

Component Units of the State of Alabama

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended on September 30, 2023



The Retirement Systems of Alabama

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year Ended September 30, 2023

The Retirement Systems of Alabama
Consists of:

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

(Each a Component Unit of the State of Alabama)

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

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Introductory Section

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



Teachers
Luther P. Hallmark, Chair
John R. Whaley, Vice Chair



Employees
State State Police Public Judicial
Kay Ivey, Chair
James E. Fibbe, Vice Chair

THE RETIREMENT SYSTEMS OF ALABAMA

David G. Bronner, CEO

Jo Moore, Deputy Director for Administration

R. Marc Green, Deputy Director for Investments

January 15, 2024

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

Dear Board Members and RSA 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, 2023. 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 Generally Accepted Accounting Principles (GAAP), the financial information of the TRS, ERS, and JRF is reported on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the corresponding liability is incurred. Investments are reported at fair value.

RETIREMENT SYSTEMS OF ALABAMA

Introductory Section

Letter of Transmittal

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 2023 and 2022. Also, an analysis of significant variances between fiscal years 2023 and 2022 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, 2022, the date of the most recent actuarial valuation, the number of participants in the TRS was 305,536, ERS participants totaled 193,887, and JRF participants totaled 867. The following table compares the funded status of each as of September 30, 2022 and 2021:

	Funded Status		
System	9/30/2022	9/30/2021	% Increase/ (Decrease)
TRS	67.0%	70.2%	-3.2%
ERS	65.6%	67.7%	-2.1%
JRF	61.5%	66.8%	-5.3%

The funded statuses of the TRS, ERS, and JRF decreased primarily due to negative investment returns in FY2022.

Investment Activity

Total investments for the RSA increased in fiscal year 2023, primarily due to increases in fair value of investments. Total pension fund investments managed by the RSA increased from \$38.4 billion at September 30, 2022, to \$41.7 billion at September 30, 2023, an increase of 8.59%.

	Investments, at Fair Value		Interest & Dividend Income	
	9/30/2023	9/30/2022	9/30/2023	9/30/2022
TRS	\$27.4 billion	\$25.2 billion	\$714.4 million	\$629.2 million
ERS	\$14.0 billion	\$12.9 billion	\$370.8 million	\$330.0 million
JRF	\$317.5 million	\$292.4 million	\$8.3 million	\$7.2 million

Net Change in Fair Value of Investments

	9/30/2023	9/30/2022
TRS	\$2.6 billion	(\$4.5 billion)
ERS	\$1.3 billion	(\$2.3 billion)
JRF	\$34.4 million	(\$59.1 million)

Time-weighted returns gross of fees were 13.26%, 12.89%, and 14.66% for the TRS, ERS and JRF, respectively. When we wrote this letter last year, we highlighted the fact that negative market sentiment was pervasive across the entire capital markets spectrum. The FOMC was still in tightening mode through the majority of fiscal 2023, and there were several exogenous events that rattled financial markets. We saw a number of bank failures in the spring, a continuation of the Russia/Ukraine war, and the prospect of a Federal government shutdown towards the end of the fiscal year. Looking back, it seems that the overwhelming negativity towards financial markets had baked in an even worse outcome than what was experienced. Surprisingly, corporate earnings held up much better than expected.

Equity markets, at the end of the day generally follow earnings, and with better than expected earnings growth, performance surprised to the upside. Looking forward, it looks like most of the heavy lifting by the Fed is done. Although we are not out of the woods yet, they may luck out and thread the needle and not throw the economy into recession. We have tilted towards a more defensive posture in the funds, selling mostly large capitalization stocks and reinvesting those proceeds in short term money market instruments. 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 124 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 unqualified ("clean") opinion on the RSA's financial statements for the fiscal year ended September 30, 2023. The independent auditors' report is located at the front of the Financial Section of this report.

Highlights and Initiatives

The Robert Trent Jones Golf Trail set a record for the third consecutive year for rounds played. The Trail played 688,477 rounds in 2023, which exceeded 2022's record year by 12%. The Trail opened in 1992, and this year surpassed the 14 million round mark! On an annual basis, the Trail welcomes golfers and tourists from all 50 states and approximately 30 countries. The Trail continues to be recognized for the quality of its golf courses, as Golf Week ranked 7 of the Trail's courses in its top 10 courses you can play in Alabama for 2023.

The RSA-owned hotels & resorts also produced record results in fiscal 2023, which garnered several properties "Best in Class" awards and acknowledgment from Marriott Corporation. The Grand Hotel led the way, finishing #3 in guest service excellence out of 140 Autograph properties. The Marriott Muscle Shoals, Marriott Prattville Hotel & Conference Center, and Renaissance Riverview Plaza each finished in the top 5% of their perspective categories.

The Renaissance Ross Bridge Golf Resort & Spa, Auburn Marriott Opelika Resort & Spa and Renaissance Battle House Hotel & Spa each finished in the top 10% of their perspective brands in guest service excellence as well.

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, 2022. 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.

The Retirement Systems of Alabama received the Public Pension Coordinating Council's (PPCC) Recognition Award for Funding 2023. 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, 2022

Christopher P. Morrill

Executive Director/CEO



Public Pension Coordinating Council

***Recognition Award for Funding
2023***

Presented to

Retirement Systems of Alabama

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

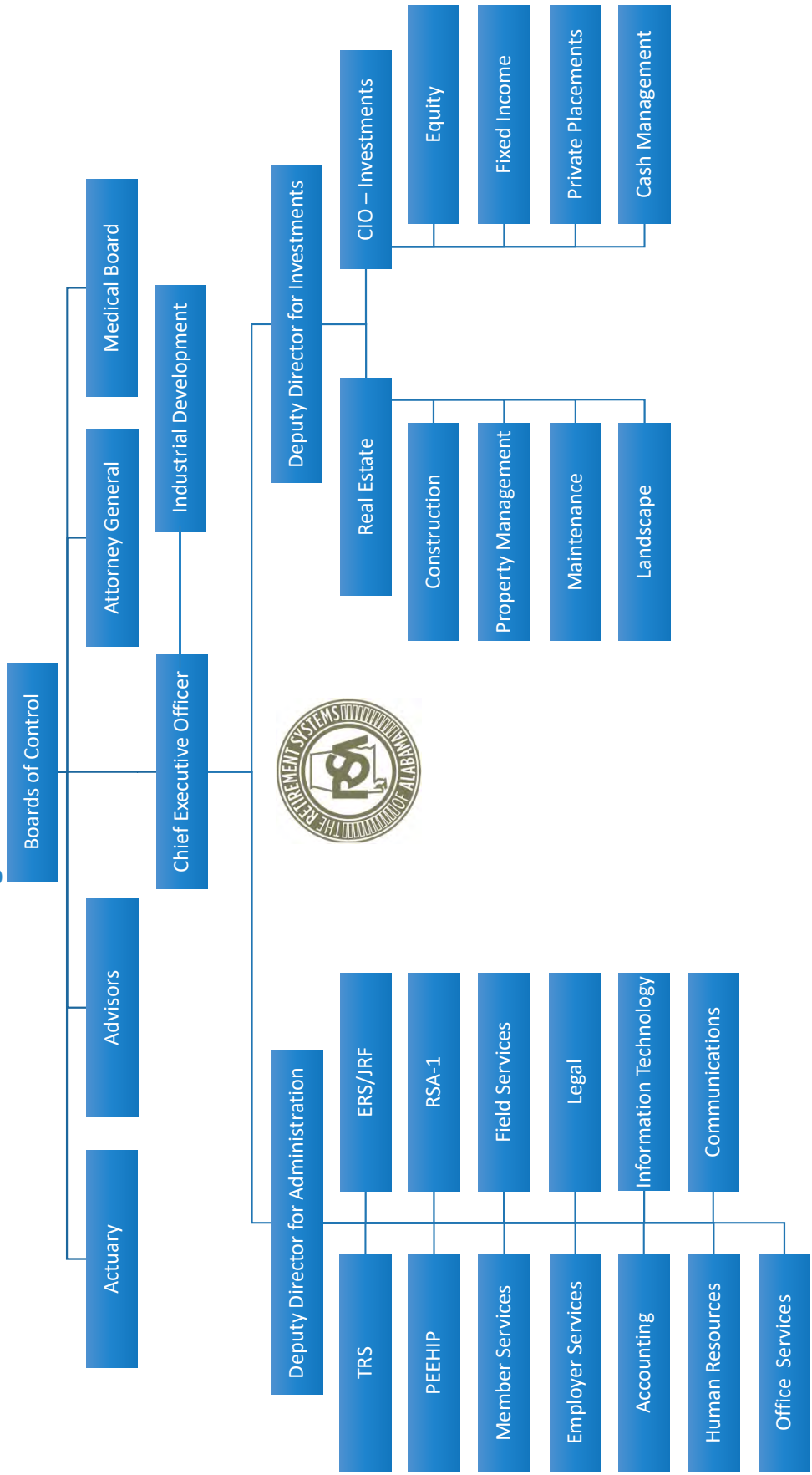
Presented by the Public Pension Coordinating Council, a confederation of

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

A handwritten signature in black ink that reads "Alan H. Winkle". The signature is written in a cursive style with a large, stylized 'A' and 'W'.

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

Vice Chair Pro Tempore, Mr. David J. Harer, Active City 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

Mrs. Lisa Statum, Active Other Local Employee Position

Mr. Michael Gillespie, Active or Retired Local Employee Position

Mr. Ricky Harcrow, Active County Employee Position

Appointed Members

Capt. 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

Introductory Section

Staff, Advisors, and Medical Board

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, CPA
Director of Fixed Income, C. Lance Lachney, M.B.A., CFA
Fixed Income Analyst Portfolio Manager, Nicholas A. Prillaman, M.S., CFA
Fixed Income Analyst, Kaylee Quinn, MACC
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
Senior Equity Analyst & Director of University Relations, Kevin W. Gamble, M.B.A., CFA
Equity Analyst, Michael McNair, M.B.A., CFA
Equity Analyst, Michael Broadwater, M.S.
Cash Management/Operations, Lauren I. Bright, B.S.

Advisors

Independent Certified Public Accountants, Carr, Riggs & Ingram CPA and Advisors, LLC
Investment Consultant, Regions Bank N.A., Alan McKnight
Investment Custodian, State Street Bank and Trust Company
Consulting Actuary, Cavanaugh Macdonald Consulting, LLC, 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**





Carr, Riggs & Ingram, LLC
7550 Halcyon Summit Drive
Montgomery, AL 36117

334.271.6678
334.271.6697 (fax)
CRIcpa.com

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

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, 2023, 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, 2023, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 and *Government 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 and *Government 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, 2022, 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 20, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended September 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 15, 2024, on our consideration the Retirement Systems of Alabama's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Retirement Systems of Alabama's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Retirement Systems of Alabama's internal control over financial reporting and compliance.

Carr, Rigg & Ingram, L.L.C.

January 15, 2024
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, 2023. 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, 2023 and 2022

(Dollar Amounts in Thousands)

	2023	2022	Variance	% Increase/ (Decrease)
<i>Assets & Deferred Outflows of Resources</i>				
Cash	\$ 159,259	\$ 119,111	\$ 40,148	33.71
Receivables	366,095	305,839	60,256	19.70
Investment Sales Receivable	-	20,112	(20,112)	(100.00)
Investments, at Fair Value	41,733,067	38,399,402	3,333,665	8.68
Invested Securities Lending Collateral	2,095,836	1,415,158	680,678	48.10
Property and Equipment, Net	121,159	127,997	(6,838)	(5.34)
Total Assets	<u>44,475,416</u>	<u>40,387,619</u>	<u>4,087,797</u>	
Deferred Outflows of Resources	24,861	12,195	12,666	103.86
Total Assets & Deferred Outflows of Resources	<u>44,500,277</u>	<u>40,399,814</u>	<u>4,100,463</u>	10.15
<i>Liabilities & Deferred Inflows of Resources</i>				
Accounts Payable and Other Liabilities	17,763	15,779	1,984	12.57
Investment Purchases Payable	-	23,040	(23,040)	(100.00)
Net Other Postemployment Benefits Liability	9,492	8,131	1,361	16.74
Net Pension Liability	60,412	35,788	24,624	68.81
Securities Lending Collateral	2,095,836	1,415,158	680,678	48.10
Total Liabilities	<u>2,183,503</u>	<u>1,497,896</u>	<u>685,607</u>	45.77
Deferred Inflows of Resources	11,671	24,339	(12,668)	(52.05)
Total Liabilities & Deferred Inflows of Resources	<u>2,195,174</u>	<u>1,522,235</u>	<u>672,939</u>	44.21
<i>Net Position Restricted for Pension Benefits</i>	<u>\$ 42,305,103</u>	<u>\$ 38,877,579</u>	<u>\$ 3,427,524</u>	8.82

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, 2023 and 2022
(Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
<i>Additions/(Reductions)</i>				
Employee Contributions	\$ 920,685	\$ 861,586	\$ 59,099	6.86
Employer Contributions	1,623,185	1,512,818	110,367	7.30
New Units	-	2,679	(2,679)	(100.00)
Investment Income/(Loss)	5,031,958	(5,874,166)	10,906,124	185.66
Transfers Between Systems	15,623	15,958	(335)	(2.10)
Marketing & Advertising Revenue	751	500	251	50.20
Direct Appropriation from the Education Trust Fund	-	58,400	(58,400)	(100.00)
Total Additions/(Reductions)	<u>7,592,202</u>	<u>(3,422,225)</u>	<u>11,014,427</u>	321.85
<i>Deductions</i>				
Retirement Allowance Payments	3,975,958	3,919,590	56,368	1.44
Return of Contributions, Unit Withdrawals & Death Benefits	120,910	128,078	(7,168)	(5.60)
Transfers Between Systems	15,623	15,958	(335)	(2.10)
Administrative Expenses	39,506	30,694	8,812	28.71
Depreciation	12,681	12,611	70	0.56
Total Deductions	<u>4,164,678</u>	<u>4,106,931</u>	<u>57,747</u>	1.41
<i>Net Increase/(Decrease) in Fiduciary Net Position</i>	3,427,524	(7,529,156)	10,956,680	145.52
<i>Net Position Restricted for Pension Benefits</i>				
Beginning of Year	38,877,579	46,406,735	(7,529,156)	(16.22)
<i>End of Year</i>	<u>\$ 42,305,103</u>	<u>\$ 38,877,579</u>	<u>\$ 3,427,524</u>	8.82

**Comparison of Individual Fiduciary Net Position
As of September 30, 2023 and 2022
(Dollar Amounts in Thousands)**

	<u>2023</u>	<u>2022</u>	<u>Variance</u>	<u>% Increase/ (Decrease)</u>
TRS	\$ 27,848,236	\$ 25,580,871	\$ 2,267,365	8.86
ERS	14,133,341	12,999,159	1,134,182	8.73
JRF	323,526	297,549	25,977	8.73
Total	<u>\$ 42,305,103</u>	<u>\$ 38,877,579</u>	<u>\$ 3,427,524</u>	8.82

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Management's Discussion and Analysis (Continued)

Financial Analysis

- Cash on September 30, 2023 primarily consist of contributions received prior to or on September 30, 2023 sent to the State Street Bank on October 1, 2023 and cash to cover operating expenses paid from the Expense Funds.
- 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, 2023.
- 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 2023 was due to having no securities traded in the current fiscal year and settling in the following fiscal year, which is 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:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Equity	66.15%	66.22%	64.29%
Fixed	15.63%	15.50%	25.62%
Real Estate	10.09%	10.01%	2.12%
Short-Term	8.13%	8.27%	7.97%
Total	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

- Employer contributions increased as a result of salary increases for fiscal year 2023 due to cost-of-living adjustments. The employer contribution rates for fiscal year 2023 are in the table below. ERS local participating employer contribution rates differ for each employer.

	<u>Tier 1</u>	<u>Tier 2</u>
TRS	12.59%	11.44%
ERS - State Employees	14.82%	14.44%
ERS - State Police	51.67%	42.86%
JRF - Groups 1 & 2	42.10%	-
JRF - Group 3 - Judges' & Clerks' Plan	37.34%	-
JRF - District Attorneys' Plan	19.77%	-

- During fiscal year 2023, time-weighted returns on investments, gross of fees of the TRS, ERS, and JRF were 13.26%, 12.89%, and 14.66%, respectively. The returns were calculated by State Street Bank.
- During fiscal year 2023, investment income increased by 185.66% primarily due to a large increase in the net unrealized gains and increases in net securities lending income. Net securities lending income increased by 28.56% for the RSA which was primarily driven by an increase in demand. The increase was more apparent due to lower than usual demand in the comparative year ending September 30, 2022. As of September 30, 2023, loan balances increased approximately 49% for cash lent and 96% for non-cash lent compared to prior year. Non-cash loans continue to be the collateral of choice for brokers due to the regulations imposed by the Dodd-Frank Act. As a result, non-cash loans received increased by approximately 98%.
- Retirement allowance payments increased as a result of 6,870 members who retired during fiscal year 2023.
- 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.

