

Component Units of the State of Alabama

# Annual Comprehensive Financial Report



For the Fiscal Year Ended September 30, 2022









# The Retirement Systems of Alabama

## ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2022

The Retirement Systems of Alabama  
Consists of:

TEACHERS' RETIREMENT SYSTEM of ALABAMA  
EMPLOYEES' RETIREMENT SYSTEM of ALABAMA  
JUDICIAL RETIREMENT FUND

(Each a Component Unit of the State of Alabama)

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

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# Introductory Section

**Annual Comprehensive Financial Report  
Component Units of the State of Alabama**







# THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO

Jo Moore, Deputy Director for Administration

R. Marc Green, Deputy Director for Investments

January 20, 2023

The Boards of Control  
Teachers' Retirement System of Alabama  
Employees' Retirement System of Alabama  
201 South Union Street  
Montgomery, Alabama 36104

Dear Board Members:

It is with great pleasure that we submit the Annual Comprehensive Financial Report (ACFR) of the Retirement Systems of Alabama (RSA or Systems) for the fiscal year ended September 30, 2022. The Retirement Systems of Alabama includes the Teachers' Retirement System (TRS), the Employees' Retirement System (ERS), and the Judicial Retirement Fund (JRF). Each system is considered a component unit of the State of Alabama for financial reporting purposes, and, as such, the financial statements contained in this report are also included in the State of Alabama's Annual Comprehensive Financial Report.

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

## Administration and Plan History

The TRS, ERS, and JRF operate under common management and are collectively referred to as the Retirement Systems of Alabama. In addition to executive management, the TRS, ERS, and JRF share investment management, accounting, and information system services, the costs of which are allocated to the funds on an equitable basis. The TRS was established pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) to provide benefits to qualified persons employed by State-supported educational institutions. The ERS was established pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945) to provide benefits to State Employees, State Police, and, on an elective basis, to qualified employees of counties, cities, towns, and public or quasi-public organizations. The JRF was established pursuant to the *Code of Alabama 1975, Title 12, Chapters 17 & 18* (Act 1163 of the Legislature of 1973) to provide benefits to qualified justices, judges, circuit clerks, and district attorneys. Additional information regarding the administration and history of each system, including laws establishing each plan and services provided, can be found in the Notes to the Combined Financial Statements in the Financial Section of this report.

## Financial Information

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



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

*Summary Comparative Data* – Management’s Discussion and Analysis (MD&A) includes a narrative introduction, an overview of the financial statements, including the notes and required supplementary information, and summary comparative data for fiscal years 2022 and 2021. Also, an analysis of significant variances between fiscal years 2022 and 2021 is provided in the MD&A.

### **Plan Financial Condition**

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

At September 30, 2021, the date of the most recent actuarial valuation, the number of participants in the TRS was 294,880, ERS participants totaled 186,138, and JRF participants totaled 860. The following table compares the funded status of each as of September 30, 2021 and 2020:

<b>Funded Status</b>			
<b>System</b>	<b>9/30/2021</b>	<b>9/30/2020</b>	<b>% Increase/ (Decrease)</b>
TRS	70.2%	70.7%	-0.5%
ERS	67.7%	68.2%	-0.5%
JRF	66.8%	66.1%	0.7%

The funded statuses of both the TRS and ERS decreased primarily due to the changes in assumptions as a result of the experience study for the five-year period ended September 30, 2020. These changes contributed significantly to an increase in the unfunded actuarial accrued liability at September 30, 2021, compared to the liability at September 30, 2020. However, the decreases were partially offset by gains due to investment earnings greater than expected. The funded status of the JRF increased because salary increases were lower than expected and investment earnings were higher than expected which offset the increase in its unfunded actuarial accrued liability at September 30, 2021, compared to the liability at September 30, 2020.

### **Investment Activity**

Total investments for the RSA decreased in fiscal year 2022, primarily due to decreases in fair value of investments. Total pension fund investments managed by the RSA decreased from \$46.0 billion at September 30, 2021, to \$38.4 billion at September 30, 2022, a decrease of 16.54%.

	<b>Investments, at Fair Value</b>		<b>Interest &amp; Dividend Income</b>	
	<b>9/30/2022</b>	<b>9/30/2021</b>	<b>9/30/2022</b>	<b>9/30/2021</b>
<b>TRS</b>	\$25.2 billion	\$30.2 billion	\$629.2 million	\$576.5 million
<b>ERS</b>	\$12.9 billion	\$15.4 billion	\$330.0 million	\$302.8 million
<b>JRF</b>	\$292.4 million	\$360.5 million	\$7.2 million	\$6.7 million

### **Net Change in Fair Value of Investments**

	<b>9/30/2022</b>	<b>9/30/2021</b>
<b>TRS</b>	(\$4.5 billion)	\$5.2 billion
<b>ERS</b>	(\$2.3 billion)	\$2.6 billion
<b>JRF</b>	(\$59.1 million)	\$57.0 million

Total returns were -13.18%, -13.02%, and -14.87% for the TRS, ERS, and JRF, respectively. As we highlighted in this letter last year, inflation was making a resurgence and the Federal Reserve was beginning to unwind their balance sheet. Fast forward a quarter into calendar 2022 and the Federal Reserve went full tilt with both quantitative tightening as well as hiking the Fed Funds Rate. The main impact to equities was a massive compression in what the multiple market participants were willing to pay to own stocks. Stocks didn't suffer alone, as core fixed income returns were some of the worst in decades. In short, there were very few asset classes within which to hide last year. We expect that volatility will remain elevated as the markets are hyper-focused on the glide path of inflation and interest rates. For the first time in several years, we are finding relatively attractive investments in fixed income, and thus are increasing the weighting within the portfolios. There is an abundance of negative sentiment in the market which gives us some confidence that maybe the worst part is behind us. With that said, we will continue to invest in a diverse mix of assets and monitor asset class ranges per the guidance given in the respective Investment Policy Statements of each system with the long-term goal of achieving our actuarial assumed rate of return. Additional information concerning investments, including the investment policy statements, is included in the Investment Section of this report. The Schedule of Broker Commissions Paid can be found on page 122 of the Investment Section in this report.

### **Management's Discussion and Analysis**

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

### **Professional Services**

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

### **Financial Statement Audit**

Carr, Riggs & Ingram CPAs and Advisors LLC, Certified Public Accountants, issued an unmodified ("clean") opinion on the RSA's financial statements for the fiscal year ended September 30, 2022. The independent auditors' report is located at the front of the Financial Section of this report.

### **Highlights and Initiatives**

The RSA's Robert Trent Jones Golf Trail announced record rounds played in 2021. There were over 600,000 rounds played which was a 25% increase over 2020! This was the most rounds played since the Trail opened in 1992. Additionally, several properties owned by the RSA were recognized and honored during the fiscal year. At the 8<sup>th</sup> Annual World Golf Ceremony, Prattville's Capitol Hill on the Robert Trent Jones Golf Trail was awarded Alabama's Best Golf Course for 2021, and the Renaissance Ross Bridge Golf Resort & Spa was selected as Alabama's Best Golf Hotel for 2021. Capitol Hill was also a Top 50 Nominee for North America's Best Golf Course.

The hotels owned by the RSA continue to be recognized and honored as well. The Grand Hotel Golf Resort & Spa ranked first out of 140 Autograph Collection properties. The Battlehouse Renaissance Mobile Hotel & Spa, the Renaissance Mobile Riverview Plaza Hotel & Spa, and the Renaissance Montgomery Hotel & Spa at the Convention Center all ranked in the Top 10 out of 87 Renaissance properties across North America.

### **Awards**

The Government Finance Officers Association (GFOA) of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the Retirement Systems of Alabama for its annual comprehensive financial report for the fiscal year ended September 30, 2021. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual comprehensive financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current annual comprehensive financial report continues to conform to the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.



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The Retirement Systems of Alabama received the Public Pension Coordinating Council's (PPCC) Recognition Award for Funding 2022. The award recognizes organizations that meet professional standards for plan funding as set forth in the Public Pension Standards.

**Acknowledgments**

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

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

Sincerely,

***Diane E. Scott***

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

***David G. Bronner***

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



Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**The Retirement Systems of Alabama**

For its Annual Comprehensive  
Financial Report  
For the Fiscal Year Ended

September 30, 2021

*Christopher P. Morrell*

Executive Director/CEO





Public Pension Coordinating Council

***Recognition Award for Administration  
2022***

Presented to

**The Retirement Systems of Alabama**

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

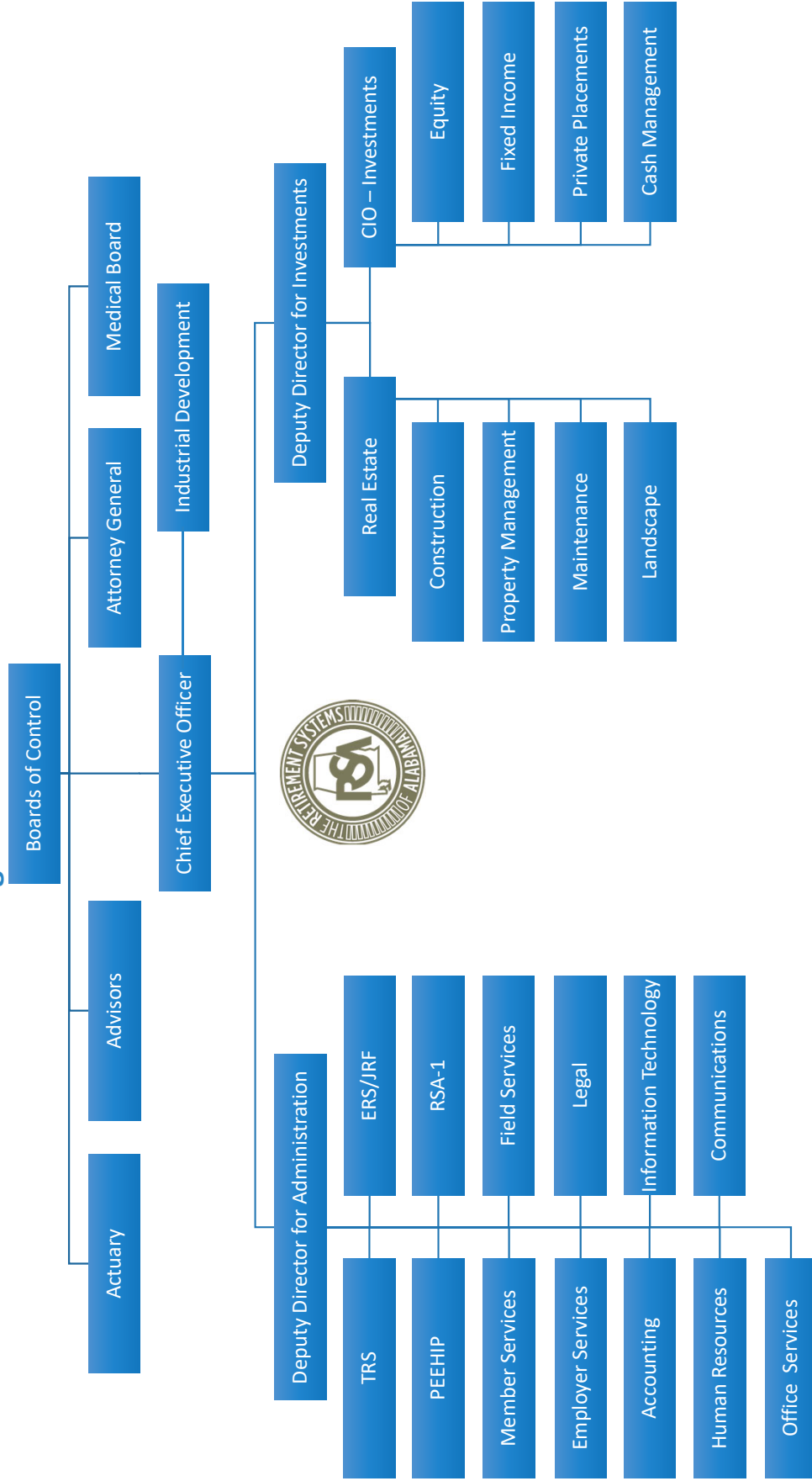
*Presented by the Public Pension Coordinating Council, a confederation of*

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

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

Alan H. Winkle  
Program Administrator

# The Retirement Systems of Alabama Organizational Chart





**Teachers' Retirement System Board of Control**

**Ex Officio Members**

Dr. Eric Mackey, State Superintendent of Education

Honorable Young Boozer, State Treasurer

Mr. Bill Poole, State Finance Director

**Elected Members**

Chair, Mr. Luther P. Hallmark, Superintendent Position

Vice Chair, Mr. John R. Whaley, Teacher Position No. 2

Ms. Peggy Mobley, Retired Position No. 1

Ms. Anita Gibson, Retired Position No. 2

Mr. Thomas E. Jones, Principal Position

Dr. Susan Williams Brown, Postsecondary Position

Dr. William A. Walsh, Higher Education Position No. 1

Ms. Kelli D. Shomaker, Higher Education Position No. 2

Ms. Amanda Miller, Teacher Position No. 1

Ms. Mary Beth Tate, Teacher Position No. 3

Mrs. Susan Lockridge, Support Personnel Position No. 1

Ms. Amy Knight Fowler, Support Personnel Position No. 2

**Employees' Retirement System Board of Control\*\***

**Ex Officio Members**

Chair, Honorable Kay Ivey, Governor

Honorable Young Boozer, State Treasurer

Mr. Bill Poole, State Finance Director

Mrs. Jackie B. Graham, State Personnel Director

**Elected Members**

Vice Chair, Mr. James Fibbe, Retired Local Employee Position

Mr. Norris Green, Retired State Employee Position

Mr. Derrick T. Turner, Sr., Active State Employee Position No. 1

Mrs. Lindsey Ward, Active State Employee Position No. 2

Mr. David J. Harer, Active City Employee Position

Mrs. Lisa Statum, Active Local Employee Position No. 2

Mr. Michael Gillespie, Active or Retired Local Employee Position

Mr. Ricky Harcrow, Active County Employee Position

**Appointed Members**

Lt. David Colston

Ms. Tammy Rolling

Mr. Edward N. Austin

\*\*The Employees' Retirement System Board of Control is responsible for the administration of both the Employees' Retirement System and the Judicial Retirement Fund.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Introductory Section*

#### Staff, Advisors, and Medical Board

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#### **Staff, Advisors, and Medical Board**

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

Jo Moore, J.D., Deputy Director – Administration

Marc Green, M.B.A., CFA, Deputy Director - Investments

#### **Administrative Staff**

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

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

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

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

General Counsel, Jared H. Morris, J.D.

Legislative Counsel, Neah M. Scott, J.D.

Communications, Deborah J. Kirk, B.S.

Employer Services, Margaret B. Sellars, B.S.

Field Services, Christopher C. Gallup, B.S.

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

#### **Investment Staff**

Private Placements Portfolio Manager, Rachel Daniels, MACC, CFA, C.P.A.

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

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

Fixed Income Analyst Portfolio Manager, Nicholas A. Prillaman, M.S., CFA

Director of Equities, Allan Carr, M.B.A., CFA

Assistant Director of Equities, Steve R. Lambdin, M.B.A., CFA

Assistant Director of Equities, Hunter Bronson, M.S., CFA

Equity Analyst Portfolio Manager, Bobby Long, M.B.A., CFA

Equity Analyst, Kevin W. Gamble, M.B.A., CFA

Equity Analyst, Michael McNair, M.B.A., CFA

Equity Analyst, Shaun Wasso, M.B.A.

Cash Management/Operations, Lauren I. Bright, B.A.

#### **Advisors**

Independent Certified Public Accountants, Carr, Riggs & Ingram CPAs and Advisors 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, Honorable Steve Marshall

Chief Examiner, Honorable Rachel Riddle

#### **Medical Board**

Chair, Glenn Yates, M.D.

Gregory Borg, M.D.

Malcolm Brown, M.D.





# Financial Section

**Annual Comprehensive Financial Report  
Component Units of the State of Alabama**





## **INDEPENDENT AUDITORS' REPORT**

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

### **Opinion**

We have audited the accompanying combined financial statements of the Retirement Systems of Alabama (consisting of the Teachers' Retirement System of Alabama, the Employees' Retirement System of Alabama, and the Judicial Retirement Fund (the RSA), a component unit of the State of Alabama) as of and for the year ended September 30, 2022, and the related notes to the combined financial statements, which collectively comprise the Retirement Systems of Alabama's basic financial statements as listed in the table of contents.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Retirement Systems of Alabama, as of September 30, 2022, and the respective changes in fiduciary net position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Retirement Systems of Alabama, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement Systems of Alabama's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a

guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Retirement Systems of Alabama's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Retirement Systems of Alabama's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinion on the combined financial statements that collectively comprise the Retirement Systems of Alabama's basic financial statements. The schedule of administrative expenses, schedule of investment expenses, and schedule of professional/consultant fees are



presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of administrative expenses, schedule of investment expenses, and schedule of professional/consultant fees are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the introductory section, investment section, actuarial section, and statistical section, but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Matters**

#### *Prior-Year Comparative Information*

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Retirement Systems of Alabama's financial statements for the year ended September 30, 2021, from which such partial information was derived. We have previously audited the Retirement Systems of Alabama's financial statements and we expressed an unmodified opinion on the respective financial statements in our report dated January 31, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2021, is consistent, in all material respects, with the audited financial statements from which it has been derived.

*Carr, Riggs & Ingram, L.L.C.*

January 20, 2023  
Montgomery, Alabama







The Retirement Systems of Alabama (RSA or Systems) is comprised of the Teachers' Retirement System (TRS), Employees' Retirement System (ERS), and Judicial Retirement Fund (JRF). The following discussion provides an overview of the financial position and results of operations for the RSA as of and for the fiscal year ended September 30, 2022. For more detailed information, please refer to the financial statements, including the Notes to the Combined Financial Statements and the Required Supplementary Information.

#### **Financial Statements and Required Supplementary Information**

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

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

The Combining Statement of Changes in Fiduciary Net Position reports all additions and deductions of the RSA for the fiscal year. Additions primarily consist of employee contributions, employer contributions, and investment income. Deductions primarily consist of retirement allowance payments. Additions minus deductions provide the change in fiduciary net position during the fiscal year. The change in fiduciary net position plus the beginning fiduciary net position results in the fiduciary net position at the end of the fiscal year.

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

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



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Management's Discussion and Analysis (Continued)

#### Comparative Summary Statements

##### Summary Comparative Combining Statement of Fiduciary Net Position

As of September 30, 2022 and 2021

(Dollar Amounts in Thousands)

	2022	2021	Variance	% Increase/ (Decrease)
<b><i>Assets &amp; Deferred Outflows of Resources</i></b>				
Cash	\$ 119,111	\$ 101,360	\$ 17,751	17.51
Receivables	305,839	280,319	25,520	9.10
Investment Sales Receivable	20,112	187,906	(167,794)	(89.30)
Investments, at Fair Value	38,399,402	45,887,933	(7,488,531)	(16.32)
Invested Securities Lending Collateral	1,415,158	1,521,152	(105,994)	(6.97)
Property and Equipment, Net	127,997	139,401	(11,404)	(8.18)
Total Assets	40,387,619	48,118,071	(7,730,452)	
Deferred Outflows of Resources	12,195	14,072	(1,877)	(13.34)
Total Assets & Deferred Outflows of Resources	40,399,814	48,132,143	(7,732,329)	(16.06)
<b><i>Liabilities &amp; Deferred Inflows of Resources</i></b>				
Accounts Payable and Other Liabilities	15,779	13,558	2,221	16.38
Investment Purchases Payable	23,040	116,078	(93,038)	(80.15)
Net Other Postemployment Benefits Liability	8,131	9,468	(1,337)	(14.12)
Net Pension Liability	35,788	46,796	(11,008)	(23.52)
Securities Lending Collateral	1,415,158	1,521,152	(105,994)	(6.97)
Total Liabilities	1,497,896	1,707,052	(209,156)	(12.25)
Deferred Inflows of Resources	24,339	18,356	5,983	32.59
Total Liabilities & Deferred Inflows of Resources	1,522,235	1,725,408	(203,173)	(11.78)
<b><i>Net Position Restricted for Pension Benefits</i></b>	<b>\$ 38,877,579</b>	<b>\$ 46,406,735</b>	<b>\$ (7,529,156)</b>	<b>(16.22)</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Management's Discussion and Analysis (Continued)

#### Summary Comparative Combining Statement of Changes in Fiduciary Net Position For the Fiscal Years Ended September 30, 2022 and 2021 (Dollar Amounts in Thousands)

	2022	2021	Variance	% Increase/ (Decrease)
<b><i>(Reductions)/Additions</i></b>				
Employee Contributions	\$ 861,586	\$ 805,755	\$ 55,831	6.93
Employer Contributions	1,512,818	1,409,063	103,755	7.36
New Units	2,679	-	2,679	100.00
Investment (Loss)/Income	(5,874,166)	8,652,518	(14,526,684)	(167.89)
Transfers Between Systems	15,958	10,667	5,291	49.60
Transfers from an				
Internal Service Fund	-	628	(628)	(100.00)
Marketing & Advertising Revenue	500	-	500	100.00
Direct Appropriation from the				
Education Trust Fund	58,400	-	58,400	100.00
Total (Reductions)/Additions	<u>(3,422,225)</u>	<u>10,878,631</u>	<u>(14,300,856)</u>	<u>(131.46)</u>
<b><i>Deductions</i></b>				
Retirement Allowance Payments	3,919,590	3,714,376	205,214	5.52
Return of Contributions, Unit				
Withdrawals & Death Benefits	128,078	117,932	10,146	8.60
Transfers Between Systems	15,958	10,667	5,291	49.60
Administrative Expenses	30,694	31,753	(1,059)	(3.34)
Depreciation	12,611	12,653	(42)	(0.33)
Total Deductions	<u>4,106,931</u>	<u>3,887,381</u>	<u>219,550</u>	<u>5.65</u>
<b><i>Net (Decrease)/Increase in</i></b>				
<b><i>Fiduciary Net Position</i></b>	<u>(7,529,156)</u>	<u>6,991,250</u>	<u>(14,520,406)</u>	<u>(207.69)</u>
<b><i>Net Position Restricted for Pension Benefits</i></b>				
Beginning of Year	46,406,735	39,415,485	6,991,250	17.74
End of Year	<u><b>\$ 38,877,579</b></u>	<u><b>\$ 46,406,735</b></u>	<u><b>\$ (7,529,156)</b></u>	<u><b>(16.22)</b></u>

#### Comparison of Individual Fiduciary Net Position As of September 30, 2022 and 2021 (Dollar Amounts in Thousands)

	2022	2021	Variance	% Increase/ (Decrease)
<b>TRS</b>	\$ 25,580,871	\$ 30,561,930	\$ (4,981,059)	(16.30)
<b>ERS</b>	12,999,159	15,479,476	(2,480,317)	(16.02)
<b>JRF</b>	297,549	365,329	(67,780)	(18.55)
<b>Total</b>	<u><b>\$ 38,877,579</b></u>	<u><b>\$ 46,406,735</b></u>	<u><b>\$ (7,529,156)</b></u>	<u><b>(16.22)</b></u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Management's Discussion and Analysis (Continued)

#### Financial Analysis

- Primarily all cash on hand at September 30, 2022, was held for administrative expenses.
- In the Summary Comparative Combining Statement of Fiduciary Net Position, receivables consist primarily of employee contributions, employer contributions, interest, dividends, and member transfers between systems at September 30, 2022.
- Investment sales receivable and investment purchases payable occur as a result of trade date accounting. The decrease in the receivable and payable for fiscal year 2022 was due to the value of securities traded in the current fiscal year and settling in the following fiscal year being less than the value of the securities traded but not settled in the previous fiscal year.
- The RSA's investment portfolio presented in percentages by investment type:

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
<b>Equity</b>	70.36%	69.73%	67.93%
<b>Fixed</b>	18.88%	19.58%	29.71%
<b>Real Estate</b>	10.76%	10.69%	2.36%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

- Employer contributions increased as a result of salary increases for fiscal year 2022 due to cost-of-living adjustments. The employer contribution rates for fiscal year 2022 are in the table below. ERS local participating employer contribution rates differ for each employer.

	<b>Tier 1</b>	<b>Tier 2</b>
<b>TRS</b>	12.43%	11.32%
<b>ERS - State Employees</b>	14.83%	14.44%
<b>ERS - State Police</b>	52.22%	42.86%
<b>JRF - Groups 1 &amp; 2</b>	42.10%	-
<b>JRF - Group 3 - Judges' &amp; Clerks' Plan</b>	37.47%	-
<b>JRF - District Attorneys' Plan</b>	19.77%	-

- During fiscal year 2022, returns on investments of the TRS, ERS, and JRF were -13.18%, -13.02%, and -14.87%, respectively. The returns were calculated by State Street Bank.
- During fiscal year 2022, investment income decreased by 167.89% primarily due to a large decrease in the unrealized gains and losses and decreases in net securities lending income. Net securities lending income decreased by 26.33% for the RSA which was primarily driven by a decrease in demand. At September 30, 2022, cash loan balances decreased approximately 6% and non-cash loan balances decreased approximately 1% from their balances at September 30, 2021. Non-cash loans continue to be the collateral of choice for brokers due to the regulations imposed by the Frank-Dodd Act. Although non-cash loans are more beneficial to the brokers' balance sheet due to the lower overall demand, these types of loans decreased by approximately 1%.
- Retirement allowance payments increased as a result of 7,785 members who retired during fiscal year 2022.
- Net other postemployment benefits liability and net pension liability represent the RSA's obligations related to postemployment benefits for its employees and varies year to year with the actuarial valuation.
- Act 395 of the Legislature of 2022 made a supplemental appropriation for the fiscal year ending September 30, 2022, to the TRS for \$58.4 million for the longevity bonus for each eligible recipient as defined by Act 2022-178.



#### **Funding Status**

The Governmental Accounting Standards Board (GASB) issued Statement No. 67, *Financial Reporting for Pension Plans*, which requires the methodology for determining the net pension liability from the accounting perspective to be disclosed in the Notes to the Combined Financial Statements.

At September 30, 2022, TRS and JRF employers' total pension liability was \$41.1 billion and \$504.8 million, respectively. The plan fiduciary net position of TRS and JRF employers was \$25.6 billion and \$297.5 million, respectively, resulting in a net pension liability of \$15.5 billion and \$207.3 million, respectively. The plan fiduciary net position as a percentage of the total pension liability for TRS and JRF employers was 62.21% and 58.94%, respectively, using GASB Statement No. 67 measurements.

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

#### **Financial Highlights**

- Net position held in trust of \$38.9 billion at September 30, 2022, was available to meet future benefit payments.
- At September 30, 2021, the date of the most recent actuarial valuation, the funding level (actuarial value of assets as a percentage of actuarial accrued liabilities) was 70.2% for the TRS, 67.7% for the ERS, and 66.8% for the JRF.







# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

Combining Statement of Fiduciary Net Position

September 30, 2022 with comparative figures for 2021

(Dollar Amounts in Thousands)

	2022			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Total
<b>Assets</b>				
Cash (Note 4)	\$ 76,353	\$ 38,943	\$ 3,815	\$ 119,111
Receivables				
Employee Contributions	53,159	14,769	183	68,111
Employer Contributions	91,103	29,410	756	121,269
Transfers Receivable from the Teachers' Retirement System	-	998	-	998
Transfers Receivable from the Employees' Retirement System	1,468	-	-	1,468
Investment Sales Receivable	13,819	6,111	182	20,112
Dividends and Interest	74,312	38,055	993	113,360
Miscellaneous Receivable	121	512	-	633
Total Receivables	233,982	89,855	2,114	325,951
Investments, at Fair Value (Note 5)				
Domestic Equity	14,437,073	7,292,918	158,117	21,888,108
Domestic Fixed Income	3,374,491	1,719,690	71,062	5,165,243
International Equities	3,322,273	1,679,190	40,495	5,041,958
Real Estate	2,714,552	1,375,316	6,905	4,096,773
Short-Term	1,391,695	799,842	15,783	2,207,320
Total Investments	25,240,084	12,866,956	292,362	38,399,402
Invested Securities Lending Collateral (Note 5)	910,512	499,408	5,238	1,415,158
Property and Equipment less Accumulated Depreciation (Note 8)	88,363	39,634	-	127,997
Total Assets	26,549,294	13,534,796	303,529	40,387,619
Deferred Outflows of Resources - Pensions	6,747	3,073	95	9,915
Deferred Outflows of Resources - Other Postemployment Benefits	1,633	643	4	2,280
Total Assets and Deferred Outflows of Resources	26,557,674	13,538,512	303,628	40,399,814
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	8,991	4,213	109	13,313
Transfers Payable to the Teachers' Retirement System	-	1,468	-	1,468
Transfers Payable to the Employees' Retirement System	998	-	-	998
Investment Purchases Payable	15,560	7,211	269	23,040
Net Other Postemployment Benefits Liability (Note 9)	5,018	3,087	26	8,131
Net Pension Liability (Note 10)	19,723	15,723	342	35,788
Securities Lending Collateral (Note 5)	910,512	499,408	5,238	1,415,158
Total Liabilities	960,802	531,110	5,984	1,497,896
Deferred Inflows of Resources - Pensions	7,810	2,631	51	10,492
Deferred Inflows of Resources - Other Postemployment Benefits	8,191	5,612	44	13,847
Total Liabilities and Deferred Inflows of Resources	976,803	539,353	6,079	1,522,235
<b>Net Position Restricted for Pension Benefits (Note 3)</b>	<b>\$ 25,580,871</b>	<b>\$ 12,999,159</b>	<b>\$ 297,549</b>	<b>\$ 38,877,579</b>

See accompanying Notes to the Combined Financial Statements.



	2021			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Total
<b>Assets</b>				
Cash	\$ 65,144	\$ 32,629	\$ 3,587	\$ 101,360
Receivables				
Employee Contributions	48,920	14,510	167	63,597
Employer Contributions	83,814	28,922	655	113,391
Transfers Receivable from the Teachers' Retirement System	-	123	-	123
Transfers Receivable from the Employees' Retirement System	530	-	-	530
Investment Sales Receivable	147,033	40,873	-	187,906
Dividends and Interest	67,020	34,407	887	102,314
Miscellaneous Receivable	89	275	-	364
Total Receivables	347,406	119,110	1,709	468,225
Investments, at Fair Value				
Domestic Equity	17,565,017	8,851,872	196,181	26,613,070
Domestic Fixed Income	3,569,934	1,815,287	76,494	5,461,715
International Equities	4,576,563	2,316,334	55,706	6,948,603
Real Estate	2,757,252	1,408,756	7,540	4,173,548
Short-Term	1,703,749	962,679	24,569	2,690,997
Total Investments	30,172,515	15,354,928	360,490	45,887,933
Invested Securities Lending Collateral	1,095,386	421,801	3,965	1,521,152
Property and Equipment less Accumulated Depreciation	96,318	43,083	-	139,401
Total Assets	31,776,769	15,971,551	369,751	48,118,071
Deferred Outflows of Resources - Pensions	8,276	2,934	69	11,279
Deferred Outflows of Resources - Other Postemployment Benefits	1,917	871	5	2,793
Total Assets and Deferred Outflows of Resources	31,786,962	15,975,356	369,825	48,132,143
<b>Liabilities</b>				
Accounts Payable and Other Liabilities	8,685	4,135	85	12,905
Transfers Payable to the Teachers' Retirement System	-	530	-	530
Transfers Payable to the Employees' Retirement System	123	-	-	123
Investment Purchases Payable	75,509	40,569	-	116,078
Net Other Postemployment Benefits Liability	5,705	3,732	31	9,468
Net Pension Liability	28,764	17,674	358	46,796
Securities Lending Collateral	1,095,386	421,801	3,965	1,521,152
Total Liabilities	1,214,172	488,441	4,439	1,707,052
Deferred Inflows of Resources - Pensions	499	264	-	763
Deferred Inflows of Resources - Other Postemployment Benefits	10,361	7,175	57	17,593
Total Liabilities and Deferred Inflows of Resources	1,225,032	495,880	4,496	1,725,408
<b>Net Position Restricted for Pension Benefits</b>	<b>\$ 30,561,930</b>	<b>\$ 15,479,476</b>	<b>\$ 365,329</b>	<b>\$ 46,406,735</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended September 30, 2022 with comparative figures for 2021

(Dollar Amounts in Thousands)

	2022			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Total
<b>Additions/(Reductions)</b>				
Contributions				
Employee	\$ 553,615	\$ 303,507	\$ 4,464	\$ 861,586
Employer	932,332	559,869	20,617	1,512,818
New Units	-	2,679	-	2,679
Transfers from the Teachers' Retirement System	-	6,213	-	6,213
Transfers from the Employees' Retirement System	9,517	-	228	9,745
Marketing & Advertising Revenue	335	165	-	500
Direct Appropriation from the Education Trust Fund	58,400	-	-	58,400
Total Contributions	1,554,199	872,433	25,309	2,451,941
Investment Income (Note 5)				
From Investing Activities				
Net Decrease in Fair Value of Investments	(4,500,179)	(2,274,633)	(59,058)	(6,833,870)
Interest and Dividends	629,210	329,975	7,229	966,414
Total Investment Loss from Investing Activities	(3,870,969)	(1,944,658)	(51,829)	(5,867,456)
Less: Investment Expenses, Net	11,573	3,544	-	15,117
Net Investment Loss from Investing Activities	(3,882,542)	(1,948,202)	(51,829)	(5,882,573)
From Securities Lending Activities				
Securities Lending Income	12,606	6,284	94	18,984
Less Securities Lending Expenses:				
Borrower Rebates	4,585	2,367	23	6,975
Management Fees	2,406	1,175	21	3,602
Total Securities Lending Expenses	6,991	3,542	44	10,577
Net Income from Securities Lending Activities	5,615	2,742	50	8,407
Total Net Investment Loss	(3,876,927)	(1,945,460)	(51,779)	(5,874,166)
Total Reductions	(2,322,728)	(1,073,027)	(26,470)	(3,422,225)
<b>Deductions</b>				
Retirement Allowance Payments	2,555,391	1,323,657	40,542	3,919,590
Return of Contributions and Death Benefits	68,722	58,978	325	128,025
Unit Withdrawals	-	53	-	53
Transfers to the Teachers' Retirement System	-	9,517	-	9,517
Transfers to the Employees' Retirement System	6,213	-	-	6,213
Transfers to the Judicial Retirement Fund	-	228	-	228
Administrative Expenses	18,945	11,306	443	30,694
Depreciation (Note 8)	9,060	3,551	-	12,611
Total Deductions	2,658,331	1,407,290	41,310	4,106,931
<b>Net Decrease in Fiduciary Net Position</b>	<b>(4,981,059)</b>	<b>(2,480,317)</b>	<b>(67,780)</b>	<b>(7,529,156)</b>
<b>Net Position Restricted for Pension Benefits (Note 3)</b>				
Beginning of Year	30,561,930	15,479,476	365,329	46,406,735
End of Year	<u>\$ 25,580,871</u>	<u>\$ 12,999,159</u>	<u>\$ 297,549</u>	<u>\$ 38,877,579</u>

See accompanying Notes to the Combined Financial Statements.

2021				
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Total
<b>Additions</b>				
Contributions				
Employee	\$ 519,627	\$ 281,975	\$ 4,153	\$ 805,755
Employer	874,401	516,402	18,260	1,409,063
Transfers from the Teachers' Retirement System	-	4,421	-	4,421
Transfers from the Employees' Retirement System	6,128	-	118	6,246
Transfers from an Internal Service Fund	377	251	-	628
Total Contributions	1,400,533	803,049	22,531	2,226,113
Investment Income	74,312			
From Investing Activities				
Net Increase in Fair Value of Investments	5,155,012	2,558,276	56,970	7,770,258
Interest and Dividends	576,552	302,802	6,689	886,043
Total Investment Income from Investing Activities	5,731,564	2,861,078	63,659	8,656,301
Less: Investment Expenses, Net	11,191	4,003	-	15,194
Net Investment Income from Investing Activities	5,720,373	2,857,075	63,659	8,641,107
From Securities Lending Activities				
Securities Lending Income	11,019	5,685	106	16,810
Less Securities Lending Expenses:				
Borrower Rebates	108	39	1	148
Management Fees	3,445	1,773	33	5,251
Total Securities Lending Expenses	3,553	1,812	34	5,399
Net Income from Securities Lending Activities	7,466	3,873	72	11,411
Total Net Investment Income	5,727,839	2,860,948	63,731	8,652,518
Total Additions	7,128,372	3,663,997	86,262	10,878,631
<b>Deductions</b>				
Retirement Allowance Payments	2,415,128	1,260,159	39,089	3,714,376
Return of Contributions and Death Benefits	63,747	54,157	28	117,932
Transfers to the Teachers' Retirement System	-	6,128	-	6,128
Transfers to the Employees' Retirement System	4,421	-	-	4,421
Transfers to the Judicial Retirement Fund	-	118	-	118
Administrative Expenses	20,402	10,977	374	31,753
Depreciation	9,133	3,520	-	12,653
Total Deductions	2,512,831	1,335,059	39,491	3,887,381
<b>Net Increase in Fiduciary Net Position</b>	<b>4,615,541</b>	<b>2,328,938</b>	<b>46,771</b>	<b>6,991,250</b>
<b>Net Position Restricted for Pension Benefits</b>				
Beginning of Year	25,946,389	13,150,538	318,558	39,415,485
End of Year	<u>\$ 30,561,930</u>	<u>\$ 15,479,476</u>	<u>\$ 365,329</u>	<u>\$ 46,406,735</u>

# RETIREMENT SYSTEMS OF ALABAMA

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## *Financial Section*

### Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2022

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(Dollar Amounts in Thousands)

#### **1) PLAN DESCRIPTION**

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

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control, which consists of 15 trustees as follows:

- 1) The State Superintendent of Education, ex officio.
- 2) The State Treasurer, ex officio.
- 3) The State Director of Finance, ex officio.
- 4) Twelve members of the TRS who are elected by members from the same category of the TRS for a term of three years as follows:
  - a. Teacher Position No. 1.
  - b. Teacher Position No. 2.
  - c. Teacher Position No. 3.
  - d. Educational Support Personnel Position No. 1.
  - e. Educational Support Personnel Position No. 2.
  - f. Retired Position No. 1.
  - g. Retired Position No. 2.
  - h. Superintendents' Position.
  - i. Principals' Position.
  - j. Postsecondary Position.
  - k. Higher Education Position No. 1.
  - l. Higher Education Position No. 2.

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for State Employees, State Police, and, on an elective basis, to qualified employees of counties, cities, towns, and public or quasi-public organizations. Assets of the ERS are pooled for investment purposes. However, separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of its employees only. The responsibility for the general administration and operation of the ERS is vested in its Board of Control, which consists of 15 trustees as follows:

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



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- d. One vested active employee of a county participating in the ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - e. One vested active employee or retired member of an employer participating in the ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.
  - f. One vested active employee of an employer other than a municipality, city, or county participating in the ERS pursuant to the *Code of Alabama 1975, Section 36-27-6*.

The JRF, a cost-sharing multiple-employer public employee retirement plan, was established as of September 18, 1973, pursuant to the *Code of Alabama 1975, Title 12, Chapter 18* (Act 1163 of the Legislature of 1973) for the purpose of providing retirement allowances and other specified benefits for any Justice of the Supreme Court of Alabama, Judge of the Court of Civil Appeals, Judge of the Court of Criminal Appeals, Judge of the Circuit Court, or office holder of any newly created judicial office receiving compensation from the State Treasury. The *Code of Alabama 1975, Title 12, Chapter 18, Articles 3 & 4* (Act 1205 of the Legislature of 1975) enlarged the scope and coverage of the JRF to include District and Probate Judges, respectively. The *Code of Alabama 1975, Title 12, Chapter 18, Article 7* (Act 498 of the Legislature of 2015) established the Judges' and Clerks' Plan within the JRF for any Judge or Clerk who was first elected or appointed on or after November 8, 2016, and was not a member of the JRF or the Clerks' and Registers' Supernumerary Fund prior to that date. The *Code of Alabama 1975, Section 12-17-227* (Act 498 of the Legislature of 2015) established the District Attorneys' Plan within the JRF for any District Attorney serving in the capacity of District Attorney on or after November 8, 2016. The responsibility for the general administration and operation of the JRF is vested in the Board of Control of the ERS.

At September 30, 2022, the number of participating units in each system was as follows:

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Cities	-	305	-
Counties	-	66	67
Other Public Entities	-	514	-
Universities	13	-	-
Postsecondary Institutions	25	-	-
City and County Boards of Education	139	-	-
State Agencies & Other	40	1	1
<b>Total</b>	<b>217</b>	<b>886</b>	<b>68</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

At September 30, 2021, the date of the most recent actuarial valuation, membership consisted of:

	TRS	ERS	JRF
Retirees and beneficiaries currently receiving benefits:			
General	103,071	24,727	452
State Police	-	963	-
Employees of Local Employers	-	29,725	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	26,329	6,446	13
State Police	-	61	-
Employees of Local Employers	-	18,545	-
Non-vested inactive members who have not contributed for more than 5 years	31,446	21,100	27
Active Employees:			
General	134,034	27,535	368
State Police	-	798	-
Employees of Local Employers	-	56,238	-
<b>Total</b>	<b>294,880</b>	<b>186,138</b>	<b>860</b>

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS, ERS, and JRF. Benefits for TRS and ERS members vest after 10 years of creditable service. Teachers and State Employees who retire after age 60 (after age 52 for State Police) with 10 years or more of creditable service or with 25 years of creditable service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of creditable service (regardless of age), depending on the particular employer's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS and ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of creditable service. State Police are allowed 2.875% for each year of creditable State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS and ERS members are eligible for retirement after age 62 (after age 56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life.. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS and ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of creditable service up to 80% of their average final compensation. Tier 2 State Police are allowed 2.375% for each year of creditable State Police service up to 80% of their average final compensation in computing the formula method. Acts 222 and 351 of the Legislature of 2022 for TRS and ERS, respectively, provide that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit

Act 132 of the Legislature of 2019 provided that local employers participating in the ERS pursuant to the *Code of Alabama 1975, Section 36-27-6* could elect to provide their Tier 2 members with the same retirement benefits provided to their Tier 1 members. Any local participating employer who elects to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members may do so by adoption of a resolution within 24 months of the effective date of Act 2019-132. The effective date of Act 2019-132 was May 8, 2019, giving local participating employers until May 8, 2021, to make such election. Act 348 of the Legislature of 2022 removed the date limitation

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on a participating local employer for electing to provide to its Tier 2 members the same retirement benefits as provided to Tier 1 members. Act 2019-132 also provided that the ERS Board of Control could deny a local participating employer's election based on a review by RSA Staff of the local participating employer's historical compliance with ERS requirements as well as the financial stability of the local participating employer. Any local participating employer whose election is denied may petition the ERS Board of Control for a reconsideration within the 24-month period from the effective date of Act 2019-132. Once a local participating employer elects to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members, its election is irrevocable and becomes effective at the beginning of the fiscal year following the date that the ERS receives a local participating employer's resolution. Any local participating employer electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members who has not increased its Tier 1 members' contribution rates as provided in Act 676 of the Legislature of 2011 is required to develop a plan to gradually increase its members' contribution rates. The plan must be submitted to the ERS prior to a local participating employer submitting a resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Beginning in the month that a local participating employer's election becomes effective, its Tier 2 members (except Tier 2 members who are certified law enforcement, correctional officers, and firefighters) will contribute 7.50% of earnable compensation to the ERS. Tier 2 certified law enforcement, correctional officers, and firefighters will contribute 8.50% of earnable compensation to the ERS. Act 2019-132 was amended by Act 348 of the Legislature of 2022 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS and ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS or ERS on or after October 1, 2019. A TRS or ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

The JRF benefits vest from five to eighteen years. Except for justices or judges who were either disabled, elected prior to July 30, 1979, or have at least 25 years of creditable service, no justice or judge is eligible to receive judicial service retirement pay prior to attaining age 60. Service retirement benefits for justices and judges are dependent upon the particular office held in the judicial branch of government. A retirement benefit is payable upon the request of any member who has: (1) 25 years of creditable service (regardless of age), (2) completed 12 years of creditable service and has attained age 65, (3) completed 15 years of creditable service and whose age plus creditable service equals or exceeds 77, (4) completed 10 years of creditable service and has attained age 70 or (5) been elected prior to July 30, 1979, and has 18 years of creditable service (regardless of age). The service retirement benefit for justices and judges is 75% of the salary for the judicial position from which the member is retiring on the date that the justice or judge retires.

Act 498 of the Legislature of 2015 established a new group (Group 3) of members within the JRF which consists of all justices, judges, and circuit clerks first elected or appointed on or after November 8, 2016, and district attorneys serving in the capacity of district attorney on or after November 8, 2016. Group 3 members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. A district attorney who has Tier 1 ERS transferred creditable service as an assistant or deputy district attorney is eligible for service retirement with 25 years of creditable service, regardless of age. Service and disability retirement benefits are calculated using a retirement formula. Group 3 members who are judges or justices are allowed 4% of their average final compensation (highest 5 of the last 10 years) for each year of creditable service up to 75% of their average final compensation. Group 3 members who are circuit clerks or district attorneys are allowed 3% of their average final compensation (highest 5 of the last 10 years) for each year of creditable service up to 80% of their average final compensation.



## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

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(Dollar Amounts in Thousands)

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

Tier 2 covered members of the TRS (except State Police and certified law enforcement, correctional officers, and firefighters) were required by statute to contribute 6% of earnable compensation to the TRS through September 30, 2021. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 7% of earnable compensation to the TRS through September 30, 2021. Act 537 of the Legislature of 2021 allows the conversion of sick leave into creditable service to TRS Tier 2 members. Effective October 1, 2021, the Tier 2 covered TRS members' (except certified law enforcement, correctional officers, and firefighters) contribution rate required by statute increased to 6.2% of earnable compensation to the TRS. Tier 2 TRS certified law enforcement, correctional officers, and firefighters' contribution rate to the TRS increased as required by statute to 7.2% of earnable compensation.

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

Group 3 members of the JRF are required by statute to contribute 8.50% of earnable compensation to the JRF.

