Estate	1,198,136	1,171,372
Short-Term	1,043,998	548,882
TOTAL INVESTMENTS	12,456,104	12,598,316
INVESTED SECURITIES LENDING COLLATERAL	256,550	543,229
PROPERTY AND EQUIPMENT LESS ACCUMULATED DEPRECIATION	49,265	48,107
TOTAL ASSETS	12,861,200	13,294,739
DEFERRED OUTFLOWS OF RESOURCES PENSIONS	2,247	2,501
OPEB	290	306
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	12,863,737	13,297,546
LIABILITIES		
Accounts Payable and Other Liabilities	4,295	3,566
Transfers Payable to TRS	111	—
Transfers Payable to JRF	18	—
Investment Purchases Payable	4,666	799
Net OPEB Liability	10,902	11,871
Net Pension Liability	14,845	14,468
Securities Lending Collateral	256,550	543,229
TOTAL LIABILITIES	291,387	573,933
DEFERRED INFLOWS OF RESOURCES PENSIONS	1,645	1,859
OPEB	2,232	1,402
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	295,264	577,194
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 12,568,473	\$ 12,720,352

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

(\$ IN THOUSANDS)

ADDITIONS	2019	2018
CONTRIBUTIONS		
Employee Contributions	\$ 250,253	\$ 236,842
Employer Contributions	467,553	426,340
Transfers from Teachers' Retirement System	4,187	4,899
TOTAL CONTRIBUTIONS	721,993	668,081
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	30,092	775,132
Interest and Dividends	291,011	323,182
Total Investment Income from Investing Activities	321,103	1,098,314
Less Investment Expenses, Net	3,661	3,395
Net Investment Income from Investing Activities	317,442	1,094,919
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	13,884	10,589
Less Securities Lending Expenses		
Borrower Rebates	9,394	5,647
Management Fees	1,347	1,449
Total Securities Lending Expenses	10,741	7,096
Net Income from Securities Lending Activities	3,143	3,493
TOTAL NET INVESTMENT INCOME	320,585	1,098,412
TOTAL ADDITIONS	1,042,578	1,766,493
DEDUCTIONS		
Retirement Allowance Payments	1,123,150	1,096,883
Return of Contributions and Death Benefits	48,675	45,070
Unit Withdrawals	380	350
Transfers to Teachers' Retirement System	6,234	4,963
Transfers to Judicial Retirement Fund	189	102
Administrative Expenses	12,934	11,219
Depreciation	2,895	2,544
TOTAL DEDUCTIONS	1,194,457	1,161,131
NET (DECREASE)/INCREASE	(151,879)	605,362
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	12,720,352	12,122,471
ADJUSTMENT FOR APPLICATION OF GASB 75	—	(7,481)
BEGINNING OF YEAR—AS ADJUSTED	12,720,352	12,114,990
END OF YEAR	\$12,568,473	\$12,720,352

JUDICIAL RETIREMENT FUND

IN 2019, **JRF** SERVED

818

ACTIVE AND RETIRED MEMBERS

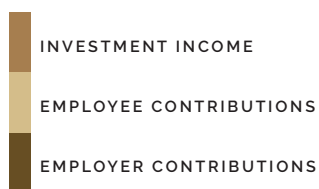
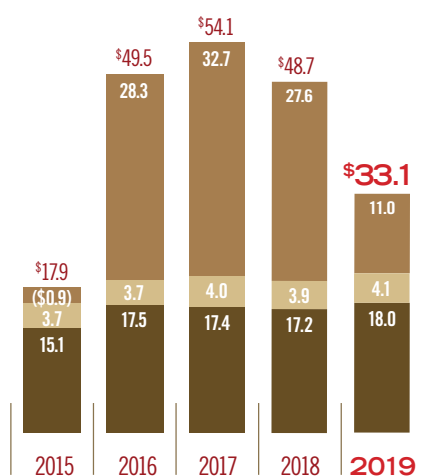
MEMBERSHIP INCREASED BY **73** IN 2019

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.

Benefits Administration

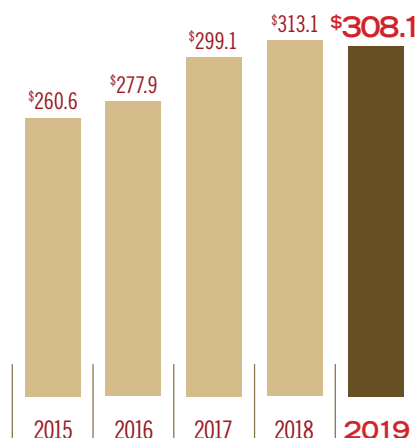
JRF REVENUE SOURCES

(DOLLARS IN MILLIONS)



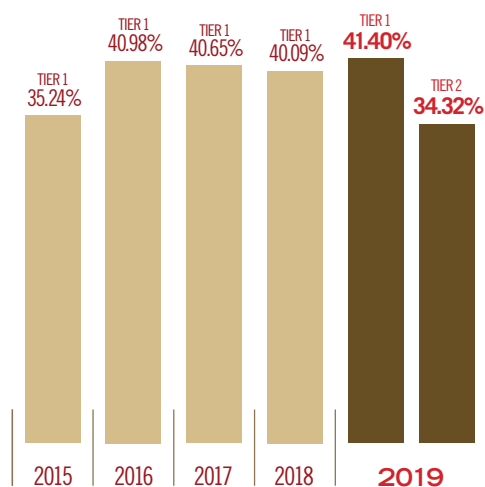
PORTFOLIO AT FAIR VALUE

(DOLLARS IN MILLIONS)