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, 2023, TRS and JRF employers' total pension liability was \$43.8 billion and \$551.8 million, respectively. The plan fiduciary net position of TRS and JRF employers was \$27.8 billion and \$323.5 million, respectively, resulting in a net pension liability of \$16.0 billion and \$228.3 million, respectively. The plan fiduciary net position as a percentage of the total pension liability for TRS and JRF employers was 63.57% and 58.62%, 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 \$42.3 billion at September 30, 2023, was available to meet future benefit payments.
- At September 30, 2022, the date of the most recent actuarial valuation, the funding level (actuarial value of assets as a percentage of actuarial accrued liabilities) was 67.0% for the TRS, 65.6% for the ERS, and 61.5% for the JRF.



RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Fiduciary Net Position

September 30, 2023 with comparative figures for 2022

(Dollar Amounts in Thousands)

	2023			Total
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Assets				
Cash (Note 4)	\$ 109,881	\$ 45,322	\$ 4,056	\$ 159,259
Receivables				
Employee Contributions	57,657	18,021	202	75,880
Employer Contributions	100,293	34,767	790	135,850
Transfers Receivable from the Teachers' Retirement System	-	321	-	321
Transfers Receivable from the Employees' Retirement System	1,232	-	-	1,232
Dividends and Interest	99,696	51,152	1,328	152,176
Miscellaneous Receivable	166	240	230	636
Total Receivables	<u>259,044</u>	<u>104,501</u>	<u>2,550</u>	<u>366,095</u>
Investments, at Fair Value (Note 5)				
Domestic Equity	14,135,337	7,229,295	155,019	21,519,651
Domestic Fixed Income	4,286,135	2,166,694	81,356	6,534,185
International Equities	4,018,172	2,024,607	49,075	6,091,854
Real Estate	2,768,447	1,398,673	6,744	4,173,864
Short-Term	2,232,430	1,155,797	25,286	3,413,513
Total Investments	<u>27,440,521</u>	<u>13,975,066</u>	<u>317,480</u>	<u>41,733,067</u>
Invested Securities Lending Collateral (Note 5)	1,423,034	662,065	10,737	2,095,836
Property and Equipment less				
Accumulated Depreciation (Note 8)	83,316	37,843	-	121,159
Total Assets	<u>29,315,796</u>	<u>14,824,797</u>	<u>334,823</u>	<u>44,475,416</u>
Deferred Outflows of Resources - Pensions	16,837	5,372	246	22,455
Deferred Outflows of Resources - Other Postemployment Benefits	1,767	632	7	2,406
Total Assets and Deferred Outflows of Resources	<u>29,334,400</u>	<u>14,830,801</u>	<u>335,076</u>	<u>44,500,277</u>
Liabilities				
Accounts Payable and Other Liabilities	10,887	5,201	122	16,210
Transfers Payable to the Teachers' Retirement System	-	1,232	-	1,232
Transfers Payable to the Employees' Retirement System	321	-	-	321
Net Other Postemployment Benefits Liability (Note 9)	5,975	3,485	32	9,492
Net Pension Liability (Note 10)	38,435	21,349	628	60,412
Securities Lending Collateral (Note 5)	1,423,034	662,065	10,737	2,095,836
Total Liabilities	<u>1,478,652</u>	<u>693,332</u>	<u>11,519</u>	<u>2,183,503</u>
Deferred Inflows of Resources - Pensions	2,410	615	3	3,028
Deferred Inflows of Resources - Other Postemployment Benefits	5,102	3,513	28	8,643
Total Liabilities and Deferred Inflows of Resources	<u>1,486,164</u>	<u>697,460</u>	<u>11,550</u>	<u>2,195,174</u>
Net Position Restricted for Pension Benefits (Note 3)	<u>\$ 27,848,236</u>	<u>\$ 14,133,341</u>	<u>\$ 323,526</u>	<u>\$ 42,305,103</u>

See accompanying Notes to the Combined Financial Statements.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Fiduciary Net Position

September 30, 2023 with comparative figures for 2022

(Dollar Amounts in Thousands)

	2022			Total
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Assets				
Cash	\$ 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	<u>233,982</u>	<u>89,855</u>	<u>2,114</u>	<u>325,951</u>
Investments, at Fair Value				
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	<u>25,240,084</u>	<u>12,866,956</u>	<u>292,362</u>	<u>38,399,402</u>
Invested Securities Lending Collateral	910,512	499,408	5,238	1,415,158
Property and Equipment less				
Accumulated Depreciation	88,363	39,634	-	127,997
Total Assets	<u>26,549,294</u>	<u>13,534,796</u>	<u>303,529</u>	<u>40,387,619</u>
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	<u>26,557,674</u>	<u>13,538,512</u>	<u>303,628</u>	<u>40,399,814</u>
Liabilities				
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	5,018	3,087	26	8,131
Net Pension Liability	19,723	15,723	342	35,788
Securities Lending Collateral	910,512	499,408	5,238	1,415,158
Total Liabilities	<u>960,802</u>	<u>531,110</u>	<u>5,984</u>	<u>1,497,896</u>
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	<u>976,803</u>	<u>539,353</u>	<u>6,079</u>	<u>1,522,235</u>
Net Position Restricted for Pension Benefits	<u><u>\$ 25,580,871</u></u>	<u><u>\$ 12,999,159</u></u>	<u><u>\$ 297,549</u></u>	<u><u>\$ 38,877,579</u></u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended September 30, 2023 with comparative figures for 2022

(Dollar Amounts in Thousands)

	2023			
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Total
Additions				
Contributions				
Employee	\$ 588,284	\$ 327,631	\$ 4,770	\$ 920,685
Employer	1,008,365	593,211	21,609	1,623,185
Transfers from the Teachers' Retirement System	-	6,825	-	6,825
Transfers from the Employees' Retirement System	8,526	-	249	8,775
Transfers from the Judicial Retirement Fund	23	-	-	23
Marketing & Advertising Revenue	503	248	-	751
Total Contributions	<u>1,605,701</u>	<u>927,915</u>	<u>26,628</u>	<u>2,560,244</u>
Investment Income (Note 5)				
From Investing Activities				
Net Increase in Fair Value of Investments	2,625,411	1,283,045	34,443	3,942,899
Interest and Dividends	714,409	370,837	8,312	1,093,558
Total Investment Income from Investing Activities	<u>3,339,820</u>	<u>1,653,882</u>	<u>42,755</u>	<u>5,036,457</u>
Less: Investment Expenses, Net	11,696	3,611	-	15,307
Net Investment Income from Investing Activities	<u>3,328,124</u>	<u>1,650,271</u>	<u>42,755</u>	<u>5,021,150</u>
From Securities Lending Activities				
Securities Lending Income	63,743	34,364	380	98,487
Less Securities Lending Expenses:				
Borrower Rebates	52,783	28,834	281	81,898
Management Fees	3,840	1,907	34	5,781
Total Securities Lending Expenses	<u>56,623</u>	<u>30,741</u>	<u>315</u>	<u>87,679</u>
Net Income from Securities Lending Activities	<u>7,120</u>	<u>3,623</u>	<u>65</u>	<u>10,808</u>
Total Net Investment Income	<u>3,335,244</u>	<u>1,653,894</u>	<u>42,820</u>	<u>5,031,958</u>
Total Additions	<u>4,940,945</u>	<u>2,581,809</u>	<u>69,448</u>	<u>7,592,202</u>
Deductions				
Retirement Allowance Payments	2,566,776	1,366,602	42,580	3,975,958
Return of Contributions and Death Benefits	65,142	55,427	341	120,910
Transfers to the Teachers' Retirement System	-	8,526	23	8,549
Transfers to the Employees' Retirement System	6,825	-	-	6,825
Transfers to the Judicial Retirement Fund	-	249	-	249
Administrative Expenses	25,694	13,285	527	39,506
Depreciation (Note 8)	9,143	3,538	-	12,681
Total Deductions	<u>2,673,580</u>	<u>1,447,627</u>	<u>43,471</u>	<u>4,164,678</u>
Net Increase in Fiduciary Net Position	2,267,365	1,134,182	25,977	3,427,524
Net Position Restricted for Pension Benefits (Note 3)				
Beginning of Year	25,580,871	12,999,159	297,549	38,877,579
End of Year	<u>\$ 27,848,236</u>	<u>\$ 14,133,341</u>	<u>\$ 323,526</u>	<u>\$ 42,305,103</u>

See accompanying Notes to the Combined Financial Statements.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Combining Statement of Changes in Fiduciary Net Position

For the Fiscal Year Ended September 30, 2023 with comparative figures for 2022

(Dollar Amounts in Thousands)

	2022			Total
	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	
Additions/(Reductions)				
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	<u>1,554,199</u>	<u>872,433</u>	<u>25,309</u>	<u>2,451,941</u>
Investment Income				
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	<u>(3,870,969)</u>	<u>(1,944,658)</u>	<u>(51,829)</u>	<u>(5,867,456)</u>
Less: Investment Expenses, Net	11,573	3,544	-	15,117
Net Investment Loss from Investing Activities	<u>(3,882,542)</u>	<u>(1,948,202)</u>	<u>(51,829)</u>	<u>(5,882,573)</u>
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	<u>6,991</u>	<u>3,542</u>	<u>44</u>	<u>10,577</u>
Net Income from Securities Lending Activities	<u>5,615</u>	<u>2,742</u>	<u>50</u>	<u>8,407</u>
Total Net Investment Loss	<u>(3,876,927)</u>	<u>(1,945,460)</u>	<u>(51,779)</u>	<u>(5,874,166)</u>
Total Reductions	<u>(2,322,728)</u>	<u>(1,073,027)</u>	<u>(26,470)</u>	<u>(3,422,225)</u>
Deductions				
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	9,060	3,551	-	12,611
Total Deductions	<u>2,658,331</u>	<u>1,407,290</u>	<u>41,310</u>	<u>4,106,931</u>
Net Decrease in Fiduciary Net Position	(4,981,059)	(2,480,317)	(67,780)	(7,529,156)
Net Position Restricted for Pension Benefits				
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>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2023

(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*.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

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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, 2023, the number of participating units in each system was as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Cities	-	308	-
Counties	-	66	67
Other Public Entities	-	510	-
Universities	13	-	-
Postsecondary			
Institutions	25	-	-
City and County			
Boards of Education	139	-	-
State Agencies & Other	41	1	1
Total	<u>218</u>	<u>885</u>	<u>68</u>

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At September 30, 2022, the date of the most recent actuarial valuation, membership consisted of:

	TRS	ERS	JRF
Retirees and beneficiaries currently receiving benefits:			
General	105,549	25,112	459
State Police	-	994	-
Employees of Local Employers	-	30,637	-
Terminated employees entitled to benefits but not yet receiving benefits:			
General	29,312	7,191	11
State Police	-	58	-
Employees of Local Employers	-	20,975	-
Non-vested inactive members who have not contributed for more than 5 years	34,892	24,362	25
Active Employees:			
General	135,783	26,656	372
State Police	-	724	-
Employees of Local Employers	-	57,317	-
Total	305,536	194,026	867

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.

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

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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 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.

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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.

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.

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.

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.

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, JRF Group 3, or District Attorney Plan member who has completed at least one year

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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 and termination of employment, 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.

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, 2023, are as follows:

	TRS	ERS	JRF
Annuity Savings	\$ 7,232,215	\$ 3,571,121	\$ 51,331
Pension Accumulation	20,379,364	10,464,314	268,525
Deferred Retirement Option Plan	73,902	36,413	-
Preretirement Death Benefit	51,712	14,302	156
Term Life Insurance	719	-	-
Plant Fund	83,316	37,843	-
Expense Fund	27,008	9,348	3,514
Net Position at 9/30/2023	\$ 27,848,236	\$ 14,133,341	\$ 323,526

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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. Cash at September 30, 2023 primarily consists of contributions received prior to or on September 30, 2023 sent to the State Street Bank on October 1, 2023 and cash to cover operating expenses paid from the Expense Funds.

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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 13.40%, 13.03%, and 14.94%, 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.

(Dollar Amounts in Thousands)

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, 2023, the TRS, the ERS, and the JRF did not own any debt or equity securities with approximated values greater than 5% of their total investments.

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The following tables provide information as of September 30, 2023, concerning the fair value of investments, interest rate risk, and foreign currency risk (dollar amounts in thousands):

Type of Investment	TRS				Total Fair Value	Cost
	Maturity in Years at Fair Value					
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 1,712,748	\$ -	\$ -	\$ -	\$ 1,712,748	\$ 1,712,748
Commercial Paper	519,682	-	-	-	519,682	519,682
U.S. Agency	19,421	77,452	32,541	4,804	134,218	146,274
U.S. Treasuries	162,053	648,903	380,555	231,735	1,423,246	1,564,338
Corporate Bonds	95,434	620,221	361,066	369,733	1,446,454	1,578,081
Private Placements	-	262,309	59,934	55,717	377,960	414,788
GNMAs	40	517	-	122,779	123,336	152,549
CMOs	-	6,201	13,452	761,268	780,921	881,267
Total Domestic Fixed Maturity	<u>\$ 2,509,378</u>	<u>\$ 1,615,603</u>	<u>\$ 847,548</u>	<u>\$ 1,546,036</u>	<u>6,518,565</u>	<u>6,969,727</u>
<i>Equities</i>						
Preferred					22,936	25,444
Common					12,557,698	8,404,378
Private					1,554,703	1,450,403
International						
Australian Dollar					185,909	112,839
Swiss Franc					330,506	132,310
Danish Krone					116,130	26,403
Euro					954,939	712,607
Pound Sterling					500,501	499,720
Hong Kong Dollar					70,658	50,392
New Israeli Shekel					12,600	15,353
Japanese Yen					745,766	497,126
Norwegian Krone					21,175	12,553
New Zealand Dollar					1,915	2,218
Swedish Krona					84,550	50,418
Singapore Dollar					36,547	24,825
US Dollar					956,969	983,721
South African Rand					7	8
Total International Equities					<u>4,018,172</u>	<u>3,120,493</u>
Total Equities					<u>18,153,509</u>	<u>13,000,718</u>
Real Estate						
Real Estate - Buildings					2,490,080	1,977,154
Real Estate - Equity					278,367	301,705
Total Real Estate					<u>2,768,447</u>	<u>2,278,859</u>
Total Investments					<u>\$ 27,440,521</u>	<u>\$ 22,249,304</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

Type of Investment	ERS				Total Fair Value	Cost
	Maturity in Years at Fair Value					
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 872,761	\$ -	\$ -	\$ -	\$ 872,761	\$ 872,761
Commercial Paper	283,036	-	-	-	283,036	283,036
U.S. Agency	9,839	37,924	18,308	2,389	68,460	74,998
U.S. Treasuries	79,045	329,010	198,719	114,408	721,182	792,597
Corporate Bonds	48,057	315,500	189,345	180,496	733,398	801,879
Private Placements	-	129,353	28,720	27,442	185,515	203,999
GNMAs	26	168	-	61,756	61,950	76,809
CMOs	-	2,855	6,418	386,916	396,189	447,656
Total Domestic Fixed Maturity	<u>\$ 1,292,764</u>	<u>\$ 814,810</u>	<u>\$ 441,510</u>	<u>\$ 773,407</u>	<u>3,322,491</u>	<u>3,553,735</u>
<i>Equities</i>						
Preferred						
					9,969	11,112
Common						
					6,363,001	4,204,346
Private						
					856,325	830,965
International						
Australian Dollar					90,390	58,197
Swiss Franc					160,554	71,263
Danish Krone					56,466	14,427
Euro					464,454	353,343
Pound Sterling					243,341	241,272
Hong Kong Dollar					34,314	26,631
New Israeli Shekel					6,127	7,281
Japanese Yen					362,031	249,860
Norwegian Krone					10,291	6,384
New Zealand Dollar					930	1,083
Swedish Krona					41,108	26,092
Singapore Dollar					17,764	12,375
US Dollar					536,837	561,060
Total International Equities					<u>2,024,607</u>	<u>1,629,268</u>
Total Equities					<u>9,253,902</u>	<u>6,675,691</u>
Real Estate						
Real Estate - Buildings					1,207,803	985,006
Real Estate - Equity					190,870	206,872
Total Real Estate					<u>1,398,673</u>	<u>1,191,878</u>
Total Investments					<u>\$ 13,975,066</u>	<u>\$ 11,421,304</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