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## **2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **A. Basis of Accounting**

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

### **B. Investments**

The Boards of Control of the Systems have the responsibility and authority to invest and reinvest available funds, through the Secretary-Treasurer (CEO) and Investment Committee, in bonds, mortgage-backed securities, common and preferred stock, and other investment vehicles with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use. All plan assets are carried at fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Short-term investments are reported at cost, which approximates fair value. Mortgage-backed securities are reported based on future principal and interest payments discounted at the prevailing interest rate for similar instruments. The fair value of real estate investments is based on independent appraisals or cost, when cost approximates fair value. Generally, private placements are valued based on the selling price of similar investments sold in the open market. In those instances where there are no similar investments sold in the open market, an independent appraisal is performed to determine the fair value of the private placements. The RSA invests in limited partnerships which are long-term and generally illiquid. As a result, investors are subject to redemption restrictions which generally limit distributions and restrict the ability of limited partners to exit a partnership investment prior to its dissolution. These partnership investments are valued using their respective net asset values (NAV) and are generally audited annually. The most significant element of the NAV is the fair value of the investment holdings. These holdings are valued by the general partners in conjunction with management, investment advisors, and valuation specialists. The valuation techniques vary based on the type of investment and involve a certain degree of expert judgment. The fair value for these investments could differ significantly if a ready market for these assets existed.

### **C. Comparative Combining Statements**

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

### **D. Interfund Transfers**

Interfund transfers result from transfers of members between retirement systems.

### **E. Use of Estimates**

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

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(Dollar Amounts in Thousands)

#### **F. Deferred Outflows & Inflows of Resources**

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

In addition to liabilities, the Combining Statement of Fiduciary Net Position reports a separate section for *Deferred Inflows of Resources*. This separate financial statement element represents an acquisition of net assets that applies to future periods and will not be recognized until then. Net differences between projected and actual experience, projected and actual earnings on plan investments, and changes in assumptions between employer contributions and the proportionate share of contributions identified during the measurement period are deferred and amortized as a component of pension expense and other postemployment benefits expense.

#### **G. New Accounting Pronouncements**

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, established the term Annual Comprehensive Financial Report and its acronym, ACFR. The new term and acronym replace instances of Comprehensive Annual Financial Report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021. The Systems implemented this new Statement early, beginning with fiscal year ended September 30, 2021.

### **3) LEGALLY REQUIRED RESERVES**

#### **A. Annuity Savings**

Member contributions are credited to the Annuity Savings account. Interest at 4% per annum is credited to the annuity savings account of each member on the basis of the average of the beginning and end of year balances (as of June 30 for the TRS and September 30 for the ERS and JRF).

When a member withdraws from service prior to becoming vested, the member's accumulated contributions and a portion of accumulated interest credited to the Annuity Savings account are returned to the member. The portion of accumulated interest that, by law, is not payable to the member is transferred to the Expense fund.

When a TRS or ERS member dies prior to becoming eligible for retirement, the member's accumulated contributions and accumulated interest credited to the Annuity Savings account are returned to the member's designated beneficiary. If the preretirement death benefit defined below is not payable, an additional death benefit equal to the member's accumulated contributions, up to five thousand dollars, is paid from the Pension Accumulation account to the member's beneficiary.

When a member retires or when a survivor allowance becomes payable, the amount of the member's accumulated contributions and accumulated interest is transferred from the Annuity Savings account to the Pension Accumulation account.

#### **B. Pension Accumulation**

The Pension Accumulation account is credited with contributions made by the employer and net investment income. The lump sum death benefit is paid from this account when a TRS or ERS member dies prior to becoming eligible for the preretirement death benefit or retirement. Periodic interest representing the member's earnings is transferred from the Pension Accumulation account to the Annuity Savings account. When a TRS, ERS, or JRF member retires or when a survivor allowance becomes payable, the member's accumulated contributions and accumulated interest is credited to the Pension Accumulation account, and all monthly benefit payments are paid from this account.



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### **C. Preretirement Death Benefit**

The Preretirement Death Benefit (PRDB) was established as of October 1, 1983, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27B* (Act 616 of the Legislature of 1983). The PRDB account is credited with contributions made by TRS, ERS, and JRF Group 3 members' employers and investment income on such funds. The preretirement death benefit (in the form of group term life insurance) is paid in addition to the return of member contributions upon the death of an active TRS, ERS, or JRF Group 3 member who has completed at least one year of active membership in the system and whose date of death was within 180 days of such member's last date of actual service. However, a surviving spouse beneficiary of a deceased member who was eligible for service retirement may elect a survivor allowance in lieu of this benefit. The preretirement death benefit is equal to the annual earnable compensation of the member as reported to the System for the preceding year ending June 30 for the TRS and September 30 for the ERS and the JRF. These assets are not included in the actuarial valuation and the liabilities associated with these death benefits are not included in the actuarial valuation.

### **D. Term Life Insurance**

The Alabama Teacher's Group Term Life Insurance Plan (established October 1, 1987) is credited with a portion of the employer contributions. All active contributing members of the TRS are covered by this plan. Contingent on availability of funds, upon death, a benefit is paid to the designated beneficiary of an insured member of the TRS. Beneficiaries of full-time employees receive fifteen thousand dollars while beneficiaries of part-time employees receive a prorated amount of fifteen thousand dollars. These assets are not included in the actuarial valuation and the liabilities associated with these life insurance benefits are not included in the valuation.

### **E. Expense**

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

### **F. Deferred Retirement Option Plan (DROP)**

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

The DROP was repealed by Act 27 of the Legislature of 2011. The effect of Act 27 is that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

#### **G. Reserves**

The reserves of the RSA included in the Net Position Restricted for Pension Benefits in the accompanying Combining Statement of Fiduciary Net Position are funded to the full extent required by statute. The reserve balances as of September 30, 2022, are as follows:

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Annuity Savings	\$ 6,865,652	\$ 3,406,262	\$ 51,509
Pension Accumulation	18,462,855	9,488,913	242,483
Deferred Retirement Option Plan	87,475	43,899	-
Preretirement Death Benefit	50,658	16,604	207
Term Life Insurance	1,541	-	-
Plant Fund	88,363	39,634	-
Expense	24,327	3,847	3,350
<b>Net Position at 9/30/2022</b>	<b>\$ 25,580,871</b>	<b>\$ 12,999,159</b>	<b>\$ 297,549</b>

#### **4) CASH**

Cash consists of deposits held by the State Treasurer in the respective retirement system's name. Deposits are entirely insured by the Federal Deposit Insurance Corporation or protected under the Security for Alabama Funds Enhancement (SAFE) Program. The *Code of Alabama 1975*, as amended, requires all State organizations to participate in the SAFE Program. The SAFE Program is a multiple financial institution collateral pool. The SAFE Program requires all public funds to be deposited in a financial institution designated by the State Treasurer as a qualified public depository. Each qualified public depository is required to pledge collateral in accordance with the rules established by the SAFE Board of Directors. In the event that a qualified public depository defaults or becomes insolvent and the pledged collateral is insufficient to satisfy the claims of public depositors, the *Code of Alabama 1975, Section 41-14A-9(3)* authorizes the State Treasurer to make assessments against the other qualified public depositories in the pool so that there will be no loss of public funds. Virtually all cash on hand at September 30, 2022, was held for administrative expenses.

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## 5) INVESTMENTS

### A. Investment Authority

Investment authority is granted to the Boards of Control, as Trustees of the Teachers' Retirement System and Employees' Retirement System (Systems), by the *Code of Alabama 1975*. Each System's Board of Control, therefore, has full power, through each System's Secretary-Treasurer, to invest and reinvest System funds in accordance with the Prudent Person Rule: "with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims." An important component of any investment strategy is the decision regarding allocation of investments among the various asset classes. The purpose of formulating asset allocation guidelines is to maximize investment returns within the standards of prudence established for the whole portfolio.

Each System's Board of Control is responsible for approving an Investment Policy Statement (IPS) that outlines investment strategies and the related asset allocation guidelines. The Boards of Control adopted a revised IPS that was effective on October 1, 2018, as outlined below. Below are the asset allocation guidelines for both Systems.

Asset Class	TRS		ERS		JRF	
	Target Allocation	Strategic Range	Target Allocation	Strategic Range	Target Allocation	Strategic Range
Domestic Equity	45%	30-60%	45%	30-60%	55%	30-60%
International Equity	15%	10-25%	15%	10-25%	15%	10-25%
Fixed Income	15%	10-50%	15%	10-40%	22%	10-40%
Alternative Investments	10%	0-20%	10%	0-15%	1%	0-15%
Real Estate	10%	0-15%	10%	0-15%	2%	0-15%
Short-Term Investments	5%	1-10%	5%	1-10%	5%	1-10%

### B. Money-Weighted Rate of Return

The annual money-weighted rates of return for the TRS, ERS, and JRF are -12.99%-, -12.85%, and -14.64%, respectively. A money-weighted rate of return expresses investment performance, which is net of investment expense and is adjusted for the changing amounts actually invested. The annual money-weighted rate of return on investments is calculated as the internal rate of return on plan investments, net of plan investment expense.

#### **C. Investment Risks**

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

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

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

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

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

*Concentration of Credit Risk* – As of September 30, 2022, the TRS owned debt and equity securities of Morgan Stanley and equity securities of New Water Street Corporation which represented approximately 5.36% and 5.12% of the TRS investments, respectively.



The following tables provide information as of September 30, 2022, concerning the fair value of investments, interest rate risk, and foreign currency risk (dollar amounts in thousands):

Type of Investment	TRS Maturity in Years at Fair Value				Total Fair Value	Cost
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 598,760	\$ -	\$ -	\$ -	\$ 598,760	\$ 598,760
Commercial Paper	792,935	-	-	-	792,935	792,935
U.S. Agency	24,934	78,952	35,730	1,957	141,573	153,210
U.S. Government Guaranteed	71,198	589,019	150,905	189,307	1,000,429	1,105,231
Corporate Bonds	98,751	574,665	258,004	368,634	1,300,054	1,426,142
Private Placements	43,342	5,424	210,767	100,840	360,373	372,466
GNMAs	2	1,046	-	140,295	141,343	166,738
CMOs	-	4,807	21,106	404,806	430,719	500,456
Total Domestic Fixed Maturity	<u>\$ 1,629,922</u>	<u>\$ 1,253,913</u>	<u>\$ 676,512</u>	<u>\$ 1,205,839</u>	<u>4,766,186</u>	<u>5,115,938</u>
<i>Equities</i>						
Preferred					21,901	24,441
Domestic					12,945,709	9,095,679
Private					1,469,463	1,221,014
International						
Australian Dollar					168,700	112,322
Swiss Franc					288,431	132,310
Danish Krone					74,960	26,426
Euro					735,201	730,115
Pound Sterling					401,231	501,553
Hong Kong Dollar					74,481	50,371
New Israeli Shekel					12,990	15,353
Japanese Yen					598,982	499,533
Norwegian Krone					19,262	12,578
New Zealand Dollar					1,856	2,218
Swedish Krona					73,174	50,844
Singapore Dollar					33,278	25,812
US Dollar					839,727	1,019,527
Total International Equities					3,322,273	3,178,962
Total Equities					17,759,346	13,520,096
Real Estate						
Real Estate - Buildings					2,419,565	1,923,642
Real Estate - Equity					294,987	301,811
Total Real Estate					2,714,552	2,225,453
Total Investments					\$ 25,240,084	\$ 20,861,487

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

Type of Investment	ERS Maturity in Years at Fair Value				Total Fair Value	Cost
	Less			More		
	Than 1	1-5	6-10	Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 284,960	\$ -	\$ -	\$ -	\$ 284,960	\$ 284,960
Commercial Paper	514,882	-	-	-	514,882	514,882
U.S. Agency	13,036	39,502	20,150	1,010	73,698	80,008
U.S. Government Guaranteed	36,293	296,692	81,032	94,530	508,547	561,761
Corporate Bonds	49,095	297,092	139,448	180,713	666,348	723,838
Private Placements	21,347	2,671	101,842	50,653	176,513	191,186
GNMAs	-	363	-	71,456	71,819	84,795
CMOs	-	2,224	10,180	210,361	222,765	258,865
Total Domestic Fixed Maturity	<u>\$ 919,613</u>	<u>\$ 638,544</u>	<u>\$352,652</u>	<u>\$608,723</u>	<u>2,519,532</u>	<u>2,700,295</u>
<i>Equities</i>						
Preferred					9,957	11,112
Domestic					6,432,514	4,497,948
Private					850,447	721,464
International						
Australian Dollar					82,037	57,910
Swiss Franc					140,114	71,263
Danish Krone					36,439	14,427
Euro					357,640	361,743
Pound Sterling					195,066	242,087
Hong Kong Dollar					36,168	26,621
New Israeli Shekel					6,316	7,281
Japanese Yen					290,761	250,931
Norwegian Krone					9,361	6,396
New Zealand Dollar					902	1,083
Swedish Krona					35,578	26,398
Singapore Dollar					16,174	12,809
US Dollar					472,634	581,985
Total International Equities					1,679,190	1,660,934
Total Equities					8,972,108	6,891,458
Real Estate						
Real Estate - Buildings					1,173,050	958,649
Real Estate - Equity					202,266	206,945
Total Real Estate					1,375,316	1,165,594
Total Investments					\$ 12,866,956	\$ 10,757,347

Type of Investment	JRF Maturity in Years at Fair Value				Total Fair Value	Cost
	Less	1-5	6-10	More		
	Than 1			Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 7,265	\$ -	\$ -	\$ -	\$ 7,265	\$ 7,265
Commercial Paper	8,518	-	-	-	8,518	8,518
U.S. Agency	668	1,869	760	48	3,345	3,612
U.S. Government Guaranteed	954	14,403	3,215	4,119	22,691	25,068
Corporate Bonds	3,428	13,426	4,568	8,479	29,901	32,973
Private Placements	-	-	199	997	1,196	1,143
GNMAs	-	-	-	3,091	3,091	3,644
CMOs	-	123	697	10,018	10,838	12,636
Total Domestic Fixed Maturity	<u>\$20,833</u>	<u>\$29,821</u>	<u>\$9,439</u>	<u>\$26,752</u>	<u>86,845</u>	<u>94,859</u>
<i>Equities</i>						
Preferred					544	607
Domestic					<u>157,500</u>	<u>79,433</u>
Private					<u>73</u>	<u>71</u>
International						
Australian Dollar					2,225	2,071
Swiss Franc					3,744	2,266
Danish Krone					993	427
Euro					9,642	10,361
Pound Sterling					5,256	6,981
Hong Kong Dollar					994	778
New Israeli Shekel					170	201
Japanese Yen					7,953	7,008
Norwegian Krone					254	223
New Zealand Dollar					24	23
Swedish Krona					960	834
Singapore Dollar					426	359
US Dollar					<u>7,854</u>	<u>9,282</u>
Total International Equities					<u>40,495</u>	<u>40,814</u>
Total Equities					<u>198,612</u>	<u>120,925</u>
Real Estate						
Real Estate - Buildings					<u>4,182</u>	<u>1,067</u>
Real Estate - Equity					<u>2,723</u>	<u>2,786</u>
Total Real Estate					<u>6,905</u>	<u>3,853</u>
Total Investments					<u>\$ 292,362</u>	<u>\$ 219,637</u>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2022, concerning credit risk:

#### TRS

Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 180,566	\$ 168,075	3.53
Aa2	6,566	4,927	0.10
Aa3	14,764	13,755	0.29
P-1	10,055	10,055	0.21
P-2	782,880	782,880	16.43
A1	124,723	115,719	2.43
A2	111,205	103,988	2.18
A3	206,231	191,850	4.03
Baa1	327,778	292,200	6.13
Baa2	401,201	356,664	7.48
Baa3	123,886	115,311	2.42
Ba1	21,162	20,622	0.43
Ba2	20,786	20,234	0.42
Ba3	4,369	4,075	0.08
NR	1,007,341	993,340	20.84
<b>Total Moody's Rated Fixed Maturities</b>	<b>3,343,513</b>	<b>3,193,695</b>	<b>67.00</b>
U.S. Agency Mortgage-Backed Securities	500,456	430,719	9.04
U.S. Government Guaranteed	1,271,969	1,141,772	23.96
<b>Total Fixed Maturities</b>	<b>\$ 5,115,938</b>	<b>\$ 4,766,186</b>	<b>100.00</b>

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 14,887	\$ 13,525	0.28
AA+	163,900	152,898	3.21
AA	10,465	10,308	0.22
AA-	27,055	24,234	0.51
A-1	15,084	15,084	0.32
A-2	777,851	777,851	16.32
A+	41,321	37,220	0.78
A	60,096	57,344	1.20
A-	281,675	262,441	5.51
BBB+	391,669	354,801	7.44
BBB	435,131	383,273	8.04
BBB-	71,934	67,994	1.43
BB+	27,064	26,361	0.55
BB	6,844	6,104	0.13
BB-	11,695	11,706	0.24
NR	1,006,842	992,551	20.82
<b>Total S&amp;P Rated Fixed Maturities</b>	<b>3,343,513</b>	<b>3,193,695</b>	<b>67.00</b>
U.S. Agency Mortgage-Backed Securities	500,456	430,719	9.04
U.S. Government Guaranteed	1,271,969	1,141,772	23.96
<b>Total Fixed Maturities</b>	<b>\$ 5,115,938</b>	<b>\$ 4,766,186</b>	<b>100.00</b>



ERS			
Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 93,914	\$ 87,220	3.46
Aa2	2,978	2,235	0.09
Aa3	7,540	7,024	0.28
P-1	29,917	29,917	1.19
P-2	484,965	484,965	19.25
A1	66,333	61,573	2.44
A2	57,221	53,319	2.12
A3	100,862	94,286	3.74
Baa1	169,128	149,811	5.95
Baa2	211,093	187,281	7.43
Baa3	62,107	57,880	2.30
Ba1	10,693	10,469	0.42
Ba2	10,575	10,293	0.41
Ba3	2,004	1,870	0.07
NR	485,544	478,258	18.98
<b>Total Moody's Rated Fixed Maturities</b>	<b>1,794,874</b>	<b>1,716,401</b>	<b>68.13</b>
U.S. Agency Mortgage-Backed Securities	258,865	222,765	8.84
U.S. Government Guaranteed	646,556	580,366	23.03
<b>Total Fixed Maturities</b>	<b>\$ 2,700,295</b>	<b>\$ 2,519,532</b>	<b>100.00</b>

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 6,896	\$ 6,258	0.25
AA+	86,210	80,212	3.18
AA	4,999	4,912	0.19
AA-	13,110	11,772	0.47
A-2	514,882	514,882	20.44
A+	20,600	18,522	0.74
A	28,754	27,373	1.09
A-	150,280	139,680	5.54
BBB+	200,422	180,653	7.17
BBB	225,066	198,528	7.88
BBB-	34,348	32,510	1.29
BB+	13,849	13,530	0.54
BB	3,397	3,034	0.12
BB-	5,838	5,844	0.23
NR	486,223	478,691	19.00
<b>Total S&amp;P Rated Fixed Maturities</b>	<b>1,794,874</b>	<b>1,716,401</b>	<b>68.13</b>
U.S. Agency Mortgage-Backed Securities	258,865	222,765	8.84
U.S. Government Guaranteed	646,556	580,366	23.03
<b>Total Fixed Maturities</b>	<b>\$ 2,700,295</b>	<b>\$ 2,519,532</b>	<b>100.00</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

#### JRF

Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 4,460	\$ 4,165	4.80
Aa2	157	118	0.14
Aa3	438	411	0.47
P-2	8,518	8,518	9.81
A1	2,457	2,294	2.64
A2	1,753	1,648	1.90
A3	4,627	4,275	4.92
Baa1	7,119	6,256	7.20
Baa2	9,388	8,365	9.63
Baa3	2,850	2,565	2.95
Ba1	1,287	1,207	1.39
Ba2	543	529	0.61
Ba3	725	679	0.78
NR	9,189	9,195	10.59
<b>Total Moody's Rated Fixed Maturities</b>	<b>53,511</b>	<b>50,225</b>	<b>57.83</b>
U.S. Agency Mortgage-Backed Securities	12,636	10,838	12.48
U.S. Government Guaranteed	28,712	25,782	29.69
<b>Total Fixed Maturities</b>	<b>\$ 94,859</b>	<b>\$ 86,845</b>	<b>100.00</b>

Standard & Poor's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 436	\$ 396	0.46
AA+	3,985	3,732	4.30
AA	270	266	0.31
AA-	730	660	0.76
A-2	8,518	8,518	9.80
A+	670	609	0.70
A	1,225	1,161	1.34
A-	5,721	5,294	6.10
BBB+	9,693	8,660	9.97
BBB	9,077	7,952	9.16
BBB-	1,511	1,414	1.63
BB+	1,467	1,383	1.59
BB	176	156	0.18
BB-	890	852	0.98
NR	9,142	9,172	10.55
<b>Total S&amp;P Rated Fixed Maturities</b>	<b>53,511</b>	<b>50,225</b>	<b>57.83</b>
U.S. Agency Mortgage-Backed Securities	12,636	10,838	12.48
U.S. Government Guaranteed	28,712	25,782	29.69
<b>Total Fixed Maturities</b>	<b>\$ 94,859</b>	<b>\$ 86,845</b>	<b>100.00</b>

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## **D. Fair Value Measurement**

The RSA categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy prioritizes the inputs to valuation used to measure the fair value of the asset, giving the highest priority to quoted prices in an active market for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The inputs to the three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities.
- Level 2: Significant other inputs which are observable either directly or indirectly, including quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in a less active market, or other market-corroborated inputs.
- Level 3: Valuations derived from valuation techniques using significant unobservable inputs for the asset or liabilities.

The categorization of investments within the hierarchy is based upon pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments in equity securities classified as Level 1 are valued using quoted prices in an active market for those securities.

Investments in securities classified as Level 2 are valued using non-proprietary information that is readily available to market participants from multiple independent sources, which are known to be actively involved in the market. Pricing inputs may include market quotation, yields, maturities, call features, and ratings.

Investments in non-market traded private equity, debt, and direct investments in real estate not publicly traded are classified as Level 3 due to the lack of observable pricing inputs and are valued using annual appraisals based on a combination of market data and projected cash flows.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements

### For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2022, concerning fair value measurement:

		TRS		
		Fair Value Measurements Using:		
	9/30/2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Domestic Fixed Maturity</b>				
Money Market Funds	\$ 598,760	\$ -	\$ 598,760	\$ -
Commercial Paper	792,935	-	792,935	-
U.S. Agency	141,573	-	141,573	-
U.S. Government Guaranteed	1,000,429	-	1,000,429	-
Corporate Bonds	1,300,054	-	1,283,754	16,300
Private Placements	360,373	-	-	360,373
GNMAs	141,343	-	141,343	-
CMOs	430,719	-	430,719	-
Total Domestic Fixed Maturity	4,766,186	-	4,389,513	376,673
<b>Equities</b>				
Preferred	21,901	21,901	-	-
Domestic	12,945,709	11,571,668	1,374,041	-
Private	1,469,463	108,948	40,244	1,320,271
International	3,322,273	3,028,054	294,219	-
Total Equities	17,759,346	14,730,571	1,708,504	1,320,271
<b>Real Estate</b>				
Real Estate - Buildings	2,419,565	-	-	2,419,565
Real Estate - Equity	294,987	294,987	-	-
Total Real Estate	2,714,552	294,987	-	2,419,565
<b>Total Investments</b>	<b>25,240,084</b>	<b>15,025,558</b>	<b>6,098,017</b>	<b>4,116,509</b>
Securities Lending Collateral	910,512	-	910,512	-
<b>Total Fair Value</b>	<b>\$ 26,150,596</b>	<b>\$ 15,025,558</b>	<b>\$ 7,008,529</b>	<b>\$ 4,116,509</b>

		ERS		
		Fair Value Measurements Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	9/30/2022			
<b><i>Domestic Fixed Maturity</i></b>				
Money Market Funds	\$ 284,960	\$ -	\$ 284,960	\$ -
Commercial Paper	514,882	-	514,882	-
U.S. Agency	73,698	-	73,698	-
U.S. Government Guaranteed	508,547	-	508,547	-
Corporate Bonds	666,348	-	658,048	8,300
Private Placements	176,513	-	-	176,513
GNMAs	71,819	-	71,819	-
CMOs	222,765	-	222,765	-
Total Domestic Fixed Maturity	2,519,532	-	2,334,719	184,813
<b><i>Equities</i></b>				
Preferred	9,957	9,957	-	-
Domestic	6,432,514	5,858,080	574,434	-
Private	850,447	61,288	19,822	769,337
International	1,679,190	1,523,013	156,177	-
Total Equities	8,972,108	7,452,338	750,433	769,337
<b><i>Real Estate</i></b>				
Real Estate - Buildings	1,173,050	-	-	1,173,050
Real Estate - Equity	202,266	202,266	-	-
Total Real Estate	1,375,316	202,266	-	1,173,050
<b>Total Investments</b>	<b>12,866,956</b>	<b>7,654,604</b>	<b>3,085,152</b>	<b>2,127,200</b>
Securities Lending Collateral	499,408	-	499,408	-
<b>Total Fair Value</b>	<b>\$ 13,366,364</b>	<b>\$ 7,654,604</b>	<b>\$ 3,584,560</b>	<b>\$ 2,127,200</b>



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements

For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

		JRF		
		Fair Value Measurements Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	9/30/2022			
<i>Domestic Fixed Maturity</i>				
Money Market Funds	\$ 7,265	\$ -	\$ 7,265	\$ -
Commercial Paper	8,518	-	8,518	-
U.S. Agency	3,345	-	3,345	-
U.S. Government Guaranteed	22,691	-	22,691	-
Corporate Bonds	29,901	-	29,501	400
Private Placements	1,196	-	-	1,196
GNMAs	3,091	-	3,091	-
CMOs	10,838	-	10,838	-
Total Domestic Fixed Maturity	86,845	-	85,249	1,596
<i>Equities</i>				
Preferred	544	544	-	-
Domestic	157,500	144,253	13,247	-
Private	73	-	-	73
International	40,495	38,256	2,239	-
Total Equities	198,612	183,053	15,486	73
<i>Real Estate</i>				
Real Estate - Buildings	4,182	-	-	4,182
Real Estate - Equity	2,723	2,723	-	-
Total Real Estate	6,905	2,723	-	4,182
<b>Total Investments</b>	<b>292,362</b>	<b>185,776</b>	<b>100,735</b>	<b>5,851</b>
Securities Lending Collateral	5,238	-	5,238	-
<b>Total Fair Value</b>	<b>\$ 297,600</b>	<b>\$ 185,776</b>	<b>\$ 105,973</b>	<b>\$ 5,851</b>

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## **E. Securities Lending Program**

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

The TRS, ERS, and JRF cannot pledge or sell collateral securities received unless the borrower defaults. Cash collateral is invested in the State Street Compass Fund (Compass Fund). The fund was previously named State Street Quality D Short-Term Investment Fund (QDF) which was separated into two pools, a liquidity pool and a duration pool. The duration pool closed in early June 2022 while the liquidity pool remained and changed its name to the State Street Compass Fund.

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

As of September 30, 2022, the average term of the loans secured by the Compass Fund was 16 days for the TRS, 20 days for the ERS, and 37 days for the JRF. Cash collateral investments in the Compass Fund are matured as needed to fulfill loan obligations. There is no direct matching of the maturities of the loans with the investments made with cash collateral.

At September 30, 2022, the fair value of the securities on loan was \$2,079,353, \$1,154,712, and \$26,741 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). The fair value of the collateral pledged by the borrowers was \$2,191,984, \$1,213,621, and \$28,103 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). Since the amounts owed by the TRS, ERS, and JRF exceeded the amounts the borrowers owed to the TRS, ERS, and JRF, there was no credit risk exposure as of September 30, 2022. There were no significant violations of legal or contractual provisions, no borrower or lending agent default losses, and no recoveries of prior period losses during the year.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements

#### For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

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

The following table provides information as of September 30, 2022, concerning securities lent:

<b>Securities Lending - Investments Lent &amp; Collateral Received</b>				
<b>(at Fair Value)</b>				
<b>Type of Investment Lent</b>	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>	<b>Total</b>
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 68,629	\$ 80,594	\$ 1,163	\$ 150,386
Domestic Equity	518,207	243,167	1,291	762,665
International Equity - JPY	241,490	132,673	1,753	375,916
International Equity - USD	48,043	23,832	843	72,718
Total Lent for Cash Collateral	876,369	480,266	5,050	1,361,685
<i>For Non-Cash Collateral</i>				
Domestic Fixed Maturities	533,913	360,138	17,273	911,324
Domestic Equity	526,991	243,397	2,593	772,981
International Equity	142,080	70,911	1,825	214,816
Total Lent for Non-Cash Collateral	1,202,984	674,446	21,691	1,899,121
<b>Total Securities Lent</b>	<b>\$2,079,353</b>	<b>\$1,154,712</b>	<b>\$26,741</b>	<b>\$3,260,806</b>
<b>Type of Collateral Received</b>				
<i>Cash Collateral</i>				
Invested in State Street Compass Fund - JPY	\$ 255,817	\$ 140,770	\$ 1,855	\$ 398,442
Invested in State Street Compass Fund - USD	654,695	358,638	3,383	1,016,716
Total Cash Collateral Denominated in USD	910,512	499,408	5,238	1,415,158
<i>Non-Cash Collateral</i>				
Domestic Fixed Securities				
AUD	246	555	-	801
EUR	717	1,622	-	2,339
GBP	3,938	8,900	-	12,838
USD	187,304	156,913	2,271	346,488
Domestic Equity Securities				
USD	567,374	263,524	2,838	833,736
International Fixed Maturities & Equity				
EUR	21,380	12,481	894	34,755
DKK	-	-	1,067	1,067
SEK	-	-	434	434
USD	500,513	270,218	15,361	786,092
Total Non-Cash Collateral	1,281,472	714,213	22,865	2,018,550
<b>Total Collateral Received</b>	<b>\$2,191,984</b>	<b>\$1,213,621</b>	<b>\$28,103</b>	<b>\$3,433,708</b>

## F. Mortgage-backed Securities

As of September 30, 2022, the TRS, ERS, and JRF had investments in mortgage-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities. Additionally, the prepayment activity associated with this type of security can lead to changes in the average life and duration of the security; higher prepayments will effectively shorten the expected life of the security while slower prepayments can lengthen the expected life of the security.

## G. Investment Derivatives

Derivative instruments are financial arrangements used by governments to manage specific risks or to make investments. From time to time, the RSA enters into certain derivative transactions, specifically call options and put options. The RSA uses these derivative instruments to make an investment, control risk with certain investment positions, or as a yield enhancement strategy. During the fiscal year, these investment derivative instruments were used exclusively within the RSA's domestic and international equity portfolios and are presented in the financial statements in their respective equity classifications. These derivative instruments are either listed options or executed in the over-the-counter (OTC) market using only credit worthy counterparties. The fair value of the investment derivative instruments is based on market prices. Investment risks related to investment derivatives have been considered and included in the Investment Risks note in the preceding pages. The following table presents the investment derivative instruments outstanding as of September 30, 2022, as reported in the System's Combining Statement of Fiduciary Net Position and Combining Statement of Changes in Fiduciary Net Position (dollar amounts in thousands):

Investment Derivative Instruments					
Changes in Fair Value			Fair Value as of September 30, 2022		
	Classification	Amount	Classification	Amount	Notional
<b>TRS</b>					
Domestic Options Written	Investment Income	\$(107,666)	Domestic Equity	\$(123,448)	\$ (894,876)
Domestic Options Purchased	Investment Income	200,314	Domestic Equity	168,072	939,500
Total Domestic Options		92,648		44,624	44,624
International Options Written	Investment Income	3	International Equity	-	-
<b>Grand Total TRS Options</b>		<b>\$ 92,651</b>		<b>\$ 44,624</b>	<b>\$ 44,624</b>
<b>ERS</b>					
Domestic Options Written	Investment Income	\$ (53,164)	Domestic Equity	\$ (60,902)	\$ (441,624)
Domestic Options Purchased	Investment Income	98,843	Domestic Equity	82,927	463,649
Total Domestic Options		45,679		22,025	22,025
International Options Written	Investment Income	2	International Equity	-	-
<b>Grand Total ERS Options</b>		<b>\$ 45,681</b>		<b>\$ 22,025</b>	<b>\$ 22,025</b>
<b>JRF</b>					
Domestic Options Written	Investment Income	\$ (2,109)	Domestic Equity	\$ (2,441)	\$ (17,638)
Domestic Options Purchased	Investment Income	3,939	Domestic Equity	3,320	18,517
Total Domestic Options		1,830		879	879
International Options Written	Investment Income	-	International Equity	-	-
<b>Grand Total JRF Options</b>		<b>\$ 1,830</b>		<b>\$ 879</b>	<b>\$ 879</b>
<b>Total</b>					
Domestic Options Written	Investment Income	\$(162,939)	Domestic Equity	\$(186,791)	\$(1,354,138)
Domestic Options Purchased	Investment Income	303,096	Domestic Equity	254,319	1,421,666
Total Domestic Options		140,157		67,528	67,528
International Options Written	Investment Income	5	International Equity	-	-
<b>Grand Total Options</b>		<b>\$ 140,162</b>		<b>\$ 67,528</b>	<b>\$ 67,528</b>

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

#### 6) NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability related to the TRS, ERS, and JRF retirement plans determined in accordance with GASB Statement No. 67, *Financial Reporting for Pension Plans*, as of September 30, 2022, were as follows:

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Total Pension Liability	\$ 41,121,664	\$ 21,656,947	\$ 504,805
Less: Plan Net Position (see Note 3G)	(25,580,871)	(12,999,159)	(297,549)
<b>Net Pension Liability</b>	<b>\$ 15,540,793</b>	<b>\$ 8,657,788</b>	<b>\$ 207,256</b>

<b>Plan Net Position as a Percentage of the Total Pension Liability</b>	<b>62.21%</b>	<b>60.02%</b>	<b>58.94%</b>
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The net pension liability is allocated to employers in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The net pension liability was determined by an actuarial valuation as of September 30, 2021, and rolled forward in accordance with GASB Statement No. 67 to the measurement date of September 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement:

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Inflation	2.50%	2.50%	2.50%
Projected Salary Increases	3.25% - 5.00%	3.25% - 7.75%	2.75% - 3.50%
Investment Rate of Return*	7.45%	7.45%	7.40%

\*Net of pension plan investment expense.

There were no ad hoc postemployment benefit changes, including ad hoc COLAs, during fiscal year 2022.

The actuarial assumptions used in the actuarial valuation as of September 30, 2021, were based on the results of an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2020, completed by the RSA and its actuaries. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to the actuarial assumptions. The Boards of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

The assumed investment rates of return used to prepare the actuarial valuations as of September 30, 2021, were 7.45% for the TRS & ERS and 7.40% for the JRF. The Boards of Control accepted and approved these new assumed investment rates of return in September 2021 which became effective September 30, 2021. The new assumed investment rates of return were used to measure the total pension liability as of September 30, 2022.



Mortality rates for the TRS and JRF were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% > age 74; Phasing down 69 - 74
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: None	None
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None

Mortality rates for the ERS were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2 Female: +2	Male: 90% ages < 65, 96% ages > or = 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1 Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7 Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7 Female: None	None

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

The total pension liability related to the cost-sharing retirement plans is based on the actuarial valuation as of September 30, 2021. The expected total pension liability is determined as of September 30, 2022, using standard roll-forward techniques as shown in the following table:

	TRS		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
Total Pension Liability as of 9/30/2021 (a)	\$ 39,982,250	\$ 40,077,560	\$ 40,133,579
Expected Rate of Return (b)	7.45%	7.45%	7.45%
Entry Age Normal Cost* for 10/1/2021 - 9/30/2022 (c)	\$ 717,506	\$ 717,506	\$ 726,439
Actual Benefit Payments (including refunds) for 10/1/2021 - 9/30/2022 (d)	\$ 2,630,326	\$ 2,630,326	\$ 2,630,326
Total Pension Liability as of 9/30/2022 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 40,950,128	\$ 41,052,539	\$ 41,121,664
Difference between Expected and Actual Before Plan Changes - Experience (Gain)/Loss		\$ 102,411	
Difference between Actual Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 69,125
	ERS		
	Expected	Actual Before Plan Changes	Actual After Plan Changes
Total Pension Liability as of 9/30/2021 (a)	\$ 21,063,964	\$ 21,106,297	\$ 21,124,945
Expected Rate of Return (b)	7.45%	7.45%	7.45%
Entry Age Normal Cost* for 10/1/2021 - 9/30/2022 (c)	\$ 400,919	\$ 400,919	\$ 402,495
Actual Benefit Payments (including refunds) for 10/1/2021 - 9/30/2022 (d)	\$ 1,392,433	\$ 1,392,433	\$ 1,392,433
Total Pension Liability as of 9/30/2022 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 21,589,847	\$ 21,635,334	\$ 21,656,947
Difference between Expected and Actual Experience (Gain)/Loss		\$ 45,487	
Difference between Actual Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 21,613
	JRF		
	Expected	Actual	
Total Pension Liability as of 9/30/2021 (a)	\$ 503,881	\$ 499,916	
Expected Rate of Return (b)	7.40%	7.40%	
Entry Age Normal Cost* for 10/1/2021 - 9/30/2022 (c)	\$ 10,275	\$ 10,275	
Actual Benefit Payments (including refunds) for 10/1/2021 - 9/30/2022 (d)	\$ 40,867	\$ 40,867	
Total Pension Liability as of 9/30/2022 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 509,064	\$ 504,805	
Difference between Expected and Actual Experience (Gain)/Loss		\$ (4,259)	

\*Also called the Service Cost.

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

	Target Allocation			Long-Term Expected Rate of Return*		
	TRS	ERS	JRF	TRS	ERS	JRF
Fixed Income	15.00%	15.00%	22.00%	2.80%	2.80%	2.80%
U.S. Large Stocks	32.00%	32.00%	39.00%	8.00%	8.00%	8.00%
U.S. Mid Stocks	9.00%	9.00%	11.00%	10.00%	10.00%	10.00%
U.S. Small Stocks	4.00%	4.00%	5.00%	11.00%	11.00%	11.00%
International Developed Market Stocks	12.00%	12.00%	12.00%	9.50%	9.50%	9.50%
International Emerging Market Stocks	3.00%	3.00%	3.00%	11.00%	11.00%	11.00%
Alternatives	10.00%	10.00%	1.00%	9.00%	9.00%	9.00%
Real Estate	10.00%	10.00%	2.00%	6.50%	6.50%	6.50%
Cash	5.00%	5.00%	5.00%	2.50%	1.50%	1.50%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>			

\*Includes assumed rate of inflation of 2.00%.

The discount rate used to measure the total pension liability was 7.45% for the TRS & ERS and 7.40% for the JRF. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the TRS, ERS, and JRF calculated using their respective discount rates, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

	Current		
	1% Decrease (6.45%)	Discount Rate (7.45%)	1% Increase (8.45%)
<b>TRS</b>	\$ 20,109,121	\$ 15,540,793	\$ 11,692,816
<b>ERS</b>	\$ 10,468,835	\$ 8,657,788	\$ 6,628,370

	Current		
	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
<b>JRF</b>	\$ 253,048	\$ 207,256	\$ 167,639

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

#### **7) CONTRIBUTIONS REQUIRED AND MADE**

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

As required by statute, the TRS, ERS, and JRF provide for employer contributions at actuarially determined rates (expressed as percentages of annual covered payroll) that accumulate sufficient assets to pay benefits when due. The employer contributions required to support the benefits of each system are determined following a level funding approach and consist of a normal contribution, an accrued liability contribution, and a portion to finance administrative costs. Additionally, a portion of the TRS, ERS, and JRF Group 3 employer contributions fund a preretirement death benefit. Also, a portion of the TRS employer contributions fund a term life benefit.

For the TRS, ERS, and JRF, the normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

The 2022 retirement contributions were made in accordance with actuarially determined contribution requirements.

The RSA and its actuaries completed an investigation of the economic and demographic experience for the TRS, ERS, and JRF based upon participant data as of September 30, 2020. The purpose of the investigation was to assess the reasonableness of the actuarial assumptions and methods currently used by the RSA. This investigation resulted in changes to actuarial assumptions which are outlined in Note 6. The Boards of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

#### **8) PROPERTY AND EQUIPMENT**

Plan assets used in plan operations are reported at historical cost less accumulated depreciation. Depreciation is determined on the straight-line basis using estimated useful lives of 30 years for buildings and 3 to 10 years for furniture and equipment. Property and equipment was comprised of the following amounts as of September 30, 2022:

	<b>TRS</b>	<b>ERS</b>
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,896	53,948
Software	42,889	14,264
Furniture and Equipment	11,603	2,536
Total Property and Equipment	167,473	73,283
Less: Accumulated Depreciation	(79,110)	(33,649)
<b>Net Property and Equipment</b>	<b>\$ 88,363</b>	<b>\$ 39,634</b>

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

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## 9) POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS FOR RSA EMPLOYEES

The Alabama Retired State Employees' Health Care Trust (SEIF - Retired Trust) financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. This includes, for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the fiduciary net position of the SEIF - Retired Trust and additions to/deductions from its fiduciary net position. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due pursuant to plan requirements. Benefits are recognized when due and payable in accordance with the terms of the plan. Subsequent events were evaluated by management through the date that the financial statements were issued.

The SEIF - Retired Trust is a single employer defined benefit health care plan, also known as an other postemployment benefits (OPEB) trust, established in 2007 under the provisions of the Alabama Retiree Health Care Funding Act of 2007 (Act 16 of the Legislature of 2007) as an irrevocable trust fund. Constitutional amendment 798 provides further legal authority to the SEIF - Retired Trust as an irrevocable trust fund. Active and retiree health insurance benefits are paid through the State Employees' Insurance Fund (SEIF) pursuant to Act 833 of the Legislature of 1965. The assets of the SEIF - Retired Trust may not be used for any purpose other than to acquire permitted investments, pay administrative expenses, and provide postemployment health care benefits to or for retired employees and their dependents in accordance with the terms of the plan. Plan assets of SEIF - Retired Trust are legally protected from creditors. The Legislature has no authority or power to appropriate the assets of the SEIF - Retired Trust. Responsibility for the general administration and operations of the SEIF - Retired Trust is vested in its trustees who consist of the State Employees' Insurance Board's (SEIB) members. In accordance with GASB pronouncements, the SEIF - Retired Trust is considered a component unit of the State of Alabama (State) and is included in the State's Annual Comprehensive Financial Report.

The State Employees' Health Insurance Plan (SEHIP) provides basic medical coverage for up to 365 days of care during each hospital confinement, outpatient care, physicians' benefits, radiation therapy, and major medical benefits with no lifetime maximum. Separate group dental, vision, and cancer contracts are also offered for eligible participants who elect coverage.

At September 30, 2021, the membership covered by the benefit terms consisted of:

Active Members	31,217
Inactive Members	24,521
<b>Total</b>	<b><u>55,738</u></b>

The SEHIP provides that the employers contribute monthly for the medical insurance of participating employees. Coverage is also available to dependents of employees with their medical premiums typically being paid by the employee. Employee and dependent premium amounts are determined annually and are set at a rate necessary to provide sufficient funds to pay all claims and reasonable expenses of administering the plans.

At September 30, 2022, the TRS reported a liability of \$5,018 for its proportionate share of the net OPEB liability (dollar amount in thousands). The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The TRS's proportion of the net OPEB liability was based on a projection of the TRS's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the TRS's proportion was 0.588564%, which was an increase of 0.014088% from its proportion measured as of September 30, 2020.



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements

#### For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

For the year ended September 30, 2022, the TRS recognized OPEB expense of (\$726). At September 30, 2022, the TRS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ -	\$ 4,785
Changes of Assumptions	407	3,299
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	-	107
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	895	-
Employer Contributions Subsequent to the Measurement Date	331	-
<b>Total</b>	<b>\$ 1,633</b>	<b>\$ 8,191</b>

The TRS will recognize \$331 of reported deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date as a reduction of net OPEB liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Fiscal Year Ended September 30:</b>	
2023	(\$2,598)
2024	(\$2,357)
2025	(\$1,473)
2026	(\$403)
2027	(\$58)
Thereafter	\$0

At September 30, 2021, the ERS reported a liability of \$3,087 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The ERS's proportion of the net OPEB liability was based on a projection of the ERS's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the ERS's proportion was 0.362047%, which was a decrease of 0.013772% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the ERS recognized OPEB expense of (\$944). At September 30, 2022, the ERS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ -	\$ 2,944
Changes of Assumptions	250	2,029
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	-	66
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	200	573
Employer Contributions Subsequent to the Measurement Date	193	-
<b>Total</b>	<b>\$ 643</b>	<b>\$ 5,612</b>

The ERS will recognize \$193 of reported deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date as a reduction of net OPEB liability in the fiscal year ended September 30, 2023 (dollar amount in thousands). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollar amounts in thousands):

<b>Fiscal Year Ended</b>	
<b>September 30:</b>	
2023	(\$1,926)
2024	(\$1,662)
2025	(\$1,086)
2026	(\$381)
2027	(\$107)
Thereafter	\$0

At September 30, 2022, the JRF reported a liability of \$26 for its proportionate share of the net OPEB liability (dollar amount in thousands). The net OPEB liability was measured as of September 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2020. The JRF's proportion of the net OPEB liability was based on a projection of the JRF's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers, actuarially determined. At September 30, 2021, the JRF's proportion was 0.003106%, which was an increase of 0.000013% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the JRF recognized OPEB expense of (\$5) (dollar amount in thousands). At September 30, 2022, the JRF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ -	\$ 25
Changes of Assumptions	2	17
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	-	1
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	-	1
Employer Contributions Subsequent to the Measurement Date	2	-
<b>Total</b>	<b>\$ 4</b>	<b>\$ 44</b>

The JRF will recognize \$2 of reported deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date as a reduction of net OPEB liability in the fiscal year ended September 30, 2023 (dollar amount in thousands). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (dollar amounts in thousands):

<b>Fiscal Year Ended</b>	
<b>September 30:</b>	
2023	(\$16)
2024	(\$14)
2025	(\$9)
2026	(\$2)
2027	(\$1)
Thereafter	\$0

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

The total OPEB liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

<b>Inflation</b>	2.50%
<b>Salary Increases*</b>	3.25% - 6.00% for State and Local Employees 4.00% - 7.75% for State Police 2.75% - 3.50% for Judges 3.25% - 5.00% for Teachers
<b>Long-Term Investment Rate of Return**</b>	7.25%
<b>Municipal Bond Index Rate at Measurement Date</b>	2.29%
<b>Municipal Bond Index Rate at Prior Measurement Date</b>	2.25%
<b>Projected Year for Fiduciary Net Position to be Depleted</b>	Not Applicable
<b>Single Equivalent Interest Rate at Measurement Date</b>	7.25%
<b>Single Equivalent Interest Rate at Prior Measurement Date</b>	7.50%
<b>Healthcare Cost Trend Rate</b>	
Pre-Medicare Eligible	6.50%
Medicare Eligible	***
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2028 for Pre-Medicare Eligible 2025 for Medicare Eligible
Dental Trend Rate	4.50%

\*Includes 2.75% wage inflation.