EMPLOYER RATE

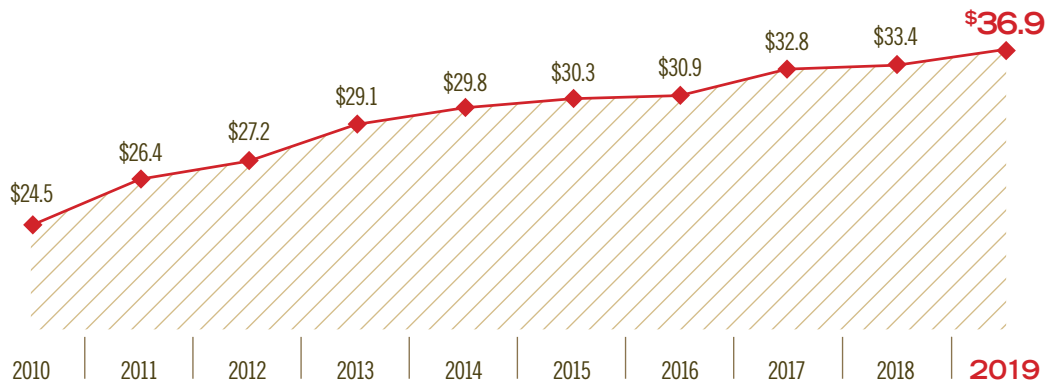
(% OF COVERED PAYROLL)



Retirement Benefits

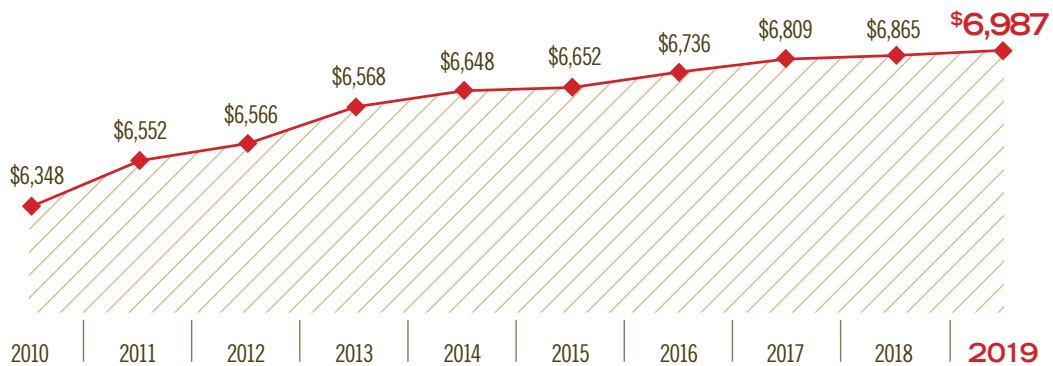
TOTAL ANNUAL PAYMENTS

(DOLLARS IN MILLIONS)



AVERAGE MONTHLY BENEFITS

(IN ACTUAL DOLLARS)



Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

(\$ IN THOUSANDS)

ASSETS	2019	2018
CASH	\$ 3,100	\$ 2,868
RECEIVABLES		
Employee Contributions	162	176
Employer Contributions	639	602
Transfers Receivable from ERS	18	—
Dividends and Interest	992	977
TOTAL RECEIVABLES	1,811	1,755
INVESTMENTS, AT FAIR VALUE		
Domestic Equity	156,306	168,449
Domestic Fixed Income	78,997	72,713
International Equities	42,977	44,473
Real Estate	4,227	4,107
Short-Term	25,584	23,364
TOTAL INVESTMENTS	308,091	313,106
INVESTED SECURITIES LENDING COLLATERAL	5,297	10,456
TOTAL ASSETS	318,299	328,185
DEFERRED OUTFLOWS OF RESOURCES		
PENSIONS	41	48
OPEB	3	3
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	318,343	328,236
LIABILITIES		
Accounts Payable and Other Liabilities	68	59
Investment Purchases Payable	21	—
Net OPEB Liability	91	99
Net Pension Liability	284	275
Securities Lending Collateral	5,297	10,456
TOTAL LIABILITIES	5,761	10,889
DEFERRED INFLOWS OF RESOURCES		
PENSIONS	24	23
OPEB	17	10
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	5,802	10,922
NET POSITION RESTRICTED FOR PENSION BENEFITS	\$ 312,541	\$ 317,314

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

(\$ IN THOUSANDS)

ADDITIONS	2019	2018
CONTRIBUTIONS		
Employee Contributions	\$ 3,912	\$ 3,756
Employer Contributions	18,022	17,180
Transfers from Teachers' Retirement System	—	9
Transfers from Employees' Retirement System	189	102
TOTAL CONTRIBUTIONS	22,123	21,047
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	3,476	20,071
Interest and Dividends	7,463	7,471
Total Investment Income from Investing Activities	10,939	27,542
Net Investment Income from Investing Activities	10,939	27,542
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	327	248
Less Securities Lending Expenses		
Borrower Rebates	218	134
Management Fees	32	34
Total Securities Lending Expenses	250	168
Net Income from Securities Lending Activities	77	80
TOTAL NET INVESTMENT INCOME	11,016	27,622
TOTAL ADDITIONS	33,139	48,669
DEDUCTIONS		
Retirement Allowance Payments	36,909	33,419
Return of Contributions and Death Benefits	646	130
Administrative Expenses	357	328
TOTAL DEDUCTIONS	37,912	33,877
NET (DECREASE)/INCREASE	(4,773)	14,792
NET POSITION RESTRICTED FOR PENSION BENEFITS		
BEGINNING OF YEAR—AS PREVIOUSLY REPORTED	317,314	302,578
ADJUSTMENT FOR APPLICATION OF GASB 75	—	(56)
BEGINNING OF YEAR—AS ADJUSTED	317,314	302,522
END OF YEAR	\$ 312,541	\$ 317,314