Type of Investment	JRF				Total Fair Value	Cost
	Maturity in Years at Fair Value					
	Less Than 1	1-5	6-10	More Than 10		
<i>Fixed Maturity</i>						
Domestic						
Money Market Funds	\$ 18,755	\$ -	\$ -	\$ -	\$ 18,755	\$ 18,755
Commercial Paper	6,531	-	-	-	6,531	6,531
U.S. Agency	463	1,802	653	111	3,029	3,303
U.S. Treasuries	6,904	10,064	6,501	4,188	27,657	30,605
Corporate Bonds	2,812	13,436	5,875	8,305	30,428	33,468
Private Placements	-	800	155	840	1,795	1,908
GNMAs	-	-	-	2,671	2,671	3,306
CMOs	-	152	467	15,157	15,776	18,157
Total Domestic Fixed Maturity	<u>\$ 35,465</u>	<u>\$ 26,254</u>	<u>\$ 13,651</u>	<u>\$ 31,272</u>	<u>106,642</u>	<u>116,033</u>
<i>Equities</i>						
Preferred					544	607
Common					153,142	70,046
Private					1,333	1,366
International						
Australian Dollar					2,451	2,057
Swiss Franc					4,293	2,266
Danish Krone					1,534	427
Euro					12,504	10,137
Pound Sterling					6,530	6,950
Hong Kong Dollar					944	778
New Israeli Shekel					165	201
Japanese Yen					9,908	6,978
Norwegian Krone					279	223
New Zealand Dollar					25	23
Swedish Krona					1,108	820
Singapore Dollar					468	345
US Dollar					8,866	8,967
Total International Equities					<u>49,075</u>	<u>40,172</u>
Total Equities					<u>204,094</u>	<u>112,191</u>
Real Estate						
Real Estate - Buildings					4,174	1,067
Real Estate - Equity					2,570	2,786
Total Real Estate					<u>6,744</u>	<u>3,853</u>
Total Investments					<u>\$ 317,480</u>	<u>\$ 232,077</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2023, concerning credit risk:

TRS

Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 176,579	\$ 163,301	2.51
Aa2	6,590	4,801	0.07
Aa3	26,434	25,606	0.39
P-1	36,046	36,046	0.55
P-2	483,636	483,636	7.42
A1	170,902	160,363	2.46
A2	122,950	114,571	1.76
A3	284,317	267,571	4.10
Baa1	336,743	294,752	4.52
Baa2	467,307	425,391	6.53
Baa3	100,342	94,919	1.46
Ba1	8,295	8,116	0.12
Ba2	4,718	4,583	0.07
Ba3	2,141	1,930	0.03
NR	2,144,573	2,105,476	32.30
Total Moody's Rated Fixed Maturities	4,371,573	4,191,062	64.29
U.S. Agency Mortgage-Backed Securities	881,267	780,921	11.98
U.S. Government Guaranteed	1,716,887	1,546,582	23.73
Total Fixed Maturities	\$ 6,969,727	\$ 6,518,565	100.00

S&P Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 14,962	\$ 13,180	0.20
AA+	153,857	142,566	2.19
AA	10,594	10,307	0.16
AA-	56,918	53,246	0.82
A-2	519,682	519,682	7.97
A+	49,895	45,953	0.70
A	85,427	79,851	1.22
A-	313,573	290,581	4.46
BBB+	464,467	427,845	6.56
BBB	426,681	377,819	5.80
BBB-	105,047	99,771	1.53
BB+	17,974	17,522	0.27
BB	2,141	1,930	0.03
NR	2,150,355	2,110,809	32.38
Total S&P Rated Fixed Maturities	4,371,573	4,191,062	64.29
U.S. Agency Mortgage-Backed Securities	881,267	780,921	11.98
U.S. Government Guaranteed	1,716,887	1,546,582	23.73
Total Fixed Maturities	\$ 6,969,727	\$ 6,518,565	100.00

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

ERS			
Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 90,375	\$ 83,299	2.51
Aa2	2,978	2,168	0.07
Aa3	13,490	13,067	0.39
P-1	28,037	28,037	0.84
P-2	254,999	254,999	7.67
A1	89,497	83,930	2.53
A2	63,285	58,926	1.77
A3	137,903	130,057	3.91
Baa1	173,154	150,517	4.53
Baa2	241,355	218,993	6.59
Baa3	49,982	47,387	1.43
Ba1	3,554	3,454	0.10
Ba2	2,408	2,339	0.07
Ba3	989	893	0.03
NR	1,084,667	1,065,104	32.06
Total Moody's Rated Fixed Maturities	2,236,673	2,143,170	64.50
U.S. Agency Mortgage-Backed Securities	447,656	396,189	11.93
U.S. Government Guaranteed	869,406	783,132	23.57
Total Fixed Maturities	\$ 3,553,735	\$ 3,322,491	100.00

S&P Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 6,896	\$ 6,066	0.18
AA+	79,679	73,526	2.21
AA	4,999	4,856	0.15
AA-	28,128	26,376	0.79
A-2	283,036	283,036	8.52
A+	25,188	23,161	0.70
A	41,041	38,328	1.15
A-	165,996	153,764	4.63
BBB+	235,155	215,245	6.48
BBB	217,018	191,984	5.78
BBB-	51,632	49,137	1.48
BB+	8,558	8,349	0.25
BB	989	893	0.03
NR	1,088,358	1,068,449	32.15
Total S&P Rated Fixed Maturities	2,236,673	2,143,170	64.50
U.S. Agency Mortgage-Backed Securities	447,656	396,189	11.93
U.S. Government Guaranteed	869,406	783,132	23.57
Total Fixed Maturities	\$ 3,553,735	\$ 3,322,491	100.00

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

JRF

Moody's Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
Aaa	\$ 4,215	\$ 3,903	3.66
Aa2	394	343	0.32
Aa3	688	666	0.62
P-2	6,531	6,531	6.12
A1	2,716	2,566	2.41
A2	2,000	1,847	1.73
A3	6,190	5,811	5.45
Baa1	7,026	6,047	5.67
Baa2	10,336	9,295	8.72
Baa3	1,795	1,653	1.55
Ba1	919	896	0.84
Ba2	113	110	0.10
Ba3	63	56	0.05
NR	20,979	20,814	19.53
Total Moody's Rated Fixed Maturities	63,965	60,538	56.77
U.S. Agency Mortgage-Backed Securities	18,157	15,776	14.79
U.S. Government Guaranteed	33,911	30,328	28.44
Total Fixed Maturities	\$ 116,033	\$ 106,642	100.00

S&P Ratings	Cost	Fair Value	Fair Value as a Percentage of Total Fair Value of Fixed Maturities
AAA	\$ 436	\$ 384	0.36
AA+	3,605	3,350	3.14
AA	270	263	0.25
AA-	1,384	1,295	1.21
A-2	6,531	6,531	6.12
A+	624	577	0.54
A	1,540	1,424	1.34
A-	6,250	5,775	5.42
BBB+	9,743	8,779	8.23
BBB	9,331	8,213	7.70
BBB-	2,053	1,934	1.81
BB+	1,067	1,027	0.96
BB	63	56	0.05
NR	21,068	20,930	19.64
Total S&P Rated Fixed Maturities	63,965	60,538	56.77
U.S. Agency Mortgage-Backed Securities	18,157	15,776	14.79
U.S. Government Guaranteed	33,911	30,328	28.44
Total Fixed Maturities	\$ 116,033	\$ 106,642	100.00

(Dollar Amounts in Thousands)

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, 2023

(Dollar Amounts in Thousands)

The following tables provide information as of September 30, 2023, concerning fair value measurement:

	TRS			
	Fair Market Value	Fair Value Measurement Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Domestic Fixed Maturity				
Money Market Funds	\$ 1,712,748	\$ -	\$ 1,712,748	\$ -
Commercial Paper	519,682	-	519,682	-
U.S. Agency	134,218	-	134,218	-
U.S. Treasuries	1,423,246	-	1,423,246	-
Corporate Bonds	1,446,454	-	1,446,454	-
Private Placements	377,960	-	-	377,960
GNMAs	123,336	-	123,336	-
CMOs	780,921	-	780,921	-
Total Domestic Fixed Maturity	6,518,565	-	6,140,605	377,960
Equities				
Preferred	22,936	22,936	-	-
Domestic	12,557,698	11,085,378	1,472,320	-
Private	1,554,703	82,316	-	1,472,387
International	4,018,172	3,669,677	348,495	-
Total Equities	18,153,509	14,860,307	1,820,815	1,472,387
Real Estate				
Real Estate - Buildings	2,490,080	-	-	2,490,080
Real Estate - Equity	278,367	278,367	-	-
Total Real Estate	2,768,447	278,367	-	2,490,080
Total Investments	27,440,521	15,138,674	7,961,420	4,340,427
Securities Lending Collateral	1,423,034	-	1,423,034	-
Total Fair Value	\$ 28,863,555	\$ 15,138,674	\$ 9,384,454	\$ 4,340,427

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

	ERS			
	Fair Market Value	Fair Value Measurement Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Domestic Fixed Maturity</i>				
Money Market Funds	\$ 872,761	\$ -	\$ 872,761	\$ -
Commercial Paper	283,036	-	283,036	-
U.S. Agency	68,460	-	68,460	-
U.S. Treasuries	721,182	-	721,182	-
Corporate Bonds	733,398	-	733,398	-
Private Placements	185,515	-	-	185,515
GNMAs	61,950	-	61,950	-
CMOs	396,189	-	396,189	-
Total Domestic Fixed Maturity	3,322,491	-	3,136,976	185,515
<i>Equities</i>				
Preferred	9,969	9,969	-	-
Domestic	6,363,001	5,750,475	612,526	-
Private	856,325	44,229	-	812,096
International	2,024,607	1,840,485	184,122	-
Total Equities	9,253,902	7,645,158	796,648	812,096
<i>Real Estate</i>				
Real Estate - Buildings	1,207,803	-	-	1,207,803
Real Estate - Equity	190,870	190,870	-	-
Total Real Estate	1,398,673	190,870	-	1,207,803
Total Investments	13,975,066	7,836,028	3,933,624	2,205,414
Securities Lending Collateral	662,065	-	662,065	-
Total Fair Value	\$ 14,637,131	\$ 7,836,028	\$ 4,595,689	\$ 2,205,414

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements
For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

	JRF			
	Fair Market Value	Fair Value Measurement Using:		
		Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<i>Domestic Fixed Maturity</i>				
Money Market Funds	\$ 18,755	\$ -	\$ 18,755	\$ -
Commercial Paper	6,531	-	6,531	-
U.S. Agency	3,029	-	3,029	-
U.S. Treasuries	27,657	-	27,657	-
Corporate Bonds	30,428	-	30,428	-
Private Placements	1,795	-	-	1,795
GNMAs	2,671	-	2,671	-
CMOs	15,776	-	15,776	-
Total Domestic Fixed Maturity	106,642	-	104,847	1,795
<i>Equities</i>				
Preferred	544	544	-	-
Domestic	153,142	139,393	13,749	-
Private	1,333	-	-	1,333
International	49,075	46,509	2,566	-
Total Equities	204,094	186,446	16,315	1,333
<i>Real Estate</i>				
Real Estate - Buildings	4,174	-	-	4,174
Real Estate - Equity	2,570	2,570	-	-
Total Real Estate	6,744	2,570	-	4,174
Total Investments	317,480	189,016	121,162	7,302
Securities Lending Collateral	10,737	-	10,737	-
Total Fair Value	\$ 328,217	\$ 189,016	\$ 131,899	\$ 7,302

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. These collateral requirements minimize RSA's credit risk exposure to borrowers.

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.

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") respectively, 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 respectively, 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, 2023, the average term of the loans secured by the Compass Fund was 20 days for the TRS, 24 days for the ERS, and 40 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, 2023, the fair value of the securities on loan was \$3,874,308, \$1,834,260, and \$42,827 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). The fair value of the collateral pledged by the borrowers was \$4,113,421, \$1,939,828, and \$45,542 for the TRS, ERS, and JRF, respectively (dollar amounts in thousands). 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.

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Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2023

(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, 2023, concerning securities lent:

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

Type of Investment Lent	TRS	ERS	JRF	Totals
<i>For Cash Collateral</i>				
Domestic Fixed Maturities	\$ 66,920	\$ 72,024	\$ 2,702	\$ 141,646
Domestic Equity -US	887,553	405,982	4,388	1,297,923
Domestic Equity -JPY	410,735	161,747	3,209	575,691
International Equity -US	13,443	3,490	119	17,052
Total Lent for Cash Collateral	1,378,651	643,243	10,418	2,032,312
<i>For Non-Cash Collateral</i>				
Domestic Fixed Maturities	1,390,366	653,045	24,833	2,068,244
Domestic Equity	1,000,252	480,408	5,553	1,486,213
International Equity	105,039	57,564	2,023	164,626
Total Lent for Non-cash Collateral	2,495,657	1,191,017	32,409	3,719,083
Total Securities Lent	\$3,874,308	\$1,834,260	\$42,827	\$5,751,395
Type of Collateral Received				
<i>Cash Collateral</i>				
<i>Cash Collateral - Invested in State Street Compass Fund - JPY</i>	432,102	169,996	3,379	605,477
<i>Cash Collateral - Invested in State Street Compass Fund - USD</i>	990,932	492,069	7,358	1,490,359
Total Cash Collateral	1,423,034	662,065	10,737	2,095,836
<i>Non-Cash Collateral</i>				
Domestic Fixed Securities				
USD	558,557	357,740	7,632	923,929
Domestic Equity Securities				
USD	1,094,464	524,503	6,350	1,625,317
International Fixed Maturities & Equity				
EUR	6,490	18,502	1,145	26,137
USD	1,030,876	377,018	19,678	1,427,572
Total Non-cash Collateral	2,690,387	1,277,763	34,805	4,002,955
Total Collateral Received	\$4,113,421	\$1,939,828	\$45,542	\$6,098,791

F. Mortgage-backed Securities

As of September 30, 2023, the TRS, ERS, and JRF had investments in mortgaged-backed securities. Embedded prepayment options cause these investments to be highly sensitive to changes in interest rates. Prepayments of the underlying assets reduce the total interest payments to be received. Generally, when interest rates fall, obligees tend to prepay the mortgages thus eliminating the stream of interest payments that would have been received under the original amortization schedule. The resulting reduction in cash flow diminishes the fair value of the mortgage-backed securities. Additionally, the prepayment activity associated with this type of security can lead to changes in the average life and duration of the security; higher prepayments will effectively shorten the expected life of the security while slower prepayments can lengthen the expected life of the security.

(Dollar Amounts in Thousands)

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 change in fair value as of September 30, 2023, as reported in the System's Combining Statement of Changes in Fiduciary Net Position (dollar amounts in thousands). No derivatives were held as of September 30, 2023.

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INVESTMENT DERIVATIVE INSTRUMENTS

	Changes in Fair Value		Fair Value as of September 30, 2023		
	Classification	Amount	Classification	Amount	Notional
TRS					
Domestic Options Written	Investment Income	\$ 77,365	Domestic Equity	\$ -	\$ -
Domestic Options Purchased	Investment Income	(121,990)	Domestic Equity	-	-
Total Domestic Options		(44,625)		-	-
International Options Written	Investment Income	-	International Equity	-	-
Grand Total TRS Options		<u><u>\$ (44,625)</u></u>		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
ERS					
Domestic Options Written	Investment Income	\$ 38,168	Domestic Equity	\$ -	\$ -
Domestic Options Purchased	Investment Income	(60,193)	Domestic Equity	-	-
Total Domestic Options		(22,025)		-	-
International Options Written	Investment Income	-	International Equity	-	-
Grand Total ERS Options		<u><u>\$ (22,025)</u></u>		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
JRF					
Domestic Options Written	Investment Income	\$ 1,529	Domestic Equity	\$ -	\$ -
Domestic Options Purchased	Investment Income	(2,408)	Domestic Equity	-	-
Total Domestic Options		(879)		-	-
International Options Written	Investment Income	-	International Equity	-	-
Grand Total JRF Options		<u><u>\$ (879)</u></u>		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Total					
Domestic Options Written	Investment Income	\$ 117,062	Domestic Equity	\$ -	\$ -
Domestic Options Purchased	Investment Income	(184,591)	Domestic Equity	-	-
Total Domestic Options		(67,529)		-	-
International Options Written	Investment Income	-	International Equity	-	-
Grand Total Options		<u><u>\$ (67,529)</u></u>		<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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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, 2023, were as follows:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
Total Pension Liability	\$ 43,806,080	\$ 22,706,533	\$ 551,867
Less: Plan Net Position (see Note 3G)	<u>(27,848,236)</u>	<u>(14,133,341)</u>	<u>(323,526)</u>
Net Pension Liability	<u>\$ 15,957,844</u>	<u>\$ 8,573,192</u>	<u>\$ 228,341</u>

Plan Net Position as a Percentage of the Total Pension Liability	63.57%	62.24%	58.62%
---	---------------	---------------	---------------

The net pension liability is allocated to employers in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. The total pension liability was determined by an actuarial valuation as of September 30, 2022, and rolled forward in accordance with GASB Statement No. 67 to September 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement:

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
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, including inflation

There were no ad hoc postemployment benefit changes, including ad hoc COLAs, during fiscal year 2023.

The actuarial assumptions used in the actuarial valuation as of September 30, 2022, 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, 2022, were 7.45% for the TRS & ERS and 7.40% for the JRF. The Boards of Control accepted and approved these assumed investment rates of return in September 2021 which became effective September 30, 2021. These assumed investment rates of return were used to measure the total pension liability as of September 30, 2023.