\*\*Compounded annually, net of investment expense, and includes inflation.

\*\*\*Initial Medicare claims are set based on scheduled increases through plan year 2022.

The rates of mortality are based on the Pub-2010 Public Mortality Plans Mortality Tables, adjusted generationally based on scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019. The mortality tables are adjusted forward and/or back depending on the plan and group covered, as shown in the table below. Note that the Judicial Retirement Fund uses the same mortality tables as the Teachers' Retirement System of Alabama.

Retiree Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Judges & Teachers	Teacher Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% ages > 74; Phasing down 69 - 74
Non-FLC	General Below Median	Male: +2 Female: +2	Male: 90% ages < 65, 96% > or = 65 Female: 96% all ages
FLC/ State Police	Public Safety Below Median	Male: +1 Female: None	None

Disabled Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Judges & Teachers	Teacher Disability	Male: +8 Female: +3	None
Non-FLC	General Disability	Male: +7 Female: +3	None
FLC/ State Police	Public Safety Disability	Male: +7 Female: None	None

Beneficiaries' Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Judges & Teachers	Teacher Contingent Survivor Below Median	Male: +2 Female: None	None
Non-FLC/ FLC/ State Police	Contingent Survivor Below Median	Male: +2 Female: +2	None

The decremental assumptions and methods used in the valuation were selected based on the actuarial experience studies prepared as of September 30, 2020, submitted to and adopted by the State Employees' Insurance Board on September 13, 2021, and September 14, 2021.

The remaining actuarial assumptions (e.g., initial per capita costs, health care cost trends, rate of plan participation, rates of plan election, etc.) used in the September 30, 2020 valuation were based on a review of recent plan experience done concurrently with the September 30, 2020 valuation.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Notes to the Combined Financial Statements

#### For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

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

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	28.20%	4.40%
U.S. Domestic Stocks	55.20%	8.70%
International Developed Market Stocks	10.80%	9.80%
Cash	5.80%	1.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.50%.

The discount rate (also known as the Single Equivalent Interest Rate (SEIR), as described by GASB 74) used to measure the total OPEB liability was 7.25% at September 30, 2021. The discount rate used to measure the total OPEB liability at the prior measurement date was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan contributions will be equal to the lesser of the average of the plan contributions over the last 4 years indexed with inflation or actual benefit payments plus expenses. Also, due to a Board decision on September 16, 2020, an additional \$1.2 million per year will be contributed on top of the base contribution. The discount rate determination will use a municipal bond rate to the extent the trust is projected to run out of money before all benefits are paid. The rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rate, the Fidelity General Obligation AA 20-year Municipal Bond Index Rate, and the S&P High Grade 20-Year Municipal Bond Index Rate. The rates as of September 30, 2021, were 2.26%, 2.19%, and 2.43%, respectively, which resulted in an average Municipal Bond Index Rate of 2.29%. Projected future benefit payments for all current plan members were projected through 2119.

The following table presents the TRS, ERS, and JRF's proportionate shares of the net OPEB liability of the Trust calculated using the current healthcare trend rate, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease (5.50% decreasing to 3.50% for Pre-Medicare and Known decreasing to 3.75% for Medicare Eligible)</b>	<b>Current Healthcare Trend Rate (6.50% decreasing to 4.50% for Pre-Medicare and Known decreasing to 4.50% for Medicare Eligible)</b>	<b>1% Increase (7.50% decreasing to 5.50% for Pre-Medicare and Known decreasing to 5.50% for Medicare Eligible)</b>
<b>TRS</b>	\$ 3,999	\$ 5,018	\$ 6,257
<b>ERS</b>	\$ 2,460	\$ 3,087	\$ 3,849
<b>JRF</b>	\$ 21	\$ 26	\$ 33

The following table presents the proportionate share of the net OPEB liability for the TRS, ERS, and JRF calculated using the discount rate of 7.25%, as well as what the net OPEB liability would be if calculated using one percentage point lower or one percentage point higher than the current rate (dollar amounts in thousands):

	1%	Current	1%
	Decrease	Discount	Increase
	(6.25%)	Rate	(8.25%)
	(7.25%)	(7.25%)	(8.25%)
TRS	\$ 5,835	\$ 5,018	\$ 4,336
ERS	\$ 3,589	\$ 3,087	\$ 2,667
JRF	\$ 31	\$ 26	\$ 23

## 10) PENSION PLAN FOR RSA EMPLOYEES

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

### A. Teachers' Retirement System of Alabama

The TRS, a cost-sharing multiple-employer public employee retirement plan, was established as of September 15, 1939, pursuant to the *Code of Alabama 1975, Title 16, Chapter 25* (Act 419 of the Legislature of 1939) for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. Note 1 of this report outlines the composition of the TRS Board of Control. The TRS is administered by the RSA which issues an Annual Comprehensive Financial Report each year. It is available at [www.rsa-al.gov](http://www.rsa-al.gov).

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of creditable service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of creditable service.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of creditable service up to 80% of their average final compensation. Act 222 of the Legislature of 2022 for TRS provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit

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



## RETIREMENT SYSTEMS OF ALABAMA

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### *Financial Section*

#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

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(Dollar Amounts in Thousands)

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the TRS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the TRS on or after October 1, 2019. A TRS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

Covered members of the TRS were required by statute to contribute 5% of earnable compensation to the TRS until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation to the TRS. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation to the TRS. Certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 6% of earnable compensation to the TRS until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation to the TRS. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation to the TRS. Tier 2 covered members of the TRS are required by statute to contribute 6% of earnable compensation to the TRS. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation to the TRS. Act 537 of the Legislature of 2021 allows the conversion of sick leave into creditable service to TRS Tier 2 members. Effective October 1, 2021, the Tier 2 covered TRS members' (except certified law enforcement, correctional officers, and firefighters) contribution rate required by statute increased to 6.2% of earnable compensation to the TRS. Tier 2 TRS certified law enforcement, correctional officers, and firefighters' contribution rate to the TRS increased as required by statute to 7.2% of earnable compensation.

Participating employers' contractually required contribution rate for the fiscal year ended September 30, 2022, was 12.43% of annual pay for Tier 1 members and 11.32% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total TRS employer contributions to the pension plan from the System were \$2,256 for the fiscal year ended September 30, 2022.

At September 30, 2022, in accordance with GASB Statement No. 68, the TRS reported a net pension liability of \$19,723 for its proportionate share of the TRS pension plan's total net pension liability as determined under GASB Statement No. 67. The TRS pension plan's total pension liability used to calculate the TRS's net pension liability was determined by an actuarial valuation as of September 30, 2020, using actuarial assumptions based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020, and rolled forward to TRS's measurement date of September 30, 2021. The TRS's share of the net pension liability was based on TRS's share of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2021, the TRS's proportion was 0.209365%, which was a decrease of 0.023168% from its proportion measured as of September 30, 2020.

For the year ended September 30, 2022, the TRS recognized pension expense of \$1,901. At September 30, 2022, the TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ 913	\$ 1,149
Changes of Assumptions	2,070	-
Net Difference between Projected & Actual		
Earnings on Pension Plan Investments	-	4,656
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	1,508	2,005
Employer Contributions Subsequent to the Measurement Date	2,256	-
<b>Total</b>	<b>\$ 6,747</b>	<b>\$ 7,810</b>

The TRS will recognize \$2,256 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2023 (dollar amount in thousands). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollar amounts in thousands):

**Fiscal Year Ended  
September 30:**

2023	(\$167)
2024	(\$324)
2025	(\$1,048)
2026	(\$1,780)
2027	\$0
Thereafter	\$0

The total pension liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25% - 5.00%
Investment Rate of Return*	7.45%

\*Net of pension plan investment expense

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2020. This investigation resulted in changes to the actuarial assumptions. The TRS Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

The assumed investment rate of return used to prepare the actuarial valuation as of September 30, 2020, was 7.45%. The Board of Control accepted and approved the new assumed investment rate of return in September 2021 which became effective at the beginning of fiscal year 2021. The new assumed investment rate of return was used to measure the total pension liability as of September 30, 2021, the measurement date.

## RETIREMENT SYSTEMS OF ALABAMA

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#### Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2022

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Mortality rates for the TRS are based on the Pub-2010 Teacher tables with the following adjustments projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% > age 74; Phasing down 69 - 74
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: None	None
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None

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

	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	2.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.00%.

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the TRS calculated using the discount rate of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

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	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
TRS's Proportionate Share of Collective Net Pension Liability	\$ 29,030	\$ 19,723	\$ 11,884

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 67 Report for the TRS prepared as of September 30, 2020. The auditor's report dated August 19, 2022, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, and total pension expense for the sum of all participating entities as of September 30, 2021, along with supporting schedules is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

## **B. Employees' Retirement System of Alabama**

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for State Employees, State Police, and, on an elective basis, to qualified employees of counties, cities, towns, and public or quasi-public organizations. RSA employees who participate in the ERS are employees of the ERS and JRF. The responsibility for the general administration and operation of the ERS is vested in its Board of Control. The ERS Board of Control consists of 15 trustees. Note 1 of this report outlines the composition of the ERS Board of Control. The ERS is administered by the RSA which issues an Annual Comprehensive Financial Report each year. It is available at [www.rsa-al.gov](http://www.rsa-al.gov).

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the ERS. Benefits for ERS members vest after 10 years of creditable service. State employees who retire after age 60 (after age 52 for State Police) with 10 years or more of creditable service or with 25 years of creditable service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Local employees who retire after age 60 with 10 years or more of creditable service or with 25 or 30 years of creditable service (regardless of age), depending on the particular employer's election, are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the ERS (except State Police) are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of creditable service. State Police are allowed 2.875% for each year of creditable State Police service in computing the formula method.

Act 377 of the Legislature of 2012 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 ERS members are eligible for retirement after age 62 (56 for State Police) with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a formula method. Under the formula method, Tier 2 members of the ERS (except State Police) are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of creditable service up to 80% of their average final compensation. State Police are allowed 2.375% for each year of creditable State Police service up to 80% of their average final compensation in computing the formula method. Act 351 of the Legislature of 2022 ERS provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of creditable service is entitled to an annual retirement benefit

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

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employment status, and eligibility for retirement.

Act 132 of the Legislature of 2019 provided that local employers participating in the ERS pursuant to the *Code of Alabama 1975, Section 36-27-6* could elect to provide their Tier 2 members with the same retirement benefits provided to their Tier 1 members. Any local participating employer who elects to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members may do so by adoption of a resolution within 24 months of the effective date of Act 2019-132. The effective date of Act 2019-132 was May 8, 2019, giving local participating employers until May 8, 2021, to make such election. Act 2019-132 also provided that the ERS Board of Control could deny a local participating employer's election based on a review by RSA Staff of the local participating employer's historical compliance with ERS requirements as well as the financial stability of the local participating employer. Any local participating employer whose election is denied may petition the ERS Board of Control for a reconsideration within the 24-month period from the effective date of Act 2019-132. Once a local participating employer elects to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members, its election is irrevocable and becomes effective at the beginning of the fiscal year following the date that the ERS receives a local participating employer's resolution. Any local participating employer electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members who has not increased its Tier 1 members' contribution rates as provided in Act 676 of the Legislature of 2011 is required to develop a plan to gradually increase its members' contribution rates. The plan must be submitted to the ERS prior to a local participating employer submitting a resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Beginning in the month that a local participating employer's election becomes effective, its Tier 2 members (except Tier 2 members who are certified law enforcement, correctional officers, and firefighters) will contribute 7.50% of earnable compensation to the ERS. Tier 2 certified law enforcement, correctional officers, and firefighters will contribute 8.50% of earnable compensation to the ERS. Act 2019-132 was amended by Act 348 of the Legislature of 2022. Act 2022-348 amended Act 2019-132 by removing the date limitation for any local participating employer to submit its resolution electing to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members. Act 2022-348 also amended Act 2019-132 by removing the date limitation for a local participating employer to petition the ERS Board of Control for a reconsideration if the ERS Board of Control denied its election to provide its Tier 2 members with the same retirement benefits provided to its Tier 1 members.

Act 316 of the Legislature of 2019 established the Partial Lump Sum Option Plan (PLOP) in addition to the annual service retirement benefit payable for life for Tier 1 and Tier 2 members of the ERS. A member can elect to receive a one-time lump sum distribution at the time that they receive their first monthly retirement benefit payment. The member's annual retirement benefit is then actuarially reduced based on the amount of the PLOP distribution which is not to exceed the sum of 24 months of the maximum monthly retirement benefit that the member could receive. Members are eligible to receive a PLOP distribution if they are eligible for a service retirement benefit as defined above from the ERS on or after October 1, 2019. An ERS member who receives an annual disability retirement benefit or who has participated in the Deferred Retirement Option Plan (DROP) is not eligible to receive a PLOP distribution.

As of September 30, 2021, ERS membership included approximately 104,510 active, terminated, and retired local participants. Note 1 of this report contains details about the classifications of participants and the number of participants within each classification.

Covered members of the ERS were required by statute to contribute 5% of earnable compensation to the ERS until September 30, 2011. From October 1, 2011, to September 30, 2012, covered members of the ERS were required by statute to contribute 7.25% of earnable compensation to the ERS. Effective October 1, 2012, covered members of the ERS are required by statute to contribute 7.50% of earnable compensation to the ERS. Certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 6% of earnable compensation to the ERS until September 30, 2011. From October 1, 2011, to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the ERS were required by statute to contribute 8.25% of earnable compensation to the ERS. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the ERS are required by statute to contribute 8.50% of earnable compensation to the ERS. State Police members of the ERS are required by statute to contribute 10% of earnable compensation to the ERS. ERS local participating employers are not required by statute to increase contribution rates for their members. Tier 2 covered members of the ERS are required by statute to contribute 6% of earnable compensation to the ERS. Tier 2 certified law enforcement,

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

Employers participating in the ERS pursuant to *Code of Alabama 1975, Section 36-27-6* were not required by statute to increase covered member contribution rates but were provided the opportunity to do so through Act 2011-676. By adopting Act 2011-676, Tier 1 members' (except certified law enforcement, correctional officers, and firefighters) contribution rates increased from 5% to 7.50% of earnable compensation and Tier 1 certified law enforcement, correctional officers, and firefighters' contribution rates increased from 6% to 8.50% of earnable compensation.

The participating employer contribution rate for the ERS State Employees contractually required contribution rate for the year ended September 30, 2022, was 14.83% of annual pay for Tier 1 members and 14.44% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from ERS were \$1,229 and from JRF were \$36 for the fiscal year ended September 30, 2022.

At September 30, 2022, in accordance with GASB Statement No. 68, the ERS reported a net pension liability of \$15,723 and the JRF reported a net pension liability of \$342 for their respective proportionate shares of the total net pension liability of the ERS State Employees' retirement plan (dollar amounts in thousands). The ERS pension plan's total net pension liability was measured as of September 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2020, using actuarial assumptions based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2020, and rolled forward to the ERS and JRF's measurement date of September 30, 2021. ERS and JRF's proportion of the total net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating ERS State employers. At September 30, 2021, ERS's proportion was 0.561926%, which was a decrease of 0.006614% from its proportion measured as of September 30, 2020. At September 30, 2021, the JRF's proportion was 0.012222%, which was an increase of 0.000717% from its proportion measured as of September 30, 2020.

For the fiscal year ended September 30, 2022, the ERS recognized pension expense of \$1,403 (dollar amount in thousands). At September 30, 2022, ERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ 639	\$ -
Changes of Assumptions	1,151	-
Net Difference between Projected & Actual		
Earnings on Pension Plan Investments	-	2,343
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	54	288
Employer Contributions Subsequent to the Measurement Date	1,229	-
<b>Total</b>	<b><u>\$ 3,073</u></b>	<b><u>\$ 2,631</u></b>

The ERS will recognize \$1,229 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2023 (dollar amount in thousands). Other amounts reported as deferred outflows of resources and



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deferred inflows of resources related to pensions will be recognized in pension expense as follows (dollar amounts in thousands):

<b>Fiscal Year Ended</b>	
<b>September 30:</b>	
2023	\$204
2024	\$175
2025	(\$375)
2026	(\$791)
2027	\$0
Thereafter	\$0

For the fiscal year ended September 30, 2022, the JRF recognized pension expense of \$45. At September 30, 2022, the JRF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between Expected & Actual Experience	\$ 14	\$ -
Changes of Assumptions	25	-
Net Difference between Projected & Actual		
Earnings on Pension Plan Investments	-	51
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	20	-
Employer Contributions Subsequent to the Measurement Date	36	-
<b>Total</b>	<b>\$ 95</b>	<b>\$ 51</b>

The JRF will recognize \$36 of reported deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date as a reduction of net pension liability in the fiscal year ended September 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year Ended</b>	
<b>September 30:</b>	
2023	\$16
2024	\$13
2025	(\$4)
2026	(\$17)
2027	\$0
Thereafter	\$0

The total pension liability was determined by an actuarial valuation as of September 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Projected Salary Increases	3.25% - 6.00%
Investment Rate of Return*	7.45%

\*Net of pension plan investment expense.

Mortality rates for the ERS were based on the Pub-2010 Public Mortality Plans Mortality Tables with the following adjustments projected using a generational approach based on the mortality improvement scale, MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	Generally Healthy Below Median	Male: +2 Female: +2	Male: 90% ages < 65, 96% ages > or = 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1 Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7 Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7 Female: None	None

The actuarial assumptions used in the actuarial valuation as of September 30, 2020, were based on the results of an investigation of the economic and demographic experience for the ERS based upon participant data as of September 30, 2020. This investigation resulted in changes to the actuarial assumptions. The Board of Control accepted and approved these changes in September 2021 which became effective at the beginning of fiscal year 2021.

The assumed investment rate of return used to prepare the actuarial valuations as of September 30, 2020, was 7.45% for the ERS. The Board of Control accepted and approved the new assumed investment rate of return in September 2021 which became effective September 30, 2020. The new assumed investment rate of return was used to measure the total pension liability as of September 30, 2021.

## RETIREMENT SYSTEMS OF ALABAMA

### Financial Section

#### Notes to the Combined Financial Statements

#### For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

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

	<b>Target Allocation</b>	<b>Long-Term Expected Rate of Return*</b>
Fixed Income	15.00%	2.80%
U.S. Large Stocks	32.00%	8.00%
U.S. Mid Stocks	9.00%	10.00%
U.S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	9.00%
Real Estate	10.00%	6.50%
Cash	5.00%	1.50%
<b>Total</b>	<b>100.00%</b>	

\*Includes assumed rate of inflation of 2.00%.

The discount rate used to measure the total pension liability was 7.45%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The following table presents the net pension liability of the ERS and JRF calculated using the discount rate of 7.45%, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>1% Decrease (6.45%)</b>	<b>Current Discount Rate (7.45%)</b>	<b>1% Increase (8.45%)</b>
ERS's Proportionate Share of			
Collective Net Pension Liability	\$ 20,765	\$ 15,723	\$ 11,439
JRF's Proportionate Share of			
Collective Net Pension Liability	\$ 452	\$ 342	\$ 249

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Annual Comprehensive Financial Report for the fiscal year ended September 30, 2021. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2021. The auditor's report dated August 19, 2022, on the Schedule of Changes in Fiduciary Net Position by Employer and accompanying notes is also available. The additional financial and actuarial information is available at [www.rsa-al.gov](http://www.rsa-al.gov).

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## **11) DIRECT APPROPRIATION FROM THE EDUCATION TRUST FUND**

Act 178 of the Legislature of 2022 provided for a funded one-time longevity bonus payment in addition to the retirement benefits of certain retirees and beneficiaries of the TRS. The longevity bonus was payable to each retiree whose effective date of retirement for purposes of receiving retirement benefits from the TRS was prior to March 1, 2022, and any retiree or beneficiary who was receiving or was entitled to receive a monthly retirement allowance from the TRS on March 30, 2022. Each eligible recipient received a payment of \$2 (dollar amount not in thousands) per month for each year of creditable service attained by the retiree. The longevity bonus was paid to all eligible recipients in April 2022. Act 395 of the Legislature of 2022 made a supplemental appropriation for the fiscal year ending September 30, 2022, to the TRS for \$58,400,000 (dollar amount not in thousands) for the longevity bonus for each eligible recipient as defined by Act 2022-178.

## **12) RELATED PARTY TRANSACTIONS**

The TRS and ERS jointly own office buildings in Montgomery and Mobile and lease office space to agencies of the State of Alabama. These agencies are obligated to the TRS and ERS to lease space for varying terms through the year 2039. Rental payments and other agreed upon payments (reported as investment income) from leases with state agencies totaled \$34,749,781 (dollar amount not in thousands) during fiscal year 2022.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Required Supplementary Information For the Fiscal Year Ended September 30, 2022

#### TRS SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS For the Fiscal Years Ended September 30 (Dollar Amounts in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service Cost*	\$ 717,506	\$ 660,269	\$ 677,424	\$ 645,409	\$ 637,532	\$ 617,120	\$ 627,938	\$ 660,390	\$ 602,605
Interest	2,880,698	2,854,728	2,731,895	2,674,266	2,584,330	2,532,457	2,488,310	2,421,604	2,352,804
Benefit Changes	69,125	-	-	-	-	-	-	-	-
Difference Between Expected & Actual Experience	102,411	(562,647)	624,754	(226,777)	265,644	(261,067)	(290,388)	(70,200)	-
Changes of Assumptions	-	1,197,157	-	-	178,049	-	942,133	-	-
Benefit Payments	(2,564,392)	(2,424,490)	(2,335,705)	(2,238,966)	(2,208,925)	(2,117,351)	(2,161,570)	(2,080,896)	(1,997,877)
Refunds of Contributions	(65,934)	(58,806)	(58,679)	(55,596)	(58,552)	(53,526)	(57,566)	(55,898)	(56,145)
<b>Net Change in Total Pension Liability</b>	<b>1,139,414</b>	<b>1,666,211</b>	<b>1,639,689</b>	<b>798,336</b>	<b>1,398,078</b>	<b>717,633</b>	<b>1,548,857</b>	<b>875,000</b>	<b>901,387</b>
<b>Total Pension Liability - Beginning</b>	<b>39,982,250</b>	<b>38,316,039</b>	<b>36,676,350</b>	<b>35,878,014</b>	<b>34,479,936</b>	<b>33,762,303</b>	<b>32,213,446</b>	<b>31,338,446</b>	<b>30,437,059</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$ 41,121,664</b>	<b>\$ 39,982,250</b>	<b>\$ 38,316,039</b>	<b>\$ 36,676,350</b>	<b>\$ 35,878,014</b>	<b>\$ 34,479,936</b>	<b>\$ 33,762,303</b>	<b>\$ 32,213,446</b>	<b>\$ 31,338,446</b>
<b>Plan Fiduciary Net Position reserved to fund Total Pension Liability</b>									
Contributions - Employer	\$ 932,332	\$ 874,401	\$ 862,475	\$ 869,336	\$ 802,598	\$ 782,702	\$ 751,909	\$ 737,677	\$ 716,753
Contributions - Member	563,132	525,755	515,003	522,909	493,466	489,638	475,980	477,918	480,849
Other	58,735	-	-	-	13,445	-	-	172,982	-
Net Investment Income/(Loss)	(3,876,927)	5,728,217	1,374,958	614,427	2,264,234	2,636,098	2,199,396	261,461	2,468,499
Benefit Payments	(2,564,392)	(2,424,490)	(2,335,705)	(2,238,966)	(2,208,925)	(2,117,351)	(2,161,570)	(2,080,896)	(1,997,877)
Refunds of Contributions	(65,934)	(58,806)	(58,679)	(55,596)	(58,552)	(53,526)	(57,566)	(55,898)	(56,145)
Administrative Expenses	(28,005)	(29,536)	(31,111)	(28,095)	(22,290)	(22,402)	(19,582)	(19,331)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(4,981,059)</b>	<b>4,615,541</b>	<b>326,941</b>	<b>(315,985)</b>	<b>1,283,976</b>	<b>1,715,159</b>	<b>1,188,567</b>	<b>(506,087)</b>	<b>1,612,079</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>30,561,930</b>	<b>25,946,389</b>	<b>25,619,448</b>	<b>25,935,433</b>	<b>24,651,457</b>	<b>22,936,298</b>	<b>21,747,731</b>	<b>22,253,818</b>	<b>20,641,739</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$ 25,580,871</b>	<b>\$ 30,561,930</b>	<b>\$ 25,946,389</b>	<b>\$ 25,619,448</b>	<b>\$ 25,935,433</b>	<b>\$ 24,651,457</b>	<b>\$ 22,936,298</b>	<b>\$ 21,747,731</b>	<b>\$ 22,253,818</b>
<b>Net Pension Liability - Ending (A - B)</b>	<b>\$ 15,540,793</b>	<b>\$ 9,420,320</b>	<b>\$ 12,369,650</b>	<b>\$ 11,056,902</b>	<b>\$ 9,942,581</b>	<b>\$ 9,828,479</b>	<b>\$ 10,826,005</b>	<b>\$ 10,465,715</b>	<b>\$ 9,084,628</b>
<b>Plan Fiduciary Net Position as a</b>									
<b>Percentage of the Total Pension Liability</b>	<b>62.21%</b>	<b>76.44%</b>	<b>67.72%</b>	<b>69.85%</b>	<b>72.29%</b>	<b>71.50%</b>	<b>67.93%</b>	<b>67.51%</b>	<b>71.01%</b>
<b>Covered Payroll**</b>	<b>\$ 7,420,389</b>	<b>\$ 7,212,288</b>	<b>\$ 7,409,647</b>	<b>\$ 6,959,168</b>	<b>\$ 6,899,800</b>	<b>\$ 6,623,929</b>	<b>\$ 6,541,310</b>	<b>\$ 6,541,054</b>	<b>\$ 6,466,923</b>
<b>Net Pension Liability as a</b>									
<b>Percentage of Covered Payroll</b>	<b>209.43%</b>	<b>130.61%</b>	<b>166.94%</b>	<b>158.88%</b>	<b>144.10%</b>	<b>148.38%</b>	<b>165.50%</b>	<b>160.00%</b>	<b>140.48%</b>

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

\*Also called the Entry Age Normal Cost.

\*\*Payroll from the annual actuarial valuation, which was used to calculate the total pension liability, increased with assumed annual payroll growth.

**ERS**  
**SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS**  
**For the Fiscal Years Ended September 30**  
(Dollar Amounts in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service Cost*	\$ 400,919	\$ 348,684	\$ 329,995	\$ 315,841	\$ 307,064	\$ 325,138	\$ 308,840	\$ 346,440	\$ 298,985
Interest	1,517,397	1,466,595	1,407,878	1,329,988	1,303,322	1,271,712	1,233,415	1,199,079	1,164,853
Benefit Changes	21,613	39,193	71,320	-	-	-	-	-	-
Difference Between Expected & Actual Experience	45,487	96,894	243,909	24,803	(79,478)	(64,111)	101	(35,546)	-
Changes of Assumptions	-	726,196	-	-	87,608	-	544,310	-	-
Benefit Payments	(1,331,069)	(1,268,499)	(1,215,223)	(1,123,150)	(1,102,478)	(1,056,006)	(1,043,293)	(1,023,732)	(948,645)
Refunds of Contributions	(61,364)	(52,064)	(45,303)	(55,478)	(44,890)	(46,374)	(44,660)	(49,865)	(49,767)
New Unit	-	-	560,498	-	-	-	-	-	-
<b>Net Change in Total Pension Liability</b>	<b>592,983</b>	<b>1,356,999</b>	<b>1,353,074</b>	<b>492,004</b>	<b>471,148</b>	<b>430,359</b>	<b>998,713</b>	<b>436,376</b>	<b>465,426</b>
<b>Total Pension Liability - Beginning</b>	<b>21,063,964</b>	<b>19,706,965</b>	<b>18,353,891</b>	<b>17,861,887</b>	<b>17,390,739</b>	<b>16,960,380</b>	<b>15,961,667</b>	<b>15,525,291</b>	<b>15,059,865</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$ 21,656,947</b>	<b>\$ 21,063,964</b>	<b>\$ 19,706,965</b>	<b>\$ 18,353,891</b>	<b>\$ 17,861,887</b>	<b>\$ 17,390,739</b>	<b>\$ 16,960,380</b>	<b>\$ 15,961,667</b>	<b>\$ 15,525,291</b>
<b>Plan Fiduciary Net Position reserved to fund Total Pension Liability</b>									
Contributions - Employer	\$ 562,109	\$ 516,402	\$ 519,806	\$ 467,553	\$ 426,340	\$ 426,369	\$ 435,243	\$ 411,087	\$ 379,163
Contributions - Member	310,159	286,396	270,947	254,440	241,741	233,901	238,017	229,254	226,015
Contributions - New Unit	-	-	344,352	-	-	-	-	-	-
Other	165	-	-	-	(7,481)	-	-	68,897	-
Net Investment Income/(Loss)	(1,945,460)	2,861,199	724,025	320,585	1,098,412	1,402,009	1,052,886	126,335	1,183,377
Benefit Payments	(1,331,069)	(1,268,499)	(1,215,223)	(1,123,150)	(1,102,478)	(1,056,006)	(1,043,293)	(1,023,732)	(948,645)
Refunds of Contributions	(61,364)	(52,064)	(45,303)	(55,478)	(44,890)	(46,374)	(44,660)	(49,865)	(49,767)
Administrative Expenses	(14,857)	(14,496)	(16,539)	(15,829)	(13,763)	(14,502)	(13,023)	(13,182)	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(2,480,317)</b>	<b>2,328,938</b>	<b>582,065</b>	<b>(151,879)</b>	<b>597,881</b>	<b>945,397</b>	<b>625,170</b>	<b>(251,206)</b>	<b>790,143</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>15,479,476</b>	<b>13,150,538</b>	<b>12,568,473</b>	<b>12,720,352</b>	<b>12,122,471</b>	<b>11,177,074</b>	<b>10,551,904</b>	<b>10,803,110</b>	<b>10,012,967</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$ 12,999,159</b>	<b>\$ 15,479,476</b>	<b>\$ 13,150,538</b>	<b>\$ 12,568,473</b>	<b>\$ 12,720,352</b>	<b>\$ 12,122,471</b>	<b>\$ 11,177,074</b>	<b>\$ 10,551,904</b>	<b>\$ 10,803,110</b>
<b>Net Pension Liability - Ending (A - B)</b>	<b>\$ 8,657,788</b>	<b>\$ 5,584,488</b>	<b>\$ 6,556,427</b>	<b>\$ 5,785,418</b>	<b>\$ 5,141,535</b>	<b>\$ 5,268,268</b>	<b>\$ 5,783,306</b>	<b>\$ 5,409,763</b>	<b>\$ 4,722,181</b>
<b>Plan Fiduciary Net Position as a</b>									
<b>Percentage of the Total Pension Liability</b>	<b>60.02%</b>	<b>73.49%</b>	<b>66.73%</b>	<b>68.48%</b>	<b>71.22%</b>	<b>69.71%</b>	<b>65.90%</b>	<b>66.11%</b>	<b>69.58%</b>
<b>Covered Payroll**</b>	<b>\$ 4,185,892</b>	<b>\$ 4,124,367</b>	<b>\$ 4,003,430</b>	<b>\$ 3,789,556</b>	<b>\$ 3,692,241</b>	<b>\$ 3,680,078</b>	<b>\$ 3,592,658</b>	<b>\$ 3,556,282</b>	<b>\$ 3,511,115</b>
<b>Net Pension Liability as a</b>									
<b>Percentage of Covered Payroll</b>	<b>206.83%</b>	<b>135.40%</b>	<b>163.77%</b>	<b>152.67%</b>	<b>139.25%</b>	<b>143.16%</b>	<b>160.98%</b>	<b>152.12%</b>	<b>134.49%</b>

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

\*Also called the Entry Age Normal Cost.

\*\*Payroll from the annual actuarial valuation, which was used to calculate the total pension liability, increased with assumed annual payroll growth.



# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Required Supplementary Information For the Fiscal Year Ended September 30, 2022

#### JRF SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY & RELATED RATIOS For the Fiscal Years Ended September 30 (Dollar Amounts in Thousands)

	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>									
Service Cost*	\$ 10,275	\$ 9,825	\$ 9,512	\$ 9,574	\$ 9,811	\$ 9,815	\$ 9,807	\$ 9,644	\$ 9,481
Interest	35,775	35,316	33,960	33,910	34,112	33,668	32,695	32,385	31,521
Benefit Changes	-	-	-	-	-	-	-	-	-
Difference Between Expected & Actual Experience	(4,259)	746	13,351	(4,518)	(9,134)	(4,399)	(2,487)	(7,391)	-
Changes of Assumptions	-	15,905	-	-	3,873	-	17,792	-	-
Benefit Payments	(40,542)	(39,089)	(38,812)	(36,909)	(33,419)	(32,807)	(30,902)	(30,356)	(29,838)
Refunds of Contributions	(325)	(28)	(256)	(646)	(130)	(353)	(106)	(147)	(46)
<b>Net Change in Total Pension Liability</b>	<b>924</b>	<b>22,675</b>	<b>17,755</b>	<b>1,411</b>	<b>5,113</b>	<b>5,924</b>	<b>26,799</b>	<b>4,135</b>	<b>11,118</b>
<b>Total Pension Liability - Beginning</b>	<b>503,881</b>	<b>481,206</b>	<b>463,451</b>	<b>462,040</b>	<b>456,927</b>	<b>451,003</b>	<b>424,204</b>	<b>420,069</b>	<b>408,951</b>
<b>Total Pension Liability - Ending (A)</b>	<b>\$ 504,805</b>	<b>\$ 503,881</b>	<b>\$ 481,206</b>	<b>\$ 463,451</b>	<b>\$ 462,040</b>	<b>\$ 456,927</b>	<b>\$ 451,003</b>	<b>\$ 424,204</b>	<b>\$ 420,069</b>
<b>Plan Fiduciary Net Position reserved to fund Total Pension Liability</b>									
Contributions - Employer	\$ 20,617	\$ 18,260	\$ 18,099	\$ 18,022	\$ 17,180	\$ 17,373	\$ 17,529	\$ 15,077	\$ 15,250
Contributions - Member	4,692	4,272	4,184	4,101	3,867	3,972	3,723	3,683	3,764
Net Investment Income/(Loss)	(51,779)	63,732	23,159	11,016	27,622	32,685	28,322	(856)	31,343
Benefit Payments	(40,542)	(39,089)	(38,812)	(36,909)	(33,419)	(32,807)	(30,902)	(30,356)	(29,838)
Refunds of Contributions	(325)	(28)	(256)	(646)	(130)	(353)	(106)	(147)	(46)
Administrative Expenses	(443)	(376)	(357)	(357)	(328)	(334)	(398)	(356)	-
Other	-	-	-	-	(56)	-	-	1,854	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>(67,780)</b>	<b>46,771</b>	<b>6,017</b>	<b>(4,773)</b>	<b>14,736</b>	<b>20,536</b>	<b>18,168</b>	<b>(11,101)</b>	<b>20,473</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>365,329</b>	<b>318,558</b>	<b>312,541</b>	<b>317,314</b>	<b>302,578</b>	<b>282,042</b>	<b>263,874</b>	<b>274,975</b>	<b>254,502</b>
<b>Plan Fiduciary Net Position - Ending (B)</b>	<b>\$ 297,549</b>	<b>\$ 365,329</b>	<b>\$ 318,558</b>	<b>\$ 312,541</b>	<b>\$ 317,314</b>	<b>\$ 302,578</b>	<b>\$ 282,042</b>	<b>\$ 263,874</b>	<b>\$ 274,975</b>
<b>Net Pension Liability - Ending (A - B)</b>	<b>\$ 207,256</b>	<b>\$ 138,552</b>	<b>\$ 162,648</b>	<b>\$ 150,910</b>	<b>\$ 144,726</b>	<b>\$ 154,349</b>	<b>\$ 168,961</b>	<b>\$ 160,330</b>	<b>\$ 145,094</b>
<b>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability Covered Payroll**</b>	<b>58.94%</b>	<b>72.50%</b>	<b>66.20%</b>	<b>67.44%</b>	<b>68.68%</b>	<b>66.22%</b>	<b>62.54%</b>	<b>62.20%</b>	<b>65.46%</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>\$ 49,208</b>	<b>\$ 48,379</b>	<b>\$ 46,686</b>	<b>\$ 45,134</b>	<b>\$ 45,622</b>	<b>\$ 44,314</b>	<b>\$ 44,099</b>	<b>\$ 44,087</b>	<b>\$ 43,275</b>
	<b>421.18%</b>	<b>286.39%</b>	<b>348.39%</b>	<b>334.36%</b>	<b>317.23%</b>	<b>348.31%</b>	<b>383.14%</b>	<b>363.67%</b>	<b>335.28%</b>

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

\*Also called the Entry Age Normal Cost.

\*\*Payroll from the annual actuarial valuation, which was used to calculate the total pension liability, increased with assumed annual payroll growth.

**SCHEDULES OF EMPLOYER PENSION CONTRIBUTIONS**  
**For the Ten Fiscal Years Ended September 30**  
(Dollar Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM §**

<b>Fiscal Year</b>	<b>Actuarially Determined Employer Contributions</b>	<b>Actual Employer Contributions</b>	<b>Annual Contribution Deficiency (Excess)</b>	<b>Covered Payroll*</b>	<b>Actual Contributions as a % of Covered Payroll**</b>
2022	\$ 932,332	\$ 932,332	\$ -	\$ 7,750,058	12.03
2021	874,401	874,401	-	7,292,752	11.99
2020	862,475	862,475	-	7,116,130	12.12
2019	869,336	869,336	-	7,160,923	12.14
2018	802,598	802,598	-	6,699,482	11.98
2017	782,702	782,702	-	6,633,068	11.80
2016	751,909	751,909	-	6,377,515	11.79
2015	737,677	737,677	-	6,331,991	11.65
2014	716,753	716,753	-	6,331,740	11.32
2013	605,465	605,465	-	6,241,907	9.70

**JUDICIAL RETIREMENT FUND ¥**

<b>Fiscal Year</b>	<b>Actuarially Determined Employer Contributions</b>	<b>Actual Employer Contributions</b>	<b>Annual Contribution Deficiency (Excess)</b>	<b>Covered Payroll*</b>	<b>Actual Contributions as a % of Covered Payroll***</b>
2022	\$ 20,617	\$ 20,617	\$ -	\$ 51,802	39.80
2021	18,260	18,260	-	47,404	38.52
2020	18,099	18,099	-	45,817	39.50
2019	18,022	18,022	-	43,530	41.40
2018	17,180	17,180	-	42,853	40.09
2017	17,373	17,373	-	42,738	40.65
2016	17,529	17,529	-	42,775	40.98
2015	15,077	15,077	-	42,784	35.24
2014	15,250	15,250	-	43,275	35.24
2013	13,903	13,903	-	43,366	32.06

§ There are no nonemployer contributing entities in TRS.

\*Estimated based on employer contribution rate and actual employer contributions.

\*\*Act No. 2012-377 established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013, so this percentage represents a blended rate based on both the Tier 1 and Tier 2 employer contribution rates.

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

\*\*\*Act 2015-498 established new groups in JRF for Judges, Clerks, and District Attorneys first elected or appointed on or after November 8, 2016. Beginning with FY2020, this percentage represents a blended rate based on the groups' employer contribution rates.

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

<b>Fiscal</b>			
<b>Year</b>	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
2022	-12.99%	-12.85%	-14.64%
2021	22.75%	22.28%	20.75%
2020	5.53%	5.74%	7.70%
2019	2.44%	2.58%	3.58%
2018	9.42%	9.29%	9.35%
2017	11.73%	12.80%	11.88%
2016	10.37%	10.19%	10.96%
2015	1.16%	1.15%	-0.37%
2014	12.17%	12.05%	12.55%
2013	14.85%	14.53%	14.05%

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

**SCHEDULES OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

(Dollar Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM**

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability (%)	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2021	9/30/2022	0.21	\$ 19,723	\$ 9,975	197.72	76.44
9/30/2020	9/30/2021	0.23	28,764	9,440	304.70	67.72
9/30/2019	9/30/2020	0.22	24,246	8,748	277.16	69.85
9/30/2018	9/30/2019	0.21	20,897	7,663	272.70	72.29
9/30/2017	9/30/2018	0.20	19,504	7,235	269.58	71.50
9/30/2016	9/30/2017	0.20	21,164	6,739	314.05	67.93
9/30/2015	9/30/2016	0.18	18,891	6,593	286.53	67.51
9/30/2014	9/30/2015	0.18	16,626	6,283	264.62	71.01

**EMPLOYEES' RETIREMENT SYSTEM**

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability (%)	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2021	9/30/2022	0.56	\$ 15,723	\$ 5,821	270.11	67.37
9/30/2020	9/30/2021	0.57	17,674	6,350	278.33	61.62
9/30/2019	9/30/2020	0.58	16,713	5,848	285.79	63.38
9/30/2018	9/30/2019	0.57	14,845	5,197	285.65	66.20
9/30/2017	9/30/2018	0.55	14,468	5,113	282.96	65.44
9/30/2016	9/30/2017	0.59	16,850	4,904	343.60	62.07
9/30/2015	9/30/2016	0.52	14,146	4,695	301.30	62.35
9/30/2014	9/30/2015	0.49	11,991	4,526	264.94	65.58

**JUDICIAL RETIREMENT FUND**

Measurement Date	Fiscal Year Ended	Proportion of the Net Pension Liability (%)	Proportionate Share of the Net Pension Liability	Covered Payroll	Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
9/30/2021	9/30/2022	0.01	\$ 342	\$ 189	180.95	67.37
9/30/2020	9/30/2021	0.01	358	189	189.42	61.62
9/30/2019	9/30/2020	0.01	322	176	182.95	63.38
9/30/2018	9/30/2019	0.01	284	157	180.89	66.20
9/30/2017	9/30/2018	0.01	275	152	180.92	65.44
9/30/2016	9/30/2017	0.01	302	144	209.72	62.07
9/30/2015	9/30/2016	0.01	272	136	200.00	62.35
9/30/2014	9/30/2015	0.01	170	89	191.01	65.58

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

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Required Supplementary Information

For the Fiscal Year Ended September 30, 2022

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

#### SCHEDULES OF PENSION CONTRIBUTIONS

For the Fiscal Years Ended September 30

(Dollar Amounts in Thousands)

##### TEACHERS' RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 2,256	\$ 2,072	\$ 1,946	\$ 1,883	\$ 1,725	\$ 1,444	\$ 1,453	\$ 1,271
Contributions in relation to the								
Contractually Required Contributions	(2,256)	(2,072)	(1,946)	(1,883)	(1,725)	(1,444)	(1,453)	(1,271)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 10,858	\$ 9,975	\$ 9,440	\$ 8,748	\$ 7,663	\$ 7,235	\$ 6,739	\$ 6,593
Contributions as a Percentage of								
Covered Payroll	20.78%	20.77%	20.61%	21.52%	22.51%	19.96%	21.56%	19.28%

##### EMPLOYEES' RETIREMENT SYSTEM

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 1,229	\$ 1,245	\$ 1,302	\$ 1,209	\$ 1,059	\$ 1,014	\$ 1,133	\$ 896
Contributions in relation to the								
Contractually Required Contributions	(1,229)	(1,245)	(1,302)	(1,209)	(1,059)	(1,014)	(1,133)	(896)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,229	\$ 5,821	\$ 6,350	\$ 5,848	\$ 5,197	\$ 5,113	\$ 4,904	\$ 4,695
Contributions as a Percentage of								
Covered Payroll	19.73%	21.39%	20.50%	20.67%	20.38%	19.83%	23.10%	19.08%

##### JUDICIAL RETIREMENT FUND

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 36	\$ 27	\$ 26	\$ 23	\$ 21	\$ 19	\$ 21	\$ 17
Contributions in relation to the								
Contractually Required Contributions	(36)	(27)	(26)	(23)	(21)	(19)	(21)	(17)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 274	\$ 189	\$ 189	\$ 176	\$ 157	\$ 152	\$ 144	\$ 136
Contributions as a Percentage of								
Covered Payroll	13.14%	14.29%	13.76%	13.07%	13.38%	12.50%	14.58%	12.50%

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

The following schedules pertain to employees of TRS, ERS, and JRF who participate in the State Employees' Health Insurance Plan (SEHIP) which is administered by the State Employees' Insurance Board (SEIB).

## SCHEDULES OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

(Dollar Amounts in Thousands)

### TEACHERS' RETIREMENT SYSTEM

Measurement Date	Fiscal Year Ended	Proportion of the Net OPEB Liability (%)	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
9/30/2021	9/30/2022	0.59	\$ 5,018	\$ 9,975	50.31	22.49
9/30/2020	9/30/2021	0.57	5,705	9,440	60.43	17.16
9/30/2019	9/30/2020	0.57	9,902	8,748	113.19	9.94
9/30/2018	9/30/2019	0.57	16,182	7,663	211.17	5.96
9/30/2017	9/30/2018	0.53	16,708	7,235	230.93	5.05

### EMPLOYEES' RETIREMENT SYSTEM

Measurement Date	Fiscal Year Ended	Proportion of the Net OPEB Liability (%)	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
9/30/2021	9/30/2022	0.36	\$ 3,087	\$ 5,821	53.03	22.49
9/30/2020	9/30/2021	0.38	3,732	6,350	58.77	17.16
9/30/2019	9/30/2020	0.39	6,716	5,848	114.84	9.94
9/30/2018	9/30/2019	0.38	10,902	5,197	209.77	5.96
9/30/2017	9/30/2018	0.38	11,871	5,113	232.17	5.05

### JUDICIAL RETIREMENT FUND

Measurement Date	Fiscal Year Ended	Proportion of the Net OPEB Liability (%)	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
9/30/2021	9/30/2022	0.00	\$ 26	\$ 189	13.76	22.49
9/30/2020	9/30/2021	0.00	31	189	16.40	17.16
9/30/2019	9/30/2020	0.00	54	176	30.68	9.94
9/30/2018	9/30/2019	0.00	91	157	57.96	5.96
9/30/2017	9/30/2018	0.00	99	152	65.13	5.05

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

**RETIREMENT SYSTEMS OF ALABAMA***Financial Section***Required Supplementary Information****For the Fiscal Year Ended September 30, 2022**

The following schedules pertain to employees of TRS, ERS, and JRF who participate in the State Employees' Health Insurance Plan (SEHIP) which is administered by the State Employees' Insurance Board (SEIB).