PUBLIC EDUCATION EMPLOYEES' HEALTH INSURANCE FUND

IN 2019, **PEEHIP** SERVED A TOTAL OF
328,000
MEMBERS AND DEPENDENTS

TOTAL CLAIMS EXPENSE ACTIVE AND RETIRED

(\$ IN THOUSANDS)



Statement of Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

	(\$ IN THOUSANDS)	
ASSETS	2019	2018
CURRENT		
Cash	\$ 851	\$ 2,121
Premiums Receivable	4,309	2,121
Prescription Drug Rebates Receivable	6,174	6,105
Interest Receivable	123	344
Deposit with Claims-Paying Agent	6,550	3,334
TOTAL CURRENT ASSETS	18,007	14,025
NONCURRENT		
INVESTMENTS, AT FAIR VALUE		
Investments, Restricted	1,466	119,134
Investments, Unrestricted	161,550	172,628
Total Investments, At Fair Value	163,016	291,762
Total Assets	181,023	305,787
Deferred Outflows of Resources		
Net Pension Liability	930	691
Net Other Post Employment Benefit (OPEB) Liability	352	96
Total Deferred Outflows of Resources	1,282	787
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	182,305	306,574
LIABILITIES		
CURRENT		
Accounts Payable	1,321	1,212
Accrued Litigation Payments	1,466	—
Due to Other Governments	359	350
Compensated Absences, Current	16	16
Due to Teachers' Retirement System	—	24,700
Reported Claims Payable	31,376	28,696
Claims Incurred But Not Reported	53,130	56,463
TOTAL CURRENT LIABILITIES	87,668	111,437
NONCURRENT		
Compensated Absences	509	466
Net Pension Liability	3,421	3,112
Net OPEB Liability	3,427	3,437
TOTAL NONCURRENT LIABILITIES	7,357	7,015
TOTAL LIABILITIES	95,025	118,452
DEFERRED INFLOWS OF RESOURCES		
Net Pension Liability	375	336
Net OPEB Liability	644	338
Total Deferred Inflows of Resources	1,019	674
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	96,044	119,126
NET POSITION-RESTRICTED	—	119,134
NET POSITION-UNRESTRICTED	86,261	68,314
TOTAL NET POSITION	86,261	187,448
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 182,305	\$ 306,574

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

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

	(\$ IN THOUSANDS)	
OPERATING REVENUES	2019	2018
PREMIUMS		
Unrestricted	\$ 974,327	\$961,046
Restricted	—	50,014
TOTAL PREMIUMS	974,327	1,011,060
OPERATING EXPENSES		
Litigation Payments	166,863	—
Claims	970,534	927,086
Fees and Assessments	362	354
Administrative	3,856	3,199
TOTAL OPERATING EXPENSES	1,081,615	930,639
OPERATING (LOSS)/INCOME	(107,288)	80,421
INVESTMENT REVENUES		
Interest Income		
Interest Income—Unrestricted	3,559	3,033
Interest Income—Restricted	2,542	1,431
TOTAL INTEREST INCOME	6,101	4,464
TOTAL INVESTMENT REVENUES	6,101	4,464
TRANSFER TO TEACHERS' RETIREMENT SYSTEM	—	24,700
CHANGE IN NET POSITION	(101,187)	60,185
NET POSITION		
BEGINNING NET POSITION—AS PREVIOUSLY REPORTED	187,448	129,698
ADJUSTMENT FOR APPLICATION OF GASB 75	—	(2,435)
BEGINNING OF YEAR—AS ADJUSTED	187,448	127,263
ENDING NET POSITION		
RESTRICTED	—	119,134
UNRESTRICTED	86,261	68,314
TOTAL NET POSITION	\$ 86,261	\$ 187,448

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

	(\$ IN THOUSANDS)	
ASSETS	2019	2018
RECEIVABLES		
Prescription Drug Rebates	\$ 1,381	\$ 7,470
Interest and Dividends	4,197	4,142
Employer Group Waiver Plan (EGWP)	38	—
TOTAL RECEIVABLES	5,616	11,612
DEPOSIT WITH CLAIMS-PAYING AGENT	1,914	3,462
INVESTMENTS, AT FAIR VALUE		
Commercial Paper	25,041	—
Money Market Funds	84,406	81,410
U.S. Government Guaranteed Bonds	138,705	130,083
U.S. Agency Securities	23,348	24,668
Mortgage-Backed Securities	90,868	80,396
Corporate Bonds	189,275	175,207
International Securities	176,163	184,721
Common Stocks	759,440	755,331
Preferred Stocks	3,881	3,843
TOTAL INVESTMENTS	1,491,127	1,435,659
INVESTED SECURITIES LENDING COLLATERAL	49,901	51,392
TOTAL ASSETS	1,548,558	1,502,125
LIABILITIES		
Reported Claims Payable	6,641	8,361
Investment Purchases Payable	115	—
Due to Other Governments	51	52
Claims Incurred But Not Reported	14,773	13,517
Securities Lending Collateral	49,901	51,392
TOTAL LIABILITIES	71,481	73,322
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS	\$ 1,477,077	\$ 1,428,803