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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

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The total pension liability related to the cost-sharing retirement plans is based on the actuarial valuation as of September 30, 2022. The expected total pension liability is determined as of September 30, 2023, using standard roll-forward techniques as shown in the following table:

	TRS			
	<u>Expected</u>	<u>Actual</u>		
Total Pension Liability as of 9/30/2022 (a)	\$ 41,121,664	\$ 42,580,894		
Expected Rate of Return (b)	7.45%	7.45%		
Entry Age Normal Cost* for 10/1/2022 - 9/30/2023 (c)	\$ 789,946	\$ 789,946		
Actual Benefit Payments (including refunds) for 10/1/2022 - 9/30/2023 (d)	\$ 2,638,743	\$ 2,638,743		
Total Pension Liability as of 9/30/2023 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 42,238,138	\$ 43,806,080		
Difference between Actual Before and After Plan Changes - Benefit Change (Gain)/Loss		\$ 1,567,942		
			ERS	
			<u>Expected</u>	<u>Actual Before Plan Changes</u>
			<u>Actual After Plan Changes</u>	<u>Actual After Plan Changes</u>
Total Pension Liability as of 9/30/2022 (a)	\$ 21,656,947	\$ 22,111,345	\$ 22,112,051	
Expected Rate of Return (b)	7.45%	7.45%	7.45%	
Entry Age Normal Cost* for 10/1/2022 - 9/30/2023 (c)	\$ 431,049	\$ 431,049	\$ 431,236	
Actual Benefit Payments (including refunds) for 10/1/2022 - 9/30/2023 (d)	\$ 1,430,804	\$ 1,430,804	\$ 1,430,804	
Total Pension Liability as of 9/30/2023 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 22,217,337	\$ 22,705,588	\$ 22,706,533	
Difference between Expected and Actual Experience (Gain)/Loss		\$ 488,251		
Difference between Actual Before and After Plan Changes - Benefit Change (Gain)/Loss			\$ 945	
			JRF	
			<u>Expected</u>	<u>Actual</u>
Total Pension Liability as of 9/30/2022 (a)	\$ 504,805	\$ 544,413		
Expected Rate of Return (b)	7.40%	7.40%		
Entry Age Normal Cost* for 10/1/2022 - 9/30/2023 (c)	\$ 11,699	\$ 11,699		
Actual Benefit Payments (including refunds) for 10/1/2022 - 9/30/2023 (d)	\$ 42,943	\$ 42,943		
Total Pension Liability as of 9/30/2023 [(a) x (1 + (b))] + (c) - [(d) x (1 + 0.5 x (b))]	\$ 509,328	\$ 551,867		
Difference between Expected and Actual Experience (Gain)/Loss		\$ 42,539		

*Also called the Service Cost.

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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%
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%	1.50%	1.50%	1.50%
Total	100.00%	100.00%	100.00%			

*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%)
TRS	\$ 20,847,060	\$ 15,957,844	\$ 11,845,664
ERS	\$ 11,099,773	\$ 8,573,192	\$ 6,441,239

	Current		
	1% Decrease (6.40%)	Discount Rate (7.40%)	1% Increase (8.40%)
JRF	\$ 278,899	\$ 228,341	\$ 184,617

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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 2023 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, 2023:

	<u>TRS</u>	<u>ERS</u>
Land	\$ 5,085	\$ 2,535
Building and Improvements	107,896	53,948
Software	42,889	14,264
Furniture and Equipment	12,559	3,251
Intangible Assets in Progress	2,805	935
Total Property and Equipment	171,234	74,933
Less: Accumulated Depreciation	<u>(87,918)</u>	<u>(37,090)</u>
Net Property and Equipment	<u>\$ 83,316</u>	<u>\$ 37,843</u>

Intangible assets in progress represents the cost of software and professional services related to RSA's deferred compensation system. 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*.

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, 2022, the membership covered by the benefit terms consisted of:

Active Members	30,590
Inactive Members	<u>24,597</u>
Total	<u>55,187</u>

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, 2023, the TRS reported a liability of \$5,975 for its proportionate share of the net OPEB liability (dollar amount in thousands). The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The TRS's proportion of the net OPEB liability was based on the projection of the TRS's contributions for fiscal 2022 to the total fiscal 2022 contributions of all participating employers. At September 30, 2022, the TRS's proportion was 0.608745%, which was an increase of 0.020091% from its proportion measured as of September 30, 2021.

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For the year ended September 30, 2023, the TRS recognized OPEB expense of (\$294). At September 30, 2023, the TRS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ 36	\$ 3,031
Changes of Assumptions	364	2,071
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	184	-
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	846	-
Employer Contributions Subsequent to the Measurement Date	337	-
Total	\$ 1,767	\$ 5,102

The TRS will recognize \$337 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, 2024. 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):

Fiscal Year Ended September 30:	
2024	(\$2,266)
2025	(\$1,347)
2026	(\$238)
2027	\$121
2028	\$58
Thereafter	\$0

At September 30, 2023, the ERS reported a liability of \$3,485 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The ERS's proportion of the net OPEB liability was based on the proportion of ERS's contributions for fiscal 2022 to the total fiscal 2022 contributions of all participating employers. At September 30, 2022, the ERS's proportion was 0.355066%, which was a decrease of 0.006981% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the ERS recognized OPEB expense of (\$692). At September 30, 2023, the ERS reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ 21	\$ 1,768
Changes of Assumptions	212	1,208
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	107	-
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	116	537
Employer Contributions Subsequent to the Measurement Date	176	-
Total	\$ 632	\$ 3,513

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The ERS will recognize \$176 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, 2024 (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):

Fiscal Year Ended	
September 30:	
2024	(\$1,600)
2025	(\$1,036)
2026	(\$344)
2027	(\$73)
2028	(\$4)
Thereafter	\$0

At September 30, 2023, the JRF reported a liability of \$32 for its proportionate share of the net OPEB liability (dollar amount in thousands). The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of September 30, 2021. The JRF's proportion of the net OPEB liability was based on the proportion of JRF's contributions for fiscal 2022 to the total fiscal 2022 contributions of all participating employers. At September 30, 2022, the JRF's proportion was 0.003212%, which was an increase of 0.000106% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the JRF recognized OPEB expense of (\$5) (dollar amount in thousands). At September 30, 2023, the JRF reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ -	\$ 16
Changes of Assumptions	2	11
Net Difference between Projected & Actual		
Earnings on OPEB Plan Investments	1	-
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	2	1
Employer Contributions Subsequent to the Measurement Date	2	-
Total	\$ 7	\$ 28

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, 2024 (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):

Fiscal Year Ended	
September 30:	
2024	(\$14)
2025	(\$8)
2026	(\$2)
2027	\$1
2028	\$0
Thereafter	\$0

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The total OPEB liability was determined by an actuarial valuation as of September 30, 2021, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%
Salary Increases*	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
Long-Term Investment Rate of Return**	7.25%
Municipal Bond Index Rate at Measurement Date	4.40%
Municipal Bond Index Rate at Prior Measurement Date	2.29%
Projected Year for Fiduciary Net Position to be Depleted	Not Applicable
Single Equivalent Interest Rate at Measurement Date	7.25%
Single Equivalent Interest Rate at Prior Measurement Date	7.25%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	***
Ultimate Trend Rate	
Pre-Medicare Eligible	4.50%
Medicare Eligible	4.50%
Year of Ultimate Trend Rate	2029 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 2023.

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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.

Active Group	Membership Table	Set Forward (+)/ Set Back (-)	Adjustment to Rates
Judges & Teachers	Teacher Below Median	None	65%
Non-FLC	General Below Median	Male: -1 Female: -1	None
FLC/ State Police	Public Safety Below Median	Male: -1 Female: -1	None

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

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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, 2021 valuation were based on a review of recent plan experience done concurrently with the September 30, 2021 valuation.

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:

	Target Allocation	Long-Term Expected Rate of Return*
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%
Total	100.00%	

*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, 2022. The discount rate used to measure the total OPEB liability at the prior measurement date was 7.25%. The projection of cash flows used to determine the discount rate assumed that as a base, plan contributions will be equal to the lesser of the largest five-year average of the plan contributions since the implementation of GASB 74, 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, 2022, were 4.02%, 4.40%, and 4.77%, respectively, which resulted in an average Municipal Bond Index Rate of 4.40%. Projected future benefit payments for all current plan members were projected through 2120.

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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:

	1% Decrease (5.50% decreasing to 3.50% for Pre-Medicare and Known decreasing to 3.50% for Medicare Eligible)	Current Healthcare Trend Rate (6.50% decreasing to 4.50% for Pre-Medicare and Known decreasing to 4.50% for Medicare Eligible)	1% Increase (7.50% decreasing to 5.50% for Pre-Medicare and Known decreasing to 5.50% for Medicare Eligible)
TRS	\$ 4,825	\$ 5,975	\$ 7,375
ERS	\$ 2,814	\$ 3,485	\$ 4,301
JRF	\$ 25	\$ 32	\$ 39

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% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
TRS	\$ 6,912	\$ 5,975	\$ 5,193
ERS	\$ 4,032	\$ 3,485	\$ 3,029
JRF	\$ 36	\$ 32	\$ 27

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.

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

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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.

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, 2023, was 12.59% of annual pay for Tier 1 members and 11.44% 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 TRS employer contributions to the pension plan from the System were \$2,477 for the fiscal year ended September 30, 2023.

At September 30, 2023, in accordance with GASB Statement No. 68, the TRS reported a net pension liability of \$38,435 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, 2021, 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

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30, 2021, and rolled forward to TRS's measurement date of September 30, 2022. 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, 2022, the TRS's proportion was 0.247317%, which was an increase of 0.037952% from its proportion measured as of September 30, 2021.

For the year ended September 30, 2023, the TRS recognized pension expense of \$5,526. At September 30, 2023, the TRS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ 845	\$ 933
Changes of Assumptions	1,744	-
Net Difference between Projected & Actual		
Earnings on Pension Plan Investments	7,713	-
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	4,058	1,477
Employer Contributions Subsequent to the Measurement Date	2,477	-
Total	<u>\$ 16,837</u>	<u>\$ 2,410</u>

The TRS will recognize \$2,477 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, 2024 (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:	
2024	\$3,531
2025	\$2,713
2026	\$1,883
2027	\$3,823
2028	\$0
Thereafter	\$0

The total pension liability was determined by an actuarial valuation as of September 30, 2021, 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,
including inflation

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 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.

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The assumed investment rate of return used to prepare the actuarial valuation as of September 30, 2021, 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, 2022, the measurement date.

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%	1.50%
Total	100.00%	

*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.

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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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
TRS's Proportionate Share of Collective Net Pension Liability	\$ 49,733	\$ 38,435	\$ 28,918

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the TRS prepared as of September 30, 2022. The auditor's report dated April 28, 2023, 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, 2022, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

B. Employees' Retirement System of Alabama

The ERS, an agent multiple-employer public employee retirement plan, was established as of October 1, 1945, pursuant to the *Code of Alabama 1975, Title 36, Chapter 27* (Act 515 of the Legislature of 1945). The purpose of the ERS is to provide retirement allowances and other specified benefits for State Employees, State Police, and, on an elective basis, to 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.

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. Act 78 of the Legislature of 2023 changed the age of eligibility for Tier 2 State Police from 56 to 52. 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 provides that any Tier 2 member who withdraws from service after the completion of at least 30 years of

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creditable service is entitled to an annual retirement benefit. Act 78 of the Legislature of 2023 changed the criteria for Tier 2 State Police from 30 years to 25 years of creditable service.

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

As of September 30, 2022, ERS membership included approximately 108,890 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

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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, 2023, was 14.82% 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 \$1,258 and from JRF were \$38 for the fiscal year ended September 30, 2023.

At September 30, 2023, in accordance with GASB Statement No. 68, the ERS reported a net pension liability of \$21,349 and the JRF reported a net pension liability of \$628 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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2021, 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, 2021, and rolled forward to the ERS and JRF's measurement date of September 30, 2022. 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, 2022, ERS's proportion was 0.54303254%, which was a decrease of 0.01889327% from its proportion measured as of September 30, 2021. At September 30, 2022, the JRF's proportion was 0.01597392%, which was an increase of 0.003752% from its proportion measured as of September 30, 2021.

For the fiscal year ended September 30, 2023, the ERS recognized pension expense of \$2,479 (dollar amount in thousands). At September 30, 2023, ERS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ 292	\$ 95
Changes of Assumptions	684	-
Net Difference between Projected & Actual		
Earnings on Pension Plan Investments	3,137	-
Changes in Proportion & Differences between Employer		
Contributions & Proportionate Share of Contributions	-	520
Employer Contributions Subsequent to the Measurement Date	1,259	-
Total	\$ 5,372	\$ 615

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The ERS will recognize \$1,259 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, 2024 (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:	
2024	\$1,200
2025	\$671
2026	\$391
2027	\$1,236
2028	\$0
Thereafter	\$0

For the fiscal year ended September 30, 2023, the JRF recognized pension expense of \$125. At September 30, 2023, the JRF reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources (dollar amounts in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected & Actual Experience	\$ 9	\$ 3
Changes of Assumptions	20	-
Net Difference between Projected & Actual Earnings on Pension Plan Investments	92	-
Changes in Proportion & Differences between Employer Contributions & Proportionate Share of Contributions	87	-
Employer Contributions Subsequent to the Measurement Date	38	-
Total	\$ 246	\$ 3

The JRF will recognize \$38 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, 2024. 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:	
2024	\$82
2025	\$61
2026	\$26
2027	\$36
2028	\$0
Thereafter	\$0

The total pension liability was determined by an actuarial valuation as of September 30, 2021, 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,
including inflation.

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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, 2021, 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, 2021, 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, 2022.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2023

(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:

	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%	1.50%
Total	<u>100.00%</u>	

*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:

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
ERS's Proportionate Share of			
Collective Net Pension Liability	\$ 26,271	\$ 21,349	\$ 17,171
JRF's Proportionate Share of			
Collective Net Pension Liability	\$ 773	\$ 628	\$ 505

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, 2022. The supporting actuarial information is included in the GASB Statement No. 68 Report for the ERS prepared as of September 30, 2022. The auditor's report dated June 7, 2023, 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.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Notes to the Combined Financial Statements For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

11) 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 \$35,375,639 (dollar amount not in thousands) during fiscal year 2023.

RETIREMENT SYSTEMS OF ALABAMA
Financial Section
Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$ 789,946	\$ 717,506	\$ 660,269	\$ 677,424	\$ 645,409	\$ 637,532	\$ 617,120	\$ 627,938	\$ 660,390	\$ 602,605
Service Cost*	2,965,271	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	1,567,942	102,411	(562,647)	624,754	(226,777)	265,644	(261,067)	(290,388)	(70,200)	-
Changes of Assumptions	(2,566,994)	(2,504,392)	1,197,157	(1,374,958)	(2,238,966)	178,049	-	942,153	(2,080,896)	(1,997,877)
Benefit Payments	(71,749)	(65,934)	(58,806)	(58,679)	(55,596)	(58,552)	(53,526)	(57,566)	(55,898)	(56,445)
Refunds of Contributions	2,684,416	1,139,414	1,666,211	1,639,689	798,336	1,398,078	717,633	1,548,857	875,000	901,387
Total Pension Liability - Beginning	41,121,664	39,982,250	38,316,039	36,676,350	35,878,014	34,479,936	33,762,303	32,213,446	31,133,846	30,437,059
Total Pension Liability - Ending (A)	\$ 43,806,980	\$ 41,121,664	\$ 39,982,250	\$ 38,316,039	\$ 36,676,350	\$ 35,878,014	\$ 34,479,936	\$ 33,762,303	\$ 32,213,446	\$ 31,133,846
Plan Fiduciary Net Position reserved to fund Total Pension Liability	\$ 1,008,365	\$ 932,332	\$ 874,401	\$ 862,475	\$ 869,336	\$ 802,598	\$ 782,702	\$ 751,909	\$ 737,677	\$ 716,753
Contributions - Employer	596,833	563,132	525,755	515,003	522,909	493,466	489,638	475,980	477,918	480,849
Contributions - Member	503	58,735	-	-	-	13,445	-	-	172,982	-
Other	3,335,243	(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
Net Investment Income/(Loss)	(2,566,994)	(2,504,392)	(58,806)	(58,679)	(55,596)	(58,552)	(53,526)	(57,566)	(55,898)	(56,445)
Benefit Payments	(71,749)	(65,934)	(58,806)	(58,679)	(55,596)	(58,552)	(53,526)	(57,566)	(55,898)	(56,445)
Refunds of Contributions	(34,836)	(28,005)	(29,536)	(31,111)	(28,095)	(22,290)	(22,402)	(19,582)	(19,331)	-
Administrative Expenses	2,267,365	(4,981,059)	4,615,541	326,941	(315,985)	1,283,976	1,715,159	1,188,567	(506,087)	1,612,079
Net Change in Plan Fiduciary Net Position	25,580,871	30,561,930	25,946,389	25,619,448	25,935,433	24,651,457	22,936,298	21,747,731	22,253,818	20,641,739
Plan Fiduciary Net Position - Beginning	\$ 27,848,236	\$ 25,580,871	\$ 30,561,930	\$ 25,946,389	\$ 25,619,448	\$ 25,935,433	\$ 24,651,457	\$ 22,936,298	\$ 21,747,731	\$ 22,253,818
Plan Fiduciary Net Position - Ending (B)	\$ 15,957,844	\$ 15,540,793	\$ 9,420,320	\$ 12,369,650	\$ 11,056,902	\$ 9,942,581	\$ 9,828,479	\$ 10,826,005	\$ 10,465,715	\$ 9,084,628
Net Pension Liability - Ending (A - B)	\$ 27,848,236	\$ 25,580,871	\$ 30,561,930	\$ 25,946,389	\$ 25,619,448	\$ 25,935,433	\$ 24,651,457	\$ 22,936,298	\$ 21,747,731	\$ 22,253,818
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	63.57%	62.21%	76.44%	67.72%	69.85%	72.29%	71.50%	67.93%	67.51%	71.01%
Covered Payroll**	\$ 8,201,854	\$ 7,420,389	\$ 7,212,288	\$ 7,409,647	\$ 6,959,168	\$ 6,899,800	\$ 6,623,929	\$ 6,541,310	\$ 6,541,054	\$ 6,466,923
Net Pension Liability as a Percentage of Covered Payroll	194.56%	209.43%	130.61%	166.94%	158.88%	144.10%	148.38%	165.50%	160.00%	140.48%