**SCHEDULES OF OPEB CONTRIBUTIONS****For the Fiscal Years Ended September 30**

(Dollar Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 331	\$ 347	\$ 313	\$ 428	\$ 454
Contributions in relation to the					
Contractually Required Contributions	(331)	(347)	(313)	(428)	(454)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 10,858	\$ 9,975	\$ 9,440	\$ 8,748	\$ 7,663
Contributions as a Percentage of					
Covered Payroll	3.05%	3.48%	3.32%	4.89%	5.92%

**EMPLOYEES' RETIREMENT SYSTEM**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 193	\$ 214	\$ 205	\$ 290	\$ 306
Contributions in relation to the					
Contractually Required Contributions	(193)	(214)	(205)	(290)	(306)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,229	\$ 5,821	\$ 6,350	\$ 5,848	\$ 5,197
Contributions as a Percentage of					
Covered Payroll	3.10%	3.68%	3.23%	4.96%	5.89%

**JUDICIAL RETIREMENT FUND**

	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractually Required Contributions	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Contributions in relation to the					
Contractually Required Contributions	(2)	(2)	(2)	(2)	(2)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 274	\$ 189	\$ 189	\$ 176	\$ 157
Contributions as a Percentage of					
Covered Payroll	0.73%	1.06%	1.06%	1.14%	1.27%

Schedule is intended to show information for 10 years.

Additional years will be displayed as they become available.



# 1) NET PENSION LIABILITY

## A. Schedules of Changes in the Net Pension Liability & Related Ratios

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

## B. Schedules of Employer Contributions

Contributions were made in accordance with actuarially determined contribution requirements. The employer contribution rate expressed as a percent of payroll is determined annually by reviewing a variety of factors including benefits promised, member contributions, investment earnings, mortality, and withdrawal experience. The employer contribution rates for fiscal year 2022 are in the table below. ERS local participating employer contribution rates differ for each employer.

	<b>Tier 1</b>	<b>Tier 2</b>
<b>TRS</b>	12.43%	11.32%
<b>ERS - State Employees</b>	14.83%	14.44%
<b>ERS - State Police</b>	52.22%	42.86%
<b>JRF - Groups 1 &amp; 2</b>	42.10%	-
<b>JRF - Group 3 - Judges &amp; Clerks</b>	37.47%	-
<b>JRF - District Attorneys</b>	19.77%	-

## C. Schedule of Investment Returns

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

## D. Actuarial Assumptions

The actuarially determined contribution rates in the schedules of employer contributions are calculated as of September 30, 2019, three years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule.

	<b>TRS</b>	<b>ERS</b>	<b>JRF</b>
Actuarial Cost Method	Entry Age Normal	Entry Age Normal	Entry Age Normal
Asset Valuation Method	5-year smoothed market	5-year smoothed market	5-year smoothed market
Amortization Method	Level percent closed	Level percent closed	Level percent closed
Remaining Amortization Period	27.8 years	Within 30 years - Varies by Employer	19.8 years
Actuarial Assumptions:			
Investment Rate of Return* ‡	7.70%	7.70%	7.65%
Projected Salary Increases ‡	3.25% - 5.00%	3.25% - 5.00%	3.25% - 3.50%
Cost of Living Adjustments	None	None	3.00% †

\*Net of pension plan investment expense.

‡ Includes inflation at 2.75%.

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

### **E. Changes to Benefit Terms**

In 2022, the retirement benefits for TRS and ERS Tier 2 members were amended to allow TRS and ERS Tier 2 members to retire at any age with 30 years of creditable service, subject to a benefit reduction of 2% for every year that the member is below retirement age. Retirement age for TRS and ERS Tier 2 members (except State Police and certified law enforcement, correctional officers, and firefighters) is age 62. Retirement age for State Police members of the ERS and certified law enforcement, correctional officers, and firefighters is age 56.

In 2022, the TRS, ERS, and JRF Plans were amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly retirement benefits, provided that the spouse is the sole designated beneficiary on file for that member.

In 2021, the TRS Plan was amended to allow sick leave conversion for TRS Tier 2 members and to increase the member contribution rates for TRS Tier 2 members. Effective October 1, 2021, TRS Tier 2 members (except certified law enforcement, correctional officers, and firefighters) contribute 6.20% of earnable compensation to the TRS. TRS Tier members who are certified law enforcement, correctional officers, and firefighters contribute 7.20% of earnable compensation to the TRS.

Effective November 8, 2016, any Judge or Clerk first elected or appointed on or after that date and any District Attorney serving as a District Attorney on or after that date are covered members of the JRF under a new benefit structure.

TRS and ERS members hired on or after January 1, 2013, are covered under a new benefit structure.

The member contribution rates for covered members of the TRS and ERS increased from 5% (6% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. The member contribution rate for the JRF increased from 6% of earnable compensation to 8.25% of earnable compensation on October 1, 2011, and to 8.50% of earnable compensation on October 1, 2012.

### **F. Changes of Assumptions**

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45% for the TRS and the ERS and 7.65% to 7.40% for the JRF. In 2021 and later, the expectation of retired life mortality for the TRS and JRF was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019. In 2021 and later, the expectation of retired life mortality for the ERS was changed to the Pub-2010 Below-Median Tables projected using a generational approach based on the mortality improvement scale, MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.

In December 2018, the Boards of Control adopted new discount rates for the TRS, ERS, and JRF. The new discount rates were 7.70% for the TRS & ERS and 7.65% for the JRF.

In 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for males and 112% for females age 78 and older.

## RETIREMENT SYSTEMS OF ALABAMA

### *Financial Section*

#### Notes to the Required Supplementary Information

For the Fiscal Year Ended September 30, 2022

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

## 2) NET OTHER POSTEMPLOYMENT BENEFITS LIABILITY

### A. Actuarial Assumptions

The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, 2019, two years prior to the end of the fiscal year in which contributions are reported. The following actuarial methods and assumptions were used to determine the recent contribution rate reported in that schedule.

<b>Actuarial Cost Method</b>	Entry Age Normal
<b>Amortization Method</b>	Level Percent of Pay, Open
<b>Remaining Amortization Period</b>	30 years
<b>Asset Valuation Method</b>	Market Value of Assets
<b>Inflation</b>	2.75%
<b>Healthcare Cost Trend Rate</b>	
<b>Pre-Medicare Eligible</b>	6.75%
<b>Medicare Eligible</b>	**
<b>Ultimate Trend Rate</b>	
<b>Pre-Medicare Eligible</b>	4.75% in 2027
<b>Medicare Eligible</b>	4.75% in 2024
<b>Dental Trend Rate</b>	4.50%
<b>Investment Rate of Return*</b>	5.00%

\*Includes inflation at 2.75%

\*\*Initial Medicare claims are based on scheduled increase through plan year 2022.

### B. Changes to Benefit Terms

Beginning in calendar year 2021, the MAPD plan premium rates exclude the ACA Health Insurer Fee which was repealed on December 20, 2019.

Effective January 1, 2020, the MAPD plan moved from self-insured to fully-insured.

Effective January 1, 2017, Medicare eligible medical and prescription drug benefits are provided through a Medicare Advantage Prescription Drug (MAPD) plan.

## RETIREMENT SYSTEMS OF ALABAMA

### Financial Section

#### Notes to the Required Supplementary Information

For the Fiscal Year Ended September 30, 2022

#### C. Changes of Assumptions

Changes in the actuarial assumptions as a result of the experience study for the five-year period ended September 30, 2020, are summarized below:

Assumption	Description
Price Inflation	Lowered from 2.75% to 2.50%.
Investment Return (Net of Investment Expense)	Lowered from 7.50% to 7.25%.
Wage Inflation	Lowered from 3.00% to 2.75%.
Mortality Rates (Pre-Retirement, Post-Retirement Healthy, and Disabled)	Update to Pub-2010 Public Mortality Plans Mortality Tables. For future mortality improvement, generational mortality improvement with mortality improvement scale MP-2020, with an adjustment of 66-2/3% to the table beginning in year 2019.
Retirement Rates	Judges: Revised to more closely reflect experience. State and Local Regular Members: Decreased rates of retirement for members at most ages. State and Local FLC Members: Decreased rates of retirement for members at ages 56 and younger. Increased rates of retirement slightly for members ages 57 and older. State Police: Increased rates of retirement in some age categories. Decreased rates of retirement in some age categories. Teachers: Decreased rates of retirement at most ages and extended retirement rates to age 80.
Withdrawal Rates	Judges: Changed from an age-based table broken down by service bands to a pure service-based table. Increased rates of withdrawal for members with less than 10 years of service and decreased rates or withdrawal for members with 10 or more years of service. Non-Judges: Changed from an age-based table broken down by service bands to a pure service-based table. Used a liability weighted methodology in analyzing rates. Decreased rates of withdrawal at most service categories for non-Teachers.
Disability Rates	Lowered rates of disability retirement at most ages for State, Teachers, and Local Members. No change for Judges.
Salary Increases	No change to total assumed rates of salary increases for Judges and Teachers. Increased merit salary scale by 0.25% to offset the recommended decrease in the wage inflation assumption by 0.25%.

In 2019, assumed rates of tobacco use, spouse participation, and the payment of the spousal surcharge were adjusted to more closely reflect actual and anticipated experience.

In 2016, rates of withdrawal, retirement, disability, and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Administrative Expenses

For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Personnel Services:</b>				
Salaries	\$ 10,858	\$ 6,229	\$ 274	\$ 17,361
Employee Fringe Benefits	454	448	52	954
Total Personnel Services	11,312	6,677	326	18,315
<b>Professional Services:</b>				
Actuarial	142	539	69	750
Accounting and Auditing	100	77	21	198
Information Technology	2,020	757	10	2,787
Mailing Services	115	74	-	189
Legal Services	60	41	-	101
Personnel Services	140	-	-	140
Other Professional Services and Fees	269	125	-	394
Total Professional Services	2,846	1,613	100	4,559
<b>Communications and Travel:</b>				
Telecommunications	279	155	-	434
Postage	1,188	754	-	1,942
Travel	75	48	2	125
Total Communications and Travel	1,542	957	2	2,501
<b>Rentals:</b>				
Office Space	611	408	10	1,029
Equipment Leasing	6	2	-	8
Total Rentals	617	410	10	1,037
<b>Miscellaneous:</b>				
Supplies	1,878	1,205	5	3,088
Maintenance	750	444	-	1,194
Total Miscellaneous	2,628	1,649	5	4,282
<b>Total Administrative Expenses</b>	<b>\$ 18,945</b>	<b>\$ 11,306</b>	<b>\$ 443</b>	<b>\$ 30,694</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<b>Investment Activity</b>				
<b>Investment Management Fees:</b>				
Salaries and Benefits	\$ 9,387	\$ 2,361	\$ -	\$ 11,748
Dues, Subscriptions, and Supplies	1,537	1,022	-	2,559
Travel	6	5	-	11
<b>Professional Services:</b>				
Investment Advisor	60	30	-	90
Legal	199	132	-	331
Appraisal of Private Placements and Real Estate	394	226	-	620
<b>Investment Activity Expenses before Reimbursement</b>	<b>11,583</b>	<b>3,776</b>	<b>-</b>	<b>15,359</b>
Less: Reimbursement for Investment Management Fees	10	232	-	242
<b>Total Investment Activity Expenses</b>	<b>11,573</b>	<b>3,544</b>	<b>-</b>	<b>15,117</b>
<b>Securities Lending Activity</b>				
Securities Lending Borrower Rebates	4,585	2,367	23	6,975
Securities Lending Management Fees	2,406	1,175	21	3,602
Total Securities Lending Activity Expenses	6,991	3,542	44	10,577
<b>Total Investment Expenses</b>	<b>\$ 18,564</b>	<b>\$ 7,086</b>	<b>\$ 44</b>	<b>\$ 25,694</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Financial Section

### Schedule of Professional/Consultant Fees

For the Fiscal Year Ended September 30, 2022

(Dollar Amounts in Thousands)

Professional/Consultant	Nature of Service	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Cavanaugh Macdonald Consulting, LLC	Actuary	\$ 142	\$ 539	\$ 69	\$ 750
Carr, Riggs & Ingram, LLC	Auditor	83	42	14	139
A-LIGN	Auditor	17	35	7	59
Bradley Arant Boult Cummings, LLP	Legal	35	25	-	60
Buchalter	Legal	9	4	-	13
Ice Miller LLP	Legal	9	6	-	15
Jackson Walker LLP	Legal	13	9	-	22
Alabama Department of Finance	Mail	38	25	-	63
Walker360	Mail	77	49	-	126
State Personnel Department	Personnel	140	-	-	140
Fine Geddie & Associates, LLC	Consultant	75	-	-	75
The Segal Company	Consultant	129	86	-	215
Alabama Department of Finance	Comptroller's Accounting Services	62	32	10	104
Alabama Department of Finance	Information Technology	205	136	-	341
Deloitte Consulting, LLP	Information Technology	1,679	560	-	2,239
Stamp Idea Group	Information Technology	47	31	-	78
Packet Ninjas	Information Technology	17	11	-	28
Various	Other	69	23	-	92
<b>Total Professional/Consultant Fees - Administrative Services</b>		<b>2,846</b>	<b>1,613</b>	<b>100</b>	<b>4,559</b>
Maynard, Cooper, & Gale P.C.	Legal	199	132	-	331
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services, Inc.	Real Estate Appraiser	108	72	-	180
Houlihan Lokey	Investment Appraiser	286	154	-	440
<b>Total Professional/Consultant Fees - Investment Services</b>		<b>653</b>	<b>388</b>	<b>-</b>	<b>1,041</b>
<b>Total Professional/Consultant Fees</b>		<b>\$ 3,499</b>	<b>\$ 2,001</b>	<b>\$ 100</b>	<b>\$ 5,600</b>









# Investment Section

Annual Comprehensive Financial Report  
Component Units of the State of Alabama





## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2022

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Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September 30, 2022. The report provides investment highlights in general as well as specific information on the Retirement Systems' investment activity for the fiscal year. Investments within this report are presented on the basis of fair value using a variety of sources such as appraisals, valuations of underlying companies and assets for limited partnerships, and through fair values obtained from the investment custodian. The custodian calculated rates of return are based on normal industry standards using a time-weighted rate of return methodology based upon these fair values.

Without question 2022 was an awful year to be long on most anything in the capital markets. Our expectation that the long bull run in the bond market had run its course proved to be correct. Unfortunately, stocks became highly correlated throughout the year with the rising rate environment as the Federal Reserve (the Fed) started aggressively hiking rates to try and cool inflation down. Although earnings for the most part held up well, the price multiple investors were willing to pay to own stocks declined as the language from the monetary policy makers changed. Looking back, it is almost always easy to see your mistakes and last year proved no different. Cash and pockets of real estate did well, but most everything in public markets on average was down double digits. I mention public markets because private market assets performed better, but there are lots of nuances that allow for that. Their day of reckoning is coming.

Following what has happened during calendar year 2022, there is obviously much angst and confusion as to what path lies ahead. We have a litany of issues on the horizon not limited to: a global recession that is highly likely; concerted monetary policy tightening; Russian/Ukrainian war that is ongoing; dislocations in the currency markets; and China becoming more aggressive. It is hard to see through all these issues, but I would argue that it is not unprecedented. On the positive side, corporate balance sheets are in good shape, as well as the overall banking system, especially in the U.S. We have already seen a big reset of the market multiple, so some of the heavy lifting has already happened. Inflation may have peaked, which provides a runway for the Fed to at least sound less hawkish. The market climbs a wall of worry, and the wall is high at this point. With sentiment as negative as it is, we don't believe now is the time to de-risk. On the contrary, we are finding many attractive investments in fixed income for the first time in many years. We expect that there will be more turbulence in the coming quarters, but with that comes opportunities. We will adjust the portfolio accordingly.

### **RSA Performance Summary**

As of September 30, 2022, aggregate defined benefit assets under management totaled \$38.4 billion. During fiscal year 2022, annualized total returns of the TRS, ERS, and JRF were -13.18%, -13.02%, and -14.87%, respectively.

#### Equities

The new fiscal year started off much like the prior year with equities continuing to make new highs through December. As we moved into calendar 2022, the market began to roll over. As we spoke of in last year's annual report, a little inflation is not necessarily a bad thing for equities as earnings are reported in nominal terms, but way too much inflation is always bad. The Fed started changing their rhetoric early in 2022, dismissing the idea that inflation should prove to be a "transitory" issue. Supply chain bottlenecks, tight labor markets, and inflated assets finally tipped the Fed into tightening mode. By the end of the fiscal year, the Fed had instituted five rate hikes, with the last three being 75 basis points (bps) each. The main impact on equities has been one of multiple compression. Earnings have yet to be heavily impacted, but the market is implying that we are in for a sizeable recalculation for forward corporate earnings. On top of all these issues, the war in the Ukraine is still ongoing, and it's hard to forecast the many unknowns that will unfold as Putin's actions are a total wildcard. China is another variable to add to the mix. Xi Jinping was just reelected to another 5-year term, and his recent actions of suppression and a more aggressive stance towards Taiwan as well as the Western nations adds more geopolitical risk to the equation.

As for where we are now, most macro indicators are starting to show that inflation has peaked. We are now in the second month in a row of declining home prices, most commodity prices have softened significantly, and we are seeing faint signs that the jobs market has started to weaken. Sentiment is uber bearish at the moment, and investor positioning has markedly de-risked. The big question is can the Fed orchestrate a soft landing, or does the rapid pace

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that they have been raising rates cause a recession. At this point we feel that it is probably a toss-up, but the markets have already had a drawdown that factors in a mild recession. We have been a net seller of equities the past several years as the asset class has been far and away the best performer. It didn't really matter the past 12 months as nearly all asset classes except cash suffered negative returns. We continued with our hedging strategy on a portion of our equity exposure, which did add value this year. Closing out the fiscal year in September yet again proved to be awful, as global equities were down roughly 9.5% for the month.

For the year, the RSA domestic equity portfolios returned -14.92%, -14.84%, and -15.21% for the TRS, ERS, and JRF funds, respectively. Both developed and emerging international equities performance lagged U.S. equities. Total international equity returns were -24.65% for the TRS, -24.78% for the ERS, and -24.48% for the JRF. The combined total returns for the overall equity portfolios were -17.09%, -17.09%, and -17.27% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 5.37%, 6.24%, and 9.51% for the TRS, 5.35%, 6.28%, and 9.53% for the ERS, and 5.52%, 6.39%, and 9.64% for the JRF, respectively.

#### Fixed Income

At the beginning of the fiscal year, questions remained on how long the current inflation paradigm would reign, due to issues surrounding the supply chain, energy prices, and wage levels needed to meet the demands within the labor market. At the Federal Open Market Committee (FOMC) meeting in September, policymakers were forecasting an interest rate hike in 2022, a few more the following year, and a fed funds rate in the vicinity of 1.75% by the end of 2024. The lesson of this fiscal year must be the unpredictability of forecasts, geopolitical risks, and market forces in today's global landscape.

The first quarter of the fiscal year was somewhat muted in fixed income markets. While the Fed raised its inflation forecast after several stronger-than-expected Consumer Price Index (CPI) prints, it did not appear overly concerned regarding the potential longevity of the situation. So, while the yield curve began to flatten during this time, it was solely due to the increase in the front end as the 10-year treasury remained relatively stable. Ultimately, Chairman Jay Powell, finally recognizing the continuation of inflationary pressures, ceased to describe the phenomenon as "transitory" and accelerated its timeline on the withdrawal of asset purchases.

The Fed's hawkish pivot upended financial markets in the first week of the new calendar year, as rates shifted approximately 25bps higher. The December CPI report startled even the most hopeful of investors, reaching its highest level in the last 40 years. Volatility in risk assets erupted as the expected rate hikes for 2022 rapidly moved higher in a matter of a couple of weeks. The Treasury yield curve bear flattened while investment grade credit curves steepened, leading to massive losses in long-end corporate debt. The pain was just beginning as the January payroll report posted gains that exceeded estimates by nearly three times what the market had anticipated. Interest rate volatility soared as another hot inflation print was recorded. Russia's invasion of Ukraine only made matters worse, creating shockwaves throughout global markets. The Fed raised rates in March by 25bps and its bond purchasing program finally came to an end.

All major asset classes sold off in April, as another strong employment report pushed rate expectations higher. The potential for 50bp adjustments at its next three meetings became a real possibility. Equity markets were hammered, corporate bonds lost over 5%, and treasury yields climbed 50-60bps across the curve. The Committee raised the fed funds rate by 50bps in May and announced its plan to reduce its \$9 trillion balance sheet. Headline inflation breached 8.0% in short order, with core prices rising 6.3%. After another robust payroll number and a 1.0% month-over-month increase in the May CPI report, the FOMC raised short-term interest rates by 75bps at its June meeting.

The month of July provided a relief rally to all assets on the heels of better than expected results from corporate America. Expectations also began to build around the notion of peak inflation and more accommodative policy focused on growth. The Fed met at the end of July and raised rates by another 75bps, however the press conference was interpreted to be less hawkish. Long-end treasury yields dropped a fair amount, causing the 2s/10s curve to invert by approximately 25bps. Chairman Powell was decidedly hawkish at the Jackson Hole Economic Symposium at the end of August. In turn, treasury yields marched substantially higher across the curve, with yield curve inversion reaching

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Report on Investment Activity

For the Fiscal Year Ended September 30, 2022

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a height of roughly 50bps. As the Chairman previously proclaimed that “restoring price stability will likely require maintaining a restrictive policy stance for some time”, he and other central bankers raised rates 75bps for a third time to finish out the fiscal year.

This year was one for the record books and unresolved issues remain. Central banks are being forced to raise rates to combat the worst inflationary environment in decades amid a rapidly declining global economy. Russia and China seem determined to exert their sphere of influence by any means necessary. The dollar, the world’s reserve currency, continues to strengthen as it symbolizes safety in times of economic stress and uncertainty. Labor markets appear tight and nominal wages continue to increase, yet the average worker seems to be falling behind as inflation has proven sticky. On a somewhat positive note, the \$17 trillion in negative-yielding sovereign debt has vanished. Fixed income is beginning to resemble an attractive investment opportunity once again after years of being a low-yielding alternative. Corporate credit seems poised to handle an economic downturn better than previous ones and mortgages are fairly attractive despite the lack of Fed involvement going forward. Even money-market instruments are providing ample yield for those sitting around awaiting the next opportunity to put capital to work. It is our belief that methodically adding to the fixed income portfolio during this time of higher interest rates and uncertainty, will prove to be beneficial over the long term.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were -13.06% for the TRS, -13.05% for the ERS, and -12.59% for the JRF. The five-year annualized returns were 0.43% for the TRS, 0.40% for the ERS, and 0.36% for the JRF. The ten-year annualized returns were 1.57% for the TRS, 1.56% for the ERS, and 1.49% for the JRF.

Sincerely,



Marc Green  
Director of Investments

## *Investment Section*

### Teachers' Retirement System Investment Policy Statement

For the Fiscal Year Ended September 30, 2022

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#### **Purpose**

This Investment Policy Statement ("IPS") sets forth the investment policies by which the Teachers' Retirement System's ("TRS") fund's investments will be managed. This IPS is consistent with and complements related Alabama statutes and is intended to be binding upon all persons with authority over the investments of the TRS. Deviation from the IPS is not permitted without explicit written permission, in advance, from the TRS Board of Control ("Board of Control" or "Board"). This IPS was adopted by the Board of Control on December 9, 2015 and is effective March 1, 2016.

#### **Roles and Responsibilities**

##### ***Board of Control***

The Board of Control, as Trustees, shall carry out its functions solely in the interest of the members and benefit recipients and for the exclusive purpose of providing benefits and defraying reasonable expenses incurred in performing such duties. The Trustees shall act in accordance with the provisions of the laws and with the care, skill, prudence and diligence in light of the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.

Specific responsibilities include:

- Approving a statement of investment philosophy that sets forth TRS's beliefs on key investment issues.
- Approving an IPS.
- Ensuring asset allocation strategies are in place to achieve the investment goals and objectives of the TRS.
- Reviewing adherence to the investment philosophy of the TRS.
- Reviewing compliance with, and the continued appropriateness of, the IPS.
- Reviewing the investment performance of the fund, including the performance of all investment classes.
- Elect an investment committee (Ala. Code § 16-25-20(a)(3)).
- Appoint an Investment Advisor (Ala. Code § 16-25-20(a)(4)).

##### ***Investment Committee***

The Investment Committee will:

- Act as agent for its appointing Board of Control (Ala. Code § 16-25-20(a)(3)).
- Consider all investment recommendations made by the Secretary-Treasurer (Ala. Code § 16-25-20(a)(3)).
- Either approve or disapprove the recommended investments in accordance with policies set by the Board (Ala. Code § 16-25-20(a)(3)).
- Confirm by written authorization of at least two members the approval of all investments, with such authorization to be attached to the invoice for the transaction (Ala. Code § 16-25-20(a)(3)).

##### ***Secretary-Treasurer***

The Secretary-Treasurer is elected by the Board of Control and serves as the chief executive officer for the TRS. Ala. Code § 16-25-19(i). Specific responsibilities of the Secretary-Treasurer include:

- Recommending to the Board a written IPS and reviewing that statement with the Board at least annually.
- Developing and executing, within the policy parameters approved by the Board, investment strategies for each asset category in which the TRS invests.
- Executing portfolio rebalancing in accordance with the policies of the Board.
- Advising the Board on any other investment matters and making recommendations for Board or committee action when necessary.
- Reporting to the Board all purchases and sales of investments made by him or her at least once semiannually (Ala. Code § 16-25-20(a)(5)).
- Carrying out the investment policies fixed by the Board (Ala. Code § 16-25-20(a)(2)).

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

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- Examining all offers of investments made to the funds (Ala. Code § 16-25-20(a)(2)).
- Initiating inquiries as to available investments for the funds (Ala. Code § 16-25-20(a)(2)).
- Reviewing periodically the investment quality and desirability of retention of investments held (Ala. Code § 16-25-20(a)(2)).
- Making purchases and sales of investments as he or she shall deem to be to the best interests of the fund and in accordance with policies set by the Board, and as the Investment Committee shall approve (Ala. Code § 16-25-20(a)(2)).
- Other such responsibilities as the Board may delegate or the law shall provide.

### *Custodian*

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

### *Investment Advisor*

The Investment Advisor may be appointed and employed by the Board of Control to act as a consultant to the Secretary-Treasurer in the purchase, sale, and review of the TRS's investments to the extent the Board may designate. The Investment Advisor must be a bank having principal office in the State of Alabama, must have capital, surplus and undivided profits of not less than \$300 million, and must have an organized investment department. Ala. Code § 16-25-20(a)(4). Specific responsibilities of the Investment Advisor include:

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

## **Investment Goals and Objectives**

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



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## Investment Philosophy

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

- Strategic asset allocation is the most significant factor influencing long-term investment performance and asset volatility. The asset allocation targets, determined by the Board of Control, will be adhered to through a clearly defined rebalancing program.
- In controlling the risk level that is appropriate for the fund, the Board will diversify the assets of the fund among various asset classes as the Board may from time to time adopt as appropriate asset classes with the goal of minimizing large losses. The specific asset classes to be used will be set in conjunction with the strategic asset allocation adopted from time to time by the Board. The Board will diversify investment assets within asset classes to avoid concentrations.
- The fund's liabilities are long term and the investment strategy will therefore be long term in nature. Strategic decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- The asset allocation policy will be reexamined every three years to ensure its appropriateness to the then prevailing liability considerations.
- Market-related risk and non-market related risk investments will be utilized. Market related risk refers to risk systematic to a market or risk embedded in the strategic asset allocation policy. Non-market risk refers to risk derived from active management or tactical decisions. Market-related risks are expected to produce returns proportional to the level of those risks over long periods of time as a natural feature of reasonably efficient capital markets; non- market related risks may produce additional returns when capitalized upon through skilled active management in the presence of some degree of market inefficiency. As a long-term investor, the TRS will invest across a wide spectrum of market-related risk investments, categorized in asset classes, in a prudent manner consistent with the strategic asset allocation policy referred to above.
- Index funds can be a desirable way of obtaining market-related risk exposure to asset classes.
- Non-market-related risks, also known as active management risk, may be expected to add value over index funds with comparable benchmarks, under appropriate conditions, and can be employed by the fund with controls in place which are appropriate to the particular investment.
- Also TRS recognizes that a stronger Alabama equates to a stronger Teachers' Retirement System and, as such, investments in Alabama businesses are encouraged to the extent the investment return meets the criteria delineated by this policy statement. Any Alabama investment must be forecast to have a return comparable to other like investments in the same asset class.
- Investment returns may be adversely affected by excessive investment related fees. TRS will utilize in-house staff expertise to minimize the cost of investing as appropriate.

**Strategic Asset Allocation Policy**

The **TRS** current target asset allocation and ranges are specified below.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Strategic Range</b>
Domestic Equity	45%	30%-60%
International Equity	15%	10%-25%
Fixed Income	15%	10%-50%
Alternative Investments	10%	0%-20%
Real Estate	10%	0%-15%
Short-term investments	5%	1%-10%
<b>Total</b>	<b>100%</b>	

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

**Rebalancing Policy**

The purpose of the rebalancing policy is to ensure the adherence to the strategic allocation plan. Unexpected changes in market values may, on occasion, cause the actual asset allocation to fall outside of the allowable ranges. This policy applies to all asset classes in which the TRS invests and requires Investment Management Staff (“Staff”) to implement rebalancing trades if, as of any quarter end, the allocation to any asset class is outside the allowable ranges. The Board recognizes, however, the inherent difficulty in managing the allocations to illiquid asset classes.

As such, with respect to TRS’s illiquid asset classes, the Board expects the allocations to these areas to be managed as close as practical to the policy targets. The Board expects Staff to report illiquid asset class allocations that fall outside the prescribed ranges. In addition, the Board expects Staff to provide an implementation recommendation to bring the fund’s allocation to these areas back within the allowable ranges.

Managing the allocations to the marketable asset classes involves a risk reduction tradeoff with increased transaction costs. As such, the Board expects Staff to implement this policy in a manner that seeks to minimize the impact of transaction costs. In particular, the Board expects Staff to use cash contributions and cash needs to move the fund’s asset allocation as close as practical to the policy targets. When markets move such that the fund’s normal cash flows are insufficient to maintain the fund’s actual asset allocation within the permissible ranges as of any quarter end, the Board expects Staff to implement the necessary transactions to bring the fund’s allocation back to within the allowable ranges. Before a rebalancing transaction is implemented, the Board expects Staff to identify those portfolios that are likely to have the lowest cost of trading. Absent any asset class structure considerations, the Board expects these low trading cost portfolios to be utilized more frequently to implement required total fund rebalancing.

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## **Eligible Asset Categories**

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

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

### ***Domestic Equities***

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

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

### ***International Equities***

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

### ***Fixed Income***

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

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

### ***Alternative Investments***

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

### *Investment Section*

#### Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

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The alternative investment asset class is considered highly inefficient, as the lack of publicly available company and pricing information suggest active management is critical in this asset class. Examples of such investments are venture capital partnerships, private equity, hedge funds, leveraged buy-out funds, private debt, and direct ownership of individual assets such as oil and gas partnerships. These investments shall only be entered into after significant due diligence.

#### ***Short-term Investments***

Short-term investments are an integral part of a public pension portfolio, primarily as a tool of principal preservation and as a provider of liquidity. Eligible securities within this asset class include but are not limited to, U.S. treasury bills, notes and bonds with maturities of one year or less, corporate debt obligations (primarily commercial paper), short-dated agency and mortgage backed debt with government backed principal and interest payments, various types of bank paper including time deposits, repurchase agreements as well as money market funds. Also included is any money held in the STIF (short-term investment fund) accounts at the custody bank of the RSA, State Street Corporation.

#### ***Real Estate***

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

#### **Risk Controls and Procedures**

- The fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and to limit the impact of large losses on individual investments of the fund.
- Individual portfolios will be managed according to written investment guidelines that are approved by the Staff. These guidelines are intended to ensure that the portfolio meets its objective and operates within acceptable risk parameters.
- A process will be established by which compliance with all elements of the IPS and portfolio guidelines are measured and monitored, with compliance exceptions being reported to the Board.
- The Investment Advisor will work with the Staff to develop a quarterly strategy for investments, which will be disseminated to the Board, as it is prepared each quarter.
- The Investment Committee shall approve all investments made within the IPS. The Investment Committee, in its approval, is considered to be signing for the Board of Control. If any purchase or sale is questioned by two members of the Investment Committee as to whether it is within policy, the Board shall decide if further action is required.
- Each week, the Secretary-Treasurer will send to the Investment Advisor the list of actual activities for written confirmation, which will then be distributed to the Board of Control members upon receipt.
- All investment security purchases will be documented with an individual worksheet setting out the reason for the purchase, rating, market history and other general data relevant to the decision making process.
- An annual survey will be made of all fixed income investments held with emphasis on credit quality. A holding that has been downgraded in rating will be examined as to the reason for the downgrade and a determination should be made as to whether the security should remain in the portfolio.
- The rules of the Securities and Exchange Commission, the general policies of the Board of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The Investment Management Staff will provide the Alabama Ethics Commission with a quarterly report of all purchases and sales of any and all securities for personal accounts occurring within each reported quarter.
- All Alternative Investments will be documented with a comprehensive financial analysis setting out the reasons for the investment and showing the projected return on investment.

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## Performance Measurement

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

### *Total Plan Benchmark*

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

<b>Domestic Equity</b>	Custom Benchmark	(see description below)
<b>International Equity</b>	MSCI EAFE Net, Emerging Markets Net, STOXX Europe 600 Optimised Cyclicals	Beginning of month weighted custom benchmark
<b>Domestic Fixed Income</b>	Custom Benchmark	(see description below)
<b>International Fixed Income</b>	WGBI Non-US	Currently there are no International Fixed portfolios in this plan.
<b>Cash</b>	ML 90-Day T-Bill	
<b>Alternative Investments</b>	-If an equity investment, the Russell 2000 plus 3%.  -If a debt investment, the Bloomberg Capital Agency plus 3%.	
<b>Real Estate</b>	CPI+3% Public REIT portfolio follows S&P 500 Real Estate sector GICS level 3	

### *Domestic Equity Benchmark*

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

<b>Core Fund</b>	S&P 500
<b>S&amp;P 500 Fund</b>	S&P 500
<b>MidCap Active Fund (SSF)</b>	S&P 400 MidCap
<b>S&amp;P MidCap Index</b>	S&P 400 MidCap
<b>S&amp;P SmallCap Index</b>	S&P 600 SmallCap
<b>S&amp;P SmallCap Value</b>	S&P 600 SmallCap
<b>Policy Fund</b>	S&P 500

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

#### ***Fixed Income Benchmark***

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

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Employees' Retirement System Investment Policy Statement For the Fiscal Year Ended September 30, 2022

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#### **Purpose**

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

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

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

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

#### **Roles and Responsibilities**

##### ***Board of Control***

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

Specific responsibilities include:

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



## RETIREMENT SYSTEMS OF ALABAMA

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### *Investment Section*

#### Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

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#### ***Investment Management Committee***

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

- A written statement of investment philosophy for the fund.
- A written IPS.
- Strategies to achieve the investment goals and objectives of the ERS.
- On any other investment matters and make recommendations for Board action when necessary.
- Keeping minutes of Investment Management Committee meetings and ensure the minutes are made available to Trustees.
- Monitoring all the investment activities of the Investment Committee, Secretary-Treasurer, Staff, Investment Advisor, and Custodian.
- Ensuring the investment reporting policies are designed to provide transparency and aggregate information on target investments regardless of the investment vehicles used.

#### ***Investment Committee***

The Investment Committee will:

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

#### ***Secretary-Treasurer***

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

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

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### ***Custodian***

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

### ***Investment Advisor***

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

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

### **Investment Goals and Objectives**

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

### **Investment Philosophy**

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

- Strategic asset allocation is the most significant factor influencing long-term investment performance and asset volatility. The asset allocation targets, determined by the Board of Control, will be adhered to through a clearly defined rebalancing program.
- In controlling the risk level that is appropriate for the fund, the Board will diversify the assets of the fund among various asset classes as the Board may from time to time adopt as appropriate asset classes. The specific asset classes to be used will be set in conjunction with the strategic asset allocation adopted from time to time by the Board. The Board will diversify investment assets within asset classes to avoid concentrations.
- The fund's liabilities are long term and the investment strategy will therefore be long term in nature. Strategic decisions will prevail in determining asset allocation rather than tactical or short-term market timing decisions.
- The asset allocation policy will be reexamined every three years to ensure its appropriateness to the then prevailing liability considerations.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

- Market-related risk and non-market related risk investments will be utilized. Market related risk refers to risk systematic to a market or risk embedded in the strategic asset allocation policy. Non-market risk refers to risk derived from active management or tactical decisions. Market-related risks are expected to produce returns proportional to the level of those risks over long periods of time as a natural feature of reasonably efficient capital markets; non-market related risks may produce additional returns when capitalized upon through skilled active management in the presence of some degree of market inefficiency. As a long-term investor, the ERS will invest across a wide spectrum of market-related risk investments, categorized in asset classes, in a prudent manner consistent with the strategic asset allocation policy referred to above.
- Index funds can be a desirable way of obtaining market-related risk exposure to asset classes.
- Non-market-related risks, also known as active management risk, may be expected to add value over index funds with comparable benchmarks, under appropriate conditions, and can be employed by the fund with controls in place which are appropriate to the particular investment.
- Also ERS recognizes that a stronger Alabama equates to a stronger Employee Retirement System, and as such, investments in Alabama businesses are encouraged to the extent the investment return meets the criteria delineated by this policy statement. Any Alabama investment must be forecast to have a return comparable to other investments in the same asset class. The forecast and the accompanying analysis must be presented to the Investment Committee and Investment Management Committee prior to making the investment.

#### **Strategic Asset Allocation Policy**

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

<b>Asset Class</b>	<b>JRF Target Allocation</b>	<b>ERS Target Allocation</b>	<b>Strategic Range</b>
Domestic Equity	55%	45%	30%-60%
International Equity	15%	15%	10%-25%
Fixed Income	22%	15%	10%-40%
Alternative Investments	1%	10%	0%-15%
Real Estate	2%	10%	0%-15%
Short-term investments	5%	5%	1%-10%

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

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## **Rebalancing Policy**

The purpose of the rebalancing policy is to ensure the adherence to the strategic allocation plan. Unexpected changes in market values may, on occasion, cause the actual asset allocation to fall outside of the allowable ranges. This policy applies to all asset classes in which the ERS invests and requires Investment Management Staff (“Staff”) to implement rebalancing trades if, as of any quarter end, the allocation to any asset class is outside the allowable ranges. The Board recognizes, however, the inherent difficulty in managing the allocations to illiquid asset classes.

As such, with respect to ERS’s investments in illiquid asset classes (alternative investments and real estate), the Board expects the allocations to these areas to be managed as close as practical to the policy targets. As of any quarter-end, the Board expects Staff to report illiquid asset class allocations that fall outside the prescribed ranges. In addition, the Board expects Staff to provide an implementation recommendation to bring the fund’s allocation to these areas back within the allowable ranges. The Staff will provide annually to the Investment Management Committee a schedule for valuations on such assets.

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

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

## **Eligible Asset Categories**

The Board is responsible for approving asset categories in which the fund will invest. Listed below are the asset categories in which ERS currently invests along with a discussion of market efficiency in each category. The efficiency of markets is relevant to expected return opportunities. Highly efficient markets provide less opportunity to add value above market returns. Highly inefficient markets provide more opportunity to add return above what is available by the market. This above market return expectation can be referred to as alpha. Market return can be referred to as beta.

### ***Domestic Equities***

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

It is expected that the ERS will have exposure to all segments of the domestic equity market including but not limited to growth and value stocks of large to small capitalization companies. The domestic equity market is considered by many to be one of the most efficient capital markets in the world. The availability of public information regarding the future prospects of individual companies combined with the numerous market participants rendering assessments of the information contribute to this market’s efficiency. With this in mind, a large portion of the domestic equity portfolio will be managed through passive index funds. A portion of the portfolio will be utilized

### *Investment Section*

#### Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

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to add alpha relative to the benchmarks. While the market is very efficient, neither it nor any other market is perfectly efficient. When appropriate skill is available, it may be possible to successfully use active management techniques to improve upon benchmark returns, with acceptable levels of risk.

#### *International Equities*

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

#### *Fixed Income*

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

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

#### *Short-term Investments*

Short-term investments are an integral part of a public pension portfolio, primarily as a tool of principal preservation and as a provider of liquidity. Eligible securities within this asset class include but are not limited to, U.S. treasury bills, notes and bonds with maturities of one year or less, corporate debt obligations (primarily commercial paper), short-dated agency and mortgage backed debt with government backed principal and interest payments, various types of bank paper including time deposits, repurchase agreements as well as money market funds. Also included is any money held in the STIF (short-term investment fund) account at the custody bank of the RSA, State Street Corporation.

#### *Alternative Investments*

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

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

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

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ERS may not engage an investment manager or invest in a fund, partnership, or other entity if the terms of the engagement or investment do not preclude an investment result that is contrary to the Investment Policy Statement.

ERS may not engage an investment manager or invest in a fund unless the investment-management or subscription agreement includes a representation, warranty, and covenant confirming the absence of any compensation (before, during, or after the agreement) to a solicitor, placement agent, lobbyist, or other intermediary except as fully disclosed in a writing attached to and made a part of the agreement.