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

	(\$ IN THOUSANDS)	
ADDITIONS	2019	2018
CONTRIBUTIONS		
Employee Contributions	\$ 135,738	\$ 137,237
Employer Contributions	284,411	245,545
Employer Group Waiver Plan (EGWP)	463	587
TOTAL CONTRIBUTIONS	420,612	383,369
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Net Increase in Fair Value of Investments	19,505	80,278
Interest and Dividends	35,490	33,763
Total Investment Income from Investing Activities	54,995	114,041
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	1,997	1,402
Less Securities Lending Expenses		
Borrower Rebates	1,409	751
Management Fees	176	191
Total Securities Lending Expenses	1,585	942
Net Income from Securities Lending Activities	412	460
TOTAL NET INVESTMENT INCOME	55,407	114,501
TOTAL ADDITIONS	476,019	497,870
DEDUCTIONS		
BENEFITS	426,044	416,235
FEES AND ASSESSMENTS	48	49
ADMINISTRATIVE EXPENSES	1,653	1,346
TOTAL DEDUCTIONS	427,745	417,630
CHANGE IN NET POSITION	48,274	80,240
NET POSITION RESTRICTED FOR OTHER POSTEMPLOYMENT BENEFITS		
BEGINNING OF YEAR	1,428,803	1,348,563
END OF YEAR	\$ 1,477,077	\$ 1,428,803

RSA-1 DEFERRED COMPENSATION PLAN

FOR 2019,
RSA-1 HAS A NET
ASSET VALUE OF

\$851 MILLION
IN ITS STOCK INVESTMENT OPTION FUND

\$1.3 BILLION
IN ITS FIXED INVESTMENT OPTION FUND AND

\$81 MILLION
IN ITS STIF INVESTMENT OPTION FUND

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 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, 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
SEPTEMBER 30, 2019 (FIXED INVESTMENT OPTION)	3.33	5.97	9.30	1,274.2	33,814
SEPTEMBER 30, 2019 (STOCK INVESTMENT OPTION)	2.10	2.17	4.27	851.9	23,843
SEPTEMBER 30, 2019 (STIF INVESTMENT OPTION)	2.44	0.00	2.44	81.4	3,615

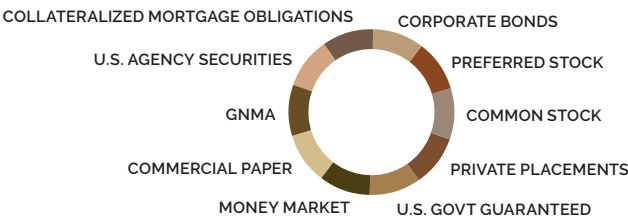
PEIRAF DEDUCTIBLE EMPLOYEE CONTRIBUTION PLAN

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.

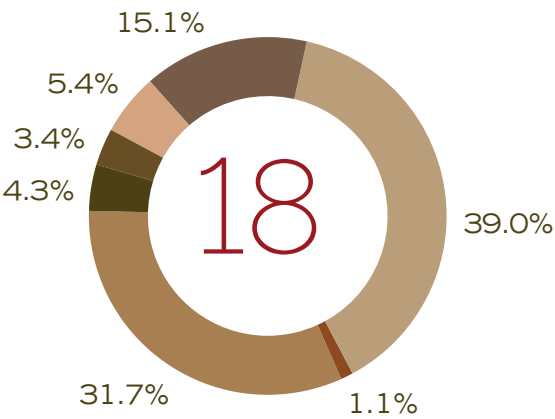
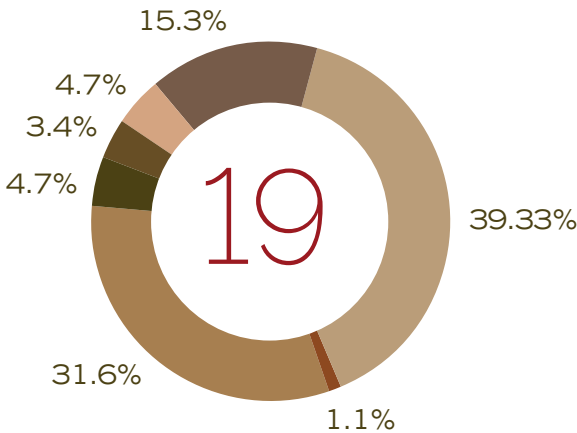
The Tax Reform Act of 1986 prohibited contributions to deductible voluntary employee contribution plans, such as PEIRAF, for years after 1986. Accordingly, the PEIRAF Board of Control discontinued receiving contributions to this plan after December 31, 1986. However, the PEIRAF continues to reinvest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

ALLOCATIONS

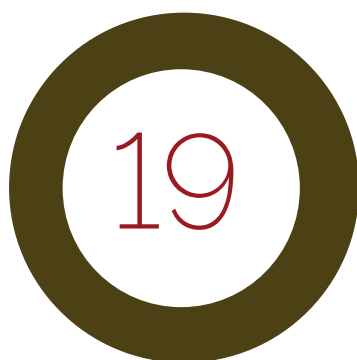
ALL NUMBERS AS OF SEPTEMBER 30, 2019, AND SEPTEMBER 30, 2018



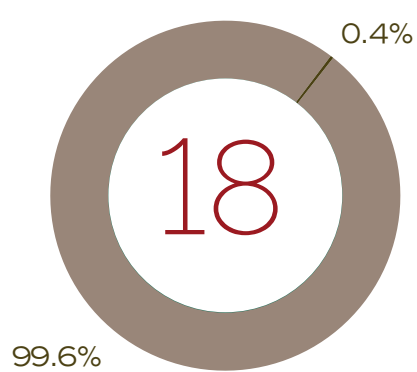
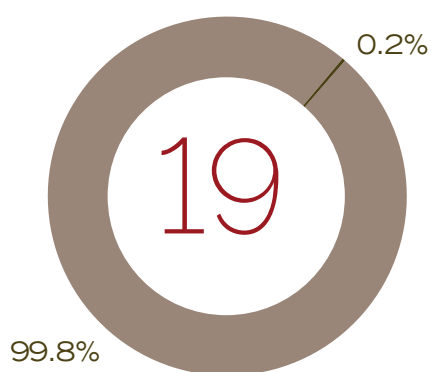
PEIRAF / INVESTMENT ALLOCATION