*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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service Cost*	\$ 43,104.9	\$ 40,939.9	\$ 348,684	\$ 329,995	\$ 315,841	\$ 307,064	\$ 325,188	\$ 308,840	\$ 346,440	\$ 298,985
Interest	1,560,145	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	945	216.8	39,193	7,130	-	-	-	-	-	-
Difference Between Expected & Actual Experience	488,251	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	(13,668,011)	(13,310,699)	(12,684,999)	(12,152,223)	(11,233,150)	(11,024,478)	(10,566,006)	(10,433,293)	(10,233,732)	(9,948,645)
Refunds of Contributions	(64,003)	(61,364)	(52,064)	(45,303)	(55,478)	(44,890)	(46,374)	(44,660)	(49,865)	(49,767)
New Unit	-	-	-	560,498	-	-	-	-	-	-
Net Change in Total Pension Liability	1,049,586	592,983	1,356,999	1,353,074	492,004	471,148	430,359	998,713	436,376	465,426
Total Pension Liability - Beginning	21,656,947	21,063,964	19,706,965	18,353,891	17,861,887	17,390,739	16,960,380	15,961,667	15,525,291	15,059,865
Total Pension Liability - Ending (A)	\$ 22,706,533	\$ 21,656,947	\$ 21,063,964	\$ 19,706,965	\$ 18,353,891	\$ 17,861,887	\$ 17,390,739	\$ 16,960,380	\$ 15,961,667	\$ 15,525,291
Plan Fiduciary Net Position reserved to fund Total Pension Liability										
Contributions - Employer	\$ 593,211	\$ 562,109	\$ 516,402	\$ 519,806	\$ 467,553	\$ 426,340	\$ 426,369	\$ 435,243	\$ 411,087	\$ 379,163
Contributions - Member	334,456	310,159	286,396	270,947	254,440	241,741	233,901	238,017	229,254	226,015
Contributions - New Unit	-	-	-	344,352	-	-	-	-	-	-
Other	247	165	-	-	-	(7,481)	-	-	68,897	-
Net Investment Income/(Loss)	1,653,894	(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	(13,668,011)	(13,310,699)	(12,684,999)	(12,152,223)	(11,233,150)	(11,024,478)	(10,566,006)	(10,433,293)	(10,233,732)	(9,948,645)
Refunds of Contributions	(64,003)	(61,364)	(52,064)	(45,303)	(55,478)	(44,890)	(46,374)	(44,660)	(49,865)	(49,767)
Administrative Expenses	(16,822)	(4,857)	(14,496)	(16,539)	(15,829)	(13,763)	(14,502)	(13,023)	(13,182)	-
Net Change in Plan Fiduciary Net Position	1,134,182	(2,480,317)	2,328,938	582,065	(151,879)	597,881	945,397	625,170	(251,206)	790,143
Plan Fiduciary Net Position - Beginning	12,999,159	15,479,476	13,150,538	12,568,473	12,720,352	12,122,471	11,177,074	10,551,904	10,803,110	10,012,967
Plan Fiduciary Net Position - Ending (B)	\$ 14,133,341	\$ 12,999,159	\$ 15,479,476	\$ 13,150,538	\$ 12,568,473	\$ 12,720,352	\$ 12,122,471	\$ 11,177,074	\$ 10,551,904	\$ 10,803,110
Net Pension Liability - Ending (A - B)	\$ 8,573,192	\$ 8,657,788	\$ 5,584,488	\$ 6,556,427	\$ 5,785,418	\$ 5,141,535	\$ 5,268,268	\$ 5,783,306	\$ 5,409,763	\$ 4,722,181
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.24%	60.02%	73.49%	66.73%	68.48%	71.22%	69.71%	65.90%	66.11%	69.58%
Covered Payroll**	\$ 4,499,346	\$ 4,185,892	\$ 4,124,367	\$ 4,003,430	\$ 3,789,556	\$ 3,692,241	\$ 3,680,078	\$ 3,592,658	\$ 3,556,282	\$ 3,511,115
Net Pension Liability as a Percentage of Covered Payr	190.54%	206.83%	135.40%	163.77%	152.67%	139.25%	143.16%	160.98%	152.12%	134.49%

*Also called the Entry Age Normal Cost.
**Payroll from the 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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability	\$ 11,699	\$ 10,275	\$ 9,825	\$ 9,512	\$ 9,574	\$ 9,811	\$ 9,815	\$ 9,807	\$ 9,644	\$ 9,481
Service Cost*	35,767	35,775	35,316	33,960	33,910	34,112	33,668	32,695	32,385	31,521
Interest	-	-	-	-	-	-	-	-	-	-
Benefit Changes	-	-	-	-	-	-	-	-	-	-
Difference Between Expected & Actual Experience	42,539	(4,259)	746	13,351	(4,518)	(9,134)	(4,399)	(2,487)	(7,319)	-
Changes of Assumptions	(42,580)	(40,542)	15,905	(38,812)	-	3,873	-	17,792	(30,356)	(29,838)
Benefit Payments	(364)	(325)	(39,089)	(38,809)	(36,909)	(33,419)	(32,807)	(30,902)	(30,356)	(29,838)
Refunds of Contributions	-	-	(28)	(256)	(646)	(130)	(353)	(106)	(147)	(46)
Net Change in Total Pension Liability	47,061	924	22,675	17,755	1,411	5,113	5,924	26,799	4,135	11,118
Total Pension Liability - Beginning	504,805	503,881	481,206	463,451	462,040	456,927	451,003	424,204	420,069	408,951
Total Pension Liability - Ending (A)	\$ 551,866	\$ 504,805	\$ 503,881	\$ 481,206	\$ 463,451	\$ 462,040	\$ 456,927	\$ 451,003	\$ 424,204	\$ 420,069
Plan Fiduciary Net Position reserved to fund Total Pension Liability	\$ 21,609	\$ 20,617	\$ 18,260	\$ 18,099	\$ 18,022	\$ 17,180	\$ 17,373	\$ 17,529	\$ 15,077	\$ 15,250
Contributions - Employer	5,019	4,692	4,272	4,184	4,101	3,867	3,972	3,723	3,683	3,764
Contributions - Member	42,820	(51,779)	63,732	23,159	110,16	27,622	32,685	28,322	(856)	31,343
Net Investment Income/(Loss)	(42,579)	(40,542)	(39,089)	(38,812)	(36,909)	(33,419)	(32,807)	(30,902)	(30,356)	(29,838)
Benefit Payments	(364)	(325)	(28)	(256)	(646)	(130)	(353)	(106)	(147)	(46)
Refunds of Contributions	(528)	(443)	(376)	(357)	(357)	(328)	(334)	(398)	(356)	-
Administrative Expenses	-	-	-	-	-	(56)	-	-	1,854	-
Other	-	-	-	-	-	-	-	-	-	-
Net Change in Plan Fiduciary Net Position	25,977	(67,780)	46,771	6,017	(4,773)	14,736	20,536	18,168	(11,101)	20,473
Plan Fiduciary Net Position - Beginning	297,549	365,329	318,558	312,541	317,314	302,578	282,042	263,874	274,975	254,502
Plan Fiduciary Net Position - Ending (B)	\$ 323,526	\$ 297,549	\$ 365,329	\$ 318,558	\$ 312,541	\$ 317,314	\$ 302,578	\$ 282,042	\$ 263,874	\$ 274,975
Net Pension Liability - Ending (A - B)	\$ 228,340	\$ 207,256	\$ 138,552	\$ 162,648	\$ 150,910	\$ 144,726	\$ 154,349	\$ 168,961	\$ 160,330	\$ 145,094
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	58.62%	58.94%	72.50%	66.20%	67.44%	68.68%	66.22%	62.54%	62.20%	65.46%
Covered Payroll**	\$ 56,875	\$ 49,208	\$ 48,379	\$ 46,686	\$ 45,134	\$ 45,622	\$ 44,314	\$ 44,099	\$ 44,087	\$ 43,275
Net Pension Liability as a Percentage of Covered Payroll	401.48%	421.48%	286.39%	348.39%	334.36%	317.23%	348.31%	383.14%	363.67%	335.28%

*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 §

Fiscal Year	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Payroll*	Actual Contributions as a % of Covered Payroll**
2023	\$ 1,008,365	\$ 1,008,365	\$ -	\$ 8,312,984	12.13
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

JUDICIAL RETIREMENT FUND ¥

Fiscal Year	Actuarially Determined Employer Contributions	Actual Employer Contributions	Annual Contribution Deficiency (Excess)	Covered Payroll*	Actual Contributions as a % of Covered Payroll***
2023	\$ 21,609	\$ 21,609	\$ -	\$ 55,337	39.05
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

§ 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.

Financial Section

Required Supplementary Information

For the Fiscal Year Ended September 30, 2023

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

Fiscal Year	TRS	ERS	JRF
2023	13.40%	13.03%	14.94%
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%

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

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
9/30/2022	9/30/2023	0.25	\$ 38,435	\$ 10,858	353.98	62.21
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
9/30/2022	9/30/2023	0.54	\$ 21,349	\$ 6,229	342.74	54.68
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
9/30/2022	9/30/2023	0.02	\$ 628	\$ 274	229.20	54.68
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, 2023

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

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 2,477	\$ 2,256	\$ 2,072	\$ 1,946	\$ 1,883	\$ 1,725	\$ 1,444	\$ 1,453	\$ 1,271
Contributions in relation to the									
Contractually Required Contributions	(2,477)	(2,256)	(2,072)	(1,946)	(1,883)	(1,725)	(1,444)	(1,453)	(1,271)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 13,375	\$ 10,858	\$ 9,975	\$ 9,440	\$ 8,748	\$ 7,663	\$ 7,235	\$ 6,739	\$ 6,593
Contributions as a Percentage of									
Covered Payroll	18.52%	20.78%	20.77%	20.61%	21.52%	22.51%	19.96%	21.56%	19.28%

EMPLOYEES' RETIREMENT SYSTEM

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 1,259	\$ 1,229	\$ 1,245	\$ 1,302	\$ 1,209	\$ 1,059	\$ 1,014	\$ 1,133	\$ 896
Contributions in relation to the									
Contractually Required Contributions	(1,259)	(1,229)	(1,245)	(1,302)	(1,209)	(1,059)	(1,014)	(1,133)	(896)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 6,781	\$ 6,229	\$ 5,821	\$ 6,350	\$ 5,848	\$ 5,197	\$ 5,113	\$ 4,904	\$ 4,695
Contributions as a Percentage of									
Covered Payroll	18.57%	19.73%	21.39%	20.50%	20.67%	20.38%	19.83%	23.10%	19.08%

JUDICIAL RETIREMENT FUND

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contributions	\$ 38	\$ 36	\$ 27	\$ 26	\$ 23	\$ 21	\$ 19	\$ 21	\$ 17
Contributions in relation to the									
Contractually Required Contributions	(38)	(36)	(27)	(26)	(23)	(21)	(19)	(21)	(17)
Contribution Deficiency/(Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 276	\$ 274	\$ 189	\$ 189	\$ 176	\$ 157	\$ 152	\$ 144	\$ 136
Contributions as a Percentage of									
Covered Payroll	13.77%	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.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

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
9/30/2022	9/30/2023	0.61	\$ 5,975	\$ 10,858	55.03	17.75
9/30/2021	9/30/2022	0.59	5,018	9,975	50.31	22.56
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
9/30/2022	9/30/2023	0.36	\$ 3,485	\$ 6,229	55.95	17.75
9/30/2021	9/30/2022	0.36	3,087	5,821	53.03	22.56
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
9/30/2022	9/30/2023	0.00	\$ 32	\$ 274	11.68	17.75
9/30/2021	9/30/2022	0.00	26	189	13.76	22.56
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, 2023

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 337	\$ 331	\$ 347	\$ 313	\$ 428	\$ 454
Contributions in relation to the						
Contractually Required Contributions	(337)	(331)	(347)	(313)	(428)	(454)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 13,375	\$ 10,858	\$ 9,975	\$ 9,440	\$ 8,748	\$ 7,663
Contributions as a Percentage of						
Covered Payroll	2.52%	3.05%	3.48%	3.32%	4.89%	5.92%

EMPLOYEES' RETIREMENT SYSTEM

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 176	\$ 193	\$ 214	\$ 205	\$ 290	\$ 306
Contributions in relation to the						
Contractually Required Contributions	(176)	(193)	(214)	(205)	(290)	(306)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,781	\$ 6,229	\$ 5,821	\$ 6,350	\$ 5,848	\$ 5,197
Contributions as a Percentage of						
Covered Payroll	2.60%	3.10%	3.68%	3.23%	4.96%	5.89%

JUDICIAL RETIREMENT FUND

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually Required Contributions	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2	\$ 2
Contributions in relation to the						
Contractually Required Contributions	(2)	(2)	(2)	(2)	(2)	(2)
Contribution Deficiency/(Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 276	\$ 274	\$ 189	\$ 189	\$ 176	\$ 157
Contributions as a Percentage of						
Covered Payroll	0.72%	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.

Financial Section

Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

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 2023 are in the table below. ERS local participating employer contribution rates differ for each employer.

	<u>Tier 1</u>	<u>Tier 2</u>
TRS	12.59%	11.44%
ERS - State Employees	14.82%	14.44%
ERS - State Police	51.67%	42.86%
JRF - Groups 1 & 2	42.10%	-
JRF - Group 3 - Judges & Clerks	37.34%	-
JRF - District Attorneys	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, 2020, 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.

	<u>TRS</u>	<u>ERS</u>	<u>JRF</u>
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	27.1 years	Within 30 years - Varies by Employer	18.4 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.

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, 2020, 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.

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Market Value of Assets
Inflation	2.75%
Healthcare Cost Trend Rate	
Pre-Medicare Eligible	6.50%
Medicare Eligible	**
Ultimate Trend Rate	
Pre-Medicare Eligible	4.75% in 2027
Medicare Eligible	4.75% in 2024
Dental Trend Rate	4.50%
Investment Rate of Return*	7.50%

*Includes inflation at 2.75%

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

B. Changes to Benefit Terms

Beginning in plan year 2022, the valuation reflects the provisions of the following legislative Acts:

- Act 2022-222 which allows TRS Tier 2 members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC),
- Act 2022-351 which allows ERS State and Police Tier 2 members to retire with 30 years of creditable service regardless of age with an early pension benefit retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for FLC).

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.

Financial Section

Notes to the Required Supplementary Information
For the Fiscal Year Ended September 30, 2023

C. Changes of Assumptions

In 2022, rates of participation were adjusted to reflect actual and anticipated experience more closely.

In 2021, rates of withdrawal, retirement, disability, and mortality were adjusted to reflect actual experience more closely. In 2021, economic assumptions and the assumed rates of salary increases were adjusted to reflect actual and anticipated experience more closely.

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.