### ***Real Estate***

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

### **Risk Controls and Procedures**

- The fund is to be broadly diversified across and within asset classes to limit the volatility of the total fund investment returns and to limit the impact of large losses on individual investments of the fund.
- Individual portfolios will be managed according to written investment guidelines that are approved by the Staff. These guidelines are intended to ensure that the portfolio meets its objective and operates within acceptable risk parameters.
- A process will be established by which compliance with all elements of the IPS and portfolio guidelines are measured and monitored, with compliance exceptions being reported to the Investment Management Committee and the Board.
- The Investment Advisor will work with the Staff to develop a quarterly strategy for investments, which will be disseminated to the Board, as it is prepared each quarter.
- The Investment Committee shall approve all investments made within the IPS. The Investment Committee, in its approval, is considered to be signing for the Board of Control. If any purchase or sale is questioned by two members of the Investment Committee as to whether it is within policy, the Board shall decide and no purchase or sale shall take place until all parties are in clear agreement that said action is or is not covered by policy.
- Each week, the Secretary-Treasurer will send to the Investment Advisor the list of actual activities for written confirmation, which will then be distributed to the Board of Control members upon receipt.
- All investment security purchases will be documented with an individual worksheet setting out the reason for the purchase, rating, market history and other general data relevant to the decision making process.
- An annual survey will be made of all fixed income investments held with emphasis on credit quality. A holding that has been downgraded in rating will be examined as to the reason for the downgrade and a determination should be made as to whether the security should remain in the portfolio.
- The rules of the Securities and Exchange Commission, the general policies of the Board of Control, and the Alabama Ethics Commission shall govern the ethical conduct of employees. The Investment Management Staff will provide the Alabama Ethics Commission with a quarterly report of all purchases and sales of any and all securities for personal accounts occurring within each reported quarter.
- All Alternative Investments will be documented with a comprehensive financial analysis setting out the reasons for the investment and showing the projected return on investment.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2022

### **Performance Measurement**

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

### ***Total Plan Benchmark***

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

<b>Domestic Equity</b>	<b>Custom Benchmark</b>	<b>(see description below)</b>
<b>International Equity</b>	MSCI EAFE Net & Emerging Markets Net,	
<b>Domestic Fixed Income</b>	Custom Benchmark	(see description below)
<b>International Fixed Income</b>	WGBI Non-US	Currently, there are no International Fixed Income portfolios in the
<b>Cash</b>	ML 90-Day T-Bill	
<b>Alternative Investments</b>	-If an equity investment, the Russell 2000 +3%  -If a debt investment, the Bloomberg Capital Agency plus 3%.	
<b>Real Estate</b>	NCREIF NPI  Public REIT portfolio follows S&P 500 Real Estate sector GICS level 3	NCREIF NPI: -Privately held US-based commercial Real Estate properties.  -Most commonly used.  -Often use NPI + 1-3% to compensate for higher risk and expected returns of



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### *Domestic Equity Benchmark*

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

<b>Core Fund</b>	S&P 500
<b>S&amp;P 500 Fund</b>	S&P 500
<b>MidCap Active Fund (SSF)</b>	S&P 400 MidCap
<b>S&amp;P MidCap Index</b>	S&P 400 MidCap
<b>S&amp;P SmallCap Index</b>	S&P 600 SmallCap
<b>SmallCap Value Fund</b>	S&P 600 SmallCap
<b>LargeCap Policy Fund</b>	S&P 500

### *Fixed Income Benchmark*

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

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

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Teachers' Retirement System

#### Schedule of Investment Performance

U.S. Equity	TIME-WEIGHTED RATES OF RETURN - GROSS OF FEE			
	1 Year	3 Years	5 Years	10 Years
TRS Core Fund	-13.24%	7.67%	8.98%	11.50%
TRS S&P 500 Fund	-14.73%	7.91%	9.01%	11.42%
TRS Mid Cap Index	-15.23%	6.06%	5.87%	10.09%
TRS S&P Small Cap Index	-18.39%	6.02%	5.37%	10.65%
TRS S&P Small Cap Value	-27.36%	n/a	n/a	n/a
TRS Midcap Active Fund (Ssf)	-17.27%	5.50%	6.56%	9.21%
TRS Large Cap Policy Fund	-7.37%	10.65%	9.74%	n/a
<b>TRS Total Domestic Equity</b>	<b>-14.92%</b>	<b>7.36%</b>	<b>8.18%</b>	<b>11.07%</b>
<b>TRS Custom Domestic Equity Index</b>	<b>-15.79%</b>	<b>7.62%</b>	<b>8.29%</b>	<b>11.30%</b>
<i>S&amp;P 500</i>	<i>-15.47%</i>	<i>8.16%</i>	<i>9.24%</i>	<i>11.70%</i>
<i>S&amp;P Mid Cap 400</i>	<i>-15.25%</i>	<i>6.01%</i>	<i>5.82%</i>	<i>10.04%</i>
<i>S&amp;P Smallcap 600</i>	<i>-18.83%</i>	<i>5.48%</i>	<i>4.84%</i>	<i>10.09%</i>
<b>International Equity</b>				
TRS Emerging Markets Fund	-28.41%	-3.70%	-3.04%	0.61%
TRS International Equities	-22.69%	-0.61%	0.28%	4.50%
<b>TRS International - Passive</b>	<b>-23.98%</b>	<b>-1.27%</b>	<b>-0.40%</b>	<b>3.95%</b>
TRS International - Active	-40.74%	n/a	n/a	n/a
<b>TRS Total International Equity</b>	<b>-24.65%</b>	<b>-1.61%</b>	<b>-0.61%</b>	<b>3.84%</b>
<b>TRS Custom International Equity Index</b>	<b>-26.09%</b>	<b>-1.98%</b>	<b>-1.10%</b>	<b>3.35%</b>
<i>MSCI EAFE (Net)</i>	<i>-25.13%</i>	<i>-1.83%</i>	<i>-0.84%</i>	<i>3.67%</i>
<i>MSCI Emerging Markets</i>	<i>-28.11%</i>	<i>-2.07%</i>	<i>-1.81%</i>	<i>1.05%</i>
<i>STOXX Europe 600 Optimised Cyclical</i>	<i>-33.45%</i>	<i>-4.16%</i>	<i>-5.62%</i>	<i>0.32%</i>
<b>TRS Total Global Equity</b>	<b>-17.09%</b>	<b>5.37%</b>	<b>6.24%</b>	<b>9.51%</b>
<b>TRS Custom Global Equity Index</b>	<b>-18.10%</b>	<b>5.50%</b>	<b>6.22%</b>	<b>9.58%</b>
<b>Fixed Income</b>				
TRS Domestic Fixed Income	-13.06%	-2.06%	0.43%	1.57%
<b>TRS Custom Domestic Fixed Index</b>	<b>-15.55%</b>	<b>-3.18%</b>	<b>-0.12%</b>	<b>1.15%</b>
<i>Bloomberg Aggregate Bond</i>	<i>-14.60%</i>	<i>-3.26%</i>	<i>-0.27%</i>	<i>0.89%</i>
<b>TRS Total Fixed Income</b>	<b>-13.06%</b>	<b>-2.06%</b>	<b>0.43%</b>	<b>1.57%</b>
<b>Alternative Investments</b>				
TRS Private Placements	-4.14%	3.93%	4.20%	2.34%
TRS Preferred And Private Equity	-4.05%	5.97%	3.51%	15.05%
TRS Real Estate	2.29%	0.38%	0.96%	3.15%
TRS Public Real Estate	-15.81%	n/a	n/a	n/a
<b>TRS Total Real Estate</b>	<b>-0.05%</b>	<b>0.41%</b>	<b>0.97%</b>	<b>3.16%</b>
<b>TRS Total Alternatives</b>	<b>-1.66%</b>	<b>2.32%</b>	<b>2.36%</b>	<b>4.84%</b>
<b>TRS Total Fixed Income Plus Alternatives</b>	<b>-6.34%</b>	<b>0.73%</b>	<b>1.74%</b>	<b>3.63%</b>
<b>Cash</b>				
TRS Cash Account	0.82%	0.66%	1.22%	0.77%
TRS Short Term Investments	0.97%	0.94%	1.50%	1.05%
<b>TRS Total Cash</b>	<b>0.94%</b>	<b>0.82%</b>	<b>1.39%</b>	<b>n/a</b>
<b>Total Plan</b>				
<b>TRS Total Plan</b>	<b>-13.18%</b>	<b>3.99%</b>	<b>4.78%</b>	<b>7.33%</b>
<b>TRS Total Plan Policy</b>	<b>-13.90%</b>	<b>4.91%</b>	<b>5.65%</b>	<b>7.49%</b>

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

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Employees' Retirement System

#### Schedule of Investment Performance

U.S. Equity	TIME-WEIGHTED RATES OF RETURN - GROSS OF FEE			
	1 Year	3 Years	5 Years	10 Years
ERS Core Fund	-13.29%	7.64%	8.95%	11.50%
ERS S&P 500 Fund	-14.73%	7.91%	9.01%	11.41%
ERS Mid Cap Index	-15.23%	6.07%	5.87%	10.09%
ERS S&P Small Cap Index	-18.39%	6.02%	5.37%	10.65%
ERS Small Cap Value	-28.37%	n/a	n/a	n/a
ERS Midcap Active Fund (Ssf)	-17.27%	5.50%	6.56%	9.21%
ERS Large Cap Policy Fund	-7.37%	10.65%	9.73%	n/a
<b>ERS Total Domestic Equity</b>	<b>-14.84%</b>	<b>7.38%</b>	<b>8.25%</b>	<b>11.08%</b>
<b>ERS Custom Domestic Equity Index</b>	<b>-15.73%</b>	<b>7.67%</b>	<b>8.38%</b>	<b>11.34%</b>
<i>S&amp;P 500</i>	<i>-15.47%</i>	<i>8.16%</i>	<i>9.24%</i>	<i>11.70%</i>
<i>S&amp;P Mid Cap 400</i>	<i>-15.25%</i>	<i>6.01%</i>	<i>5.82%</i>	<i>10.04%</i>
<i>S&amp;P Smallcap 600</i>	<i>-18.83%</i>	<i>5.48%</i>	<i>4.84%</i>	<i>10.09%</i>
<b>International Equity</b>				
ERS Emerging Markets Fund	-28.32%	-3.27%	-2.75%	0.76%
ERS International Equities	-22.69%	-0.75%	0.20%	4.45%
<b>ERS International - Passive</b>	<b>-24.14%</b>	<b>-1.32%</b>	<b>-0.52%</b>	<b>3.87%</b>
ERS International - Active	-40.74%	n/a	n/a	n/a
<b>ERS Total International Equity</b>	<b>-24.78%</b>	<b>-1.64%</b>	<b>-0.72%</b>	<b>3.77%</b>
<b>ERS Custom International Equity Index</b>	<b>-26.17%</b>	<b>-1.96%</b>	<b>-1.14%</b>	<b>3.31%</b>
<i>MSCI Eafe (Net)</i>	<i>-25.13%</i>	<i>-1.83%</i>	<i>-0.84%</i>	<i>3.67%</i>
<i>MSCI Emerging Markets</i>	<i>-28.11%</i>	<i>-2.07%</i>	<i>-1.81%</i>	<i>1.05%</i>
<i>STOXX Europe 600 Optimised Cyclical</i>	<i>-33.45%</i>	<i>-4.16%</i>	<i>-5.62%</i>	<i>0.32%</i>
<b>ERS Total Global Equity</b>	<b>-17.09%</b>	<b>5.35%</b>	<b>6.28%</b>	<b>9.53%</b>
<b>ERS Custom Global Equity Index</b>	<b>-18.11%</b>	<b>5.51%</b>	<b>6.30%</b>	<b>9.65%</b>
<b>Fixed Income</b>				
ERS Domestic Fixed Income	-13.05%	-2.08%	0.40%	1.56%
<b>ERS Custom Domestic Fixed Index</b>	<b>-15.55%</b>	<b>-3.18%</b>	<b>-0.13%</b>	<b>1.15%</b>
<i>Bloomberg Aggregate Bond</i>	<i>-14.60%</i>	<i>-3.26%</i>	<i>-0.27%</i>	<i>0.89%</i>
<b>ERS Total Fixed Income</b>	<b>-13.05%</b>	<b>-2.08%</b>	<b>0.40%</b>	<b>1.56%</b>
<b>Alternative Investments</b>				
ERS Private Placements	-4.16%	3.94%	4.18%	2.31%
ERS Preferred And Private Equity	-3.55%	6.40%	3.77%	15.96%
ERS Real Estate	2.31%	0.37%	0.95%	3.14%
ERS Public Real Estate	-15.81%	n/a	n/a	n/a
<b>ERS Total Real Estate</b>	<b>-0.83%</b>	<b>0.41%</b>	<b>0.97%</b>	<b>3.15%</b>
<b>ERS Total Alternatives</b>	<b>-2.01%</b>	<b>2.64%</b>	<b>2.49%</b>	<b>5.43%</b>
<b>ERS Total Fixed Income Plus Alternatives</b>	<b>-6.42%</b>	<b>0.96%</b>	<b>1.83%</b>	<b>4.01%</b>
<b>Cash</b>				
ERS Cash Account	0.82%	0.65%	1.23%	0.78%
ERS Short Term Investments	1.03%	0.97%	1.53%	1.07%
<b>ERS Total Cash</b>	<b>0.98%</b>	<b>0.83%</b>	<b>1.39%</b>	<b>n/a</b>
<b>Total Plan</b>				
<b>ERS Total Plan</b>	<b>-13.02%</b>	<b>3.99%</b>	<b>4.79%</b>	<b>7.38%</b>
<b>ERS Total Plan Policy</b>	<b>-13.32%</b>	<b>5.27%</b>	<b>6.02%</b>	<b>7.87%</b>

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

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Judicial Retirement Fund

#### Schedule of Investment Performance

	TIME-WEIGHTED RATES OF RETURN - GROSS OF FEE			
	1 Year	3 Years	5 Years	10 Years
<b>U.S. Equity</b>				
JRF S&P 500 Fund	-14.85%	7.92%	9.03%	11.50%
JRF Mid Cap Index	-15.26%	6.06%	5.86%	10.08%
JRF S&P Small Cap Index	-18.39%	6.02%	5.37%	10.65%
JRF S&P Small Cap Value	-28.06%	n/a	n/a	n/a
JRF Large Cap Policy Fund	-7.38%	10.63%	9.70%	n/a
<b>JRF Total Domestic Equity</b>	<b>-15.21%</b>	<b>7.59%</b>	<b>8.40%</b>	<b>11.26%</b>
<b>JRF Custom Domestic Equity Index</b>	<b>-15.71%</b>	<b>7.80%</b>	<b>8.58%</b>	<b>11.40%</b>
<i>S&amp;P 500</i>	<i>-15.47%</i>	<i>8.16%</i>	<i>9.24%</i>	<i>11.70%</i>
<i>S&amp;P Mid Cap 400</i>	<i>-15.25%</i>	<i>6.01%</i>	<i>5.82%</i>	<i>10.04%</i>
<i>S&amp;P Smallcap 600</i>	<i>-18.83%</i>	<i>5.48%</i>	<i>4.84%</i>	<i>10.09%</i>
<b>International Equity</b>				
JRF Emerging Markets Fund	-28.46%	-4.29%	-3.50%	0.36%
JRF International Equities	-22.64%	-0.60%	0.28%	4.50%
<b>JRF International - Passive</b>	<b>-23.78%</b>	<b>-1.28%</b>	<b>-0.40%</b>	<b>3.94%</b>
JRF International - Active	-40.82%	n/a	n/a	n/a
<b>JRF Total International Equity</b>	<b>-24.48%</b>	<b>-1.64%</b>	<b>-0.61%</b>	<b>3.82%</b>
<b>JRF Custom International Equity Index</b>	<b>-26.02%</b>	<b>-1.99%</b>	<b>-1.06%</b>	<b>3.36%</b>
<i>MSCI EAFE (Net)</i>	<i>-25.13%</i>	<i>-1.83%</i>	<i>-0.84%</i>	<i>3.67%</i>
<i>MSCI Emerging Markets</i>	<i>-28.11%</i>	<i>-2.07%</i>	<i>-1.81%</i>	<i>1.05%</i>
<i>STOXX Europe 600 Optimised Cyclical</i>	<i>-33.45%</i>	<i>-4.16%</i>	<i>-5.62%</i>	<i>0.32%</i>
<b>JRF Total Global Equity</b>	<b>-17.27%</b>	<b>5.52%</b>	<b>6.39%</b>	<b>9.64%</b>
<b>JRF Custom Global Equity Index</b>	<b>-18.02%</b>	<b>5.62%</b>	<b>6.44%</b>	<b>9.66%</b>
<b>Fixed Income</b>				
JRF Domestic Fixed Income	-12.59%	-2.09%	0.36%	1.49%
<b>JRF Custom Domestic Fixed Index</b>	<b>-15.56%</b>	<b>-3.22%</b>	<b>-0.16%</b>	<b>1.08%</b>
<i>Bloomberg Aggregate Bond</i>	<i>-14.60%</i>	<i>-3.26%</i>	<i>-0.27%</i>	<i>0.89%</i>
<b>JRF Total Fixed Income</b>	<b>-12.59%</b>	<b>-2.09%</b>	<b>0.36%</b>	<b>1.49%</b>
<b>Alternative Investments</b>				
JRF Private Placements	-4.68%	3.48%	5.67%	-14.33%
JRF Preferred And Private Equity	-1.14%	6.32%	2.54%	n/a
JRF Real Estate	2.79%	2.01%	2.48%	4.97%
JRF Public Real Estate	-15.81%	n/a	n/a	n/a
<b>JRF Total Real Estate</b>	<b>-5.45%</b>	<b>1.48%</b>	<b>2.16%</b>	<b>4.80%</b>
<b>JRF Total Alternatives</b>	<b>-5.36%</b>	<b>2.10%</b>	<b>2.93%</b>	<b>2.41%</b>
<b>JRF Total Fixed Income Plus Alternatives</b>	<b>-11.85%</b>	<b>-1.56%</b>	<b>0.68%</b>	<b>1.71%</b>
<b>Cash</b>				
JRF Cash Account	0.82%	0.65%	1.22%	0.77%
JRF Short Term Investments	1.03%	0.99%	1.50%	1.05%
<b>JRF Total Cash</b>	<b>0.94%</b>	<b>0.81%</b>	<b>1.36%</b>	<b>n/a</b>
<b>Total Plan</b>				
<b>JRF Total Plan</b>	<b>-14.87%</b>	<b>3.44%</b>	<b>4.67%</b>	<b>7.12%</b>
<b>JRF Total Plan Policy</b>	<b>-15.75%</b>	<b>3.40%</b>	<b>4.71%</b>	<b>7.23%</b>

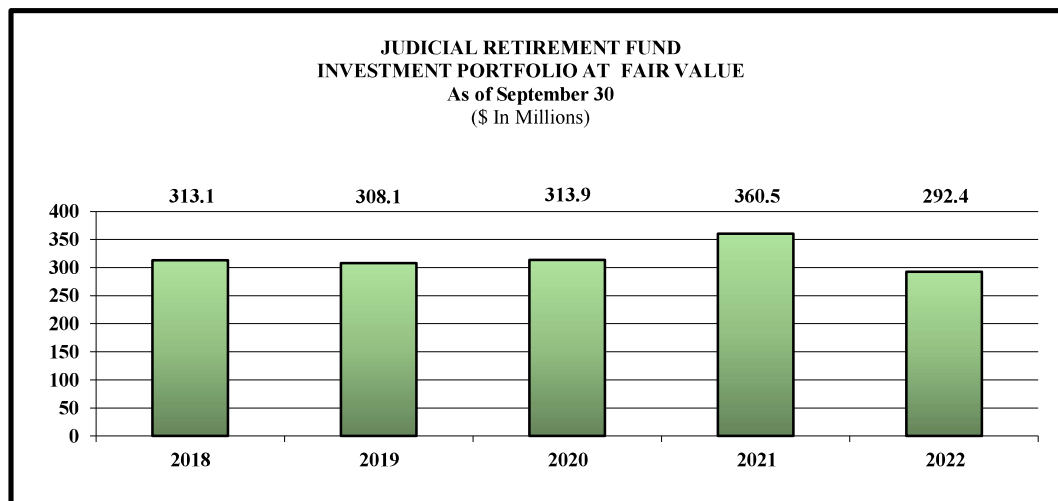
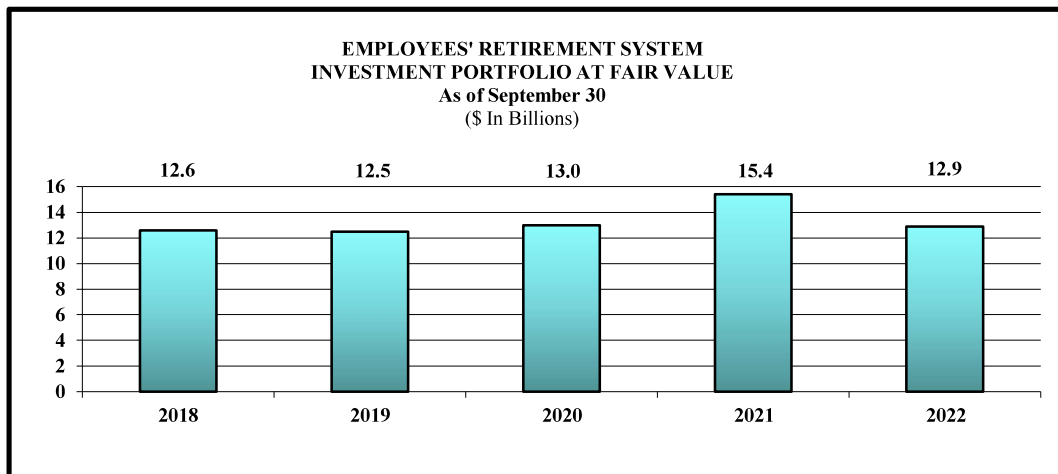
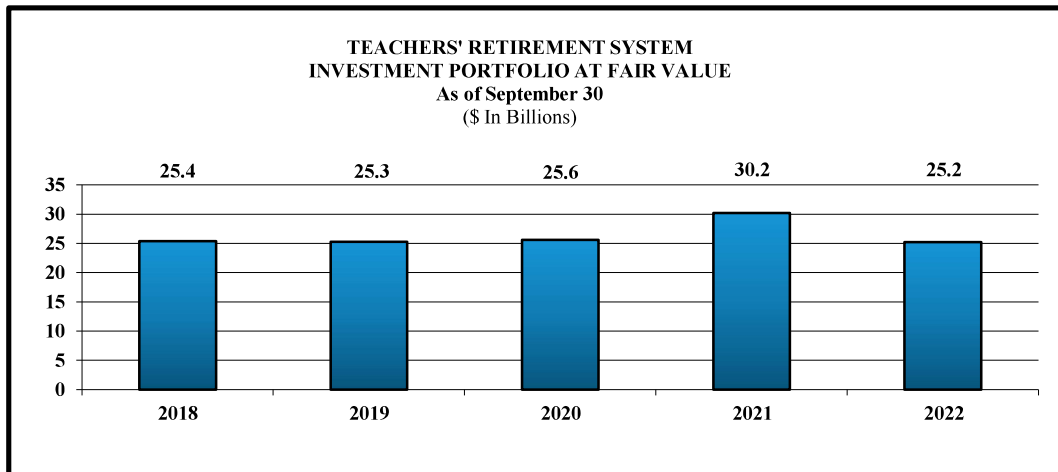
Note: Calculations are prepared using the time-weighted rate of return methodology based upon fair values.

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Investment Portfolio at Fair Value

#### Five-Year Comparison

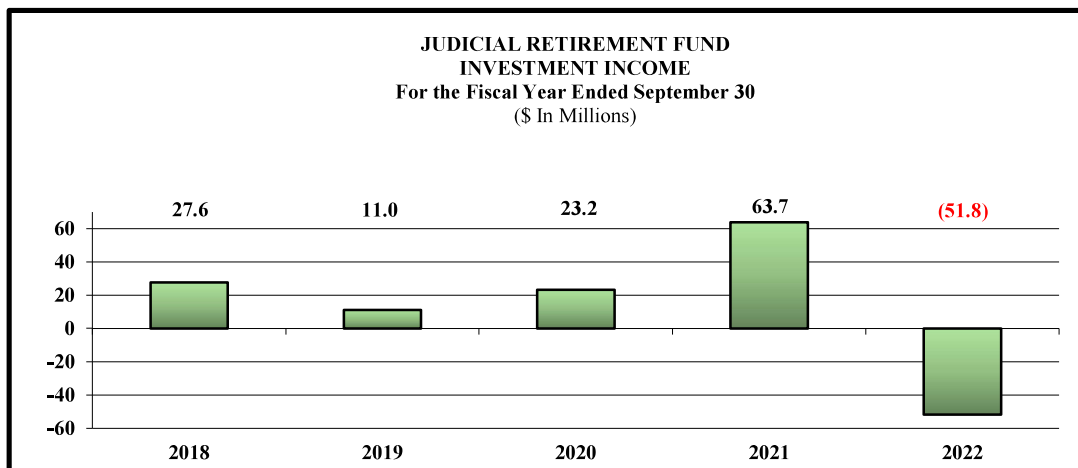
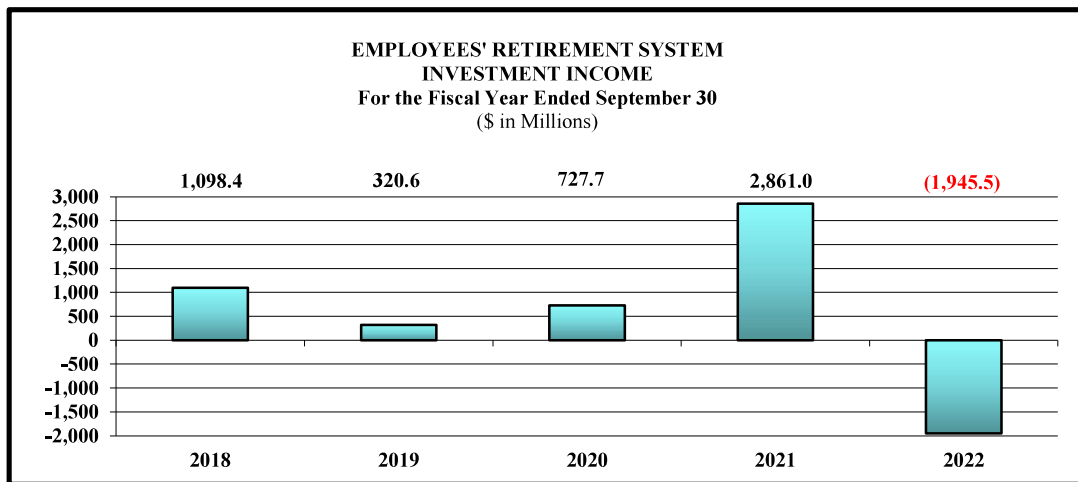
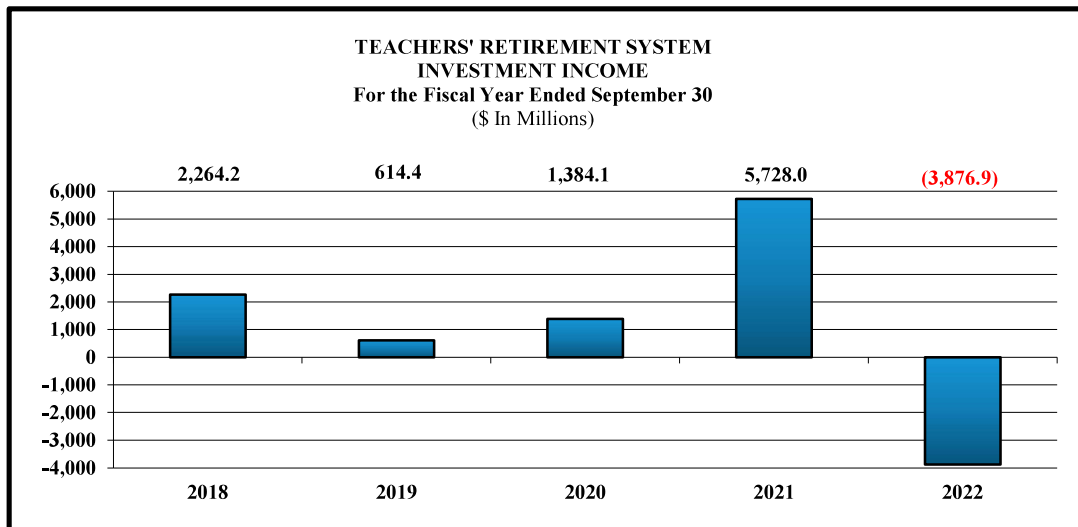


## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Investment Income

#### Five-Year Comparison

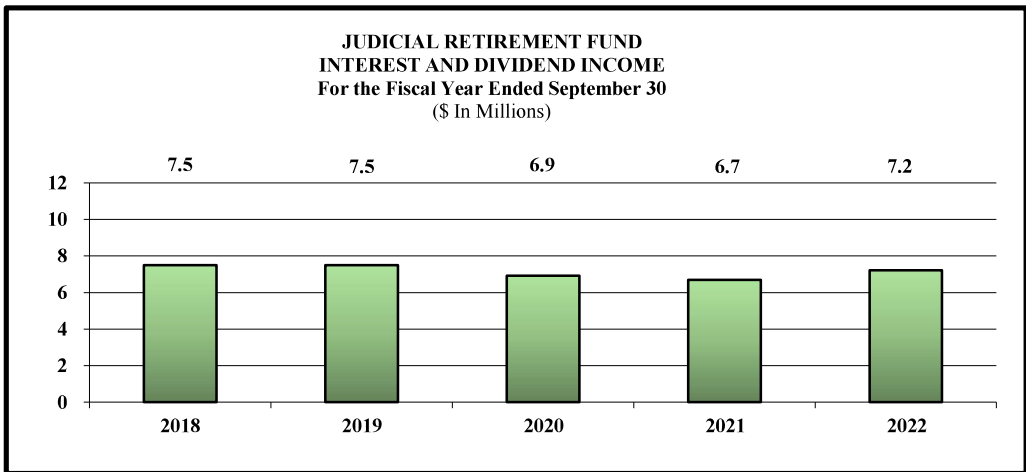
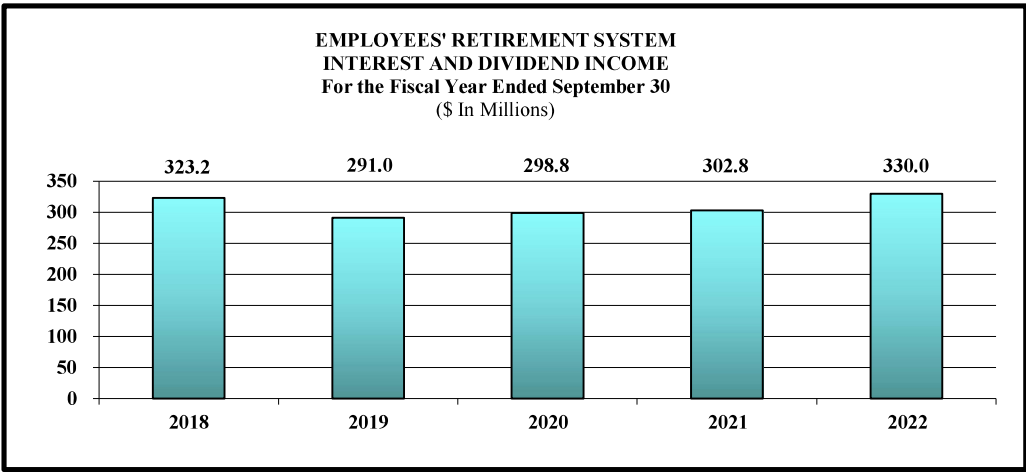
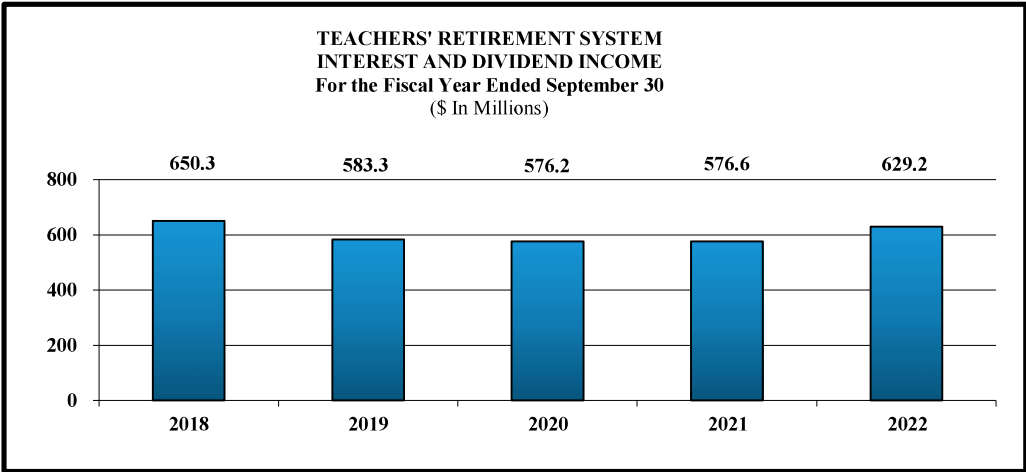


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividend Income

Five-Year Comparison



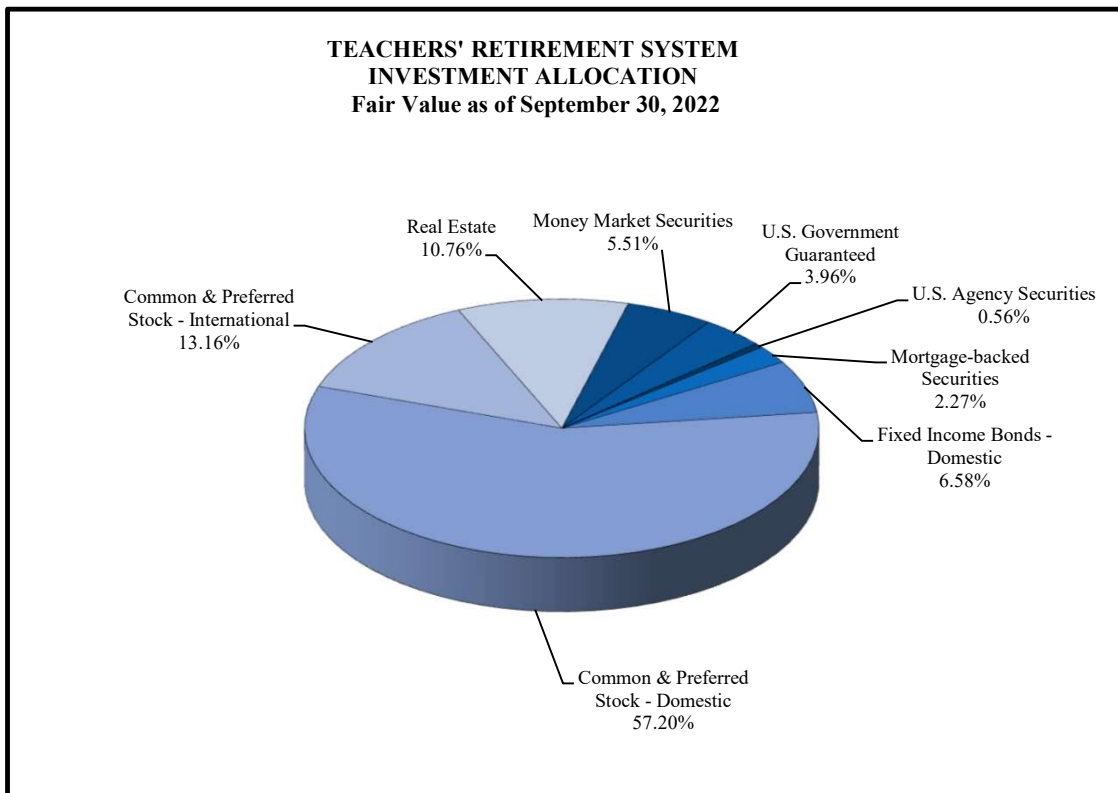


# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Teachers' Retirement System

#### Investment Allocation and Summary



**TEACHERS' RETIREMENT SYSTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2022**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 1,391,695	5.51
U.S. Government Guaranteed	1,000,429	3.96
U.S. Agency Securities	141,573	0.56
Mortgage-backed Securities	572,062	2.27
Fixed Income Bonds		
Domestic	1,660,427	6.58
Common and Preferred Stocks		
Domestic	14,437,073	57.20
International	3,322,273	13.16
Real Estate	2,714,552	10.76
<b>Total Investments</b>	<b>\$ 25,240,084</b>	<b>100.00</b>

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Teachers' Retirement System

#### Largest Stock and Bond Holdings

#### TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2022

(Amounts In Thousands)

	<b>Shares</b>	<b>Stock</b>	<b>Fair Value</b>
1)	13	New Water Street Corporation	\$ 1,291,218
2)	860	Morgan Stanley Small Cap Equity Linked Note	1,265,425
3)	4,316	Apple, Inc.	596,475
4)	2,153	Microsoft Corporation	501,401
5)	379	Gray Media Preferred	391,801
6)	11,193	ISHARES MSCI Emerging Markets	390,400
7)	2,657	Amazon.Com, Inc.	300,244
8)	701	Tesla, Inc.	186,016
9)	616	Berkshire Hathaway, Inc.	164,440
10)	1,693	Alphabet, Inc. CL A	161,964

#### TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2022

(Amounts In Thousands)

	<b>Par</b>	<b>Bonds</b>	<b>Fair Value</b>
1)	92,015	U.S. Treasury, 2%, Due 2/15/2025	\$ 87,314
2)	74,115	U.S. Treasury, 2.25%, Due 11/15/2024	71,075
3)	68,666	U.S. Treasury, 2.75%, Due 2/15/2024	67,185
4)	62,625	Charter Communications, Inc, 5.55%, Due 7/15/2035	66,158
5)	74,191	U.S. Treasury, 1.375%, Due 10/31/2028	63,555
6)	64,607	Alliance Laundry Systems, LLC, 4.25%, Due 10/8/2027	62,753
7)	72,049	GNMA Pool MA7534, 2.5%, Due 8/20/2051	62,050
8)	67,014	U.S. Treasury, 2%, Due 11/15/2026	61,543
9)	88,737	U.S. Treasury, 1.125%, Due 5/15/2040	55,419
10)	64,465	U.S. Treasury, 1.875%, Due 2/15/2032	54,654

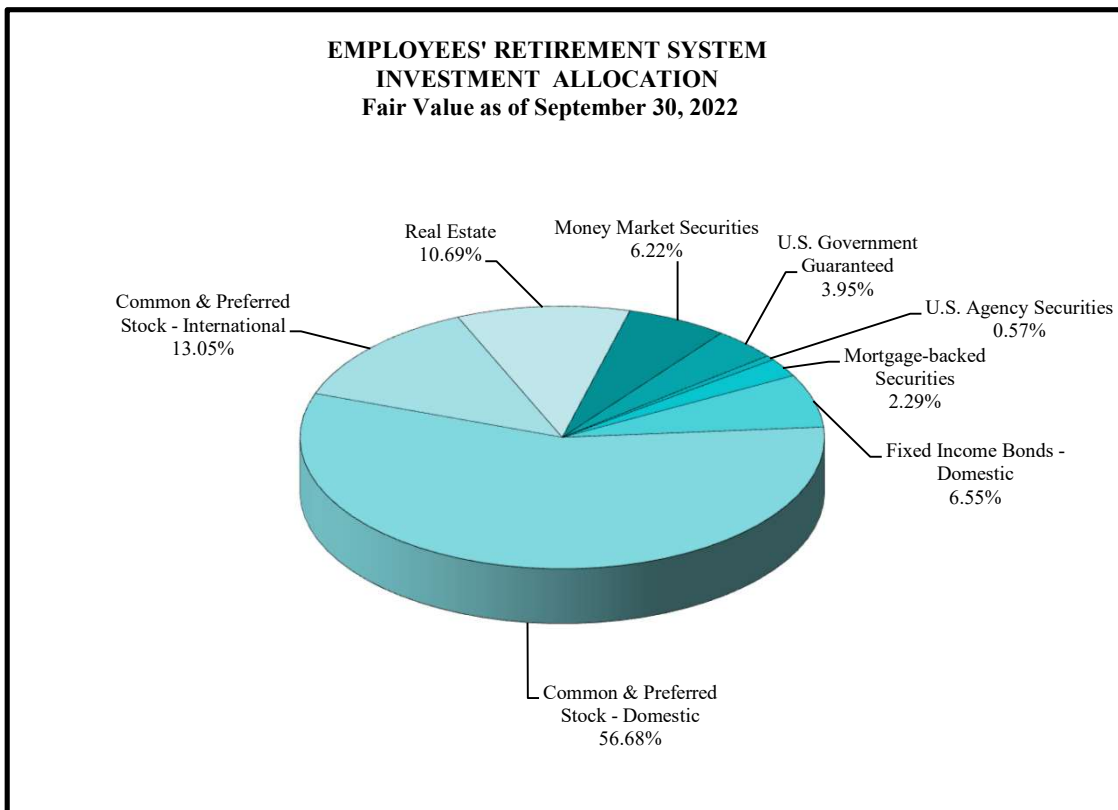
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Employees' Retirement System

#### Investment Allocation and Summary



**EMPLOYEES' RETIREMENT SYSTEM  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2022**

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 799,842	6.22
U.S. Government Guaranteed	508,547	3.95
U.S. Agency Securities	73,698	0.57
Mortgage-backed Securities	294,584	2.29
Fixed Income Bonds		
Domestic	842,861	6.55
Common and Preferred Stocks		
Domestic	7,292,918	56.68
International	1,679,190	13.05
Real Estate	1,375,316	10.69
<b>Total Investments</b>	<b>\$ 12,866,956</b>	<b>100.00</b>

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Employees' Retirement System

#### Largest Stock and Bond Holdings

### EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2022

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	593,277
2)	354	Morgan Stanley Small Cap Equity Linked Note	520,413
3)	2,210	Apple, Inc.	305,384
4)	271	Gray Media Preferred	279,626
5)	1,101	Microsoft Corporation	256,480
6)	5,264	ISHARES MSCI Emerging Markets	183,601
7)	1,366	Amazon.Com, Inc.	154,322
8)	3,052	ISHARES CORE MSCI Emerging Markets	131,157
9)	358	Tesla, Inc.	94,871
10)	205	Goldman Sachs MSCI Emerging Markets Equity Linked Note	90,125

### EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2022

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	46,700	U.S. Treasury, 2%, Due 2/15/2025	\$ 44,314
2)	37,516	U.S. Treasury, 2.25%, Due 11/15/2024	35,977
3)	30,845	Charter Communications, Inc, 5.55%, Due 7/15/2035	32,585
4)	37,866	U.S. Treasury, 1.375%, Due 10/31/2028	32,438
5)	36,764	GNMA Pool MA7534, 2.5%, Due 8/20/2051	31,662
6)	34,203	U.S. Treasury, 2%, Due 11/15/2026	31,411
7)	31,821	Alliance Laundry Systems, LLC, 4.25% Due 10/8/2027	30,908
8)	31,457	U.S. Treasury, 2.75%, Due 2/15/2024	30,779
9)	29,362	U.S. Treasury, 2.5%, Due 5/15/2024	28,517
10)	45,467	U.S. Treasury, 1.125%, Due 5/15/2040	28,396

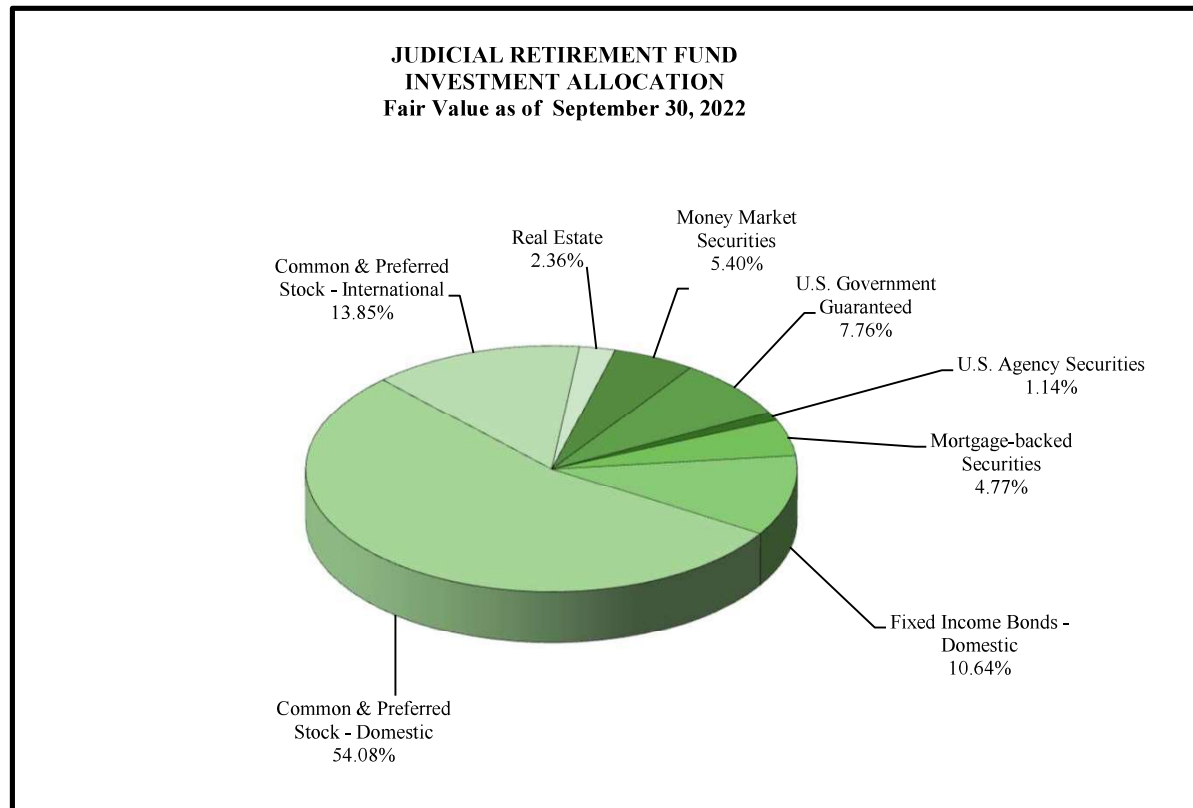
A complete list of portfolio holdings is available upon request.

## RETIREMENT SYSTEMS OF ALABAMA

### Investment Section

#### Judicial Retirement Fund

#### Investment Allocation and Summary



**JUDICIAL RETIREMENT FUND  
INVESTMENT SUMMARY AT FAIR VALUE  
As of September 30, 2022  
(\$ In Thousands)**

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 15,783	5.40
U.S. Government Guaranteed	22,691	7.76
U.S. Agency Securities	3,345	1.14
Mortgage-backed Securities	13,929	4.77
Fixed Income Bonds		
Domestic	31,097	10.64
Common and Preferred Stocks		
Domestic	158,117	54.08
International	40,495	13.85
Real Estate	6,905	2.36
<b>Total Investments</b>	<b>\$ 292,362</b>	<b>100.00</b>

## RETIREMENT SYSTEMS OF ALABAMA

### *Investment Section*

#### Judicial Retirement Fund

#### Largest Stock and Bond Holdings

### JUDICIAL RETIREMENT FUND LARGEST STOCK HOLDINGS

September 30, 2022

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	8	Morgan Stanley Small Cap Equity Linked Note	\$ 11,399
2)	61	Apple, Inc.	8,499
3)	30	Microsoft Corporation	7,071
4)	143	ISHARES MSCI Emerging Markets	4,976
5)	*	New Water Street Corporation	4,182
6)	36	Amazon.Com, Inc.	4,077
7)	11	Tesla, Inc.	2,876
8)	24	Alphabet, Inc. CL A	2,335
9)	22	Alphabet, Inc. CL C	2,099
10)	7	Berkshire Hathaway, Inc.	1,962

\* Less than 1,000 shares

### JUDICIAL RETIREMENT FUND LARGEST BOND HOLDINGS

September 30, 2022

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	3,986	U.S. Treasury, 2.5%, Due 5/15/2024	\$ 3,871
2)	2,042	U.S. Treasury, 2.25%, Due 11/15/2024	1,958
3)	1,871	U.S. Treasury, 2.75%, Due 2/15/2024	1,831
4)	1,924	U.S. Treasury, 1.375%, Due 10/31/2028	1,648
5)	1,689	U.S. Treasury, 2.25%, Due 8/15/2027	1,552
6)	1,527	GNMA Pool MA7534, 2.5%, Due 8/20/2051	1,315
7)	1,326	U.S. Treasury, 2.875%, Due 4/30/2025	1,281
8)	1,619	U.S. Treasury, 2.5%, Due 2/15/2045	1,234
9)	1,333	U.S. Treasury, 2%, Due 11/15/2026	1,224
10)	1,340	U.S. Treasury, 3%, Due 5/15/2042	1,139

A complete list of portfolio holdings is available upon request.

# RETIREMENT SYSTEMS OF ALABAMA

## Investment Section

### Broker Commissions Paid

For the Fiscal Year Ended September 30, 2022

	Stock		Fixed Securities Commissions (000's)	Total Commissions (000's)
	Commissions Per Share	# of Shares (000's)	Commissions (000's)	
Bank of America Merrill Lynch	0.022	8,613	193	378
Barclays	-	-	-	38
Bernstein	0.045	7,968	359	359
Citigroup	0.050	4,152	208	348
Convergex	0.047	8,517	404	404
Cornerstone	0.051	632	32	32
Cowen	0.049	2,708	134	134
Credit Suisse	0.050	1,395	70	80
Goldman Sachs	0.036	6,630	241	329
Harbor Financial	0.050	700	35	35
Instinet	0.050	3,017	151	151
International Strategy and Investment - ISI	0.050	7,220	361	361
Issuer Designated	-	-	-	319
Jefferies	0.032	2,512	80	80
JP Morgan Chase	0.050	4,023	201	297
Keybanc Capital Markets	0.050	1,302	65	85
Leerink Swann	0.051	672	34	34
Morgan Stanley	0.024	20,578	489	823
National Bank of Commerce - NBC Securities	0.050	1,600	80	80
Oppenheimer	-	-	-	8
Piper Sandler	0.050	880	44	44
Raymond James & Associates	0.050	3,240	162	162
Renaissance Macro Securities - Renmac	0.050	4,683	234	234
Royal Bank of Canada - RBC	0.050	6,174	309	348
Securities Capital	0.050	700	35	35
Stifel Nicolaus	0.050	8,836	442	474
Strategas	0.032	10,238	330	330
Truist	-	-	-	13
Union Bank of Switzerland - UBS	0.050	1,945	97	97
Wells Fargo	0.019	24,598	461	596
<b>Totals</b>		<b>143,533</b>	<b>\$ 5,251</b>	<b>\$ 1,457</b>
<b>Average Commission Per Share of Stock = \$</b>		<b>0.0366</b>		

Note: Certain Broker agreements include provisions for commission sharing.