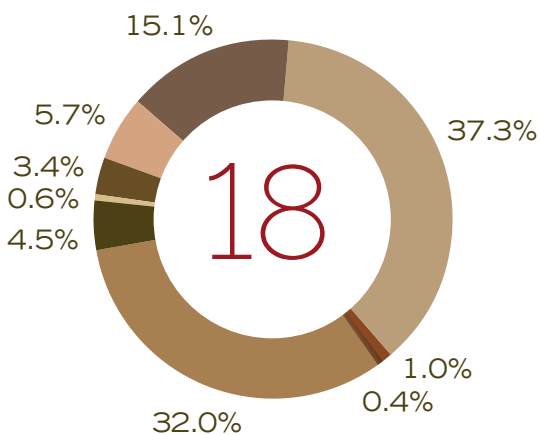
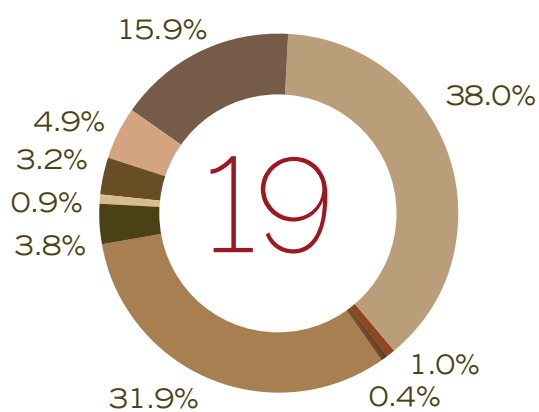
RSA-1 / SHORT-TERM INVESTMENT



RSA-1 / INVESTMENT ALLOCATION STOCK FUND



RSA-1 / INVESTMENT ALLOCATION BOND FUND





Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

	IN ACTUAL DOLLARS	
ASSETS	2019	2018
CASH	\$ 11	\$ 101
INTEREST RECEIVABLE	476,530	527,006
INVESTMENTS, AT FAIR VALUE		
Money Market and Mutual Funds	3,519,655	3,151,662
U.S. Government Guaranteed Bonds	23,616,885	23,105,817
U.S. Agency Securities	3,492,548	3,955,778
Mortgage-Backed Securities	13,915,949	13,467,208
Corporate Bonds	29,398,425	28,451,944
Preferred Stock	802,692	794,926
TOTAL INVESTMENTS	74,746,154	72,927,335
INVESTED SECURITIES LENDING COLLATERAL	4,630,163	3,509,168
TOTAL ASSETS	79,852,858	76,963,610
LIABILITIES		
Securities Lending Collateral	4,630,163	3,509,168
TOTAL LIABILITIES	4,630,163	3,509,168
NET POSITION RESTRICTED FOR PEIRAF BENEFITS	\$ 75,222,695	\$ 73,454,442

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

	IN ACTUAL DOLLARS	
ADDITIONS	2019	2018
INVESTMENT INCOME		
<i>FROM INVESTING ACTIVITIES</i>		
Interest and Dividends	\$ 2,402,238	\$ 2,523,666
Net Increase/(Decrease) in Fair Value of Investments	4,190,336	(3,066,713)
Total Investment Income/(Loss) from Investing Activities	6,592,574	(543,047)
<i>FROM SECURITIES LENDING ACTIVITIES</i>		
Securities Lending Income	153,445	118,482
Less Securities Lending Expenses		
Borrower Rebates	114,658	74,896
Management Fees	11,633	12,814
Total Securities Lending Expenses	126,291	87,710
Net Income from Securities Lending Activities	27,154	30,772
TOTAL NET INVESTMENT INCOME/(LOSS)	6,619,728	(512,275)
TOTAL ADDITIONS/(REDUCTIONS)	6,619,728	(512,275)
DEDUCTIONS		
Normal Distributions	4,851,475	6,008,027
TOTAL DEDUCTIONS	4,851,475	6,008,027
CHANGE IN NET POSITION	1,768,253	(6,520,302)
NET POSITION RESTRICTED FOR PEIRAF BENEFITS		
BEGINNING OF YEAR	73,454,442	79,974,744
END OF YEAR	\$ 75,222,695	\$ 73,454,442

Statement of Fiduciary Net Position

AS OF SEPTEMBER 30, 2019, AND 2018

	IN ACTUAL DOLLARS	
ASSETS	2019	2018
CASH	\$ 31	\$ 179,621
CONTRIBUTIONS RECEIVABLE	—	4,136
INTEREST AND DIVIDENDS RECEIVABLE	8,638,557	9,124,664
INVESTMENTS, AT FAIR VALUE		
Commercial Paper	11,010,818	7,004,664
Money Market Funds	130,785,902	124,743,363
U.S. Government Guaranteed Bonds	403,882,643	387,085,130
U.S. Agency Securities	61,551,161	68,586,346
Mortgage-Backed Securities	242,500,656	223,462,131
Corporate Bonds	481,758,771	452,279,131
Private Placements	5,456,550	5,585,418
Common and Preferred Stocks	832,003,428	838,130,611
TOTAL INVESTMENTS	2,198,949,929	2,106,876,794
INVESTED SECURITIES LENDING COLLATERAL	59,731,460	120,850,056
TOTAL ASSETS	2,267,319,977	2,237,035,271
LIABILITIES		
Investment Purchases Payable	99,526	—
Securities Lending Collateral	59,731,460	120,850,056
TOTAL LIABILITIES	59,830,986	120,850,056
NET POSITION RESTRICTED FOR DEFERRED COMPENSATION BENEFITS	\$ 2,207,488,991	\$ 2,116,185,215