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Administrative Expenses
For the Period Ended September 30, 2023

(Dollar Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Personnel Services:				
Salaries	\$ 13,375	\$ 6,781	\$ 276	\$ 20,432
Employee Fringe Benefits	4,663	1,842	135	6,640
Total Personnel Services	<u>18,038</u>	<u>8,623</u>	<u>411</u>	<u>27,072</u>
Professional Services:				
Actuarial	164	453	72	689
Accounting and Auditing	118	79	22	219
Information Technology	1,784	691	11	2,486
Mailing Services	123	79	-	202
Legal Services	180	120	-	300
Personnel Services	138	-	-	138
Other Professional Services and Fees	159	56	-	215
Total Professional Services	<u>2,666</u>	<u>1,478</u>	<u>105</u>	<u>4,249</u>
Communications and Travel:				
Telecommunications	298	164	-	462
Postage	1,176	861	-	2,037
Travel	98	47	1	146
Total Communications and Travel	<u>1,572</u>	<u>1,072</u>	<u>1</u>	<u>2,645</u>
Rentals:				
Office Space	1	1	-	2
Equipment Leasing	19	11	-	30
Total Rentals	<u>20</u>	<u>12</u>	<u>-</u>	<u>32</u>
Miscellaneous:				
Supplies	2,366	1,482	2	3,850
Maintenance	1,032	618	8	1,658
Total Miscellaneous	<u>3,398</u>	<u>2,100</u>	<u>10</u>	<u>5,508</u>
Total Administrative Expenses	<u>\$ 25,694</u>	<u>\$ 13,285</u>	<u>\$ 527</u>	<u>\$ 39,506</u>

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Investment Expenses

For the Fiscal Year Ended September 30, 2023

(Dollar Amounts in Thousands)

	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
<i>Investment Activity</i>				
Investment Management Fees:				
Salaries and Benefits	\$ 9,245	\$ 2,207	\$ -	\$ 11,452
Dues, Subscriptions, and Supplies	1,733	1,150	-	2,883
Travel	10	6	-	16
Professional Services:				
Investment Advisor	60	30	-	90
Legal	57	38	-	95
Appraisal of Private Placements and Real Estate	625	379	-	1,004
Investment Activity Expenses before Reimbursement	11,730	3,810	-	15,540
Less: Reimbursement for Investment Management Fees	34	199	-	233
Total Investment Activity Expenses	11,696	3,611	-	15,307
<i>Securities Lending Activity</i>				
Securities Lending Borrower Rebates	52,783	28,834	281	81,898
Securities Lending Management Fees	3,840	1,907	34	5,781
Total Securities Lending Activity Expenses	56,623	30,741	315	87,679
Total Investment Expenses	\$ 68,319	\$ 34,352	\$ 315	\$ 102,986

RETIREMENT SYSTEMS OF ALABAMA

Financial Section

Schedule of Professional/Consultant Fees

For the Period Ended September 30, 2023

(Dollar Amounts in Thousands)

Professional/Consultant	Nature of Service	Teachers' Retirement System	Employees' Retirement System	Judicial Retirement Fund	Totals
Cavanaugh Macdonald Consulting, LLC	Actuary	\$ 143	\$ 439	\$ 72	\$ 654
Milliman	Actuary	21	14	-	35
Carr, Riggs & Ingram, LLC	Auditor	104	52	17	173
A-LIGN	Auditor	14	27	5	46
Balch & Bingham, LLP	Legal	-	-	-	-
Bradley Arant Boulton Cummings, LLP	Legal	37	25	-	62
Buchalter	Legal	23	15	-	38
Maynard Nexsen (Maynard Cooper & Gale)	Legal	112	75	-	187
Jackson Walker LLP	Legal	8	5	-	13
Alabama Department of Finance	Mail	48	32	-	80
Walker360	Mail	75	48	-	123
State Personnel Department	Personnel	138	-	-	138
Fine Geddie & Associates, LLC	Consultant	75	-	-	75
Hart & Associates LLC	Consultant	44	29	-	73
The Segal Company	Consultant	-	-	-	-
Alabama Department of Finance	Comptroller's Accounting Services	66	33	11	110
Alabama Department of Finance	Information Technology	210	140	-	350
Deloitte Consulting, LLP	Information Technology	1,457	486	-	1,943
Stamp Idea Group	Information Technology	26	18	-	44
Packet Ninjas	Information Technology	27	18	-	45
Various	Other	38	22	-	60
Total Professional/Consultant Fees - Administrative Services		2,666	1,478	105	4,249
Maynard Nexsen (Maynard Cooper & Gale)	Legal	57	38	-	95
Regions Bank	Investment Advisor	60	30	-	90
Pearson Realty Services, Inc.	Real Estate Appraiser	323	216	-	539
Houlihan Lokey	Investment Appraiser	302	163	-	465
Total Professional/Consultant Fees - Investment Services		742	447	-	1,189
Total Professional/Consultant Fees		\$ 3,408	\$ 1,925	\$ 105	\$ 5,438





Investment Section

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



RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2023

Dear Members,

I am pleased to present the following report on investment activity for the fiscal year ended September 30, 2023. 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.

Looking retrospectively at the past year, the setup for financial assets at the beginning was anything but bullish. One of the bigger variables that argued otherwise was the overwhelmingly negative sentiment towards financial markets. Investors were continuing to digest the fastest series of Federal Reserve (Fed) interest rate hikes in decades, labor markets remained tight, and the federal deficit was ballooning. Investors were worried about the double whammy of a slowing economy and further pressure on corporate profit margins as labor was demanding a bigger piece of the pie. As we moved through the year, the negative expectations never came to fruition. Not to say that it was smooth sailing, but corporate earnings proved much more resilient than most investors were expecting.

Our portfolio was fairly well positioned for the fiscal year. The largest relative difference between our portfolio and the peer group is our underweighting in private market assets. After a couple years of really good returns, private market assets had a very poor year last year. We have written about it before, but there is a lagged effect in both up and down markets between public and private market assets. With the dismal returns in nearly all asset classes in fiscal year 2022, private market multiples contracted and valuations were written down throughout fiscal year 2023. Another differentiator was in real estate. Although there were a few winners, most institutional real estate investments suffered. As interest rates and the cost of capital rose, levered real estate deals took it on the chin. We own most all of our real estate directly and don't use leverage. This is a double-edged sword, but in down markets like what was experienced last year, we fair well.

With the stock market grinding higher, we used the opportunity to lighten up on equities as the year progressed. We ended the year with the highest cash allocation that I can remember. With cash-like investments paying north of 5%, we felt it prudent to reduce equity exposure. With the numerous geopolitical and macroeconomic issues at play, there could be some tactical opportunities to redeploy cash at more opportune times.

RSA Performance Summary

As of September 30, 2023, aggregate defined benefit assets under management totaled \$41.7 billion. During fiscal year 2023, annualized total returns of the TRS, ERS, and JRF were 13.26%, 12.89%, and 14.66% respectively.

Equities

The past fiscal year felt awfully like the prior year with the exception being that returns across the System were up about the same amount as they were down in 2022. The long list of issues that plagued markets were still pervasive throughout fiscal 2023. First and foremost was the lingering inverted yield curve that has proved very prescient in predicting recessions. With the Fed keeping the pedal to the metal on rate hikes, The Fed Funds rate went from basically zero to over 5% in 18 months. Most market historians would expect that this scale of rate hikes would inevitably cause a recession. The question the whole way through was could they orchestrate a soft landing, or would they break the financial system and cause a deep recession? Looking back there were several factors that could point you towards a recession. The global economy was in a funk, with the number two economy in the world, China, struggling on several fronts. Europe had a nice rebound, only to start faltering throughout the summer. The Russian/Ukraine war continues with seemingly no end in sight. The one driving force that held markets together was corporate earnings that continued to hold strong despite all these headwinds.

Last year we wrote that it wasn't a great time to de-risk the portfolio considering what had happened across the capital markets universe. Fast forward to today and we have begun to reposition the portfolio more defensively. We have used the equity rally to pare back on stocks and increase the weightings in both our short-term investments (cash) as well as core fixed income. For the first time since the Global Financial Crisis, yields on fixed income are

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Report on Investment Activity

For the Fiscal Year Ended September 30, 2023

looking relatively attractive, with the average yield more than tripling from the low at the end of fiscal year 2021. This is not to say the coast is totally clear on fixed income, but at least you are finally getting paid to take credit risk at current levels. As for the stock market, it reverted to the megacap technology stocks being responsible for a large part of returns. It is really a tale of two markets, with that subsegment trading at very rich valuations, and the rest of the market at more modest valuation levels. Most all our selling has been out of the S&P 500, which is dominated by the more expensive megacap stocks. At the end of the fiscal year, equities accounted for roughly 60% of the portfolios on average. We also continued our hedging program that we have in place to dampen equity volatility. It had minimal impact this year as market returns fell within the collar bands of the hedge. With all the macroeconomic and geopolitical events in play now, we expect another year of volatility in equity markets.

For the year, the RSA domestic equity portfolios returned 18.82%, 19.11%, and 19.65% for the TRS, ERS, and JRF funds, respectively. International equity returns were led by developed markets, while emerging markets continued to lag most other indices. Total international equity returns were 24.80% for the TRS, 24.37% for the ERS, and 25.24% for the JRF. The combined total returns for the overall equity portfolios were 19.95%, 20.10%, and 20.68% for the TRS, ERS, and JRF, respectively. Three-, five-, and ten-year annualized global equity returns were 9.39%, 7.27%, and 9.37% for the TRS, 9.30%, 7.32%, and 9.42% for the ERS, and 9.31%, 7.62%, and 9.64% for the JRF, respectively.

Fixed Income

At the beginning of the fiscal year, the Federal Open Market Committee (FOMC) had just raised rates by 75 basis points (bps) with Chairman Jay Powell proclaiming that “restoring price stability will likely require maintaining a restrictive policy for some time”. Global central banks were also hiking rates amid a troublesome inflationary backdrop and the era of negative-yielding sovereign debt had finally come to pass. Corporate credit appeared stable in the face of economic uncertainty with cash alternatives providing sufficient yield for those unwilling to put capital to work. The fiscal year ended on a sour note with treasury and corporate bond losses eclipsing 3.45% and 5.25% respectively in September. However, the fund believed that incrementally adding to the fixed income portfolio as opportunities arose would prove beneficial over the long term.

A strong September jobs report and a higher than expected print of headline inflation provided a material shift higher in interest rates. The core component of the index reached its fastest pace of the cycle with a 6.60% increase. Weak consumer sentiment and treasury auction demand pushed rates further with the long end of the yield curve bearing the brunt of the punishment. Policymakers provided a hawkish tone at the November FOMC meeting as they opted to raise rates by 75bps for the fourth consecutive time. However, the following week provided the market what it had been longing for with the release of a better than expected Consumer Price Index (CPI) print. Treasury yields collapsed 40-45bps across the curve, further emboldened by the release of the FOMC minutes affirming a slower pace of monetary tightening going forward. This resulted in positive returns across all fixed income sectors, with investment grade corporates leading the way after spreads tightened approximately 25bps during November. The FOMC followed through on that assessment, lifting the federal funds rate by only 50bps in December as 10-year treasury yields fell to 3.50%, approximately 75bps lower than peak levels of late October. Treasury yields continued their descent in the new calendar year with inflation levels coming in-line with market expectations. Investment grade and high yield securities outperformed during this time as credit spreads tightened, boosting total returns. Monetary policymakers followed suit only lifting short-term interest rates by 25bps at its February meeting. The yield declines came to a halt as the unemployment rate dropped to 3.4% after 500,000 new jobs were added during January. The market was now fully pricing in a 25bp rate increase in June, following the expected 25bp moves at the March and May FOMC meetings. The abrupt move higher in rates quickly reversed as stress within the regional banking system took hold. Silicon Valley Bank and Signature Bank were ultimately taken over by regulators and Credit Suisse succumbed as well being forced into a marriage with UBS. The Fed ultimately created a new funding facility, providing loans up to one year pledged by quality assets that would be valued at par. The yield curve transformed materially during this time as 2-year yields dropped over 150bps in a matter of weeks.

The following months were consumed with regional bank volatility, debt ceiling drama, strong economic data, and a steady climb in interest rates. A debt ceiling deal ultimately passed, and the Fed continued to incrementally push short-term interest rates higher. Ending the stretch of ten consecutive rate hikes, the FOMC delivered the expected

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“hawkish pause” at its June meeting, while still forecasting two additional rate hikes for the remainder of the year. Economic strength, coupled with the hawkish stance by policymakers, resulted in a significant bear flattening of the curve. Ten-year treasury securities at one point were yielding 105bps less than their two-year counterparts. The Fed followed through with the market’s expectation of a 25bp increase at the July FOMC meeting. In August, Fitch Ratings stripped the U.S. Government of its AAA status ahead of the Treasury’s refunding announcement, where it released details on its \$1 trillion borrowing estimate for the third quarter. The downgrade cited the “expected fiscal deterioration, growing general government debt burden, and the erosion of governance” in its reasoning for removal.

Historically, September has always provided fireworks to close out the System’s fiscal year and 2023 proved to be no exception. Relatively tame to begin with, but the hawkish tone at the September FOMC meeting pushed rates meaningfully higher. The curve steepened substantially as well with the long end rising approximately 50bps. The Chairman’s lack of confidence that rates were sufficiently restrictive upended all asset classes. Looking back, the market, time and again this year, positioned itself for a potential recession that never came. While underlying inflation has steadily fallen, economic growth and the labor market always provided a bounce just when the market looked to be rolling over. The volatility within the fixed income market was unprecedented. The Bloomberg Aggregate posted gains and losses in excess of 2.50% in five of the twelve months, yet only culminated in a paltry .65% total return. The System proactively added to its treasury and mortgage-backed portfolios as rates fluctuated throughout the fiscal year. The RSA will continue to take advantage of opportunities within fixed income, as yields have approached attractive levels.

For the fiscal year, the total annual returns for the public domestic fixed income portfolios were 2.03% for the TRS, 2.01% for the ERS, and 2.08% for the JRF. The five-year annualized returns were 0.97% for the TRS, 0.95% for the ERS, and 0.91% for the JRF. The ten-year annualized returns were 1.84% for the TRS, 1.83% for the ERS, and 1.74% for the JRF.

Sincerely,



Marc Green
Director of Investments

Investment Section

Teachers' Retirement System Investment Policy Statement

For the Fiscal Year Ended September 30, 2023

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)).

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Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

- 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.

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.

Asset Class	Target Allocation	Strategic Range
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%
Total	100%	

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.

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, 2023

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.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

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.

Domestic Equity	Custom Benchmark	(see description below)
International Equity	MSCI EAFE Net, Emerging Markets Net, STOXX Europe 600 Optimised Cyclicals	Beginning of month weighted custom benchmark
Domestic Fixed Income	Custom Benchmark	(see description below)
International Fixed Income	WGBI Non-US	Currently there are no International Fixed portfolios in this plan.
Cash	ML 90-Day T-Bill	
Alternative Investments	-If an equity investment, the Russell 2000 plus 3%. -If a debt investment, the Bloomberg Capital Agency plus 3%.	
Real Estate	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:

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

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

Fixed Income Benchmark

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

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

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Investment Policy Statement For the Fiscal Year Ended September 30, 2023

Purpose

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

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

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

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

Roles and Responsibilities

Board of Control

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

Specific responsibilities include:

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

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

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 §§26-27-25(c)).
- Examining all offers of investments made to the funds (Ala. Code §§36-27-25(c)).
- Initiating inquiries as to available investments for the funds (Ala. Code §§36-27-25(c)).
- Reviewing periodically the investment quality and desirability of retention of investments held (Ala. Code §§36-27-25(c)).
- Making purchases and sales of investments as he or she shall deem to be to the best interests of the fund and in accordance with policies set by the Board, and as the Investment Committee shall approve (Ala. Code §§36-27-25(c)).

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

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, 2023

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

Strategic Asset Allocation Policy

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

Asset Class	JRF Target Allocation	ERS Target Allocation	Strategic Range
Domestic Equity	55%	45%	30%-60%
International Equity	15%	15%	10%-25%
Fixed Income	22%	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."

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, 2023

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.

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

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.