# Actuarial Section

Annual Comprehensive Financial Report  
Component Units of the State of Alabama







# Cavanaugh Macdonald CONSULTING, LLC

*The experience and dedication you deserve*

April 21, 2022

Board of Control  
Teachers' Retirement System  
of Alabama

Dear Board Members:

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

TRS maintains a funding policy that was effective September 30, 2012 and last amended as of September 30, 2021. In order to meet the objectives listed above, the System will strive to meet the following funding objectives:

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

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

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
  - **Initial Total UAAL** - The initial total UAAL established as of the initial valuation date (September 30, 2021) for which this funding policy is adopted shall be amortized over a closed period. (A closed amortization period is one which is calculated over a fixed period and at the end of that period, the amount is fully amortized). All gains and losses occurring after the initial valuation date and before September 30, 2028, with the exception of those due to benefit improvements, shall be included in the remaining initial total UAAL each year and amortized over the remaining closed period. (applicable only to employers participating in the System as of the adoption date of the funding policy).
  - **New Incremental UAAL** - Each valuation after the initial valuation date will produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation. Each valuation beginning with the September 30, 2028 valuation will produce a New Incremental UAAL consisting of all assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.
- **UAAL Amortization Period and Contribution Rates**
  - The Initial Total UAAL will be amortized over a 27-year closed period.
  - Except as noted later, each New Incremental UAAL shall be amortized over a closed 20-year period.
  - Incremental UAAL resulting from plan changes that grant benefit improvements shall be amortized over a period not to exceed 15 years.



- Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Section 16-25-21.
- In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, a contribution rate for the term life insurance fund, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate of the remaining initial UAAL.

In order to measure progress toward this fundamental objective and funding policy, TRS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2021. This valuation indicates that the current employer contribution rates of 12.59% of payroll for Tier I members and 11.57% of payroll for Tier II members, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. There are 134,034 active members as of September 30, 2021.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among TRS members and their beneficiaries. The data are reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of TRS during the years October 1, 2015 to September 30, 2020. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation for funding purposes, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. The valuation reflects the provisions of the following legislative Acts:

- Act 2021-537 which allows sick leave conversion for Tier II members and increases the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers (FLC) effective on October 1, 2021,
- Act 2022-222 which allows Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC), and
- Act 2022-184 which allows surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In order to prepare the results in this report, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.



Board of Control  
April 21, 2022  
Page 3

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

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2021
- Ten-Year History of Average Monthly Benefit Payments as of September 30

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

Sincerely yours,

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

Larry Langer, ASA, EA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Cathy Turcot'.

Cathy Turcot  
Principal and Managing Director

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

Edward Koebel, EA, FCA, MAAA  
Chief Executive Officer

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

### Summary of Actuarial Assumptions and Methods

#### Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, dated July 12, 2021, and adopted by the Board on September 13, 2021.

**Ultimate Investment Rate of Return:** 7.45% per annum, compounded annually, including price inflation at 2.50%.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 3.75% per annum:

<b>Years of Service</b>	<b>Annual Rate (%)</b>
0	5.00
1 - 5	4.00
6 - 10	3.75
11 - 15	3.50
16 & Over	3.25

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

Age	Annual Rates							
			Disability Retirement**					
	Death*		Tier 1				Tier 2	
	Males	Females	Males		Females		Males	Females
			Years of Service		Years of Service			
			<25	>=25	<25	>=25		
25	0.0143%	0.0072%	0.1000%		0.0700%		0.1000%	0.0700%
30	0.0195	0.0111	0.1000		0.0700		0.1000	0.0700
35	0.0267	0.0169	0.1000		0.0700		0.1000	0.0700
40	0.0371	0.0260	0.1300		0.1700		0.1300	0.1700
45	0.0585	0.0403	0.2500	0.2000%	0.3200	0.2000%	0.2500	0.3200
50	0.0969	0.0605	0.5000	0.2000	0.5800	0.2000	0.5000	0.5800
55	0.1508	0.0878	0.8000	0.2000	0.9000	0.2250	0.8000	0.9000
60	0.2321	0.1326	0.5000	0.2000	0.6500	0.3000	0.5000	0.6500
65	0.3809	0.2223	0.5000	0.2000	0.6500	0.3000	0.5000	0.6500

\*Base mortality rates as of 2010 before application of the improvement scale.

\*\*No rates of disability are assumed for members with less than 10 years of service.

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued)

Values of the assumed annual rates of withdrawal are as follows:

Years of Service	Annual Rates of Withdrawal*	
	Males	Females
0-3	12.00%	11.00%
4	10.00	9.00
5	7.25	6.50
6	6.25	5.50
7	5.25	5.00
8	5.00	4.25
9	4.25	3.50
10	3.25	3.25
11	3.25	3.00
12	3.00	2.75
13	3.00	2.50
14	2.75	2.25
15	2.50	2.25
16	2.00	2.00
17	2.00	1.90
18	2.00	1.85
19	2.00	1.70
>=20	1.00	1.00

\*No rates after eligibility for retirement.

Values of the assumed rates of retirement for Tier 1 are as follows:

Age	Annual Rates				
	Males		Females		
	Years of Service		Years of Service		
	<25	>=25	<25	25	>=25
40-47		25.00%		25.00%	25.00%
48		22.00		18.00	18.00
49		17.50		15.50	15.50
50		16.00		17.50	12.50
51		16.00		19.00	14.00
52		16.00		19.50	14.50
53		16.00		20.00	15.00
54		16.00		21.50	16.50
55		15.50		22.00	17.00
56		15.50		22.00	17.00
57		15.50		22.50	17.50
58		15.50		23.50	18.50
59		18.00		25.00	20.00
60	12.00%	18.00	15.00%	29.00	24.00
61	9.50	18.00	12.00	29.00	24.00
62	22.00	32.00	21.00	45.00	40.00
63	16.00	27.50	16.00	36.00	31.00
64	14.00	21.50	15.50	32.50	27.50
65	25.00	27.50	27.00	38.00	38.00
66	25.00	27.50	28.00	40.00	40.00
67	22.00	23.50	23.00	33.00	33.00
68	21.00	22.50	25.00	33.00	33.00
69	21.00	22.50	20.50	30.00	30.00
70	21.00	22.50	24.50	30.00	30.00
71-74	20.00	22.50	22.00	30.00	30.00
75-76	30.00	22.50	30.00	30.00	30.00
77-79	30.00	22.50	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued)

Values of the assumed annual rates of service retirement for Tier 2 (Non-FLC) are as follows:

Age	Annual Rates								
	Males				Females				
	Years of Service				Years of Service				
	<25	25-29	30	>=31	<25	25	26-29	30	>=31
40-47			10.00%	10.00%				10.00%	10.00%
48			10.00	10.00				10.00	10.00
49			10.00	10.00				10.00	10.00
50			10.00	10.00				10.00	10.00
51			10.00	10.00				10.00	10.00
52			10.00	10.00				10.00	10.00
53			10.00	10.00				10.00	10.00
54			10.00	10.00				10.00	10.00
55			20.00	10.00				20.00	10.00
56			20.00	10.00				20.00	10.00
57			20.00	10.00				20.00	10.00
58			20.00	10.00				20.00	10.00
59			20.00	10.00				20.00	10.00
60			40.00	40.00				45.00	45.00
61			40.00	40.00				45.00	45.00
62	50.00%	60.00%	60.00	60.00	50.00%	70.00%	70.00%	70.00	70.00
63	16.00	27.50	27.50	27.50	16.00	36.00	31.00	31.00	31.00
64	14.00	21.50	21.50	21.50	15.50	32.50	27.50	27.50	27.50
65	25.00	27.50	27.50	27.50	27.00	38.00	38.00	38.00	38.00
66	25.00	27.50	27.50	27.50	28.00	40.00	40.00	40.00	40.00
67	22.00	23.50	23.50	23.50	23.00	33.00	33.00	33.00	33.00
68	21.00	22.50	22.50	22.50	25.00	33.00	33.00	33.00	33.00
69	21.00	22.50	22.50	22.50	20.50	30.00	30.00	30.00	30.00
70	21.00	22.50	22.50	22.50	24.50	30.00	30.00	30.00	30.00
71-74	20.00	22.50	22.50	22.50	22.00	30.00	30.00	30.00	30.00
75-76	30.00	22.50	22.50	22.50	30.00	30.00	30.00	30.00	30.00
77-79	30.00	30.00	22.50	22.50	30.00	30.00	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

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Values of the assumed rates of service retirement of Tier 2 (FLC) (for both males and females) are as follows:

Age	Annual Rates		
	Years of Service		
	10	11-29	30
40-47			2.50%
48			2.50
49			5.00
50			5.00
51			10.00
52			10.00
53			10.00
54			10.00
55			10.00
56	15.00%	15.00%	15.00
57	15.00	15.00	15.00
58	15.00	15.00	15.00
59	15.00	15.00	15.00
60	17.00	17.00	17.00
61	40.00	18.50	18.50
62	40.00	30.00	30.00
63	40.00	25.00	25.00
64	40.00	22.00	22.00
65	40.00	27.00	27.00
66	40.00	38.00	38.00
67	40.00	30.00	30.00
68	40.00	30.00	30.00
69	40.00	30.00	30.00
70-74	60.00	30.00	30.00
75	100.00	100.00	100.00

## RETIREMENT SYSTEMS OF ALABAMA

### Actuarial Section

#### Teachers' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued)

**Deaths after Retirement:** Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	SetForward(+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% > age 74; Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: None	None
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None

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

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

**Unused Sick Leave:** 2.5% load on service retirement liabilities for Tier 1 active members. No load for Tier 2 active members.

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

**Valuation Method:** Individual entry age normal method.

**Assets Method:** Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected value.

**Liability for Current Inactive Members:** Member Contribution Balance is multiplied by a factor of 2.0 for vested members with incomplete data and 1.0 for other inactive members.

**Liability for Post-DROP Active Members:** Members are assumed to retire immediately and receive their accrued benefit.

**COLA:** No future ad hoc cost of living adjustments (COLAs) are assumed.

**Future Service Credit:** One year of creditable service per year of employment.

### **Actuarial Cost Method**

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 7.45%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "individual entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of each new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.
4. The unfunded accrued liability contributions are determined by subtracting the current assets held by the System and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System.

### **Summary of Plan Provisions as Interpreted for Valuation Purposes**

The Teachers' Retirement System of Alabama (TRS) was established on September 15, 1939, and became effective September 30, 1941. The valuation took into account amendments to the System effective through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

#### **Definitions**

**Average Final Compensation** – The average compensation of a Tier 1 member is calculated using compensation for the 3 highest years in the last 10 years of creditable service. The average compensation of a Tier 2 member is calculated using compensation for the 5 highest years in the last 10 years of creditable service.

**Membership Service** – all service rendered while a member of the System and for which contributions are made.

**Creditable Service** – the sum of membership service, prior service, and any other service established as creditable in accordance with the provisions of the retirement law.

**Annuity** – payments for life derived from the accumulated contributions of a member.

**Pension** – payments for life derived from the accumulated contributions of an employer.

**Retirement Allowance** – the sum of the annuity and pension payments.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan Provisions (Continued)

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### **Benefits**

#### Service Retirement Allowance

Condition for Allowance	<p>Tier 1 - The service retirement allowance is payable upon the request of a member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.</p> <p>Tier 2 - The service retirement allowance is payable upon the request of a member who has completed at least 10 years of creditable service and who has attained age 62 (age 56 with 10 years of creditable service for certified law enforcement, correctional officers, and firefighters).</p>
Amount of Allowance	<p>Tier 1 - Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as certified law enforcement, correctional officer, or firefighter.</p> <p>Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 1.65% of their average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.</p> <p>Tier 1 &amp; 2 - Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement").</p>

#### Disability Retirement Allowance

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

#### Benefits Payable upon Separation of Service

A member who withdraws from service is entitled to receive his or her contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60 for Tier 1 members and age 62 for Tier 2 members.

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Benefits Payable upon  
Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect (1) to exercise Option 3 as defined under “Special Privileges at Retirement” or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which retirement contributions were made for the previous scholastic year (July 1-June 30).\*

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

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

In the event of the death of a member which is not job-related and who has less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit, which is limited to a maximum of \$5,000.

\*However, if the death occurred more than 180 calendar days after the member’s last day in pay status, or if the deceased member had applied for a refund of member contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was not job-related.

Special Privileges at Retirement

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

Option 1 - If the member dies before the annuity payments equal the present value of the annuity at the date of retirement, the balance is paid to a designated beneficiary or to the member’s estate, or

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

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

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Teachers' Retirement System

#### Summary of Plan Provisions (Continued)

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##### Deferred Retirement Option Plan (DROP)

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

Partial Lump Sum Option Plan (PLOP). For members retiring on or after October 1, 2019, in addition to selecting Options 1, 2, 3 or 4, the member may also elect to receive a one-time lump-sum distribution in addition to the monthly retirement benefit. The PLOP distribution will be made as a single payment at the time the first monthly benefit is paid. Based on the amount of the PLOP and the member's age, the monthly retirement benefit is actuarially reduced.

##### Term Life Insurance

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

##### Member Contributions

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

Tier 2 – Prior to October 1, 2021, regular members contributed 6% of salary and full-time certified firefighters, police officers and correctional officers contributed 7% of salary. Beginning October 1, 2021, the contribution rates were increased to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers.

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



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Teachers' Retirement System

#### Supporting Schedules

### Supporting Schedules

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

#### SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase/ (Decrease) in Average Pay
9/30/2021	A	134,034	\$ 7,221,790,242	\$ 53,880	1.87
9/30/2020	A	132,707	7,019,258,383	52,893	0.23
9/30/2019	A	136,325	7,193,832,116	52,770	7.13
9/30/2018	A	137,161	6,756,474,151	49,259	0.70
9/30/2017	A	136,941	6,698,834,819	48,918	4.00
9/30/2016	A	136,731	6,430,999,445	47,034	1.56
9/30/2015	B	135,986	6,297,938,621	46,313	0.77
9/30/2014	C	135,230	6,214,949,700	45,958	1.48
9/30/2013	D	133,919	6,065,042,345	45,289	2.06
9/30/2012	E	133,791	5,936,831,043	44,374	3.74

A - There are no employees currently participating in the DROP program.

B - In addition, there are 699 employees with annual compensation of \$52,847,343 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

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

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

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

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Sections

### Teachers' Retirement System

#### Supporting Schedules (Continued)

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

#### SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date		Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	% Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2021	<sup>1</sup>	\$28,154,229	\$ 40,106,806	\$11,952,577	70.2	\$ 7,221,790	165.5
9/30/2020		26,684,234	37,752,800	11,068,566	70.7	7,019,253	157.7
9/30/2019		25,821,326	37,215,470	11,394,144	69.4	7,193,832	158.4
9/30/2018	<sup>2</sup>	25,006,419	35,628,398	10,621,979	70.2	6,756,474	157.2
9/30/2017	<sup>2</sup>	23,887,077	34,688,078	10,801,001	68.9	6,698,835	161.2
9/30/2016	<sup>1</sup>	22,645,512	33,143,834	10,498,322	68.3	6,430,999	163.2
9/30/2015		21,740,280	31,844,843	10,104,563	68.3	6,350,786	159.1
9/30/2014		20,809,871	30,837,829	10,027,958	67.5	6,335,161	158.3
9/30/2013		19,629,816	29,665,843	10,036,027	66.2	6,263,364	160.2
9/30/2012		18,786,008	28,251,367	9,465,359	66.5	6,222,316	152.1

<sup>1</sup>Reflects changes in actuarial assumptions and methods.

<sup>2</sup>Reflects changes in actuarial assumptions.

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

#### SOLVENCY TEST

(Dollar Amounts in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
	Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)				
9/30/2021 <sup>1</sup>	\$ 6,589,860	\$ 23,111,616	\$ 10,405,330	\$28,154,229	100.00	93.00	0.00
9/30/2020	6,356,922	21,781,149	9,614,729	26,681,234	100.00	93.00	0.00
9/30/2019	6,100,489	21,093,665	10,021,316	25,821,326	100.00	93.00	0.00
9/30/2018 <sup>1</sup>	5,788,187	20,511,811	9,328,400	25,006,419	100.00	93.00	0.00
9/30/2017 <sup>1</sup>	5,504,125	19,886,016	9,297,937	23,887,077	100.00	92.00	0.00
9/30/2016 <sup>2</sup>	5,197,469	19,257,160	8,689,205	22,645,512	100.00	91.00	0.00
9/30/2015	4,894,145	18,621,250	8,329,448	21,740,280	100.00	90.00	0.00
9/30/2014	4,589,021	18,104,369	8,144,439	20,809,871	100.00	90.00	0.00
9/30/2013	4,261,269	17,666,932	7,737,642	19,629,816	100.00	87.00	0.00
9/30/2012 <sup>2</sup>	3,921,179	17,085,972	7,244,216	18,786,008	100.00	87.00	0.00

<sup>1</sup> Reflects changes in actuarial assumptions.

<sup>2</sup> Reflects changes in actuarial assumptions and methods.

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

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS**

Fiscal Year Ended	Retirees Added §*		Retirees Removed		Retirees - Year-end*		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2021	4,990	\$ 138,383	2,684	\$ 62,781	102,638	\$2,105,374	3.72	\$ 20,513
2020	4,646	127,102	2,241	51,643	100,332	2,029,772	3.86	20,231
2019	4,428	113,405	2,057	46,818	97,927	1,954,313	3.53	19,957
2018	4,457	109,294	1,868	42,615	95,556	1,887,726	3.66	19,755
2017	4,352	101,946	1,741	38,835	92,967	1,821,047	3.59	19,588
2016	4,583	102,365	1,590	35,115	90,356	1,757,936	3.98	19,456
2015	4,951	117,295	1,565	34,127	87,363	1,690,686	5.17	19,352
2014	4,820	113,117	1,396	30,044	83,977	1,607,518	5.45	19,142
2013	4,627	104,280	1,369	29,107	80,553	1,524,445	5.19	18,925
2012	5,043	111,252	1,132	18,234	77,295	1,449,272	6.86	18,750

§ Includes retirees completing DROP participation and entering regular retirement.

\*Does not include active DROP participants.

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

**ANALYSIS OF ACTUARIAL GAINS AND LOSSES**

(Dollar Amounts in Thousands)

	<b>Amount</b>
Unfunded Actuarial Liability as of September 30, 2020	\$ 11,071,566
Normal Cost for 2021 Plan Year	97,800
Contributions Received During the Year	(848,153)
Interest to Year End	827,387
Expected Unfunded Actuarial Liability as of September 30, 2021	<u>11,148,600</u>
Actuarial (Gains)/Losses During the Year	
From Investments	(562,705)
From Actuarial Liabilities	1,366,682
Total Actuarial (Gains)/Losses During the Year	<u>803,977</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2021</b>	<b><u>\$ 11,952,577</u></b>













# Cavanaugh Macdonald CONSULTING, LLC

*The experience and dedication you deserve*

June 12, 2022

Board of Control  
Employees' Retirement System  
of Alabama

Dear Board Members:

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

ERS maintains a funding policy that was effective September 30, 2012 and last amended as of September 30, 2021. In order to meet the objectives listed above, the System will strive to meet the following funding objectives:

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

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

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL) for State Employees and State Police**
  - **Initial Total UAAL** - The initial total UAAL established as of the initial valuation date (September 30, 2021) for which this funding policy is adopted shall be amortized over a closed period. (A closed amortization period is one which is calculated over a fixed period and at the end of that period, the amount is fully amortized). All gains and losses occurring after the initial valuation date and before September 30, 2028 for State Employees, and September 30, 2021 for State Police, with the exception of those due to benefit improvements, shall be included in the remaining initial total UAAL each year and amortized over the remaining closed period.
  - **New Incremental UAAL** - Each valuation after the initial valuation date will produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation. Each valuation beginning with the September 30, 2028 valuation for State Employees and the September 30, 2022 valuation for State Police, will produce a New Incremental UAAL consisting of all assumption and method changes and experience gains and/or losses that have occurred since the previous valuation



- **UAAL Amortization Period and Contribution Rates for State Employees and State Police**

- The Initial Total UAAL will be amortized over a 27-year closed period for State Employees and a 21-year closed period for State Police.
- Except as noted later, each New Incremental UAAL shall be amortized over a closed 20-year period.
- Incremental UAAL resulting from plan changes that grant benefit improvements shall be amortized over a period not to exceed 15 years.
- Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Section 36-27-24.
- In each valuation subsequent to the adoption of this funding policy, the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate for the remaining initial total UAAL.

- **UAAL and UAAL Amortization Period and Contribution Rates for Local Employers**

Local employers have assumptions and funding appropriate for their situations as deemed by Actuary and staff.

- **UAAL Amortization Period for Employers joining the System after the Implementation of this Funding Policy**

For Employers joining the System after the implementation of this Funding Policy, the employer contribution rate shall be computed as the sum of the employer Normal Contribution rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund and the initial UAAL contribution rate. The initial UAAL contribution rate shall be determined by amortizing the initial UAAL over a closed period equal to the expected future working lifetime of the active membership. This initial amortization period shall not be less than 10 years nor greater than 20 years.

- **Special Consideration**

If the resulting contribution rate will not support the cash flow and projected benefit payment needs of a particular unit or employer, then the RSA staff may approve a more aggressive funding policy for these units or employers. In addition, If the resulting contribution rate is determined to be in excess of the cash flow and projected benefit payment needs of a particular unit or employer, then the RSA staff may approve a less aggressive funding policy for these units or employers.

In order to measure progress toward this fundamental objective and funding policy, ERS has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2021.

This valuation indicates that the current employer contribution rates for State employees (other than State policemen) of 16.00% of payroll for Tier I members and 15.76% of payroll for Tier II members and employer contribution rates for State policemen of 53.38% of payroll for Tier I members and 44.84% of payroll for Tier II members, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. In addition, there are varying employer contribution rates for each participating Local employer actuarially determined in accordance with the funding policy. There are 84,571 total active members as of September 30, 2021.





The actuarial valuation is based upon financial and participant data which is prepared by the retirement system staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among ERS members and their beneficiaries. The data are reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of ERS during the years October 1, 2015 to September 30, 2020. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation for funding purposes, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. The valuation reflects the provisions of the following legislative Acts:

- Act 2022-348 removes the deadline for local units to elect to provide Tier I benefits for Tier II members. The valuation includes 202 additional employers that elected to provide these benefits under Act 2019-132 since the prior valuation date.
- Act 2022-351 allows Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC).
- Act 2022-184 allows surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.
- Act 2022-229 provides a one-time lump sum payment equal to \$2 per month for each year of service to retired state employee and state police members in April, 2022. The cost of the lump sum payment will be paid by the state and state police as an increase in the employer contribution rate for the fiscal year beginning October 1, 2023.

The results shown reflect all local employer elections approved by the Board through October 1, 2021. The contribution rates for local employers for the fiscal year beginning October 1, 2023 will be submitted in a separate report and will include the impact of any employer elections as of September 30, 2021.

In order to prepare the results in this report, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

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

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

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2021
- Ten-Year History of Average Monthly Benefit Payments as of September 30



Board of Control  
June 12, 2022  
Page 4

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'LL'.

Larry Langer, ASA, EA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to be 'Cathy Turcot'.

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to be 'Edward J. Koebel'.

Edward J. Koebel, EA, FCA, MAAA  
Chief Executive Officer

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**Summary of Actuarial Assumptions and Methods**

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, dated July 7, 2021, and adopted by the Board on September 14, 2021.

**Ultimate Investment Rate of Return:** 7.45% per annum, compounded annually, including price inflation at 2.50%.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases for State and Local Employees are as follows:

<b>Years of Service</b>	<b>Annual Rate* (% )</b>
0	6.00
1 - 5	4.25
6 - 10	4.00
11 - 15	3.75
16 - 19	3.5
20 & Over	3.25

\*Includes wage inflation at  
2.75% per annum.

**Salary Increases:** Representative values of the assumed annual rates of future salary increases for State Policemen are as follows:

<b>Years of Service</b>	<b>Annual Rate* (% )</b>
0 - 3	7.75
4 - 5	7.50
6	6.25
7 - 10	5.50
11 - 14	5.25
15 - 17	4.75
18 - 19	4.50
20 & Over	4.00

\*Includes wage inflation at  
2.75% per annum.

**Separations before Service Retirement:** Representative values of the assumed annual rates of withdrawal are shown in the following table:

Years of Service	Annual Rate of Withdrawal*	
	Non-FLC Members	FLC Members
0-1	20.00%	16.50%
2	16.75	12.00
3	14.00	11.50
4	13.00	11.00
5	7.50	6.50
6	6.75	6.25
7	6.50	6.00
8	5.75	5.40
9	5.25	5.00
10-12	3.50	3.00
13-14	3.50	2.75
15	3.00	2.25
16-18	2.50	2.00
19	2.00	1.50
20+	1.50	1.50

There are no withdrawal decrements after eligibility for service retirement.

\* For local employers with fewer than 25 employees the rates are multiplied by 50%.

**Service Retirement:** The assumed annual rates of service retirement are as follows:

**Regular Members**

Age	Annual Rate (1)			
	TIER I (2)		TIER II	
	1st Eligible	Subsequent	1st Eligible	Subsequent
49 & Under	16.50%	10.50%	2.50%	2.50%
50 to 54	20.00	10.50	2.50	2.50
55 to 56	20.00	10.50	10.00	10.00
57	20.00	10.50	20.00	20.00
58	25.00	12.50	20.00	20.00
59	23.00	12.50	20.00	20.00
60	12.00	15.00	50.00	50.00
61	13.00	12.00	50.00	50.00
62	23.00	23.00	50.00	50.00
63	23.00	20.00	23.00	20.00
64	23.00	17.00	23.00	17.00
65	32.00	25.00	32.00	25.00
66	35.00	28.50	35.00	28.50
67	35.00	24.00	35.00	24.00
68 to 79	35.00	21.00	35.00	21.00
80 & Above	100.00	100.00	100.00	100.00

(1) For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

(2) 25% are assumed to retire at age 60 with 25 years of service.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Summary of Actuarial Assumptions and Methods (Continued)

#### FLC Members

Age	Annual Rate (1)			
	TIER I (2)		TIER II	
	1st Eligible	Subsequent	1st Eligible	Subsequent
48 & Under 49	35.00%	22.00%	2.50%	2.50%
50	35.00	22.00	10.00	10.00
51	35.00	22.00	10.00	10.00
52 to 55	35.00	22.00	20.00	20.00
56 to 59	35.00	18.00	20.00	20.00
60	40.00	18.00	15.00	15.00
61	17.00	21.00	17.00	17.00
62	40.00	18.50	40.00	18.50
63	40.00	30.00	40.00	30.00
64	40.00	25.00	40.00	25.00
65	40.00	22.00	40.00	22.00
66	40.00	27.00	40.00	27.00
67-69	40.00	38.00	40.00	38.00
70 to 74	40.00	30.00	40.00	30.00
75 & Above	60.00	30.00	60.00	30.00
	100.00	100.00	100.00	100.00

(1) For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

(2) 50% are assumed to retire at age 60 with 25 years of service.

**Rates of Death:** Representative values of the assumed annual rates of death are as follows:

Age	Annual Rate of Death*			
	Non FLC State & Local		FLC State & Local	
	Male	Female	Male	Female
20	0.040%	0.014%	0.042%	0.016%
25	0.040	0.011	0.049	0.025
30	0.050	0.017	0.054	0.034
35	0.065	0.027	0.060	0.046
40	0.089	0.043	0.074	0.062
45	0.132	0.066	0.101	0.085
50	0.201	0.099	0.147	0.115
55	0.297	0.145	0.216	0.157
60	0.432	0.218	0.323	0.213
65	0.631	0.344	0.499	0.290
69	0.866	0.512	0.793	0.466

\*Base mortality rates as of 2010 before application of the improvement scale

**Rates of Disability:** Representative values of the assumed annual rates of disability are as follows:

**State Employees**

Age	Annual Rate of Disability*				
	Tier I			Tier II	
	Service < 25		Service >=25		
	Male	Female		Male	Female
20	0.014%	0.013%	0.250%	0.014%	0.013%
25	0.082	0.075		0.082	0.075
30	0.150	0.138		0.150	0.138
35	0.180	0.200		0.180	0.200
40	0.350	0.300		0.350	0.300
45	0.650	0.500		0.650	0.500
50	1.000	0.800	0.250	1.000	0.800
55	1.350	1.100	0.250	1.350	1.100
60	1.200	1.450	0.250	1.200	1.450
65	0.600	0.750	0.250	0.600	0.750
69	0.200	0.270		0.200	0.270

**Local Employees**

Age	Annual Rate of Disability*				
	Tier I			Tier II	
	Service < 25		Service >=25		
	Male	Female		Male	Female
20	0.006%	0.014%	0.250%	0.006%	0.014%
25	0.033	0.082		0.033	0.082
30	0.060	0.150		0.060	0.150
35	0.120	0.080		0.120	0.080
40	0.290	0.230		0.290	0.230
45	0.470	0.350		0.470	0.350
50	0.800	0.600	0.250	0.800	0.600
55	1.300	0.900	0.250	1.300	0.900
60	1.000	0.550	0.250	1.000	0.550
65	0.500	0.160	0.250	0.500	0.160
69	0.100	0.032		0.100	0.032

\*There are no disability rates for members with less than 10 years of service.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Summary Actuarial Assumptions and Methods (Continued)

#### State Police

#### Group 1: Members hired before January 1, 2015

Withdrawal			Death		Disability		Retirement		
Years of Service	Rate	Age	Male	Female	Male	Female	10-19	20-24	25+
0	6.00%	20	0.042%	0.016%	0.050%	0.012%			
1-5	6.00	25	0.049	0.025	0.250	0.060			
6-10	1.50	30	0.054	0.034	0.500	0.120			
11-15	1.50	35	0.060	0.046	0.300	0.180			
20+	1.00	40	0.074	0.062	0.200	0.290	5.00%	33.00%	40.00%
		45	0.101	0.085	0.550	0.440	20.00	35.00	40.00
		50	0.147	0.115	0.500	0.500	20.00	35.00	40.00
		55	0.216	0.157			100.00	100.00	33.00
		60	0.323	0.213					35.00
		62	0.383	0.241					35.00
		65	0.499	0.290					100.00

#### Group 2: Members hired after January 1, 2015

#### Rates of Withdrawal

Years of Service	Annual Rate of Withdrawal
0 - 1	16.50%
2	12.00
3	11.50
4	11.00
5	6.50
6	6.25
7	6.00
8	5.40
9	5.00
10 - 12	3.00
13 - 14	2.75
15	2.25
16 - 18	2.00
19	1.50
20+	1.50

There are no withdrawal decrements after eligibility for service retirement.



## Rates of Service Retirement

Age	Annual Rate			
	TIER I (1)		TIER II	
	1st Eligible	Subsequent	1st Eligible	Subsequent
51 & Under	35.00%	22.00%		
52 to 55	35.00	18.00	15.00%	15.00%
56 to 59	40.00	18.00	17.00	17.00
60	17.00	21.00	40.00	18.50
61	40.00	18.50	40.00	30.00
62	40.00	30.00	40.00	25.00
63	40.00	25.00	40.00	22.00
64	40.00	22.00	40.00	27.00
65	40.00	27.00	40.00	38.00
66	40.00	38.00	40.00	30.00
67	40.00	30.00	40.00	30.00
68 to 69	40.00	30.00	60.00	30.00
70 to 74	60.00	30.00	100.00	100.00
75 & Above	100.00	100.00		

(1) 50% are assumed to retire at age 60 with 25 years of service.

**Rates of Death:** Representative values of the assumed annual rates of death are as follows:

Age	Annual Rate of Death*	
	Male	Female
20	0.04%	0.02%
25	0.049	0.025
30	0.054	0.034
35	0.060	0.046
40	0.074	0.062
45	0.101	0.085
50	0.147	0.115
55	0.216	0.157
60	0.323	0.213
65	0.499	0.290
69	0.793	0.466

\*Base mortality rates as of 2010 before application of the improvement scale.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Summary Actuarial Assumptions and Methods (Continued)

**Rates of Disability:** Representative values of the assumed annual rates of disability are as follows:

Age	Annual Rate of Disability				
	Tier I			Tier II	
	Service < 25			Service >=25	
	Male	Female		Male	Female
20	0.014%	0.013%	0.250%	0.014%	0.013%
25	0.082	0.075		0.082	0.075
30	0.150	0.138		0.150	0.138
35	0.180	0.200		0.180	0.200
40	0.350	0.300		0.350	0.300
45	0.650	0.500		0.650	0.500
50	1.000	0.800	0.250	1.000	0.800
55	1.350	1.100	0.250	1.350	1.100
60	1.200	1.450	0.250	1.200	1.450
65	0.600	0.750	0.250	0.600	0.750
69	0.200	0.270		0.200	0.270

**Death after Retirement:** The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Blue Collar Mortality Table Projected with Scale BB to 2020 with an adjustment of 125% at all ages for males and 120% for females at ages on and after age 78. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Mortality Table Projected with Scale BB to 2020 with an adjustment of 130% at all ages for females.

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non-FLC Service Retirees	General Healthy Below Median	Male: +2 Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1 Female: None	None
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7 Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7 Female: None	None

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**Death in Active Service Benefit:** For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity.

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

**Unused Sick Leave:** 1.00% load on service retirement liabilities for active members (No load for Tier II members).

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

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

**Asset Method:** Actuarial value, as developed in Schedule B. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. The amount recognized each year is 20% of the difference between market value and expected market value.

**Liability for Current Inactive Members:** Member Contribution Balance is multiplied by a factor of 3.0 for vested local employees with incomplete data and by a factor of 1.0 for all non-vested inactive members.

**Liability for Post-DROP Active Members:** Members are assumed to retire immediately and receive their accrued benefit.

**COLA:** No future ad hoc cost of living adjustments (COLAs) are assumed.

**Future Service Credit:** One year of creditable service per year of employment.

### **Actuarial Cost Method**

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 7.45%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.
2. The employer contributions required to support the benefits of the System are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.
3. The normal contribution is determined using the "individual entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of each new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.
4. The unfunded accrued liability contributions are determined by subtracting the current assets held by the System and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.

### **Summary of Plan Provisions as Interpreted for Valuation Purposes**

The Employees' Retirement System of Alabama (ERS) was established on October 1, 1945. The valuation took into account amendments to the System effective through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

#### **Definitions**

**Average Final Compensation** – The average compensation of a Tier 1 member is calculated using compensation for the 3 highest years in the last 10 years of creditable service. The average compensation of a Tier 2 member is calculated using compensation for the 5 highest years in the last 10 years of creditable service.

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

**Creditable Service** – the sum of membership service, prior service, and any other previous service established as creditable in accordance with the provisions of the retirement law.

**Annuity** – payments for life derived from the accumulated contributions of a member.

**Pension** – payments for life derived from the accumulated contributions of an employer.

**Retirement Allowance** – the sum of the annuity and pension payments.

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## Benefits – Members Classified as Other Than State Police

### Service Retirement Allowance

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

### Disability Retirement Allowance

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

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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##### Benefits Payable upon Separation of Service

A member who withdraws from service is entitled to receive his or her contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60 for Tier 1 members or age 62 for Tier 2 members.

##### Benefits Payable upon Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise Option 3 as defined under "Special Privileges at Retirement – All Members" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which retirement contributions were made for the previous fiscal year (October 1 – September 30).\*

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

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

In the event of the death of a member which is not job-related who has less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit, which is limited to a maximum of \$5,000.

\*However, if the death occurred more than 180 calendar days after the member's last day in pay status or if the deceased member had applied for a refund of member contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was not job-related.

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## Deferred Retirement Option Plan (DROP)

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

## Member Contributions

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

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

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

## Members of Local Employers

Members of local employers generally receive the same benefit structure as State employees, however some benefits must be elected by individual employers. Members whose employers have not yet elected to grant retirement upon completion of 25 years of service must have 30 years of service for retirement before age 60 (For Tier I). These employers have the option of electing 25-year retirement for their Tier I members. Employers may also elect to increase Tier I member contribution rates to 7.5% of payroll for regular members and 8.5% of payroll for FLC members. Employers who have not elected to allow sick leave conversion may still elect to do so. Employers may elect to provide Tier I benefits to their Tier II members, provided the members pay the increased members rates shown above.



## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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Members of the City of Montgomery who elected to remain under the City's retirement plan structure are subject to the conditions and benefit structure of that plan. A brief description of this structure is as follows:

##### Service Retirement Allowance

##### Condition for Allowance

Group I - For general municipal employees hired before October 1, 2013, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service, or who has attained age 65 (25 years or age 62 if hired after October 1, 2005 or elected)

Group II - For members of the fire department or police department of the City, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service or attained age 62 (25 years or age 55 if hired after October 1, 2005, or 25 years or age 55 with 10 years of creditable service if hired after October 1, 2013).

##### Amount of Allowance

Group I - 20-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation.

Group I - 25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.

Group II - 20-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation.

Group II - 25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.

Group II - Age 62 retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation. Benefit is reduced by early retirement factor (5/9% for each month annuity start date precedes age 62 but not earlier than age 55).

Employee Retention Incentive Program (ERIP) - An employee is eligible to enter the ERIP plan if he or she is an active employee and has at least 20 years of service (25 years for a 25-year retirement plan participant). The participant can effectively elect to retire up to three years prior to termination and receive the payments that would have been made as a lump sum (accumulated with 5% interest). Subsequent monthly benefits are based on the benefit used to determine the lump sum.

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Preretirement Death Benefits - If the member is eligible for a service retirement, 50% of the accrued benefit, reduced for a 50% joint and survivor annuity. If the member is not eligible for a service retirement benefit, a lump sum of member contributions is payable.

Disability Benefits - If a participant has 10 years of service and becomes permanently disabled he is entitled to immediately receive his monthly accrued benefit, based on his current years of service and current final average earnings.

#### Separation Benefits

Group I - Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 62 (age 65 for 20-year plan).

Group II - Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 55 (age 62 for 20-year plan and Age 62 plan).

#### Benefits – Members Classified as State Police

##### Service Retirement Allowance

###### Condition of Allowance

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

Members hired after January 1, 2015: A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.

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

###### Amount of Allowance

Tier 1 – Members hired prior to January 1, 2015: Upon service retirement, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of creditable service.

A member who has attained 20 or more years of creditable service and retires prior to age 60 is eligible to receive a “bonus service credit” up to 4 years as follows:

- Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.
- Age 52 to 56 – bonus service of 4 years.
- Age 52 or less (disability retirement only) – bonus service of 4 years.
- Age 52 or less with 25 or more years of service – bonus service of 4 years.

Members hired after January 1, 2015: Upon service retirement a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as an officer.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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Tier 2 – Members hired prior to January 1, 2015: Upon service retirement, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Members hired after January 1, 2015: Upon service retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation. For a member whose age at retirement is less than age 56, the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 56.

#### Disability Retirement Allowance

##### Condition for Allowance

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

##### Amount of Allowance

Tier 1 – Members hired prior to January 1, 2015: Upon disability retirement, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of creditable service.

Members hired after January 1, 2015: Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives an additional year of creditable service in determining the retirement allowance for each five years of service as a full-time officer.

Tier 2 – Members hired prior to January 1, 2015: Upon disability retirement, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Members hired after January 1, 2015: Upon retirement for disability, a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member's average final compensation.

#### Benefits Payable upon Separation from Service

A member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 52 for Tier 1 members or age 56 for Tier 2 members.

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Benefits Payable upon  
Death in Active Service

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise Option 3 as defined below under “Special Privileges at Retirement – All Members” or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).\*

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

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

In the event of the death of a member which is not job-related and who has less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit which is limited to a maximum of \$5,000.

\*However, if the death occurred more than 180 calendar days after the member’s last day in pay status, or if the deceased member had applied for a refund of member contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was not job-related.

## RETIREMENT SYSTEMS OF ALABAMA

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### *Actuarial Section*

#### Employees' Retirement System

#### Summary of Plan Provisions (Continued)

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##### Deferred Retirement Option Plan (DROP)

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

##### Member Contributions

Tier 1 – Members hired prior to January 1, 2015: Each member contributes to 10% of salary.

Members hired after January 1, 2015: Each member contributes 8.5% of salary.

Tier 2 – Members hired prior to January 1, 2015: Each member contributes 10% of salary.

Members hired after January 1, 2015: Each member contributes 7% of salary.

#### **Special Privileges at Retirement – All Members**

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

- Option 1: If the member dies before the annuity payments equal or exceed the present value of the member's annuity at the date of retirement, the balance is paid to the designated beneficiary or to the member's estate, or
- Option 2: After the member's death, the member's retirement allowance is continued throughout the life of the designated beneficiary, or
- Option 3: After the member's death, one-half of the member's retirement allowance is continued throughout the life of the designated beneficiary, or
- Option 4: Some other benefit is paid either to the member or the designated beneficiary, provided such benefit, together with the reduced retirement allowance, is of equivalent actuarial value to the member's retirement allowance and is approved by the Board of Control.

Partial Lump Sum Option Plan (PLOP). For members retiring on or after October 1, 2019, in addition to selecting Options 1, 2, 3 or 4, the member may also elect to receive a one-time lump-sum distribution in addition to the monthly retirement benefit. The PLOP distribution will be made as a single payment at the time the first monthly benefit is paid. Based on the amount of the PLOP and the member's age, the monthly retirement benefit is actuarially reduced.

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Supporting Schedules

#### Supporting Schedules

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

#### SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase/ (Decrease) in Average Pay
9/30/2021	A	84,571	\$ 4,069,349,840	\$ 48,118	2.54
9/30/2020	A	85,485	4,011,235,711	46,923	4.54
9/30/2019	A	84,694	3,387,186,858	44,881	5.59
9/30/2018	A	86,565	3,679,181,111	42,502	1.55
9/30/2017	A	85,657	3,584,700,002	41,849	(0.66)
9/30/2016	A	84,814	3,572,891,196	42,129	2.93
9/30/2015	B	84,563	3,461,155,131	40,930	2.34
9/30/2014	C	84,694	3,387,186,858	39,993	1.61
9/30/2013	D	84,035	3,307,511,468	39,359	6.02
9/30/2012	E	84,169	3,124,791,422	37,125	(5.88)

A - There are no employees currently participating in the DROP program.

B - In addition, there are 396 members with compensation of \$26,861,749 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

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

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

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

# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Employees' Retirement System

#### Supporting Schedules (Continued)

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

#### SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2021	\$ 14,291,093	\$ 21,104,942	\$ 6,813,849	67.7	\$ 4,069,350	167.4
9/30/2020	13,491,176	19,786,472	6,295,296	68.2	4,011,236	156.9
9/30/2019	12,645,789	18,543,542	5,897,753	68.2	3,793,957	155.5
9/30/2018	12,240,597	17,829,735	5,589,138	68.7	3,679,181	151.9
9/30/2017	11,690,952	17,250,835	5,559,883	67.8	3,584,700	155.1
9/30/2016	11,082,280	16,728,009	5,645,729	66.2	3,572,891	158.0
9/30/2015	10,589,258	15,723,720	5,134,462	67.3	3,488,017	147.2
9/30/2014	10,134,581	15,138,294	5,003,713	66.9	3,444,341	145.3
9/30/2013	9,546,459	14,536,600	4,990,141	65.7	3,400,596	146.7
9/30/2012	9,116,551	13,884,995	4,768,444	65.7	3,252,003	146.6

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

#### SOLVENCY TEST

(Dollar Amounts in Thousands)

		Aggregate Accrued Liabilities For						
		(1)	(2)	(3)				
Valuation Date		Active Member Contributions	Retirants and Beneficiaries	Active Members (Employer Financed Portion)	Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
						(1)	(2)	(3)
9/30/2021	1, 2 & 3	\$ 3,292,498	\$ 11,794,825	\$ 6,017,619	\$ 14,291,093	100	93	0.0
9/30/2020		3,207,292	10,984,239	5,594,541	13,491,176	100	94	0.0
9/30/2019		3,038,594	10,300,063	5,204,885	12,645,789	100	93	0.0
9/30/2018	1	2,922,432	9,944,503	4,962,800	12,240,597	100	93	0.0
9/30/2017	1	2,817,368	9,567,278	4,866,189	11,690,952	100	93	0.0
9/30/2016	1	2,707,129	9,209,857	4,811,023	11,082,280	100	91	0.0
9/30/2015		2,591,066	8,666,490	4,466,164	10,589,258	100	92	0.0
9/30/2014		2,484,050	8,366,277	4,287,967	10,134,581	100	91	0.0
9/30/2013		2,363,600	8,085,291	4,087,709	9,546,459	100	89	0.0
9/30/2012	1	2,218,478	7,781,431	3,885,086	9,116,551	100	89	0.0

1 - Reflects changes in actuarial assumptions and methods.

2 - Reflects impact of Act 2019-132

3 - Reflects impact of Act 2022-351 and Act 2022-184



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

#### SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

Fiscal Year Ended	Retirees Added §*		Retirees Removed		Retirees - Year-end*		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
9/30/2021	2,977	\$ 84,598	1,786	\$ 40,029	55,301	\$1,078,087	4.31	\$ 19,495
9/30/2020	4,705	104,970	1,525	33,476	54,110	1,033,518	7.43	19,100
9/30/2019	2,468	63,336	1,251	27,257	50,930	962,024	3.90	18,889
9/30/2018	2,571	64,020	1,147	24,894	49,713	925,945	4.41	18,626
9/30/2017	2,449	58,678	1,114	22,433	48,289	886,819	4.26	18,365
9/30/2016	2,655	61,579	1,083	22,434	46,954	850,574	4.82	18,115
9/30/2015	2,698	63,043	1,028	21,337	45,382	811,429	5.42	17,880
9/30/2014	2,617	59,959	1,012	20,185	43,712	769,723	5.45	17,609
9/30/2013	2,628	59,930	972	19,036	42,107	729,949	5.93	17,336
9/30/2012	2,846	64,800	977	18,759	40,451	689,055	7.16	17,034

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

#### ANALYSIS OF ACTUARIAL GAINS AND LOSSES

(Dollar Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2020	\$ 6,295,296
Normal Cost for 2021 Plan Year	49,302
Contributions Received During the Year	(501,003)
Interest to Year End	469,245
Expected Unfunded Actuarial Liability as of September 30, 2021	<u>6,312,840</u>
Actuarial (Gains)/Losses During the Year	
From Investments	(309,760)
From Actuarial Liabilities	810,768
Total Actuarial (Gains)/Losses During the Year	<u>501,008</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2021</b>	<b><u>\$ 6,813,848</u></b>













# Cavanaugh Macdonald CONSULTING, LLC

*The experience and dedication you deserve*

April 21, 2022

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

Dear Board Members:

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

JRF maintains a funding policy that was effective September 30, 2012 and last amended as of September 30, 2021. In order to meet the objectives listed above, the Fund will strive to meet the following funding objectives:

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

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

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and/or actuarial assumptions.
- **Unfunded Actuarial Accrued Liability (UAAL)**
  - **Initial Total UAAL** – The UAAL established as of the initial valuation date (September 30, 2021) for which this funding policy is adopted.
  - **New Incremental UAAL** – Each subsequent valuation will produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation. Each subsequent valuation will produce a New Incremental UAAL consisting of all assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.
- **UAAL Amortization Period and Contribution Rates**
  - The Initial Total UAAL established as of the initial valuation will be amortized over a closed 19-year period.
  - Except as noted later, each New Incremental UAAL shall be amortized over a closed 20-year period.
  - Incremental UAAL resulting from plan changes that grant benefit improvements shall be amortized over a period not to exceed 15 years.
  - Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Sections 36-27-24 and 12-18-2.