Statement of Changes in Fiduciary Net Position

FOR THE FISCAL YEARS ENDED SEPTEMBER 30, 2019, AND 2018

	IN ACTUAL DOLLARS	
ADDITIONS	2019	2018
MEMBER CONTRIBUTIONS	\$ 77,971,624	\$ 82,690,430
INVESTMENT INCOME		
FROM INVESTING ACTIVITIES		
Interest and Dividends	58,161,795	57,412,392
Net Increase in Fair Value of Investments	87,088,664	60,654,728
Total Investment Income from Investing Activities	145,250,459	118,067,120
FROM SECURITIES LENDING ACTIVITIES		
Securities Lending Income	3,133,147	2,548,352
Less Securities Lending Expenses		
Borrower Rebates	2,257,640	1,591,215
Management Fees	262,606	280,154
Total Securities Lending Expenses	2,520,246	1,871,369
Net Income from Securities Lending Activities	612,901	676,983
TOTAL NET INVESTMENT INCOME	145,863,360	118,744,103
TOTAL ADDITIONS	223,834,984	201,434,533
DEDUCTIONS		
Normal Distributions	132,115,416	129,630,513
Emergency Withdrawals	415,792	493,592
TOTAL DEDUCTIONS	132,531,208	130,124,105
CHANGE IN NET POSITION	91,303,776	71,310,428
NET POSITION RESTRICTED FOR DEFERRED COMPENSATION BENEFITS		
BEGINNING OF YEAR	2,116,185,215	2,044,874,787
END OF YEAR	\$ 2,207,488,991	\$ 2,116,185,215

INVESTMENT HIGHLIGHTS

INVESTING FOR OPTIMAL PERFORMANCE

Providing outstanding results
with one of the lowest investment
expenses in the industry



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FIXED INCOME ACTIVITY

As monetary policymakers raised short-term interest rates at its September 2018 meeting, we questioned how global risk assets would respond to further rate increases. We found the answer to that question fairly soon in the new fiscal year.

The first quarter revealed a continuation of slowing economic data abroad and heightened volatility. Credit spreads experienced material widening and treasury yields fell precipitously through year end. The Federal Reserve pushed another rate hike through in December against the market's wishes on the back of a solid employment picture. However, Chairman Jay Powell would quickly change course as it became apparent that patience was needed to calm financial markets. Losses in the riskiest parts of the credit market were quickly restored.

As yields in Europe collapsed further due to the lowering of growth and inflation expectations, the Fed was forced to throw in the towel on additional rate adjustments and balance sheet reduction. The ensuing rate decline in the long end led to a brief inversion of the yield curve, historically an indicator of recession in the future. Credit proved to be pretty resilient during this time and benefited from its longer duration profile. Breakdown in trade negotiations with China in the spring provided another hit to risk assets.

In the following months, policymakers conveyed that they would act as needed to sustain the economic expansion, and ultimately delivered a 25bp rate cut at the end of July. Unfortunately, the market was disappointed as the move was described as a "mid-cycle adjustment" rather than the start of a more aggressive approach. This, coupled with increasing trade tensions, caused a third round of instability during the fiscal year. Risk-free assets were further emboldened by protests in several countries, additional tariffs on Chinese imports, and the political firestorm here at home.

The Federal Open Market Committee delivered another rate cut at the end of the fiscal year to help alleviate recession fears priced into the market. Global policymakers appear to be on the same page as they are providing as much ammunition as possible to combat anemic growth. It remains to be seen whether any actions will be taken on the fiscal side. Duration has been the key ingredient in producing solid returns within fixed income this year.

The RSA has opportunistically added higher quality assets out the curve in order to provide a better balance of yield and safety at this stage in the cycle.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 9.51% for the TRS, 9.49% for the ERS, and 9.23% for the JRF. The five-year annualized returns were 3.72% for the TRS, 3.71% for the ERS, and 3.55% for the JRF. The ten-year annualized returns were 4.45% for the TRS, 4.44% for the ERS, and 4.40% for the JRF. ■

EQUITY ACTIVITY

Equities had a tumultuous grind throughout fiscal year 2019. Macro headwinds weighed on economic growth. At the beginning of the year, bottoms-up analyst estimates for 2019 were approximately \$175. It looks like the final number is going to be closer to \$163, an approximate 7% shortfall versus initial expectations. That type of an earnings reset is hard to overcome, evidenced by the small returns generated in stocks for the year.

Breadth was very narrow, led by the large cap growth stocks. This is very typical as investors are willing to pay up for growth when growth is scarce. Retrospectively, this makes sense, as central banks started tightening monetary policy both by raising short-term rates and reversing course on the quantitative easing era post the Great Recession. More recently, we have seen breadth improve, with somewhat of a rotation into value and cyclical names.

The RSA opportunistically sold stocks as our weighting had drifted toward the high end of the target range. We also used zero-cost collars to mitigate some of the downside risk if the market broke lower, but those collars expired at fiscal year end with no value. Barring an exogenous shock of some sort, bad policy decisions, or a surprising election outcome, we feel that the market is fairly valued at this point. It is late in the cycle, and we are obviously paying close attention to all the aforementioned issues.