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

Performance Measurement

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

Total Plan Benchmark

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

Domestic Equity	Custom Benchmark	(see description below)
International Equity	MSCI EAFE Net & Emerging Markets Net,	
Domestic Fixed Income	Custom Benchmark	(see description below)
International Fixed Income	WGBI Non-US	Currently, there are no International Fixed Income portfolios in the
Cash	ML 90-Day T-Bill	
Alternative Investments	-If an equity investment, the Russell 2000 +3% -If a debt investment, the Bloomberg Capital Agency plus 3%.	
Real Estate	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

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System Investment Policy Statement (Continued)

For the Fiscal Year Ended September 30, 2023

Domestic Equity Benchmark

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

Core Fund	S&P 500
S&P 500 Fund	S&P 500
MidCap Active Fund (SSF)	S&P 400 MidCap
S&P MidCap Index	S&P 400 MidCap
S&P SmallCap Index	S&P 600 SmallCap
SmallCap Value Fund	S&P 600 SmallCap
LargeCap Policy Fund	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:

Agency	Bloomberg Capital Agency
Asset Backed	Bloomberg Capital ABS Index
CMO	Bloomberg Capital MTGE
Corporate	Bloomberg Capital Corp
Municipal	N/A
Mortgage Pass-Through	Bloomberg Capital MTGE
Private Placement	N/A
US Treasury	Bloomberg Capital Treasury
Yankee - Agency	Bloomberg Capital Agency
Yankee - Other Yankee	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	20.86%	10.65%	9.22%	11.56%
TRS S&P 500 Fund	21.47%	10.20%	9.75%	11.66%
TRS Mid Cap Index	15.57%	12.08%	6.12%	8.99%
TRS S&P Small Cap Index	10.33%	12.52%	3.67%	8.65%
TRS Small Cap Value	15.95%	7.65%	n/a	n/a
TRS Midcap Active Fund (Ssf)	16.30%	11.18%	6.48%	8.46%
TRS Miscellaneous Equity	23.72%	n/a	n/a	n/a
TRS Total Domestic Equity	18.82%	10.61%	8.38%	10.83%
TRS Custom Domestic Equity Index	19.03%	10.48%	8.59%	11.04%
<i>S&P 500</i>	21.62%	10.15%	9.92%	11.91%
<i>S&P Mid Cap 400</i>	15.51%	12.05%	6.06%	8.94%
<i>S&P Smallcap 600</i>	10.08%	12.10%	3.21%	8.15%
International Equity				
TRS Emerging Markets Fund	12.28%	-1.75%	-0.44%	1.68%
TRS International Equities	27.23%	7.42%	4.51%	4.74%
TRS International - Passive	24.02%	5.38%	3.48%	4.16%
TRS International - Active	49.92%	n/a	n/a	n/a
TRS Total International Equity	24.80%	5.23%	3.39%	4.12%
TRS Custom International Equity Index	22.86%	4.04%	2.64%	3.49%
<i>MSCI EAFE (Net)</i>	25.65%	5.75%	3.24%	3.82%
<i>MSCI Emerging Markets</i>	11.70%	-1.73%	0.55%	2.07%
<i>STOXX Europe 600 Optimised Cyclical</i>	30.15%	4.95%	0.61%	0.70%
TRS Total Global Equity	19.95%	9.39%	7.27%	9.37%
TRS Custom Global Equity Index	19.72%	9.02%	7.27%	9.40%
Fixed Income				
TRS Domestic Fixed Income	2.03%	-3.89%	0.97%	1.84%
TRS Custom Global Fixed Index	1.29%	-5.12%	0.38%	1.45%
<i>Bloomberg Aggregate Bond</i>	0.64%	-5.21%	0.10%	1.13%
TRS Total Fixed Income	2.03%	-3.89%	0.97%	1.84%
Alternative Investments				
TRS Private Placements	1.90%	1.99%	3.00%	0.95%
TRS Preferred And Private Equity	-6.75%	4.89%	2.99%	12.55%
TRS Real Estate	3.73%	2.82%	1.51%	3.52%
TRS Public Real Estate	-1.98%	n/a	n/a	n/a
TRS Total Real Estate	3.14%	2.65%	1.41%	3.47%
TRS Total Alternatives	-0.35%	3.14%	1.97%	3.85%
TRS Total Fixed Income Plus Alternatives	0.55%	0.25%	1.70%	3.12%
Cash				
TRS Cash Account	4.92%	1.92%	1.86%	1.24%
TRS Short Term Investments	5.10%	2.07%	1.11%	1.51%
TRS Total Cash	4.98%	2.01%	1.99%	n/a
Total Plan				
TRS Total Plan	13.26%	6.44%	5.50%	7.18%
TRS Total Plan Policy	15.30%	7.16%	6.44%	7.67%

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	20.89%	10.64%	9.21%	11.56%
ERS S&P 500 Fund	21.48%	10.20%	9.75%	11.65%
ERS Mid Cap Index	15.57%	12.09%	6.12%	8.99%
ERS S&P Small Cap Index	10.33%	12.52%	3.67%	8.65%
ERS Small Cap Value	16.22%	6.81%	0.00%	0.00%
ERS Midcap Active Fund (Ssf)	16.31%	11.18%	6.48%	8.46%
ERS Miscellaneous Equity	23.72%	n/a	n/a	n/a
ERS Total Domestic Equity	19.11%	10.59%	8.49%	10.87%
ERS Custom Domestic Equity Index	19.30%	10.46%	8.73%	11.11%
<i>S&P 500</i>	21.62%	10.15%	9.92%	11.91%
<i>S&P Mid Cap 400</i>	15.51%	12.05%	6.06%	8.94%
<i>S&P Smallcap 600</i>	10.08%	12.10%	3.21%	8.15%
International Equity				
ERS Emerging Markets Fund	12.53%	-1.57%	-0.14%	1.85%
ERS International Equities	27.23%	7.42%	4.43%	4.70%
ERS International - Passive	23.61%	5.13%	3.35%	4.06%
ERS International - Active	49.87%	n/a	n/a	n/a
ERS Total International Equity	24.37%	5.00%	3.27%	4.03%
ERS Custom International Equity Index	22.43%	3.81%	2.57%	3.44%
<i>MSCI EAFE (Net)</i>	25.65%	5.75%	3.24%	3.82%
<i>MSCI Emerging Markets</i>	11.70%	-1.73%	0.55%	2.07%
<i>STOXX Europe 600 Optimised Cyclical</i>	30.15%	4.95%	0.61%	0.70%
ERS Total Global Equity	20.10%	9.30%	7.32%	9.42%
ERS Custom Global Equity Index	19.85%	8.93%	7.36%	9.49%
Fixed Income				
ERS Domestic Fixed Income	2.01%	-3.90%	0.95%	1.83%
ERS Custom Global Fixed Index	1.29%	-5.11%	0.37%	1.44%
<i>Bloomberg Aggregate Bond</i>	0.64%	-5.21%	0.10%	1.13%
ERS Total Fixed Income	2.01%	-3.90%	0.95%	1.83%
Alternative Investments				
ERS Private Placements	1.91%	2.00%	3.01%	0.92%
ERS Preferred And Private Equity	-8.65%	4.06%	2.79%	13.10%
ERS Real Estate	3.74%	2.79%	1.50%	3.48%
ERS Public Real Estate	-1.98%	n/a	n/a	n/a
ERS Total Real Estate	2.93%	2.56%	1.37%	3.41%
ERS Total Alternatives	-1.43%	2.93%	1.95%	4.28%
ERS Total Fixed Income Plus Alternatives	-0.09%	0.21%	1.70%	3.41%
Cash				
ERS Cash Account	4.91%	1.91%	1.85%	1.25%
ERS Short Term Investments	5.09%	2.09%	2.13%	1.54%
ERS Total Cash	4.98%	2.02%	2.00%	n/a
Total Plan				
ERS Total Plan	12.89%	6.26%	5.47%	7.22%
ERS Total Plan Policy	13.59%	6.88%	6.40%	7.92%

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
U.S. Equity				
JRF S&P 500 Fund	21.53%	10.21%	9.76%	11.74%
JRF S&P Mid Cap Index	15.50%	12.06%	6.10%	8.98%
JRF S&P Small Cap Index	10.33%	12.52%	3.67%	8.65%
JRF Small Cap Value	15.65%	7.11%	n/a	n/a
JRF Miscellaneous Equity	23.72%	n/a	n/a	n/a
JRF Total Domestic Equity	19.65%	10.45%	8.84%	11.19%
JRF Custom Domestic Equity Index	19.70%	10.40%	8.97%	11.31%
<i>S&P 500</i>	21.62%	10.15%	9.92%	11.91%
<i>S&P Mid Cap 400</i>	15.51%	12.05%	6.06%	8.94%
<i>S&P Smallcap 600</i>	10.08%	12.10%	3.21%	8.15%
International Equity				
JRF Emerging Markets Fund	12.16%	-1.79%	-0.82%	1.41%
JRF International Equities	27.27%	7.45%	4.53%	4.75%
JRF International - Passive	24.44%	5.66%	3.55%	4.20%
JRF International - Active	49.90%	n/a	n/a	n/a
JRF Total International Equity	25.24%	5.50%	3.45%	4.16%
JRF Custom International Equity Index	23.24%	4.23%	2.71%	3.57%
<i>MSCI EAFE (Net)</i>	25.65%	5.75%	3.24%	3.82%
<i>MSCI Emerging Markets</i>	11.70%	-1.73%	0.55%	2.07%
<i>STOXX Europe 600 Optimised Cyclical</i>	30.15%	4.95%	0.61%	0.70%
JRF Total Global Equity	20.68%	9.31%	7.62%	9.64%
JRF Custom Global Equity Index	20.30%	9.00%	7.58%	9.62%
Fixed Income				
JRF Domestic Fixed Income	2.08%	-3.70%	0.91%	1.74%
JRF Custom Domestic Fixed Index	1.29%	-5.14%	0.35%	1.38%
<i>Bloomberg Aggregate Bond</i>	0.64%	-5.21%	0.10%	1.13%
JRF Total Fixed Income	2.08%	-3.70%	0.91%	1.74%
Alternative Investments				
JRF Private Placements	-6.81%	-1.53%	3.96%	-16.20%
JRF Preferred And Private Equity	-13.38%	-2.19%	1.52%	n/a
JRF Real Estate	3.35%	4.09%	2.57%	5.49%
JRF Public Real Estate	-1.98%	n/a	n/a	n/a
JRF Total Real Estate	1.24%	2.84%	1.83%	5.11%
JRF Total Alternatives	0.02%	2.22%	2.45%	1.97%
JRF Total Fixed Income Plus Alternatives	1.90%	-3.08%	1.17%	1.85%
Cash				
JRF Cash Account	4.89%	1.91%	1.84%	1.24%
JRF Short Term Investments	5.08%	2.07%	2.11%	1.52%
JRF Total Cash	4.97%	1.99%	1.97%	n/a
Total Plan				
JRF Total Plan	14.66%	5.56%	5.67%	7.18%
JRF Total Plan Policy	13.82%	5.05%	5.54%	7.18%

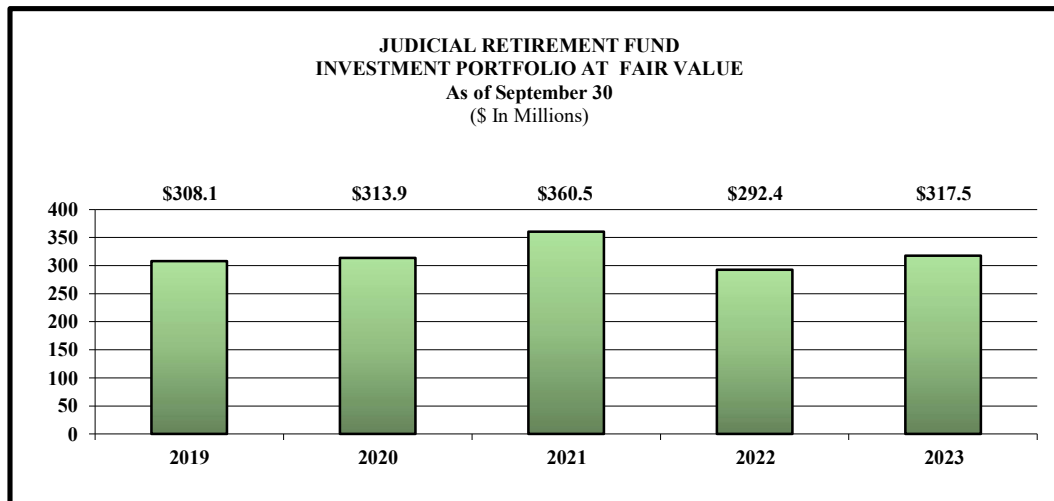
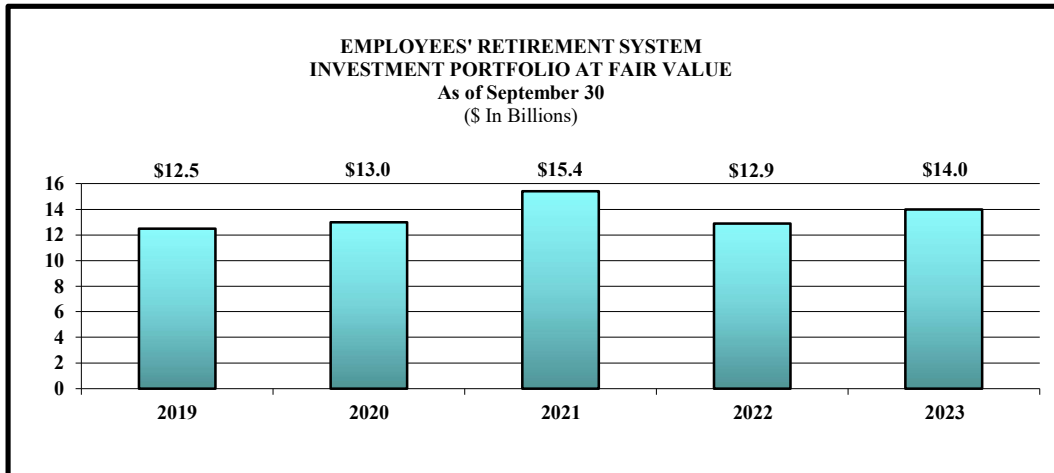
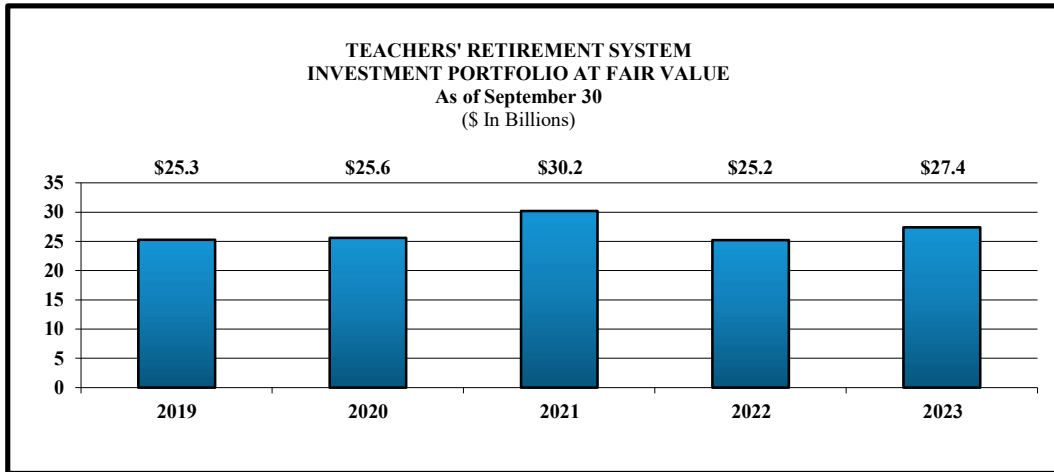
Note: Calculations are prepared using the time-weighted rate of return methodology based upon fair values.

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Portfolio at Fair Value

Five-Year Comparison

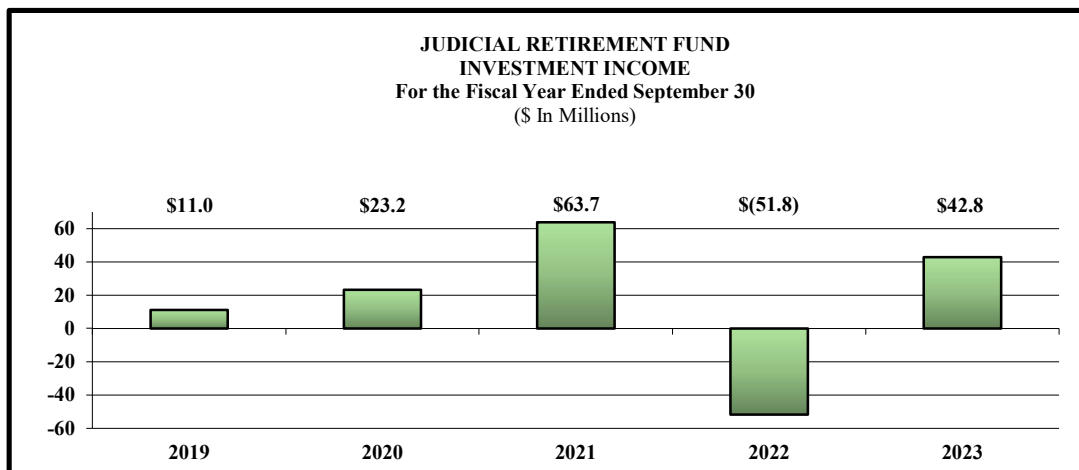
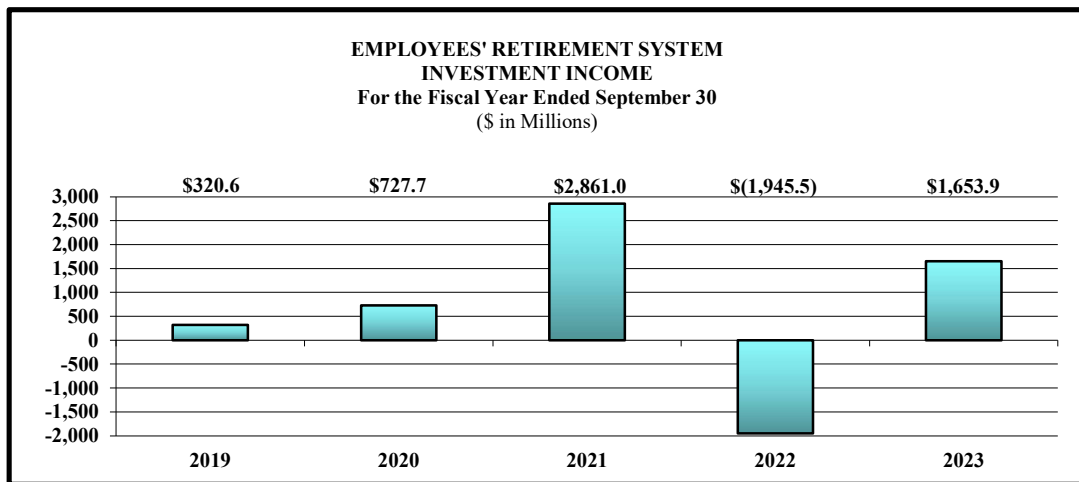
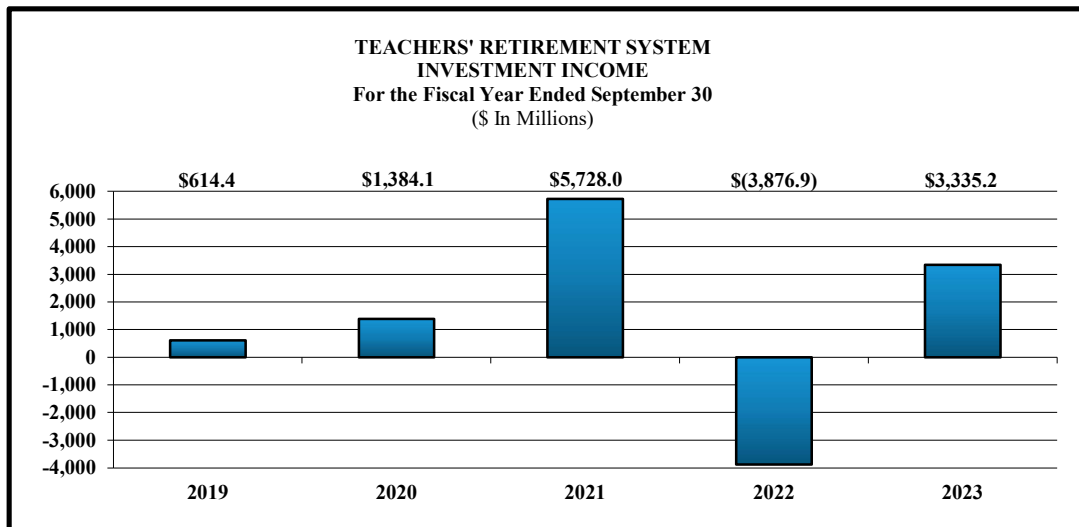