Board of Control  
April 21, 2022  
Page 2

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

In order to measure progress toward this fundamental objective and funding policy, JRF has an annual actuarial valuation performed. The valuation (i) measures present financial position, and (ii) establishes contribution rates that provide for the normal cost and level percent of payroll amortization of unfunded actuarial accrued liability in accordance with the funding policy. The latest completed actuarial valuation was based upon data and assumptions as of September 30, 2021. This valuation indicates for benefits then in effect that the current employer contribution rates for the Judicial Retirement Fund (other than District Attorneys' Plan) of 42.47% of payroll for Tier I members and 37.72% of payroll for Tier II members, and employer contribution rates for District Attorneys' of 19.77% of payroll, meet the basic financial objective and the goals of the funding policy as listed above. There are 368 active members as of September 30, 2021.

The actuarial valuation is based upon financial and participant data which is prepared by the retirement Fund staff, assumptions regarding future rates of investment return and inflation, and rates of retirement, turnover, death and disability among JRF members and their beneficiaries. The data is reviewed by us for internal and year to year consistency as well as general reasonableness prior to its use in the actuarial valuation. It is also summarized and tabulated for the purpose of analyzing trends. The assumptions were adopted by the Board of Control and were based upon actual experience of JRF during the years October 1, 2015 to September 30, 2020. Assets are valued according to a market related method that recognizes 20% of the difference between market value and expected value each year. The assumptions and methods utilized in this valuation for funding purposes, in our opinion, meet the parameters established by the Actuarial Standards of Practice.

The current benefit structure is outlined in the Actuarial Section. The Judges' and Clerks' plan covers justices, judges and circuit clerks who are not members of the Judicial Retirement Fund or The Clerks' and Registers' Supernumerary Fund. The District Attorneys' Plan covers any District Attorney first elected or appointed on or after November 8, 2016.

In order to prepare the results in this report, we have utilized appropriate actuarial models that were developed for this purpose. These models use assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.

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

- Summary of Actuarial Assumptions and Methods
- Actuarial Cost Method
- Summary of Plan Provisions as Interpreted for Valuation Purposes
- Schedule of Funding Progress
- Solvency Test
- Analysis of Actuarial Gains and Losses
- Schedule of Active Member Valuation Data
- Schedule of Retirants and Beneficiaries Added and Removed from Rolls
- Retired Members by Type of Benefit as of September 30, 2021
- Ten-Year History of Average Monthly Benefit Payments as of September 30



Board of Control  
April 21, 2022  
Page 3

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to be 'LL'.

Larry Langer, ASA, EA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to be 'Cathy Turcot'.

Cathy Turcot  
Principal and Managing Director

A handwritten signature in blue ink, appearing to be 'Edward J. Koebel'.

Edward Koebel, EA, FCA, MAAA  
Chief Executive Officer

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## RETIREMENT SYSTEMS OF ALABAMA

### Actuarial Section

#### Judicial Retirement Fund

#### Summary of Actuarial Assumptions and Methods

### Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2020, dated July 12, 2021 and adopted by the Board on September 14, 2021.

**Ultimate Investment Rate of Return:** 7.40% per annum, compounded annually, including inflation at 2.50%.

**Salary Increases:** 7.30% per annum for all ages with service less than 14 years, and 5.00% per annum for all ages with service of 14 years or more, compounded annually, including wage inflation at 2.75%.

**Rates of Withdrawal:** 3.00% per annum for service less than 10 years, and 1.30% per annum for service between 10 and 24 years.

**Death and Disability:** Representative values of the assumed annual rates of pre-retirement death and disability are as follows:

Age	Death*		Disability**
	Males	Females	
30	0.0195	0.0111	0.020%
35	0.0267	0.0169	0.040
40	0.0371	0.0260	0.068
45	0.0585	0.0403	0.108
50	0.0969	0.0605	0.163
55	0.1508	0.0878	0.250
60	0.2321	0.1326	0.395
65	0.3809	0.2223	0.618

\*Rates of preretirement mortality are according to the Pub-2010 Teacher Employee Below Median Mortality Table adjusted by 65%; projected with the MP-2020 with an adjustment factor of 66-2/3% beginning with the year 2019.

\*\*Disability rates turn off at retirement eligibility.

#### Rates of Retirement:

##### Tier 1 (Groups 1 and 2):

Age	Rate of Retirement
Less than 60	7.5%
60-61	16.5
65-69*	20.0
70-74	30.0
75+	100.0

\*Before age 70, an additional 15% are assumed to retire in the first year they reach retirement eligibility.



# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Judicial Retirement Fund

#### Summary of Actuarial Assumptions and Methods (Continued)

#### Tier 2 (Group 3) and District Attorneys' Plan:

Judges			Clerks and District Attorneys
Age	<18 years	≥18 years	
62-69	10%	15% *	10% **
70-74	30%	30%	30%
75	100%	100%	100%

\*An additional 15% are assumed to retire at 18 years of service.

\*\*An additional 20% are assumed to retire when first eligible for retirement and at 27 years of service.

**Deaths after Retirement:** Rates of mortality for the period after becoming a retiree are according to the Pub-2010 Family of Tables projected generationally with MP-2019 Scale adjusted by 66-2/3% beginning with year 2019, and with further adjustments are used for post-retirement mortality assumptions as follows:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2 Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69, 98% > age 74; Phasing down 69 - 74
Beneficiaries	Contingent Survivor Below Median	Male: +2 Female: None	None
Disabled Retirees	Teacher Disability	Male: +8 Female: +3	None

Representative values of the assumed annual rates of mortality are as follows\*:

Age	Service Retirement		Disability Retirement		Beneficiaries	
	Male	Female	Male	Female	Male	Female
55	0.4230%	0.3300%	2.7850%	1.8740%	1.1080%	0.7040%
60	0.6070	0.4290	3.5240	2.1100	1.3710	0.9210
65	0.8860	0.6270	4.5990	2.5690	1.9210	1.2430
70	1.5090	1.0940	6.3470	3.4640	2.9500	1.7840
75	2.7990	1.9140	9.2590	5.0750	4.5590	2.6690
80	5.1310	3.6810	13.6030	7.8110	7.1100	4.2580
85	9.3440	7.0020	20.5880	11.8780	11.3610	7.1270
90	16.2380	12.9240	28.7230	16.7400	18.3000	12.0640

\*Base mortality rates as of 2010 before application of the improvement scale

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

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

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

**Liability for Current Inactive Non-Vested members:** Members Contribution Balance is multiplied by a factor of 1.0.

**Post Retirement Increases:** Allowances of retired members and spouses who receive benefits based on the salaries prescribed by law for the position are assumed to increase by 2.75% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

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

### **Actuarial Cost Method**

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

### **Summary of Plan Provisions as Interpreted for Valuation Purposes**

The Judicial Retirement Fund (JRF) was established as of September 18, 1973. The valuation took into account amendments to the JRF effective through the valuation date. The following summary describes the main benefit and contribution provisions of the JRF as interpreted for the valuation.

#### **Membership**

Any justice of the Supreme Court of Alabama, judge of the Alabama Court of Civil Appeals, judge of the Alabama Court of Criminal Appeals, judge of a Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury became a member of the JRF if the member was holding office on the date that it was established and elected to come under its provisions. Any such justice or judge elected or appointed to office after September 18, 1973, or any district or probate judge elected or appointed to office after October 10, 1975, or October 1, 1976, respectively, automatically becomes a member by virtue of their position. Certain other district and probate judges as well as certain former county court judges, district attorneys, or assistant district attorneys serving as circuit judges and certain supernumerary judges and justices may also elect to become a member. Any circuit clerk or district attorney elected or appointed on or after November 8, 2016 automatically becomes a member. Certain other district and probate judges as well as certain former county court judges, district attorneys or assistant district attorneys service as circuit judges and certain supernumerary judges and justices could also elect to become members.

#### **Average Final Compensation**

The average compensation of a member for the highest years in the last 10 years of creditable service.

#### **Creditable Service**

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

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## Benefits

### Service Retirement Benefit

#### Condition of Benefit

##### Tier 1 (Groups 1 and 2):

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

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

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

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

##### Tier 2 (Group 3) and District Attorneys:

A service retirement benefit is payable upon request of a member who has completed 10 years of service and attained age 62.

#### Amount of Benefit

##### Tier 1 (Groups 1 and 2):

The service retirement benefit for a member is equal to:

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

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

#### Summary of Plan Provisions (Continued)

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##### Tier 2 (Group 3) and District Attorneys:

The service retirement benefit for a member is equal to:

- (a) For a member who is judge with years of service less than 18 years, 4% of average final compensation multiplied by years of creditable service; for a member who is a judge with 18 or more years of service, 75% of average final compensation, not to exceed 75% of average final compensation.
- (b) For a member who is clerk or district attorney, 3% of average final compensation multiplied by years of creditable service, not to exceed 80% of average final compensation.

#### **Disability Retirement Benefit**

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

##### **Amount of Benefit**

##### Tier 1 (Groups 1 and 2):

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

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

##### Tier 2 (Group 3) and District Attorneys:

For a member who is judge with years of service less than 18 years, 4% of average final compensation multiplied by years of creditable service; for a member who is a judge with 18 or more years, 75% of average final compensation, not to exceed 75% of average final compensation.

For a member who is a clerk or district attorney, 3% of average final compensation multiplied by years of creditable service, not to exceed 80% of average final compensation.

#### **Spousal Benefit**

##### Tier 1 (Groups 1 and 2):

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

**Amount of Benefit**      The death benefit payable to the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position of the former member for each year of creditable service, not to exceed 30% of such salary.

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

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

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

### **Death in Active Service Benefit**

Tier 2 (Group 3) and District Attorneys:

Amount of Benefit	In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the per-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).
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In the event of the death of a member who is not eligible for retirement, the designated beneficiary shall receive the accumulated contributions not to exceed \$5,000 or the accumulated contributions of the member plus an additional death benefit payable from the per-retirement death benefit payable from the pre-retirement death benefit fund equal to the salary on which their retirement contributions were made for the previous fiscal year. (October 1 – September 30).

### **Benefit Payable upon Separation from Service**

If a member terminates service and elects not to withdraw his or her contributions and accrued interest from the JRF, the member is eligible to receive any of the benefits for which the member has sufficient creditable service upon reaching an eligible retirement age.

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

### **Member Contributions**

Tier 1 (Groups 1 and 2):

- Prior to October 1, 2011, each member contributed 6.0% of salary.
- Beginning October 1, 2011, each member contributed 8.25% of salary.
- Beginning October 1, 2012, each member contributed 8.5% of salary.

Tier 2 (Group 3) and District Attorneys:

Each Tier 2 member and District Attorney member contributes 8.5% of salary.

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

<b>By State</b>	The State makes contributions, which in addition to the members' contributions, are sufficient to provide the retirement allowances described.
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# RETIREMENT SYSTEMS OF ALABAMA

## Actuarial Section

### Judicial Retirement Fund

### Supporting Schedules

## Supporting Schedules

The following schedule presents a ten-year history of active member valuation data:

### SCHEDULE OF ACTIVE MEMBER VALUATION DATA

(Dollar Amounts Not in Thousands)

Valuation Date	Number	Annual Payroll*	Annual Average Pay**	% Increase/ (Decrease) in Average Pay
9/30/2021	368	\$ 47,891,703	\$ 130,140	0.88
9/30/2020	365	47,084,500	128,999	4.17
9/30/2019	366	45,325,830	123,841	(2.50)
9/30/2018	345	43,819,340	127,013	0.65
9/30/2017	351	44,291,914	126,188	(1.45)
9/30/2016	336	43,022,891	128,044	1.08
9/30/2015	338	42,814,343	126,670	0.27
9/30/2014	338	42,698,909	126,328	1.94
9/30/2013	338	41,887,006	123,926	(1.61)
9/30/2012	337	42,446,426	125,954	0.58

\*2.2% increase for total pay since 2016.

\*\*0.3% increase for average pay since 2016.

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

### SCHEDULE OF FUNDING PROGRESS

(Dollar Amounts in Thousands)

Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2021 <sup>1</sup>	\$ 333,779	\$ 499,916	\$ 166,136	66.8	\$47,892	346.9
9/30/2020	318,673	481,862	163,189	66.1	47,085	346.6
9/30/2019	310,689	475,829	165,140	65.3	45,326	364.3
9/30/2018 <sup>1</sup>	305,397	457,834	152,437	66.7	43,819	347.9
9/30/2017 <sup>2</sup>	293,090	448,446	155,356	65.4	44,292	350.8
9/30/2016 <sup>1</sup>	279,807	446,920	167,113	62.6	43,023	388.4
9/30/2015	267,414	427,591	160,177	62.5	42,814	374.1
9/30/2014	257,452	422,863	165,411	60.9	42,699	387.4
9/30/2013	243,316	414,200	170,884	58.7	41,887	408.0
9/30/2012 <sup>1</sup>	234,300	380,470	146,170	61.6	42,446	344.4

<sup>1</sup>Reflects changes in actuarial assumptions and methods.

<sup>2</sup>Reflects changes in benefit structure beginning November 8, 2016.



The following schedule presents a ten- year history of solvency tests:

**SOLVENCY TEST**  
(Dollar Amounts in Thousands)

		<b>Aggregate Accrued Liabilities For</b>			<b>Reported Assets</b>	<b>% of Accrued Liabilities Covered by Reported Assets</b>		
		<b>(1)</b>	<b>(2)</b>	<b>(3)</b>		<b>(1)</b>	<b>(2)</b>	<b>(3)</b>
<b>Valuation Date</b>		<b>Active Member Contributions</b>	<b>Retirants and Beneficiaries</b>	<b>Active Members (Employer Financed Portion)</b>				
9/30/2021	<sup>1</sup>	\$ 47,304	\$ 343,885	\$ 108,727	\$ 333,779	100	83	0.0
9/30/2020		43,899	338,492	99,472	318,673	100	81	0.0
9/30/2019		40,993	338,734	96,102	310,689	100	80	0.0
9/30/2018	<sup>1</sup>	48,609	296,550	112,675	305,397	100	87	0.0
9/30/2017		44,792	296,231	107,422	293,090	100	84	0.0
9/30/2016	<sup>1</sup>	45,900	280,836	120,185	279,807	100	83	0.0
9/30/2015		42,745	272,624	112,222	267,414	100	82	0.0
9/30/2014		40,981	268,439	113,443	257,452	100	81	0.0
9/30/2013		37,366	270,430	106,404	243,315	100	76	0.0
9/30/2012	<sup>1</sup>	38,341	237,197	104,932	234,300	100	83	0.0

<sup>1</sup>Reflects a change in actuarial assumptions and methods.

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

**SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS**

	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase/ (Decrease) in Annual Allowances	Average Annual Allowance
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)		
2021	10	\$ 609	17	\$ 1,470	447	\$ 32,946	(2.55)	\$ 73,705
2020	11	950	9	771	454	33,807	0.53	74,465
2019	52	3,027	3	252	452	33,628	8.99	74,398
2018	11	733	13	1,071	403	30,853	(1.08)	76,558
2017	27	1,895	6	490	405	31,191	4.72	77,015
2016	11	970	11	889	384	29,786	0.27	77,568
2015	16	1,500	6	479	384	29,705	3.56	77,357
2014	9	918	10	798	374	28,684	0.42	76,695
2013	33	3,144	4	315	375	28,564	10.99	76,171
2012	6	569	3	236	346	25,735	1.31	74,379

## RETIREMENT SYSTEMS OF ALABAMA

### *Actuarial Section*

#### Judicial Retirement Fund

#### Supporting Schedules (Continued)

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

#### **ANALYSIS OF ACTUARIAL GAINS AND LOSSES**

(Dollar Amounts in Thousands)

	<u><b>Amount</b></u>
Unfunded Actuarial Liability as of September 30, 2020	\$ 163,189
Normal Cost for 2021 Plan Year	4,971
Contributions Received During the Year	(17,634)
Interest to Year End	<u>12,190</u>
Expected Unfunded Actuarial Liability as of September 30, 2021	<u>162,716</u>
 Actuarial (Gains) Losses During the Year	
From Investments	(8,606)
From Actuarial Liabilities	<u>12,026</u>
Total Actuarial (Gains) Losses During the Year	<u>3,420</u>
<b>Actual Unfunded Actuarial Liability as of September 30, 2021</b>	<b><u><u>\$ 166,136</u></u></b>













# Statistical Section

**Annual Comprehensive Financial Report  
Component Units of the State of Alabama**





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

#### **Financial Trends**

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

Additions by Source – Ten-Year History – page 176

Deductions by Type – Ten-Year History – page 177

Benefits by Type – Ten-Year History – page 178

Ten-Year History of Additions, Reductions, and Changes in Net Position – page 179

#### **Retirees and Beneficiaries**

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

Retired Members by Type of Benefit – page 185

Ten-Year History of Average Monthly Benefit Payments – page 188

#### **Participating Units**

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

Local Participating Employers – page 191

Largest Employers – Ten-Year History – page 200

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Additions by Source

Ten-Year History

(Dollar Amounts in Thousands)

TEACHERS' RETIREMENT SYSTEM  
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions					Transfer from Internal Service Fund	Transfers from an Internal Service Fund		Marketing & Advertising Revenue	Direct Appropriation from the Education Trust Fund	Investment Income/(Loss)	Total
		Amount	Tier 1	Tier 2 @	PEEHIP	Employer Rate (%)		Amount	Rate (%)				
2022	\$ 563,132	\$ 932,332	12.43	11.32	-	-	-	\$ -	-	\$ 335	\$ 58,400	\$ (3,876,927)	\$ (2,322,728)
2021	525,755	874,401	12.36	11.22	-	-	377	-	-	-	-	5,727,839	7,128,372
2020	515,003	862,475	12.43	11.34	-	-	602	-	-	-	-	1,374,356	2,752,436
2019	522,909	869,336	12.41	11.35	-	-	-	-	-	-	-	614,427	2,006,672
2018	493,466	802,598	12.24	11.01	24,700	-	-	-	-	-	-	2,264,234	3,584,998
2017	489,638	782,695	12.01	10.82	-	-	-	-	-	-	-	2,636,105	3,908,438
2016	475,980	751,902	11.94	10.84	-	-	-	-	-	-	-	2,199,404	3,427,286
2015	477,918	737,671	11.71	11.05	-	-	-	-	-	-	-	261,468	1,477,057
2014	480,849	739,547	11.71	11.08	-	-	-	-	-	-	-	2,473,152	3,693,548
2013	477,586	627,892	10.08	9.44	-	-	-	-	-	-	-	2,732,706	3,838,184

EMPLOYEES' RETIREMENT SYSTEM  
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Employer Rate (%)
		State	Tier 2 @	
2022	\$ 309,720	\$ 559,869	14.44	42.86
2021	286,396	516,402	14.64	42.89
2020	270,947	519,806	15.24	52.29
2019	254,440	467,553	14.51	50.08
2018	241,741	426,340	13.94	44.44
2017	233,901	426,215	13.89	57.25
2016	238,017	435,098	14.57	42.61
2015	229,254	410,932	13.45	38.37
2014	226,016	391,181	12.02	35.81
2013	223,646	338,819	10.12	31.61

Fiscal Year	Member Contributions \$	State Employees		State Police	Local	New Units	Transfers from an Internal Service Fund	Marketing & Advertising Revenue	Investment Income/(Loss)	Total
		Amount	Rate (%)							
2022	\$ 309,720	\$ 559,869	14.44	42.86	*	\$ 2,679	\$ -	\$ 165	\$ (1,945,460)	\$ (1,073,027)
2021	286,396	516,402	14.64	42.89	*	-	251	-	2,860,948	3,663,997
2020	270,947	519,806	15.24	52.29	*	344,352	395	-	723,630	1,859,130
2019	254,440	467,553	14.51	50.08	*	-	-	-	320,585	1,042,578
2018	241,741	426,340	13.94	44.44	*	-	-	-	1,098,412	1,766,493
2017	233,901	426,215	13.89	57.25	*	-	-	-	1,402,163	2,062,279
2016	238,017	435,098	14.57	42.61	*	-	-	-	1,053,031	1,726,146
2015	229,254	410,932	13.45	38.37	*	-	-	-	126,490	766,676
2014	226,016	391,181	12.02	35.81	*	-	-	-	1,186,529	1,803,726
2013	223,646	338,819	10.12	31.61	*	-	-	-	1,296,460	1,858,925

JUDICIAL RETIREMENT FUND  
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions					Investment Income/(Loss) \$	Total \$
		Group 3 -						
		Groups 1 & 2	Judges & Clerks**	District Attorneys***	District			
2022	4,692	Amount #####	42.10	37.47	19.77	(51,779)	(26,470)	
2021	4,271	18,260	40.80	35.61	19.77	63,731	86,262	
2020	4,184	18,099	41.40	34.32	19.77	23,159	45,442	
2019	4,101	18,022	41.40	34.32	19.77	11,016	33,139	
2018	3,867	17,180	40.09	34.32	19.77	27,622	48,669	
2017	3,972	17,373	40.65	-	-	32,685	54,030	
2016	3,723	17,529	40.98	-	-	28,321	49,573	
2015	3,683	15,077	35.24	-	-	(856)	17,904	
2014	3,764	15,790	35.24	-	-	31,344	50,898	
2013	3,919	13,903	32.06	-	-	32,245	50,067	

§ Includes transfers from other systems.  
 \* Local agency rates differ for each participating agency.  
 \*\* A new tier of benefits was established for members hired on or after January 1, 2013, which included different contribution rates for the members and their employers.  
 \*\*\* A new plan was created within the JRF for Judges and Clerks who were first elected or appointed on or after November 8, 2016, and were not previously a member of the JRF or the Clerks' & Registers' Superannuation Fund.  
 \*\*\*\* A new plan was created within the JRF for District Attorneys who were serving in the capacity of District Attorney on or after November 8, 2016.



# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Deductions by Type

#### Ten-Year History

(Dollar Amounts in Thousands)

#### TEACHERS' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Retirement Allowance Payments	Return of Contributions & Death Benefits	Membership Service Transfers	Administrative Expenses	Depreciation	Total
2022	\$ 2,555,391	\$ 68,722	\$ 6,213	\$ 18,945	\$ 9,060	\$ 2,658,331
2021	2,415,128	63,747	4,421	20,402	9,133	2,512,831
2020	2,328,892	60,601	4,891	21,957	9,154	2,425,495
2019	2,233,514	56,861	4,187	20,583	7,512	2,322,657
2018	2,204,031	58,538	4,908	15,952	6,338	2,289,767
2017	2,111,830	55,634	3,413	16,390	6,012	2,193,279
2016	2,155,784	57,130	6,223	14,873	4,709	2,238,719
2015	2,075,302	58,060	3,432	15,074	4,258	2,156,126
2014	1,997,595	54,699	2,880	13,103	4,336	2,072,613
2013	1,893,321	55,891	1,823	12,591	4,312	1,967,938

#### EMPLOYEES' RETIREMENT SYSTEM DEDUCTIONS BY TYPE

Fiscal Year	Retirement Allowance Payments	Return of Contributions & Death Benefits	Unit Withdrawals & Membership Service Transfers	Administrative Expenses	Depreciation	Total
2022	\$ 1,323,657	\$ 58,978	\$ 9,798	\$ 11,306	\$ 3,551	\$ 1,407,290
2021	1,260,159	54,157	6,246	10,977	3,520	1,335,059
2020	1,209,437	46,745	4,344	13,128	3,411	1,277,065
2019	1,123,150	48,675	6,803	12,934	2,895	1,194,457
2018	1,096,883	45,070	5,415	11,219	2,544	1,161,131
2017	1,050,340	48,683	3,357	11,982	2,520	1,116,882
2016	1,038,517	45,768	3,668	11,002	2,021	1,100,976
2015	1,018,515	51,024	4,059	11,136	2,046	1,086,780
2014	948,478	47,937	3,632	9,612	2,055	1,011,714
2013	895,475	44,837	3,587	9,767	2,015	955,681

#### JUDICIAL RETIREMENT FUND DEDUCTIONS BY TYPE

Fiscal Year	Retirement Allowance Payments	Return of Contributions & Death Benefits	Membership Service Transfers	Administrative Expenses	Depreciation	Total
2022	\$ 40,542	\$ 325	\$ -	\$ 443	\$ -	\$ 41,310
2021	39,089	28	-	374	-	39,491
2020	38,812	256	-	357	-	39,425
2019	36,909	646	-	357	-	37,912
2018	33,419	130	-	328	-	33,877
2017	32,807	353	-	334	-	33,494
2016	30,893	115	-	397	-	31,405
2015	30,348	100	55	356	-	30,859
2014	29,826	54	1	281	-	30,162
2013	29,112	196	-	280	-	29,588

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Benefits by Type

#### Ten-Year History

(Dollar Amounts in Thousands)

#### TEACHERS' RETIREMENT SYSTEM BENEFITS BY TYPE

				Return of Contributions & Death Benefits		
	Age & Service Benefits				Death Benefits	
Fiscal Year	Retirants	Beneficiaries	Disability Benefits	Return of Contributions	Death Benefits	
2022	\$ 2,382,245	\$ 102,109	\$ 71,037	\$ 45,812	\$ 22,910	
2021	2,248,819	95,720	70,589	40,818	22,929	
2020	2,168,552	90,192	70,148	43,657	16,944	
2019	2,079,529	85,566	68,419	42,528	14,333	
2018	2,053,906	82,406	67,719	45,711	12,827	
2017	1,971,017	75,812	65,001	42,492	13,142	
2016	2,021,973	70,959	62,852	42,552	14,578	
2015	1,947,983	66,636	60,683	43,965	14,095	
2014	1,876,615	62,674	58,306	43,474	11,225	
2013	1,778,541	58,669	56,111	44,207	11,684	

#### EMPLOYEES' RETIREMENT SYSTEM BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability Benefits	Return of Contributions & Death Benefits	
	Retirants	Beneficiaries		Return of Contributions	Death Benefits
2022	\$ 1,197,220	\$ 63,716	\$ 62,721	\$ 44,504	\$ 14,474
2021	1,138,176	59,538	62,445	37,651	16,506
2020	1,092,775	55,119	61,543	34,267	12,478
2019	1,010,482	52,028	60,640	38,696	9,979
2018	987,527	49,220	60,136	34,577	10,843
2017	946,203	45,810	58,327	39,486	9,197
2016	937,752	43,376	57,389	36,926	8,842
2015	919,657	42,308	56,550	41,224	9,800
2014	855,857	39,488	53,133	38,250	9,687
2013	806,846	37,730	50,899	36,948	7,889

#### JUDICIAL RETIREMENT FUND BENEFITS BY TYPE

Fiscal Year	Age & Service Benefits		Disability Benefits	Return of Contributions & Death Benefits	
	Retirants	Beneficiaries		Return of Contributions	Death Benefits
2022	\$ 35,373	\$ 4,657	\$ 512	\$ 109	\$ 216
2021	34,518	4,047	524	28	-
2020	34,193	4,054	565	133	123
2019	32,288	4,055	566	646	-
2018	28,983	3,913	523	86	44
2017	28,370	3,956	481	334	19
2016	26,556	3,850	487	105	10
2015	26,082	3,839	427	92	8
2014	25,796	3,703	327	54	-
2013	25,022	3,715	375	196	-

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

(Amounts in Thousands)

	2022	2021	2020	2019	2018
<b>Additions</b>					
Contributions					
Employee	\$ 553,615	\$ 519,627	\$ 510,818	\$ 516,675	\$ 488,503
Employer	932,332	874,401	862,475	869,336	802,598
Transfers from the Employees' Retirement System	9,517	6,128	4,185	6,234	4,963
Transfers from the Judicial Retirement Fund	-	-	-	-	-
Transfers from PEEHIP	-	-	-	-	24,700
Transfers from an Internal Service Fund	-	377	602	-	-
Marketing & Advertising Revenue	335	-	-	-	-
Direct Appropriation from the Education Trust Fund	58,400	-	-	-	-
Total Contributions	1,554,199	1,400,533	1,378,080	1,392,245	1,320,764
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(4,500,179)	5,155,012	801,465	33,671	1,615,440
Interest and Dividends	629,210	576,552	576,193	583,329	650,293
Total Investment Income/(Loss) from Investing Activities	(3,870,969)	5,731,564	1,377,658	617,000	2,265,733
Less: Investment Expenses, Net	11,573	11,191	9,719	9,205	9,171
Net Investment Income/(Loss) from Investing Activities	(3,882,542)	5,720,373	1,367,939	607,795	2,256,562
From Securities Lending Activities					
Securities Lending Income	12,606	11,019	13,960	28,905	23,246
Less Securities Lending Expenses:					
Borrower Rebates	4,585	108	4,423	19,431	12,385
Management Fees	2,406	3,445	3,120	2,842	3,189
Total Securities Lending Expenses	6,991	3,553	7,543	22,273	15,574
Net Income from Securities Lending Activities	5,615	7,466	6,417	6,632	7,672
Total Net Investment Income/(Loss)	(3,876,927)	5,727,839	1,374,356	614,427	2,264,234
Total Additions/Reductions	(2,322,728)	7,128,372	2,752,436	2,006,672	3,584,998
<b>Deductions</b>					
Retirement Allowance Payments	2,555,391	2,415,128	2,328,892	2,233,514	2,204,031
Return of Contributions and Death Benefits	68,722	63,747	60,601	56,861	58,538
Transfers to the Employees' Retirement System	6,213	4,421	4,891	4,187	4,899
Transfers to the Judicial Retirement Fund	-	-	-	-	9
Administrative Expenses	18,945	20,402	21,957	20,583	15,952
Depreciation	9,060	9,133	9,154	7,512	6,338
Total Deductions	2,658,331	2,512,831	2,425,495	2,322,657	2,289,767
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	(4,981,059)	4,615,541	326,941	(315,985)	1,295,231
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	30,561,930	25,946,389	25,619,448	25,935,433	24,651,457
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	(11,255)
Beginning of Year - as adjusted	30,561,930	25,946,389	25,619,448	25,935,433	24,640,202
<b>End of Year</b>	<b>\$ 25,580,871</b>	<b>\$ 30,561,930</b>	<b>\$ 25,946,389</b>	<b>\$ 25,619,448</b>	<b>\$ 25,935,433</b>

	2017	2016	2015	2014	2013
<b>Additions</b>					
Contributions					
Employee	\$ 486,542	\$ 472,390	\$ 473,903	\$ 477,300	\$ 474,241
Employer	782,695	751,902	737,671	739,547	627,892
Transfers from the Employees' Retirement System	3,096	3,590	4,015	3,549	3,345
Transfers from the Judicial Retirement Fund	-	-	-	-	-
Transfers from PEEHIP	-	-	-	-	-
Transfers from an Internal Service Fund	-	-	-	-	-
Marketing & Advertising Revenue	-	-	-	-	-
Direct Appropriation from the Education Trust Fund	-	-	-	-	-
Total Contributions	1,272,333	1,227,882	1,215,589	1,220,396	1,105,478
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	2,021,774	1,589,279	(381,400)	1,853,288	2,090,646
Interest and Dividends	613,353	607,795	640,910	618,861	638,766
Total Investment Income/(Loss) from Investing Activities	2,635,127	2,197,074	259,510	2,472,149	2,729,412
Less: Investment Expenses, Net	8,685	7,731	6,407	5,732	5,712
Net Investment Income/(Loss) from Investing Activities	2,626,442	2,189,343	253,103	2,466,417	2,723,700
<i>From Securities Lending Activities</i>					
Securities Lending Income	20,125	15,930	11,512	9,629	12,753
Less Securities Lending Expenses:					
Borrower Rebates	7,350	2,825	365	65	401
Management Fees	3,112	3,044	2,782	2,829	3,346
Total Securities Lending Expenses	10,462	5,869	3,147	2,894	3,747
Net Income from Securities Lending Activities	9,663	10,061	8,365	6,735	9,006
Total Net Investment Income/(Loss)	2,636,105	2,199,404	261,468	2,473,152	2,732,706
Total Additions/Reductions	3,908,438	3,427,286	1,477,057	3,693,548	3,838,184
<b>Deductions</b>					
Retirement Allowance Payments	2,111,830	2,155,784	2,075,302	1,997,595	1,893,321
Return of Contributions and Death Benefits	55,634	57,130	58,060	54,699	55,891
Transfers to the Employees' Retirement System	3,413	6,223	3,432	2,880	1,823
Transfers to the Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	16,390	14,873	15,074	13,103	12,591
Depreciation	6,012	4,709	4,258	4,336	4,312
Total Deductions	2,193,279	2,238,719	2,156,126	2,072,613	1,967,938
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	1,715,159	1,188,567	(679,069)	1,620,935	1,870,246
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	22,936,298	21,747,731	22,441,307	20,820,372	18,950,126
Adjustment for Application of GASB 68	-	-	(14,507)	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	22,936,298	21,747,731	22,426,800	20,820,372	18,950,126
<b>End of Year</b>	<b>\$ 24,651,457</b>	<b>\$ 22,936,298</b>	<b>\$ 21,747,731</b>	<b>\$ 22,441,307</b>	<b>\$ 20,820,372</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

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

(Amounts in Thousands)

	2022	2021	2020	2019	2018
<b>Additions</b>					
Contributions					
Employee	\$ 303,507	\$ 281,975	\$ 266,056	\$ 250,253	\$ 236,842
Employer	559,869	516,402	519,806	467,553	426,340
New Units	2,679	-	344,352	-	-
Transfers from the Teachers' Retirement System	6,213	4,421	4,891	4,187	4,899
Transfers from the Judicial Retirement Fund	-	-	-	-	-
Transfers from an Internal Service Fund	-	251	395	-	-
Marketing & Advertising Revenue	165	-	-	-	-
Total Contributions	872,433	803,049	1,135,500	721,993	668,081
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(2,274,633)	2,558,276	425,632	30,092	775,132
Interest and Dividends	329,975	302,802	298,770	291,011	323,182
Total Investment Income/(Loss) from Investing Activities	(1,944,658)	2,861,078	724,402	321,103	1,098,314
Less: Investment Expenses, Net	3,544	4,003	3,828	3,661	3,395
Net Investment Income/(Loss) from Investing Activities	(1,948,202)	2,857,075	720,574	317,442	1,094,919
From Securities Lending Activities					
Securities Lending Income	6,284	5,685	6,534	13,884	10,589
Less Securities Lending Expenses:					
Borrower Rebates	2,367	39	1,996	9,394	5,647
Management Fees	1,175	1,773	1,482	1,347	1,449
Total Securities Lending Expenses	3,542	1,812	3,478	10,741	7,096
Net Income from Securities Lending Activities	2,742	3,873	3,056	3,143	3,493
Total Net Investment Income/(Loss)	(1,945,460)	2,860,948	723,630	320,585	1,098,412
Total Additions/Reductions	(1,073,027)	3,663,997	1,859,130	1,042,578	1,766,493
<b>Deductions</b>					
Retirement Allowance Payments	1,323,657	1,260,159	1,209,437	1,123,150	1,096,883
Return of Contributions and Death Benefits	58,978	54,157	46,745	48,675	45,070
Unit Withdrawals	53	-	-	380	350
Transfers to the Teachers' Retirement System	9,517	6,128	4,185	6,234	4,963
Transfers to the Judicial Retirement Fund	228	118	159	189	102
Administrative Expenses	11,306	10,977	13,128	12,934	11,219
Depreciation	3,551	3,520	3,411	2,895	2,544
Total Deductions	1,407,290	1,335,059	1,277,065	1,194,457	1,161,131
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	<b>(2,480,317)</b>	<b>2,328,938</b>	<b>582,065</b>	<b>(151,879)</b>	<b>605,362</b>
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	15,479,476	13,150,538	12,568,473	12,720,352	12,122,471
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	(7,481)
Beginning of Year - as adjusted	15,479,476	13,150,538	12,568,473	12,720,352	12,114,990
<b>End of Year</b>	<b>\$ 12,999,159</b>	<b>\$ 15,479,476</b>	<b>\$ 13,150,538</b>	<b>\$ 12,568,473</b>	<b>\$ 12,720,352</b>

	2017	2016	2015	2014	2013
<b>Additions</b>					
Contributions					
Employee	\$ 230,488	\$ 231,794	\$ 225,767	\$ 223,135	\$ 221,823
Employer	426,215	435,098	410,932	391,181	338,819
New Units	-	-	-	-	-
Transfers from the Teachers' Retirement System	3,413	6,223	3,432	2,880	1,823
Transfers from the Judicial Retirement Fund	-	-	55	1	-
Transfers from an Internal Service Fund	-	-	-	-	-
Marketing & Advertising Revenue	-	-	-	-	-
Total Contributions	<u>660,116</u>	<u>673,115</u>	<u>640,186</u>	<u>617,197</u>	<u>562,465</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	1,098,859	753,836	(186,154)	888,303	984,714
Interest and Dividends	302,295	297,369	311,516	298,049	310,220
Total Investment Income/(Loss) from Investing Activities	<u>1,401,154</u>	<u>1,051,205</u>	<u>125,362</u>	<u>1,186,352</u>	<u>1,294,934</u>
Less: Investment Expenses, Net	<u>3,305</u>	<u>2,883</u>	<u>2,771</u>	<u>2,766</u>	<u>2,549</u>
Net Investment Income/(Loss) from Investing Activities	<u>1,397,849</u>	<u>1,048,322</u>	<u>122,591</u>	<u>1,183,586</u>	<u>1,292,385</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	9,127	7,481	5,353	4,199	5,780
Less Securities Lending Expenses:					
Borrower Rebates	3,424	1,356	164	21	186
Management Fees	1,389	1,416	1,290	1,235	1,519
Total Securities Lending Expenses	<u>4,813</u>	<u>2,772</u>	<u>1,454</u>	<u>1,256</u>	<u>1,705</u>
Net Income from Securities Lending Activities	<u>4,314</u>	<u>4,709</u>	<u>3,899</u>	<u>2,943</u>	<u>4,075</u>
Total Net Investment Income/(Loss)	<u>1,402,163</u>	<u>1,053,031</u>	<u>126,490</u>	<u>1,186,529</u>	<u>1,296,460</u>
Total Additions/Reductions	<u>2,062,279</u>	<u>1,726,146</u>	<u>766,676</u>	<u>1,803,726</u>	<u>1,858,925</u>
<b>Deductions</b>					
Retirement Allowance Payments	1,050,340	1,038,517	1,018,515	948,478	895,475
Return of Contributions and Death Benefits	47,683	45,768	51,024	47,937	44,837
Unit Withdrawals	1,000	-	-	-	-
Transfers to Teachers' Retirement System	3,096	3,590	4,015	3,549	3,345
Transfers to Judicial Retirement Fund	261	78	44	83	242
Administrative Expenses	11,982	11,002	11,136	9,612	9,767
Depreciation	2,520	2,021	2,046	2,055	2,015
Total Deductions	<u>1,116,882</u>	<u>1,100,976</u>	<u>1,086,780</u>	<u>1,011,714</u>	<u>955,681</u>
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	<u>945,397</u>	<u>625,170</u>	<u>(320,104)</u>	<u>792,012</u>	<u>903,244</u>
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	11,177,074	10,551,904	10,883,952	10,091,940	9,188,696
Adjustment for Application of GASB 68	-	-	(11,944)	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	<u>11,177,074</u>	<u>10,551,904</u>	<u>10,872,008</u>	<u>10,091,940</u>	<u>9,188,696</u>
<b>End of Year</b>	<u><b>\$ 12,122,471</b></u>	<u><b>\$ 11,177,074</b></u>	<u><b>\$ 10,551,904</b></u>	<u><b>\$ 10,883,952</b></u>	<u><b>\$ 10,091,940</b></u>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

(Amounts in Thousands)

	2022	2021	2020	2019	2018
<b>Additions</b>					
Contributions					
Employee	\$ 4,464	\$ 4,153	\$ 4,025	\$ 3,912	\$ 3,756
Employer	20,617	18,260	18,099	18,022	17,180
Transfers from the Teachers' Retirement System	-	-	-	-	9
Transfers from the Employees' Retirement System	228	118	159	189	102
Total Contributions	<u>25,309</u>	<u>22,531</u>	<u>22,283</u>	<u>22,123</u>	<u>21,047</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	(59,058)	56,970	16,173	3,476	20,071
Interest and Dividends	7,229	6,689	6,928	7,463	7,471
Total Investment Income/(Loss) from Investing Activities	<u>(51,829)</u>	<u>63,659</u>	<u>23,101</u>	<u>10,939</u>	<u>27,542</u>
Less: Investment Expenses, Net	-	-	-	-	-
Net Investment Income/(Loss) from Investing Activities	<u>(51,829)</u>	<u>63,659</u>	<u>23,101</u>	<u>10,939</u>	<u>27,542</u>
From Securities Lending Activities					
Securities Lending Income	94	106	128	327	248
Less Securities Lending Expenses:					
Borrower Rebates	23	1	41	218	134
Management Fees	21	33	29	32	34
Total Securities Lending Expenses	<u>44</u>	<u>34</u>	<u>70</u>	<u>250</u>	<u>168</u>
Net Income from Securities Lending Activities	<u>50</u>	<u>72</u>	<u>58</u>	<u>77</u>	<u>80</u>
Total Investment Income/(Loss)	<u>(51,779)</u>	<u>63,731</u>	<u>23,159</u>	<u>11,016</u>	<u>27,622</u>
Total Additions/Reductions	<u>(26,470)</u>	<u>86,262</u>	<u>45,442</u>	<u>33,139</u>	<u>48,669</u>
<b>Deductions</b>					
Retirement Allowance Payments	40,542	39,089	38,812	36,909	33,419
Return of Contributions and Death Benefits	325	28	256	646	130
Transfers to the Employees' Retirement System	-	-	-	-	-
Administrative Expenses	443	374	357	357	328
Total Deductions	<u>41,310</u>	<u>39,491</u>	<u>39,425</u>	<u>37,912</u>	<u>33,877</u>
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	<u>(67,780)</u>	<u>46,771</u>	<u>6,017</u>	<u>(4,773)</u>	<u>14,792</u>
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	365,329	15,980	9,963	14,736	-
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	(56)
Beginning of Year - as adjusted	<u>365,329</u>	<u>15,980</u>	<u>9,963</u>	<u>14,736</u>	<u>(56)</u>
<b>End of Year</b>	<u><b>\$ 297,549</b></u>	<u><b>\$ 62,751</b></u>	<u><b>\$ 15,980</b></u>	<u><b>\$ 9,963</b></u>	<u><b>\$ 14,736</b></u>



	2017	2016	2015	2014	2013
<b>Additions</b>					
Contributions					
Employee	\$ 3,711	\$ 3,645	\$ 3,639	\$ 3,681	\$ 3,677
Employer	17,373	17,529	15,077	15,790	13,903
Transfers from the Teachers' Retirement System	-	-	-	-	-
Transfers from the Employees' Retirement System	261	78	44	83	242
Total Contributions	21,345	21,252	18,760	19,554	17,822
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	25,639	21,302	(7,695)	24,197	25,207
Interest and Dividends	6,910	6,865	6,698	7,030	6,912
Total Investment Income/(Loss) from Investing Activities	32,549	28,167	(997)	31,227	32,119
Less: Investment Expenses, Net	-	-	-	-	-
Net Investment Income/(Loss) from Investing Activities	32,549	28,167	(997)	31,227	32,119
<i>From Securities Lending Activities</i>					
Securities Lending Income	270	258	195	167	184
Less Securities Lending Expenses:					
Borrower Rebates	90	58	7	1	10
Management Fees	44	46	47	49	48
Total Securities Lending Expenses	134	104	54	50	58
Net Income from Securities Lending Activities	136	154	141	117	126
Total Investment Income/(Loss)	32,685	28,321	(856)	31,344	32,245
Total Additions/Reductions	54,030	49,573	17,904	50,898	50,067
<b>Deductions</b>					
Retirement Allowance Payments	32,807	30,893	30,348	29,826	29,112
Return of Contributions and Death Benefits	353	115	100	54	196
Transfers to the Employees' Retirement System	-	-	55	1	-
Administrative Expenses	334	397	356	281	280
Total Deductions	33,494	31,405	30,859	30,162	29,588
<b>Net Increase/(Decrease) in Fiduciary Net Position</b>	20,536	18,168	(12,955)	20,736	20,479
<b>Net Position Restricted for Pension Benefits</b>					
Beginning of Year - as previously reported	282,042	263,874	277,096	256,360	235,881
Adjustment for Application of GASB 68	-	-	(267)	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	282,042	263,874	276,829	256,360	235,881
<b>End of Year</b>	<b>\$ 302,578</b>	<b>\$ 282,042</b>	<b>\$ 263,874</b>	<b>\$ 277,096</b>	<b>\$ 256,360</b>

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2021

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Option 1	Option 2	Option 3	Option 4
\$ 1 - 250	1,420	824	462	134	238	289	467	426	-
251 - 500	8,627	6,329	911	1,387	2,425	3,180	1,943	1,074	5
501 - 750	9,302	7,407	759	1,136	2,367	3,643	2,096	1,194	2
751 - 1,000	8,360	6,816	721	823	1,945	3,253	1,910	1,249	3
1,001 - 1,250	7,207	5,944	614	649	1,382	2,669	2,005	1,148	3
1,251 - 1,500	6,349	5,286	522	541	1,218	2,263	1,893	973	2
1,501 - 1,750	7,364	6,495	399	470	1,304	2,917	2,142	999	2
1,751 - 2,000	9,090	8,477	302	311	1,547	3,917	2,313	1,309	4
2,001 - 2,250	9,594	9,139	262	193	1,425	4,199	2,680	1,286	4
2,251 - 2,500	8,224	7,901	214	109	1,206	3,645	2,294	1,077	2
2,501 - 2,750	6,186	5,971	153	62	876	2,713	1,793	804	-
2,751 - 3,000	4,662	4,505	121	36	664	1,901	1,419	676	2
3,001 - 3,250	3,521	3,393	105	23	469	1,428	1,101	519	4
3,251 - 3,500	2,660	2,555	95	10	336	1,047	885	391	1
3,501 - 3,750	2,065	1,990	64	11	266	804	692	298	5
3,751 - 4,000	1,583	1,532	42	9	217	614	507	242	3
4,001 - 4,250	1,344	1,294	46	4	177	545	414	206	2
4,251 - 4,500	987	954	31	2	114	373	351	146	3
4,501 - 4,750	769	749	20	-	101	260	282	125	1
4,751 - 5,000	646	630	15	1	81	238	229	97	1
Over 5,000	3,111	3,009	96	6	344	937	1,300	517	13
<b>Totals</b>	<b>103,071</b>	<b>91,200</b>	<b>5,954</b>	<b>5,917</b>	<b>18,702</b>	<b>40,835</b>	<b>28,716</b>	<b>14,756</b>	<b>62</b>