For the year, the RSA domestic equity portfolios returned 1.71%, 1.94%, and 2.48% for TRS, ERS, and JRF funds, respectively. Both developed and emerging international equities performance lagged U.S. equities. Total international equity returns were -0.60% for TRS, -0.74% for ERS, and -0.56% for JRF. The combined total returns for the overall equity portfolios were 1.23%, 1.40%, and 1.83% for TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 11.01%, 8.82%, and 11.05% for TRS, 11.09%, 8.86%, and 11.10% for ERS, and 11.12%, 8.92%, and 11.52% for JRF, respectively. ■





Returns

For the Period Ended September 30, 2019 (In %)

Net Asset Value

1 Year

3 Years

5 Years

10 Years

TOTAL PORTFOLIO

	TRS	ERS	JRF
Net Asset Value	\$25,333,841,800	12,489,646,590	309,050,907
1 Year	2.63	2.78	3.82
3 Years	7.87	8.23	8.29
5 Years	6.96	7.14	6.98
10 Years	8.95	9.02	9.05

TOTAL DOMESTIC EQUITY

	TRS	ERS	JRF
Net Asset Value	12,744,178,614	6,290,491,447	155,772,440
1 Year	1.71	1.94	2.48
3 Years	12.15	12.24	12.29
5 Years	10.17	10.17	10.35
10 Years	12.78	12.76	13.07

DOMESTIC EQUITY BENCHMARKS

	S&P 500	Mid Cap 400	Small Cap 600
1 Year	4.25	(2.49)	(9.34)
3 Years	13.39	9.38	9.33
5 Years	10.84	8.88	9.89
10 Years	13.24	12.56	13.02

TOTAL INTERNATIONAL EQUITY

	TRS	ERS	JRF
Net Asset Value	3,408,862,656	1,604,401,467	43,262,701
1 Year	(0.60)	(0.74)	(0.56)
3 Years	6.83	6.68	6.86
5 Years	3.73	3.64	3.75
10 Years	5.21	5.15	5.29

INTERNATIONAL EQUITY BENCHMARKS

	Morgan Stanley EAFE	MSCI Emerging Markets
1 Year	(1.34)	(2.02)
3 Years	6.48	5.97
5 Years	3.27	2.33
10 Years	4.90	3.37

TOTAL FIXED INCOME AND ALTERNATIVES

	TRS	ERS	JRF
Net Asset Value	6,990,509,991	3,549,720,216	84,402,043
1 Year	5.86	5.78	9.02
3 Years	2.63	3.71	2.57
5 Years	4.07	4.69	3.43
10 Years	5.83	6.18	4.18

FIXED INCOME BENCHMARKS

	Barclays Aggregate
1 Year	10.30
3 Years	2.92
5 Years	3.38
10 Years	3.75

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 %)

	TRS			ERS		
Years to Maturity	2019	2018	2017	2019	2018	2017
<1	10	3	4	10	3	4
1 to <5	33	27	25	33	27	25
5 to <10	21	17	17	21	17	17
10 to <30	35	52	52	35	52	53
= or >30	1	1	2	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 %)

	TRS			ERS		
Rating	2019	2018	2017	2019	2018	2017
AAA	50	38	36	50	38	36
AA	2	1	1	2	1	1
A	12	8	10	12	8	9
BAA	20	16	14	20	16	14
BA	1	1	2	1	1	2
B	2	—	—	2	1	1
Not Rated	13	36	37	13	36	37



Broker Commissions Paid

FOR FISCAL YEAR ENDED SEPTEMBER 30, 2019

	COMMISSIONS STOCK TRANSACTIONS (\$ IN THOUSANDS)	FIXED SECURITIES COMMISSIONS (\$ IN THOUSANDS)
BANK OF AMERICA / MERRILL LYNCH	247	98
BARCLAYS	133	61
BERNSTEIN	338	
CITIGROUP	253	127
CONVERGEX	207	
CORNERSTONE	64	
COWEN	85	
CREDIT SUISSE	75	55
DEUTSCHE BANK		28
GOLDMAN SACHS	65	196
HARBOR FINANCIAL	28	
INTERNATIONAL STRATEGY AND INVESTMENT—ISI	384	
ISSUER DESIGNATED		401
JEFFERIES	75	
JP MORGAN CHASE	164	155
KEYBANC CAPITAL MARKETS	40	88
LEERINK SWANN	46	
MORGAN STANLEY	1,074	199
NATIONAL BANK OF COMMERCE SECURITIES	71	
RAYMOND JAMES & ASSOCIATES	55	1
RENAISSANCE SECURITIES	180	
ROYAL BANK OF CANADA—RBC	321	59
SECURITIES CAPITAL	23	
SOUTHWEST SECURITIES	28	
STIFEL NICOLAUS	384	21
STRATEGAS	241	
SUNTRUST		22
UNION BANK OF SWITZERLAND—UBS WARBURG	60	
WELLS FARGO	344	124

TOTAL

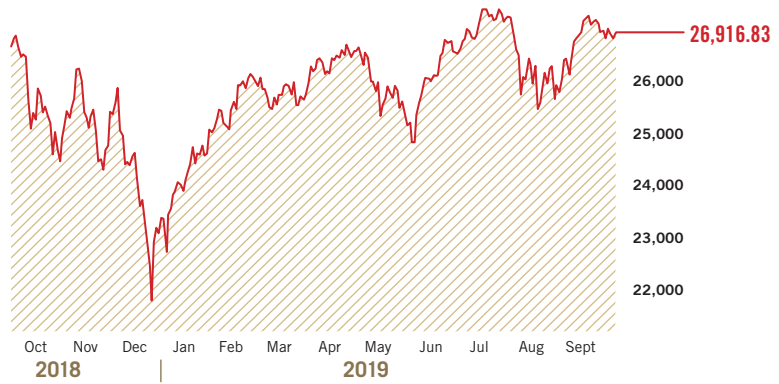
\$4,985

\$1,635



Dow Jones Industrial Average

1 YEAR



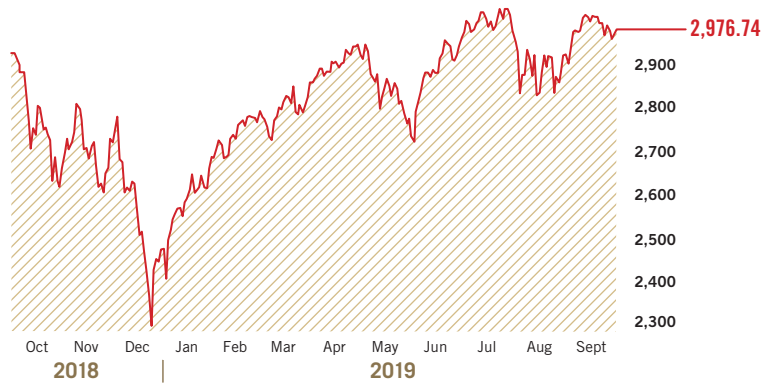
Dow Jones Industrial Average

5 YEAR



S&P 500 Index

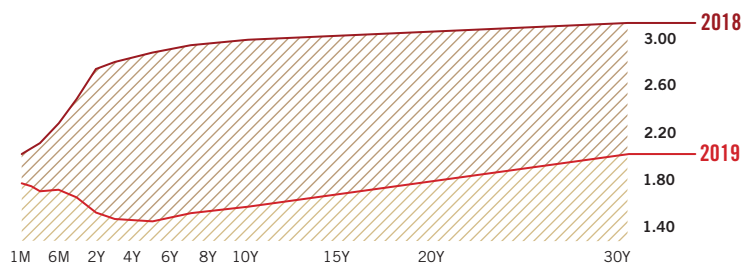
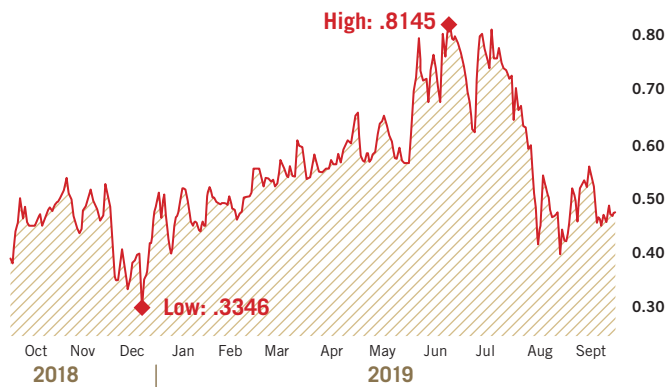
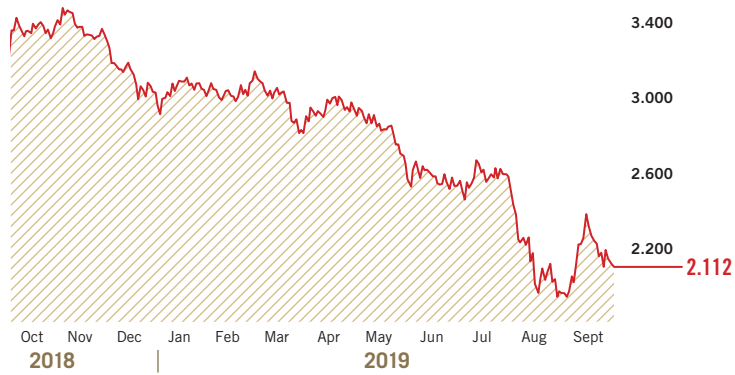
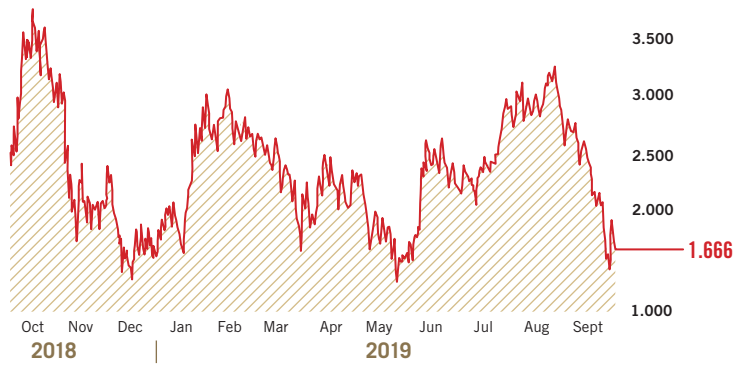
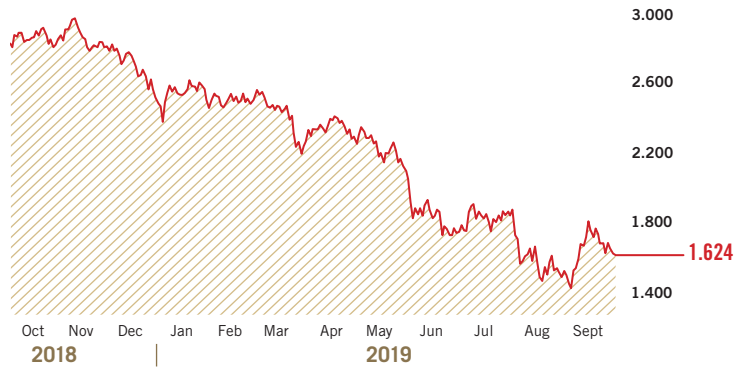
1 Year



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 2018 vs. 2019

The Retirement Systems of Alabama

MEMBER SERVICES CONTACT CENTER

Take advantage of Member Services' personalized assistance concerning your retirement and healthcare 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.

WWW.RSA-AL.GOV

Please 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.

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.

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



RSA Headquarters
201 South Union Street
Montgomery, AL 36104

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