#### <sup>1</sup> Type of Retirement

A - Service

B - Survivor Benefit

C - Disability

#### <sup>2</sup> Option

Maximum - Life Annuity

Option 1 - Cash Refund

Option 2 - 100% Joint Survivorship

Option 3 - 50% Joint Survivorship

Option 4 - Other

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

#### Retired Members by Type of Benefit as of September 30, 2021

Amount of Monthly Benefit	Number of Retirants	Type of Retirement <sup>1</sup>			Option Selected <sup>2</sup>				
		A	B	C	Maximum	Option 1	Option 2	Option 3	Option 4
\$ 1 - 250	388	173	207	8	45	25	66	190	62
251 - 500	3,536	2,364	850	322	853	855	887	748	193
501 - 750	5,270	3,725	802	743	1,479	1,538	1,171	854	228
751 - 1,000	5,138	3,703	624	811	1,420	1,628	977	842	271
1,001 - 1,250	5,764	4,568	514	682	1,258	1,965	1,249	903	389
1,251 - 1,500	5,191	4,268	422	501	1,086	1,857	1,174	784	290
1,501 - 1,750	4,834	4,178	301	355	945	1,786	1,100	789	214
1,751 - 2,000	4,522	4,078	190	254	822	1,737	975	745	243
2,001 - 2,250	3,963	3,631	163	169	706	1,340	999	676	242
2,251 - 2,500	3,349	3,093	116	140	586	1,218	847	548	150
2,501 - 2,750	2,712	2,542	80	90	434	1,012	701	455	110
2,751 - 3,000	2,105	1,992	63	50	343	791	545	376	50
3,001 - 3,250	1,895	1,808	60	27	301	721	509	322	42
3,251 - 3,500	1,365	1,305	39	21	207	513	367	247	31
3,501 - 3,750	1,145	1,109	26	10	181	440	300	204	20
3,751 - 4,000	843	816	16	11	145	331	203	145	19
4,001 - 4,250	714	696	12	6	97	275	188	138	16
4,251 - 4,500	536	516	12	8	76	197	155	100	8
4,501 - 4,750	422	409	12	1	74	154	112	72	10
4,751 - 5,000	376	366	8	2	57	132	105	78	4
Over 5,000	1,524	1,491	25	8	224	548	416	314	22
<b>Totals</b>	<b>55,592</b>	<b>46,831</b>	<b>4,542</b>	<b>4,219</b>	<b>11,339</b>	<b>19,063</b>	<b>13,046</b>	<b>9,530</b>	<b>2,614</b>

#### <sup>1</sup> Type of Retirement

A - Service

B - Survivor Benefit

C - Disability

#### <sup>2</sup> Option

Maximum - Life Annuity

Option 1 - Cash Refund

Option 2 - 100% Joint Survivorship

Option 3 - 50% Joint Survivorship

Option 4 - Other

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

#### Retired Members by Type of Benefit as of September 30, 2021

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	-	-	-	-	-	-
251 - 500	2	-	2	-	2	-
501 - 750	1	-	1	-	1	-
751 - 1,000	3	-	3	-	3	-
1,001 - 1,250	4	-	3	1	3	1
1,251 - 1,500	11	-	11	-	11	-
1,501 - 1,750	8	2	6	-	6	2
1,751 - 2,000	5	-	5	-	5	-
2,001 - 2,250	4	-	4	-	4	-
2,251 - 2,500	1	-	1	-	1	-
2,501 - 2,750	1	-	1	-	1	-
2,751 - 3,000	3	-	3	-	3	-
3,001 - 3,250	6	2	2	2	2	4
3,251 - 3,500	16	4	12	-	12	4
3,501 - 3,750	17	-	17	-	17	-
3,751 - 4,000	32	1	31	-	32	-
4,001 - 4,250	3	3	-	-	-	3
4,251 - 4,500	4	3	1	-	1	3
4,501 - 4,750	7	7	-	-	1	6
4,751 - 5,000	8	4	4	-	4	4
Over 5,000	316	307	5	4	55	261
<b>Totals</b>	<b>452</b>	<b>333</b>	<b>112</b>	<b>7</b>	<b>164</b>	<b>288</b>

#### † Type of Retirement

A - Service

B - Survivor Benefit

C - Disability

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Teachers' Retirement System

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

	Years of Creditable Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2021</b>					
Average monthly benefit	\$ 926	\$ 1,364	\$ 1,815	\$ 2,672	\$ 3,819
Average final average salary	\$ 48,416	\$ 49,569	\$ 51,424	\$ 63,105	\$ 71,608
Number of active retirants	767	739	715	1,738	1,009
<b>2020</b>					
Average monthly benefit	\$ 1,060	\$ 1,408	\$ 2,068	\$ 2,649	\$ 3,665
Average final average salary	\$ 51,082	\$ 50,019	\$ 56,716	\$ 62,502	\$ 68,785
Number of active retirants	\$ 812	\$ 682	\$ 821	\$ 1,418	\$ 899
<b>2019</b>					
Average monthly benefit	\$ 952	\$ 1,347	\$ 1,850	\$ 2,524	\$ 3,522
Average final average salary	\$ 47,460	\$ 48,489	\$ 51,915	\$ 59,072	\$ 66,278
Number of active retirants	\$ 825	\$ 634	\$ 709	\$ 1,426	\$ 813
<b>2018</b>					
Average monthly benefit	\$ 854	\$ 1,291	\$ 1,785	\$ 2,490	\$ 3,635
Average final average salary	\$ 44,361	\$ 46,765	\$ 50,942	\$ 58,748	\$ 68,533
Number of active retirants	\$ 917	\$ 714	\$ 623	\$ 1,460	\$ 726
<b>2017</b>					
Average monthly benefit	\$ 831	\$ 1,299	\$ 1,866	\$ 2,466	\$ 3,315
Average final average salary	\$ 42,451	\$ 46,698	\$ 51,545	\$ 57,495	\$ 63,269
Number of active retirants	\$ 952	\$ 631	\$ 744	\$ 1,396	\$ 605
<b>2016</b>					
Average monthly benefit	\$ 790	\$ 1,276	\$ 1,679	\$ 2,448	\$ 3,558
Average final average salary	\$ 41,166	\$ 46,315	\$ 47,377	\$ 57,439	\$ 66,923
Number of active retirants	\$ 950	\$ 646	\$ 626	\$ 1,456	\$ 502
<b>2015</b>					
Average monthly benefit	\$ 822	\$ 1,189	\$ 1,731	\$ 2,340	\$ 3,350
Average final average salary	\$ 42,410	\$ 42,982	\$ 49,065	\$ 54,854	\$ 63,017
Number of active retirants	\$ 934	\$ 667	\$ 650	\$ 1,476	\$ 529
<b>2014</b>					
Average monthly benefit	\$ 790	\$ 1,273	\$ 1,675	\$ 2,374	\$ 3,236
Average final average salary	\$ 40,969	\$ 46,200	\$ 47,036	\$ 56,099	\$ 60,273
Number of active retirants	855	656	633	1,397	364
<b>2013</b>					
Average monthly benefit	\$ 810	\$ 1,201	\$ 1,653	\$ 2,325	\$ 3,204
Average final average salary	\$ 41,846	\$ 43,291	\$ 46,143	\$ 55,080	\$ 59,738
Number of active retirants	879	676	600	1,216	278
<b>2012</b>					
Average monthly benefit	\$ 733	\$ 1,151	\$ 1,644	\$ 2,288	\$ 2,896
Average final average salary	\$ 37,417	\$ 41,518	\$ 46,432	\$ 53,707	\$ 54,443
Number of active retirants	951	643	638	1,411	493

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Employees' Retirement System

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

	Years of Creditable Service				
	10-14	15-19	20-24	25-29	30 & over
<b>2021</b>					
Average monthly benefit	\$ 866	\$ 1,350	\$ 2,234	\$ 2,865	\$ 3,885
Average final average salary	\$ 44,605	\$ 48,578	\$ 57,627	\$ 64,418	\$ 71,759
Number of active retirants	543	418	517	813	628
<b>2020</b>					
Average monthly benefit	\$ 842	\$ 1,283	\$ 2,058	\$ 2,712	\$ 3,742
Average final average salary	\$ 44,040	\$ 46,227	\$ 55,166	\$ 61,800	\$ 70,016
Number of active retirants*	475	397	392	754	494
<b>2019</b>					
Average monthly benefit	\$ 785	\$ 1,284	\$ 1,728	\$ 2,564	\$ 3,498
Average final average salary	\$ 42,373	\$ 48,258	\$ 51,403	\$ 61,555	\$ 69,493
Number of active retirants	483	353	296	716	589
<b>2018</b>					
Average monthly benefit	\$ 779	\$ 1,189	\$ 1,848	\$ 2,510	\$ 3,641
Average final average salary	\$ 41,733	\$ 43,797	\$ 51,794	\$ 57,665	\$ 68,460
Number of active retirants	508	403	325	808	486
<b>2017</b>					
Average monthly benefit	\$ 777	\$ 1,219	\$ 1,851	\$ 2,480	\$ 3,529
Average final average salary	\$ 40,630	\$ 43,568	\$ 52,468	\$ 57,172	\$ 65,786
Number of active retirants	559	354	329	701	464
<b>2016</b>					
Average monthly benefit	\$ 756	\$ 1,212	\$ 1,655	\$ 2,349	\$ 3,341
Average final average salary	\$ 39,679	\$ 44,655	\$ 47,798	\$ 54,386	\$ 61,838
Number of active retirants	516	340	357	852	425
<b>2015</b>					
Average monthly benefit	\$ 714	\$ 1,182	\$ 1,726	\$ 2,398	\$ 3,379
Average final average salary	\$ 38,049	\$ 43,986	\$ 48,618	\$ 55,372	\$ 62,969
Number of active retirants	548	384	334	808	364
<b>2014</b>					
Average monthly benefit	\$ 737	\$ 1,144	\$ 1,676	\$ 2,326	\$ 3,258
Average final average salary	\$ 38,296	\$ 42,040	\$ 48,423	\$ 54,092	\$ 60,078
Number of active retirants	532	319	316	725	337
<b>2013</b>					
Average monthly benefit	\$ 718	\$ 1,257	\$ 1,738	\$ 2,392	\$ 3,236
Average final average salary	\$ 37,933	\$ 46,357	\$ 49,200	\$ 54,929	\$ 59,595
Number of active retirants	537	385	321	661	337
<b>2012</b>					
Average monthly benefit	\$ 723	\$ 1,214	\$ 1,856	\$ 2,475	\$ 3,170
Average final average salary	\$ 38,160	\$ 43,479	\$ 49,415	\$ 54,904	\$ 58,675
Number of active retirants	566	370	486	757	283

\*Does not include 2,100 retirants that transferred in from the City of Montgomery on or after October 1, 2019.

# RETIREMENT SYSTEMS OF ALABAMA

## Statistical Section

### Judicial Retirement Fund

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

	Years of Creditable Service				
	10-14	15-19	20-24	25-29	30+
<b>2021</b>					
Average monthly benefit	\$ 8,582	\$ 11,615	\$ 8,136	\$ 9,682	\$ 8,664
Average final average salary	\$ 137,316	\$ 185,842	\$ 130,179	\$ 154,916	\$ 138,620
Number of active retirants	3	1	3	3	1
<b>2020</b>					
Average monthly benefit	\$ 6,896	\$ 7,518	\$ 9,714	\$ 9,767	\$ -
Average final average salary	\$ 110,342	\$ 120,292	\$ 155,422	\$ 156,272	\$ -
Number of active retirants	2	3	3	2	-
<b>2019</b>					
Average monthly benefit	\$ 7,864	\$ 8,451	\$ 8,373	\$ 8,647	\$ 9,241
Average final average salary	\$ 125,822	\$ 135,209	\$ 133,963	\$ 138,344	\$ 147,854
Number of active retirants	12	17	4	6	13
<b>2018</b>					
Average monthly benefit	\$ 2,713	\$ 9,115	\$ 9,200	\$ 9,371	\$ -
Average final average salary	\$ 43,414	\$ 145,838	\$ 147,199	\$ 149,936	\$ -
Number of active retirants	4	5	1	1	-
<b>2017</b>					
Average monthly benefit	\$ 8,409	\$ 8,519	\$ 9,345	\$ 8,453	\$ 9,262
Average final average salary	\$ 134,539	\$ 136,297	\$ 149,518	\$ 135,243	\$ 148,185
Number of active retirants	8	8	3	4	4
<b>2016</b>					
Average monthly benefit	\$ 6,928	\$ 8,952	\$ 9,293	\$ 8,204	\$ -
Average final average salary	\$ 110,854	\$ 143,234	\$ 148,686	\$ 131,271	\$ -
Number of active retirants	2	3	1	4	-
<b>2015</b>					
Average monthly benefit	\$ 8,692	\$ 9,043	\$ 9,319	\$ 9,332	\$ 8,202
Average final average salary	\$ 139,065	\$ 144,688	\$ 149,102	\$ 149,311	\$ 131,231
Number of active retirants	4	2	3	2	4
<b>2014</b>					
Average monthly benefit	\$ 8,528	\$ 9,158	\$ 9,051	\$ 9,371	\$ -
Average final average salary	\$ 136,441	\$ 146,529	\$ 144,812	\$ 149,936	\$ -
Number of active retirants	2	3	2	1	-
<b>2013</b>					
Average monthly benefit	\$ 7,458	\$ 8,297	\$ 9,128	\$ 9,216	\$ 7,224
Average final average salary	\$ 119,322	\$ 132,747	\$ 146,050	\$ 147,448	\$ 115,578
Number of active retirants	5	10	3	5	9
<b>2012</b>					
Average monthly benefit	\$ 6,993	\$ 9,184	\$ 9,371	\$ 7,230	\$ -
Average final average salary	\$ 111,884	\$ 146,937	\$ 149,936	\$ 115,676	\$ -
Number of active retirants	1	1	1	3	-



## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Abbeville Water Works & Sewer Board  
Abbeville, City of  
Adamsville, City of  
Addison, Town of  
Alabama 9-1-1 Board  
Alabama Cooperative Extension System  
Alabama Elk River Development Agency  
Alabama Historic Ironworks Commission  
Alabama League of Municipalities  
Alabama Municipal Electric Authority  
Alabama Rural Water Association  
Alabama Space Science Exhibit Commission  
Alabama Sports Hall of Fame  
Alabama State Docks Department  
Alabama Tombigbee Regional Commission  
Alabaster Water Board  
Alabaster, City of  
Albertville Housing Authority  
Albertville Municipal Utilities Board  
Albertville, City of  
Alexander City Housing Authority  
Alexander City, City of  
Aliceville Housing Authority  
Aliceville, City of  
AltaPointe Health Systems  
Altoona, Town of  
Andalusia Housing Authority  
Andalusia Utilities Board  
Andalusia, City of  
Anniston & Calhoun County Public Library  
Anniston Housing Authority  
Anniston Water Works & Sewer Board  
Anniston, City of  
Arab Housing Authority  
Arab Sewer Board  
Arab Water Works Board  
Arab, Town of  
Argo, Town of  
Arley, Town of  
Ashford Housing Authority  
Ashland Housing Authority  
Ashland Water Works & Sewer Board  
Ashland, City of  
Ashville, Town of  
Association of County Commissioners of  
Alabama  
Athens Utilities  
Athens, City of  
Athens-Limestone County Emergency  
Management Communications District  
Athens-Limestone Public Library  
Atmore Housing Authority  
Atmore, City of  
Attalla Housing Authority  
Attalla Water Works Board  
Attalla, City of  
Auburn Housing Authority

Auburn Water Works Board  
Auburn, City of  
Autauga County Commission  
Autauga County Emergency Management  
Communication District  
Autauga County Water Authority  
Autauga-Prattville Public Library  
B. B. Comer Memorial Library  
Bakerhill Water Authority  
Bakerhill, Town of  
Baldwin County Commission  
Baldwin County Emergency Communication  
District  
Baldwin County Sheriff's Office  
Baldwin County Soil & Water Conservation  
District  
Barbour County Commission  
Barbour County E-911 District Board  
Bay Minette Housing Authority  
Bay Minette, City of  
Bayou La Batre Housing Authority  
Bayou La Batre Utilities Board  
Bayou La Batre, City of  
Bear Creek Development Authority  
Bear Creek, Town of  
Beauregard Water Authority  
Berry, Town of  
Bessemer, City of  
Beulah Utilities District  
Bibb County Commission  
Bibb County Emergency Management  
Communication District  
Big Wills Water Authority  
Birmingham Racing Commission  
Birmingham Regional Planning Commission  
Birminghamport Fire District  
Black Warrior Solid Waste Disposal Authority  
Blount County Commission  
Blount County Communications District  
Blount County Water Authority  
Blountsville Utility Board  
Blountsville, Town of  
Boaz Board of Water & Sewer Commissioners  
Boaz, City of  
Boldo Water & Fire Protection Authority  
Boston Housing Authority  
Brantley Housing Authority  
Brent Housing Authority  
Brent, City of  
Brewton Housing Authority  
Brewton, City of  
Bridgeport Housing Authority  
Bridgeport Utilities Board  
Bridgeport, City of  
Brilliant, Town of  
Brookwood, Town of  
Brundidge, City of

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Buhl-Elrod-Holman Water Authority  
 Bullock County Commission  
 Butler County Commission  
 Butler County Emergency Communication  
     District  
 Butler, City of  
 Cahaba Center for Mental Health & Mental  
     Retardation  
 Cahaba Valley Fire & Emergency Medical  
     Rescue District  
 Calera, City of  
 Calhoun County 9-1-1 District  
 Calhoun County Commission  
 Calhoun County Community Punishment &  
     Corrections Authority  
 Calhoun County Economic Development  
     Council  
 Calhoun County Water & Fire Protection  
     Authority  
 Calhoun-Cleburne Mental Health Board  
 Camden, City of  
 Camp Hill, Town of  
 Carbon Hill Utilities Board  
 Carbon Hill, City of  
 Carl Elliott Regional Library  
 Carroll's Creek Water Authority  
 Carrollton, Town of  
 Castleberry, Town of  
 Cedar Bluff Utilities Board & Solid Waste  
     Authority  
 Cedar Bluff, Town of  
 Center Point Fire District  
 Center Point, City of  
 Central Alabama Aging Consortium  
 Central Alabama Regional Planning &  
     Development Commission  
 Central Alabama Youth Services  
 Central Elmore Water & Sewer Authority  
 Central Talladega County Water District  
 Centre Water Works & Sewer Board  
 Centre, City of  
 Centreville, City of  
 Chambers County Commission  
 Chambers County Development Authority  
 Chambers County Emergency Management  
     Communications District  
 Chambers County Library Board  
 Chatom, City of  
 Chelsea, City of  
 Cherokee County Commission  
 Cherokee County Water & Sewer Authority  
 Cherokee, Town of  
 Chickasaw Housing Authority  
 Chickasaw Utilities Board  
 Chickasaw, Town of  
 Childersburg Water Works, Sewer & Gas Board  
 Childersburg, City of

Chilton County Commission  
 Chilton County Soil & Water Conservation  
     District  
 Chilton Water Authority  
 Chilton/Clanton Public Library  
 Chilton-Shelby Mental Health Center  
 Choctaw County Commission  
 Choctaw County Emergency Communications  
     District  
 Citizenship Trust American Village  
 Citronelle, City of  
 Clanton Housing Authority  
 Clanton Water Works & Sewer Board  
 Clanton, City of  
 Clarke County Commission  
 Clarke County Soil & Water Conservation  
     District  
 Clarke-Mobile Counties Gas District  
 Clay County Commission  
 Clay County E-911  
 Clay County Water Authority  
 Clayton Housing Authority  
 Clayton Water Works & Sewer Board  
 Clayton, City of  
 Cleburne County Commission  
 Cleveland, Town of  
 Coaling Water Authority  
 Coaling, Town of  
 Coffee County Commission  
 Coffee County Water Authority  
 Coffeeville, Town of  
 Coker Water Authority  
 Colbert County Commission  
 Colbert County Emergency Management  
     Communications District  
 Colbert County Tourism & Convention Bureau  
 Collinsville Water Works & Sewer Board  
 Collinsville, City of  
 Columbia, Town of  
 Columbiana Housing Authority  
 Columbiana Water Works Board  
 Columbiana, Town of  
 Concord Fire District  
 Conecuh County Commission  
 Conecuh County E-911  
 Conecuh County Soil & Water Conservation  
     District  
 Cook Springs Water Authority  
 Cooperative District for Northeast Alabama Gas  
 Coosa County Commission  
 Coosa County Emergency Communication  
     Management Board  
 Coosa Valley Youth Services  
 Coosada, Town of  
 Cordova Housing Authority  
 Cordova Water & Gas Board  
 Cordova, City of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Cottonwood Housing Authority	Dothan-Houston County Intellectual Disabilities Board
Cottonwood, City of	Double Springs Water Works Board
Courtland, Town of	Double Springs, Town of
Covington County Commission	Douglas Water Authority
Covington County E-911 Board	Douglas, Town of
Covington County Water Authority	Dutton, Town of
Cowarts, Town of	East Alabama Mental Health-Mental Retardation Board
Crenshaw County Commission	East Alabama Regional Planning & Development Commission
Crenshaw County Emergency Communications District	East Alabama Water, Sewer & Fire Protection District
Creola, City of	East Brewton Water Works & Sewer Board
Crossville Water Works Board	East Brewton, City of
Crossville, Town of	East Central Alabama Gas District
Cuba, Town of	East Central Baldwin County Water & Fire Protection Authority
Cullman County Center for the Developmentally Disabled	East Lauderdale County Water & Fire Protection Authority
Cullman County Commission	Eclectic, Town of
Cullman County E-911	Elba Water & Electric Board
Cullman Power Board	Elba, City of
Cullman, City of	Elberta, City of
Cullman-Jefferson Counties Gas District	Electric Cities of Alabama
Cumberland Mountain Water Authority	Elmore County Commission
Curry Water Authority	Elmore County Emergency Communications District
CWM Water Authority	Elmore Water & Sewer Authority
Dadeville Housing Authority	Enterprise Housing Authority
Dadeville Water Supply & Gas Board	Enterprise Water Works Board
Dadeville, City of	Enterprise, City of
Dadeville, Waterworks & Sewer Board of	Ernest F. Ladd Memorial Stadium
Dale County Commission	Escambia County Commission
Dale County Water Authority	Escambia County Cooperative Library System
Daleville Housing Authority	Escambia County Emergency Communications District
Daleville, City of	Etowah County Commission
Dallas County Commission	Etowah County Communications District
Dallas County Legislative Office	Etowah County Community Corrections
Dallas County Water & Sewer Authority	Etowah County Tourism Board
Daphne Utilities Board	Etowah County Solid Waste Disposal Authority
Daphne, City of	Eufaula Housing Authority
Dauphin Island Water & Sewer Authority	Eufaula Water Works & Sewer Board
Dauphin Island, Town of	Eufaula, City of
Decatur Utilities	Eutaw, City of
Decatur, City of	Evergreen Housing Authority
DeKalb County Commission	Evergreen, City of
DeKalb County Economic Development Authority	Excel, Town of
DeKalb County Emergency Communications District	Fairfield, City of
DeKalb County Hospital Association	Fairhope Public Library
DeKalb County Mental Retardation Board	Fairhope, City of
DeKalb-Cherokee Counties Gas District	Falkville, Town of
DeKalb-Jackson Water Supply District Board	Fayette County Commission
Demopolis Housing Authority	Fayette County E-911 District
Demopolis Water Works & Sewer Board	Fayette County Water Authority
Demopolis, City of	Fayette Gas Board
Dora Waterworks & Gas Board	Fayette Housing Authority
Dora, City of	
Dothan, City of	
Dothan-Houston County Communications District	

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Fayette Water Works Board  
Fayette, City of  
Fayetteville Water Authority  
Five Star Water Supply District  
Flomaton, Town of  
Florence Housing Authority  
Florence Lauderdale Port Authority  
Florence/Lauderdale Tourism Board  
Foley Utilities Board  
Foley, City of  
Forestdale Fire District  
Fort Deposit Water Works & Sewer Board  
Fort Deposit, Town of  
Fort Payne Housing Authority  
Fort Payne Improvement Authority  
Fort Payne Water Works Board  
Fort Payne, City of  
Fosters-Ralph Water Authority  
Franklin County Commission  
Franklin County Soil & Water Conservation District  
Franklin County Water Service Authority  
Frisco City, Town of  
Fultondale Gas Board  
Fultondale, Town of  
Fyffe, Town of  
Gadsden Water Works & Sewer Board  
Gadsden, City of  
Gantt, Town of  
Garden Town, Town of  
Gardendale, City of  
Geneva County Commission  
Geneva County E-911  
Geneva Water Works & Sewer Board  
Geneva, City of  
Georgiana Housing Authority  
Georgiana, City of  
Geraldine, Town of  
Gilbertown Utilities Board  
Gilbertown, Town of  
Glencoe Water & Sewer Board  
Glencoe, City of  
Goodwater Water Works & Sewer Board  
Good Hope, City of  
Goodwater, City of  
Gordo, City of  
Governmental Utility Services Corporation of Moody  
Governmental Utility Services Corporation of the City of Bessemer  
Grant, Town of  
Graysville Public Library  
Graysville, City of  
Greater Etowah Mental Retardation 310 Board  
Greene County Ambulance Service  
Greene County Commission  
Greene County E-911 Communication District

Greene County Hospital & Nursing Home  
Greene County Housing Authority  
Greene County Industrial Development Authority  
Greene County Racing Commission  
Greenhill Water & Fire Protection Authority  
Greensboro Housing Authority  
Greensboro, City of  
Greenville Housing Authority  
Greenville Water Works & Sewer Board  
Greenville, City of  
Grove Hill, City of  
Guin Housing Authority  
Guin Water Works & Sewer Board  
Guin, City of  
Gulf Shores Utilities Board  
Gulf Shores, City of  
Guntersville Electric Board  
Guntersville Housing Authority  
Guntersville Water Works & Sewer Board  
Guntersville, City of  
Gurley, Town of  
Hackleburg Housing Authority  
Hackleburg Water Board  
Hackleburg, Town of  
Hackneyville Water & Fire Protection Authority  
Hale County Commission  
Hale County Emergency Medical Service  
Hale County Soil & Water Conservation District  
Haleyville, City of  
Hamilton Housing Authority  
Hamilton, City of  
Hammondville, Town of  
Hanceville Water Works & Sewer Board  
Hanceville, City of  
Harpersville, Town of  
Hartford, City of  
Hartselle Utilities Board  
Hartselle, City of  
Hartselle, Housing Authority of the City of  
Harvest-Monrovia Water, Sewer & Fire Protection Authority  
Hayden, Town of  
Hayneville, City of  
Headland Housing Authority  
Headland, City of  
Heflin Water Works & Sewer Board  
Heflin, City of  
Helena Utilities Board  
Helena, City of  
Henagar, City of  
Henry County Commission  
Henry County Water Authority  
Highland Water Authority  
Historic Blakeley Authority  
Hillsboro, Town of  
Hodges, Town of

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Hokes Bluff Water Board	Lamar County Commission
Hokes Bluff, Town of	Lamar County Communications District
Holly Pond, Town of	Lanett, City of
Hollywood, Town of	Lauderdale County Commission
Homewood, City of	Lauderdale County Community Corrections Authority
Hoover, City of	Lauderdale County Regional Library System
Horseshoe Bend Regional Library	Lawrence County Commission
Houston County Commission	Lee County Commission
Houston County Soil Conservation District	Leeds Housing Authority
Houston County Water Authority	Leeds Water Works Board
Houston-Love Memorial Library	Leeds, City of
Hueytown, City of	Lee-Russell Council of Governments
Huguley Water, Sewer & Fire Protection Authority	Leesburg, Town of
Huntsville Electric Utilities System	Leighton Water & Sewer Board
Huntsville Gas Utilities System	Leighton, Town of
Huntsville Solid Waste Disposal Authority	Level Plains, Town of
Huntsville Waterworks Utilities System	Lexington, Town of
Huntsville, City of	Limestone County Commission
Huntsville/Madison County Convention & Visitors Bureau	Limestone County Water & Sewer Authority
Huntsville-Madison County Airport Authority	Lincoln, City of
Huntsville-Madison County Marina & Port Authority	Linden, City of
Huntsville-Madison County Mental Health Center Board	Lineville Housing Authority
Ider, Town of	Lineville Waterworks & Sewer Board
Indian Pines Recreational Authority	Lineville, City of
International Motorsports Hall of Fame	Littleville, Town of
Irondale, City of	Livingston Housing Authority
J. Paul Jones Hospital	Livingston, City of
Jackson County Commission	Loachapoka Water Authority
Jackson County Economic Development Authority	Locust Fork, Town of
Jackson County Emergency Management Communications District	Lowndes County Commission
Jackson County Legislative Delegation Office	Loxley, City of
Jackson County Soil & Water Conservation District	Luverne Housing Authority
Jackson County Water Authority	Luverne, City of
Jackson, City of	Lynn, Town of
Jackson's Gap Water Authority	Macon County Commission
Jackson's Gap, Town of	Macon County Racing Commission
Jacksonville Housing Authority	Madison County 310 Board
Jacksonville Water Works, Gas & Sewer Board	Madison County Commission
Jacksonville, City of	Madison County Communications District
Jasper Waterworks & Sewer Board	Madison County Legislative Office
Jasper, City of	Madison Water & Wastewater Board
Jefferson County Department of Health	Madison, City of
Jefferson County Housing Authority	Magnolia Springs, Town of
Jefferson-Blount-St. Clair Mental Health Authority	Malvern, Town of
Jemison, Town of	Maplesville Waterworks & Gas Board
Joppa, Hulaco & Ryan Water Authority	Maplesville, City of
Kennedy, City of	Marengo County Commission
Killen, City of	Marengo County Emergency Communications District
Kinsey, Town of	Marengo Nursing Home
LaFayette, City of	Margaret, Town of
	Marion County Commission
	Marion County Emergency Communications District
	Marion County Public Water Authority
	Marion Housing Authority
	Marion, City of

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Marshall County Commission  
Marshall County Community Punishment &  
Corrections Authority  
Marshall County Emergency Telephone  
Services  
Marshall County Gas District  
Marshall County Legislative Office  
Marshall-Jackson Mental Retardation Authority  
McAdory Area Fire District  
McIntosh, Town of  
Mental Health Board of Bibb, Pickens &  
Tuscaloosa County  
Mental Health Center of North Central Alabama  
Mental Retardation/Developmental Disabilities  
Board  
Mentone, Town of  
Middle Alabama Area Agency on Aging  
Midfield, City of  
Midland City, City of  
Midway, City of  
Mildred B. Harrison Library  
Millbrook, City of  
Millport Housing Authority  
Millport, Town of  
Mobile Airport Authority  
Mobile Area Water & Sewer System  
Mobile County Commission  
Mobile County Communications District  
Mobile County Emergency Management  
Agency  
Mobile County Health Department  
Mobile County Law Enforcement & Firefighters'  
Pension Fund  
Mobile County Housing Authority  
Mobile County Personnel Board  
Mobile County Racing Commission  
Mobile County Water, Sewer & Fire Protection  
Authority  
Mobile Public Library  
Mobile, City of  
Monroe County Commission  
Monroeville Housing Authority  
Monroeville Water Works Board  
Monroeville, City of  
Montevallo Water Works & Sewer Board  
Montevallo, City of  
Montgomery Airport Authority  
Montgomery Area Mental Health Authority  
Montgomery County Commission  
Montgomery County Soil & Water Conservation  
District  
Montgomery Water Works & Sanitary Sewer  
Board  
Montgomery, City of  
Moody, City of  
Morgan County Commission

Morgan County Emergency Management  
Communication District  
Morgan County Soil & Water Conservation  
District  
Moulton Housing Authority  
Moulton, City of  
Moundville, City of  
Mountain Brook Library Board  
Mountain Brook Park & Recreation Board  
Mountain Brook, City of  
Mt. Vernon, Town of  
Munford Water Authority  
Munford, Town of  
Muscle Shoals Electric Board  
Muscle Shoals Utilities Board  
Muscle Shoals, City of  
Myrtlewood, Town of  
Nauvoo, Town of  
Nectar, Town of  
New Brockton, The Water Works & Sewer Board of  
the Town of  
New Hope, Town of  
New London Water, Sewer & Fire Protection  
Authority  
New Site, Town of  
Newton, Town of  
North Alabama Gas District  
North Baldwin Utilities  
North Central Alabama Mental Retardation  
Authority  
North Central Alabama Regional Council of  
Governments  
North Dallas County Water Authority  
North Marshall Utilities Board  
North Shelby County Fire & Emergency  
Medical District  
North Shelby Library  
Northeast Alabama MR/DD Authority  
Northeast Alabama Water, Sewer & Fire  
Protection District  
Northeast Morgan County Water & Sewer  
Authority  
Northport Housing Authority  
Northport, City of  
Northwest Alabama Council of Local  
Governments  
Northwest Alabama Mental Health Center  
Northwest Alabama Regional Airport  
Notasulga, Town of  
Oak Grove, Town of  
Oakman Water Works Board  
Oakman, Town of  
Odenville Utilities Board  
Odenville, Town of  
Ohatchee, Town of  
Oneonta Housing Authority

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Oneonta Utilities Board	Ragland Water Works Board
Oneonta, City of	Ragland, Town of
Opelika Housing Authority	Rainbow City Utilities Board
Opelika Utilities Board	Rainbow City, City of
Opelika, City of	Rainsville, City of
Opp Utilities Board	Randolph County Commission
Opp, City of	Randolph County E9-1-1
Orange Beach Water, Sewer & Fire Protection Authority	Red Bay Housing Authority
Orange Beach, Town of	Red Bay Water Works & Gas Board
Owassa/Brownville Water Authority	Red Bay, City of
Owens Cross Roads Water Authority	Red Mountain Greenway & Recreational Area Commission
Owens Cross Roads, City of	Reform Housing Authority
Oxford Emergency Medical Services	Reform, City of
Oxford, City of	Regional Housing Authority of Lawrence, Cullman & Morgan Counties
Ozark Utilities Board	Rehobeth, City of
Ozark, City of	Remlap-Pine Mountain Water Authority
Ozark-Dale County E-911	Repton, Town of
Parrish Water Works & Sewer Board	Riverbend Center for Mental Health
Parrish, Town of	Riverside, Town of
Pelham, City of	Roanoke Utility Board
Pell City Housing Authority	Roanoke, City of
Pell City, City of	Robertsdale, City of
Pennington Utilities Board	Rockford Utilities Board
Pennington, City of	Rockford, Town of
Perdido Bay Water, Sewer & Fire Protection District	Rocky Ridge Fire District
Perry County Commission	Rogersville Water Works & Sewer Board
Perry County E-911	Rogersville, Town of
Phenix City Utilities	Russell County Commission
Phenix City, City of	Russell County Emergency Communications District
Phil Campbell Housing Authority	Russell County Soil & Water Conservation District
Phil Campbell Water Works & Sewer Board	Russell County Water Authority
Phil Campbell, Town of	Russellville Electric Board
Pickens County Commission	Russellville Gas Board
Pickens County E-911 Board	Russellville Housing Authority
Pickens County Water Authority	Russellville Water & Sewer Board
Piedmont Housing Authority	Russellville, City of
Piedmont, City of	Rutledge, Town of
Pike County Commission	Samson, City of
Pike County Communications District	Saraland Water Service
Pike County Soil & Water Conservation District	Saraland, City of
Pike County Water Authority	Sardis City Water Board
Pike Road Volunteer Fire Protection Authority	Sardis, City of
Pike Road, Town of	Satsuma Water Works Board
Pine Bluff Water Authority	Satsuma, City of
Pine Hill, Town of	Scottsboro Electric Power Board
Pine Level Water Authority	Scottsboro Housing Authority
Pinson, City of	Scottsboro Public Library
Pisgah, Town of	Scottsboro Public Park & Recreation Board
Pleasant Grove, City of	Scottsboro Waterworks, Sewer & Gas Board
Prattville Housing Authority	Scottsboro, City of
Prattville Water Works Board	Section Waterworks Board
Prattville, City of	Section, Town of
Priceville, Town of	Selma Housing Authority
Prichard Housing Authority	Selma Water & Sewer Board
Pryor Field Airport Authority	Selma, City of
Quint-Mar Water Authority	



Semmes, City of  
 Sheffield Utilities Board  
 Sheffield, City of  
 Shelby County Commission  
 Shelby County Community Corrections  
 Shelby County Emergency Management  
     Communications District  
 Shelby County Legislative Office  
 Shelby County Soil Conservation District  
 Shoals Committee on Programs & Employment  
     for the Mentally Retarded  
 Shoals Economic Development Authority  
 Shoals Solid Waste Disposal Authority  
 Shorter, Town of  
 Silas, Town of  
 Silverhill, Town of  
 Skyline, Town of  
 Slocomb Waterworks & Sewer Board  
 Slocomb, Town of  
 Smiths Station, City of  
 Smiths Water & Sewer Authority  
 Snead, Town of  
 Somerville, Town of  
 South Alabama Gas District  
 South Alabama Regional Planning Commission  
 South Central Alabama Development  
     Commission  
 South Central Alabama Mental Health Board  
 South Central Alabama Regional Housing  
     Authority  
 South Crenshaw County Water Authority  
 South Marengo County Water & Fire Protection  
     Authority  
 Southeast Alabama Regional Planning &  
     Development Commission  
 Southeast Alabama Solid Waste Disposal  
     Authority  
 Southeast Alabama Youth Services  
 Southern Alabama Regional Council on Aging  
 Southside Water Works & Sewer Board  
 Southside, City of  
 Southwest Alabama Water Authority  
 Spanish Fort, City of  
 SpectraCare Health Systems  
 Springville, Town of  
 St. Clair County Commission  
 St. Clair County Community Punishment &  
     Corrections Authority  
 St. Clair County Industrial Development Board  
 St. Clair County Soil & Water Conservation  
     District  
 St. Florian, Town of  
 St. Stephens Historical Commission  
 Star-Mindingall Water & Fire Protection  
     Authority  
 Steele, Town of  
 Stevenson Housing Authority

Stevenson Utilities Board  
 Stevenson, City of  
 Stewartville Water Authority  
 Sulligent Housing Authority  
 Sulligent, City of  
 Sumiton Housing Authority  
 Sumiton, City of  
 Summerdale, Town of  
 Sumter County Commission  
 Sumter County Industrial Development  
     Authority  
 Sumter County Soil & Water Conservation  
     District  
 Sumter County Water Authority  
 Sylacauga Parks & Recreation Board  
 Sylacauga Utilities Board  
 Sylacauga, City of  
 Sylvan Springs, Town of  
 Sylvania, Town of  
 Talladega County Commission  
 Talladega County Emergency Management  
     Communications District  
 Talladega County Soil & Water Conservation District  
 Talladega, City of  
 Tallapoosa County Commission  
 Tallassee, City of  
 Tarrant Alabama Housing Authority  
 Tarrant Electric System  
 Tarrant, City of  
 Taylor, Town of  
 Thomaston, Town of  
 Thomasville, City of  
 Thorsby, Town of  
 Top of Alabama Regional Council of  
     Governments  
 Top Trails Public Park Authority of the Cities of  
     Lincoln & Talladega  
 Town Creek, Town of  
 Triana, City of  
 TriCounty Agency for Intellectual Disabilities  
 Trinity, Town of  
 Troy Housing Authority  
 Troy, City of  
 Trussville Utilities Board  
 Trussville, City of  
 Turnerville Water & Fire Protection District  
 Tuscaloosa County Commission  
 Tuscaloosa County Community Punishment &  
     Corrections Authority  
 Tuscaloosa County E-911  
 Tuscaloosa County Industrial Development  
     Authority  
 Tuscaloosa County Office of Public Defender  
 Tuscaloosa County Park & Recreation Authority  
 Tuscaloosa County Parking & Transit Authority  
 Tuscaloosa County Soil & Water Conservation  
     District

## RETIREMENT SYSTEMS OF ALABAMA

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### *Statistical Section*

#### Employees' Retirement System

#### Local Participating Employers

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Tuscaloosa County Special Tax Board	Wilcox County Emergency Communications District
Tuscaloosa Housing Authority	Wilcox County Gas District
Tuscaloosa Public Library	Wilsonville, Town of
Tuscaloosa, City of	Wilton, Town of
Tuscumbia, City of	Winfield Water Works & Sewer Board
Tuskegee Utilities Board	Winfield, City of
Tuskegee, City of	Winston County Commission
Union Grove Utilities Board	Winston County E9-1-1 Communications District
Union Springs Utilities Board	Woodland, Town of
Union Springs, City of	Woodstock, Town of
Uniontown Housing Authority	York Housing Authority
Uniontown Utilities Board	York, City of
Uniontown, Town of	
USS Alabama Battleship Commission	
Valley Grande, City of	
Valley Head Water Works Board	
Valley Head, City of	
Valley Housing Authority	
Valley, City of	
Vance, Town of	
Vernon Housing Authority	
Vernon, City of	
Vestavia Hills, City of	
Vincent, City of	
Vincent, The Water Works Board of the City of	
Von Braun Civic Center	
Wadley, Town of	
Walker County Commission	
Walker County E9-1-1 District	
Walker County Housing Authority	
Walker County Soil & Water Conservation District	
Wall Street Water Authority	
Walnut Hill Water Authority	
Warrior River Water Authority	
Warrior, City of	
Washington County Commission	
Washington County E-911 Communication District	
Washington County Soil & Water Conservation District	
Wattsville Water Authority	
Weaver, City of	
Webb, Town of	
Wedowee Water, Sewer & Gas Board	
Wedowee, City of	
West Alabama Regional Commission	
West Autauga Water Authority	
West Escambia Utilities	
West Etowah County Water Authority	
West Jefferson, Town of	
West Lauderdale County Water & Fire Protection Authority	
West Morgan–East Lawrence Water & Sewer Authority	
Wetumpka Water Works & Sewer Board	
Wetumpka, City of	
Wilcox County Commission	

# RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Ten-Year History of Largest Employers

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
1) Employer	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama	State of Alabama
# of Active Members	28,333	29,019	28,533	29,664	29,548	29,756	30,109	30,297	30,659	31,795
% of Total Active Members	33.50%	33.95%	33.75%	34.27%	34.50%	35.08%	35.43%	35.40%	35.84%	36.85%
2) Employer	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of	Huntsville, City of
# of Active Members	2,374	2,353	2,362	2,362	2,296	2,258	2,207	2,243	2,209	2,192
% of Total Active Members	2.81%	2.75%	2.89%	2.73%	2.68%	2.66%	2.60%	2.62%	2.58%	2.54%
3) Employer	Montgomery, City of	Montgomery, City of	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	2,139	2,206	1,539	1,596	1,610	1,604	1,587	1,578	1,625	1,657
% of Total Active Members	2.53%	2.58%	1.82%	1.84%	1.88%	1.89%	1.87%	1.84%	1.90%	1.92%
4) Employer	Mobile County	Mobile County	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	AltaPointe Health*	Mobile, City of	Mobile, City of
# of Active Members	1,452	1,514	1,058	1,104	1,150	1,195	1,250	1,341	1,282	1,254
% of Total Active Members	1.72%	1.77%	1.25%	1.28%	1.34%	1.41%	1.47%	1.57%	1.50%	1.45%
5) Employer	Mobile, City of	Madison County	Madison County	Madison County	Madison County	Madison County	Madison County	Mobile, City of	AltaPointe Health*	Madison County
# of Active Members	1,043	1,048	1,044	1,083	1,107	1,145	1,152	1,254	1,236	1,154
% of Total Active Members	1.23%	1.23%	1.24%	1.25%	1.29%	1.35%	1.36%	1.47%	1.44%	1.34%
6) Employer	Madison County	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Madison County	Madison County	Helen Keller Hospital
# of Active Members	1,015	1,022	1,035	1,032	1,018	999	995	1,152	1,174	1,002
% of Total Active Members	1.20%	1.20%	1.22%	1.19%	1.19%	1.18%	1.17%	1.35%	1.37%	1.16%
7) Employer	Dothan, City of	Mobile, City of	Auburn, City of	Auburn, City of	Montgomery County	Montgomery County	AltaPointe Health*	Dothan, City of	Dothan, City of	Dothan, City of
# of Active Members	1,003	1,022	822	828	801	807	792	996	985	966
% of Total Active Members	1.19%	1.20%	0.97%	0.96%	0.94%	0.95%	0.93%	1.16%	1.15%	1.12%
8) Employer	Auburn, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Auburn, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	Tuscaloosa, City of	AltaPointe Health*
# of Active Members	770	768	770	759	786	774	777	790	775	911
% of Total Active Members	0.91%	0.90%	0.91%	0.88%	0.92%	0.91%	0.91%	0.92%	0.91%	1.06%
9) Employer	Tuscaloosa, City of	Auburn, City of	Montgomery County	Montgomery County	Tuscaloosa, City of	Auburn, City of	Montgomery County	Montgomery County	Montgomery County	Montgomery County
# of Active Members	757	759	751	757	783	752	766	769	767	771
% of Total Active Members	0.90%	0.89%	0.89%	0.87%	0.91%	0.89%	0.90%	0.90%	0.90%	0.89%
10) Employer	Montgomery County	Montgomery County	Hoover, City of	Hoover, City of	Hoover, City of	Hoover, City of	Auburn, City of	Hoover, City of	Helen Keller Hospital	Tuscaloosa, City of
# of Active Members	697	715	726	689	706	704	706	678	729	763
% of Total Active Members	0.82%	0.84%	0.86%	0.80%	0.82%	0.83%	0.83%	0.79%	0.85%	0.88%
Total # of Active Members	84,572	85,485	84,534	86,565	85,657	84,814	84,985	85,585	85,549	86,290

\* Formerly Greater Mobile-Washington Co. Mental Health Board













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