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Investment Income

Five-Year Comparison

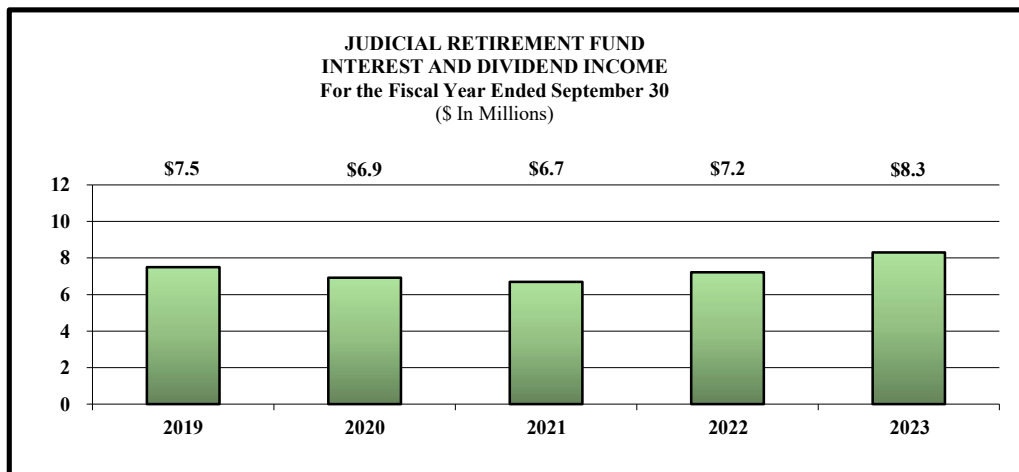
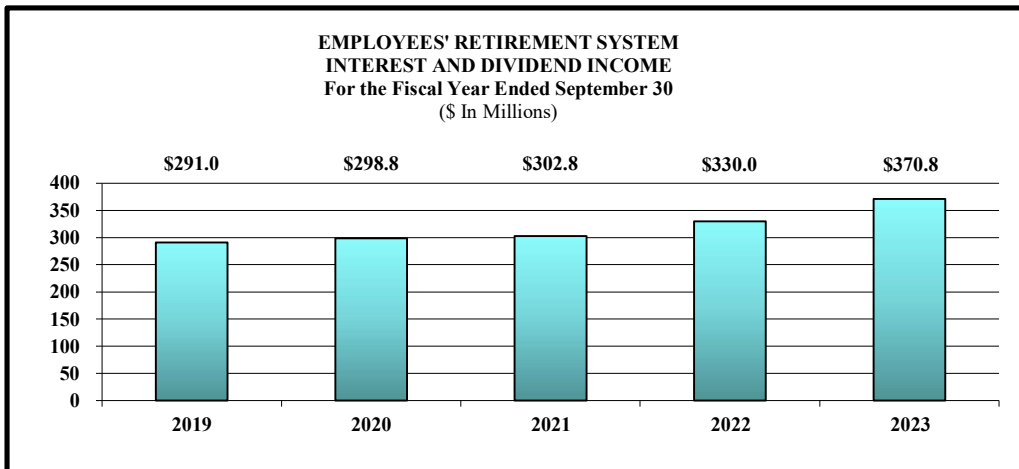
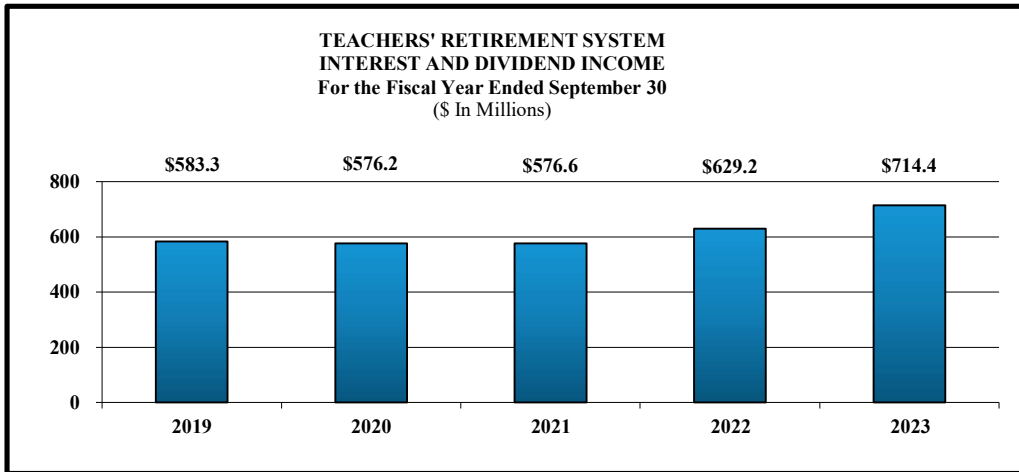


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Interest and Dividend Income

Five-Year Comparison

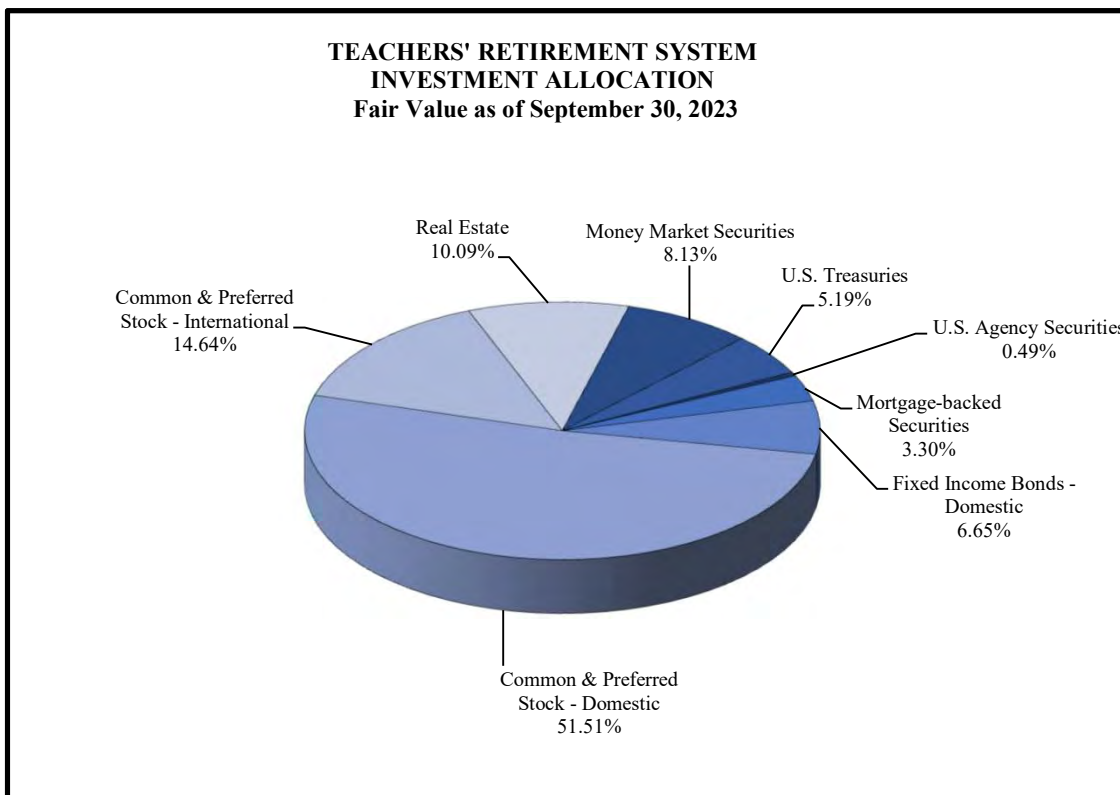


RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Investment Allocation and Summary



**TEACHERS' RETIREMENT SYSTEM
INVESTMENT SUMMARY AT FAIR VALUE
As of September 30, 2023**

(\$ In Thousands)

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 2,232,430	8.13
U.S. Treasuries	1,423,246	5.19
U.S. Agency Securities	134,218	0.49
Mortgage-backed Securities	904,257	3.30
Fixed Income Bonds	1,824,414	6.65
Common and Preferred Stocks		
Domestic	14,135,337	51.51
International	4,018,172	14.64
Real Estate	2,768,447	10.09
Total Investments	<u><u>\$ 27,440,521</u></u>	<u><u>100.00</u></u>

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Teachers' Retirement System

Largest Stock and Bond Holdings

TEACHERS' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2023

(Amounts In Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	860	Morgan Stanley Small Cap Equity Linked Note	\$ 1,393,150
2)	13	New Water Street Corporation	1,288,622
3)	3,127	Apple, Inc.	535,322
4)	1,568	Microsoft Corporation	495,201
5)	379	Gray Media Preferred	280,649
6)	2,084	Amazon.Com, Inc.	264,929
7)	6,150	ISHARES MSCI Emerging Markets	233,387
8)	519	Nvidia Corporation	225,863
9)	8,483	Dimensional Emerging Core Equity Market	191,472
10)	359	Goldman Sachs MSCI Emerging Markets Equity Linked Note	177,021

TEACHERS' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2023

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	102,340	U.S. Treasury, 3.125%, Due 08/31/2029	\$ 94,321
2)	92,840	U.S. Treasury, 2%, Due 2/15/2025	88,782
3)	74,115	U.S. Treasury, 2.25%, Due 11/15/2024	71,576
4)	68,881	U.S. Treasury, 2.75%, Due 2/15/2024	68,184
5)	74,191	U.S. Treasury, 1.375%, Due 10/31/2028	63,294
6)	62,908	Alliance Laundry Systems, LLC, 4.25%, Due 10/8/2027	62,514
7)	67,889	U.S. Treasury, 2%, Due 11/15/2026	62,442
8)	66,831	U.S. Treasury, 2.875%, Due 04/30/2029	61,025
9)	74,755	U.S. Treasury, 3%, Due 05/15/2042	57,199
10)	60,496	Charter Communications, Inc, 5.55%, Due 7/15/2035	55,716

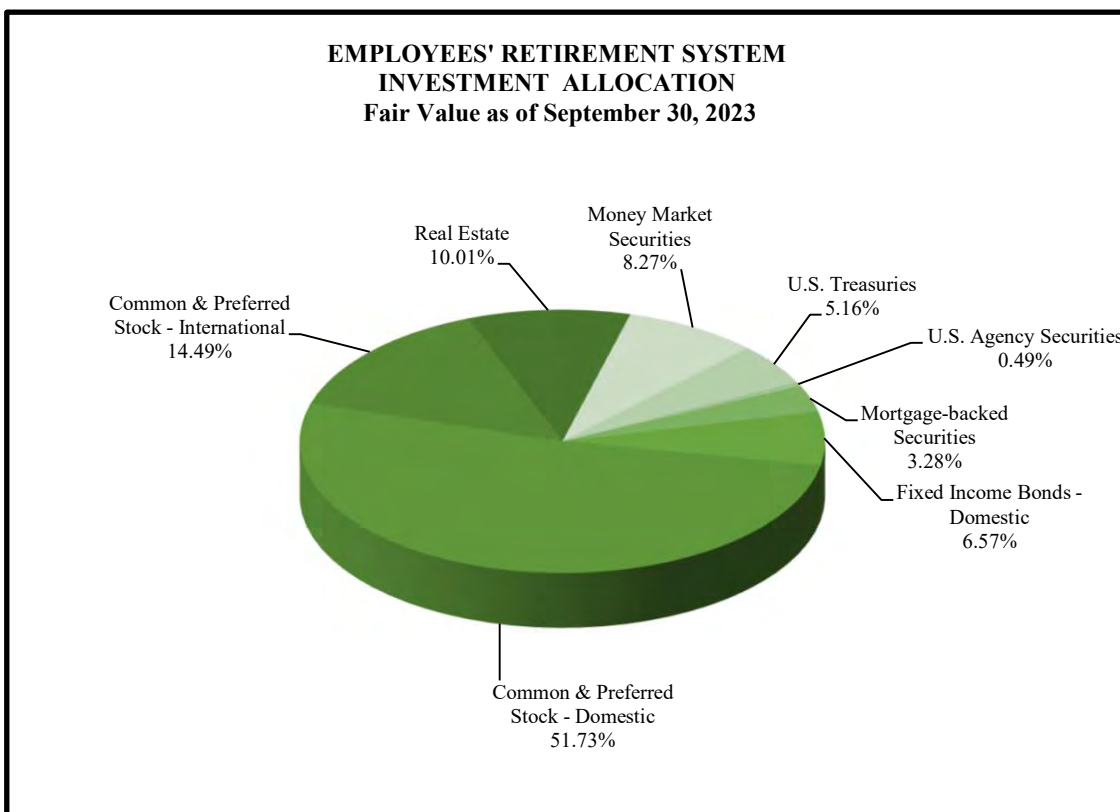
A complete list of portfolio holdings is available upon request.

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, 2023

(\$ In Thousands)

	Fair Value	% of Fair Value
Money Market Securities and Mutual Funds	\$ 1,155,797	8.27
U.S. Treasuries	721,182	5.16
U.S. Agency Securities	68,460	0.49
Mortgage-backed Securities	458,139	3.28
Fixed Income Bonds	918,913	6.57
Common and Preferred Stocks		
Domestic	7,229,295	51.73
International	2,024,607	14.49
Real Estate	1,398,673	10.01
Total Investments	\$ 13,975,066	100.00

RETIREMENT SYSTEMS OF ALABAMA

Investment Section

Employees' Retirement System

Largest Stock and Bond Holdings

EMPLOYEES' RETIREMENT SYSTEM LARGEST STOCK HOLDINGS

September 30, 2023

(Amounts in Thousands)

	<u>Shares</u>	<u>Stock</u>	<u>Fair Value</u>
1)	6	New Water Street Corporation	\$ 592,085
2)	354	Morgan Stanley Small Cap Equity Linked Note	572,941
3)	1,662	Apple, Inc.	284,522
4)	832	Microsoft Corporation	262,724
5)	271	Gray Media Preferred	200,298
6)	3,052	ISHARES CORE MSCI Emerging Markets	145,225
7)	1,111	Amazon.Com, Inc.	141,236
8)	277	Nvidia Corporation	120,406
9)	2,892	ISHARES MSCI Emerging Markets	109,759
10)	205	Goldman Sachs MSCI Emerging Markets Equity Linked Note	100,996

EMPLOYEES' RETIREMENT SYSTEM LARGEST BOND HOLDINGS

September 30, 2023

(Amounts In Thousands)

	<u>Par</u>	<u>Bonds</u>	<u>Fair Value</u>
1)	56,690	U.S. Treasury, 3.125%, Due 8/31/2029	\$ 52,248
2)	46,700	U.S. Treasury, 2%, Due 2/15/2025	44,659
3)	37,516	U.S. Treasury, 2.25%, Due 11/15/2024	36,231
4)	37,866	U.S. Treasury, 1.375%, Due 10/31/2028	32,304
5)	34,203	U.S. Treasury, 2%, Due 11/15/2026	31,459
6)	31,457	U.S. Treasury, 2.75%, Due 2/15/2024	31,139
7)	33,820	U.S. Treasury, 2.875%, Due 4/30/2029	30,882
8)	30,985	Alliance Laundry Systems, LLC, 4.25% Due 10/8/2027	30,790
9)	29,362	U.S. Treasury, 2.5%, Due 5/15/2024	28,828
10)	36,929	U.S. Treasury, 3%, Due 5/15/2042	28,256

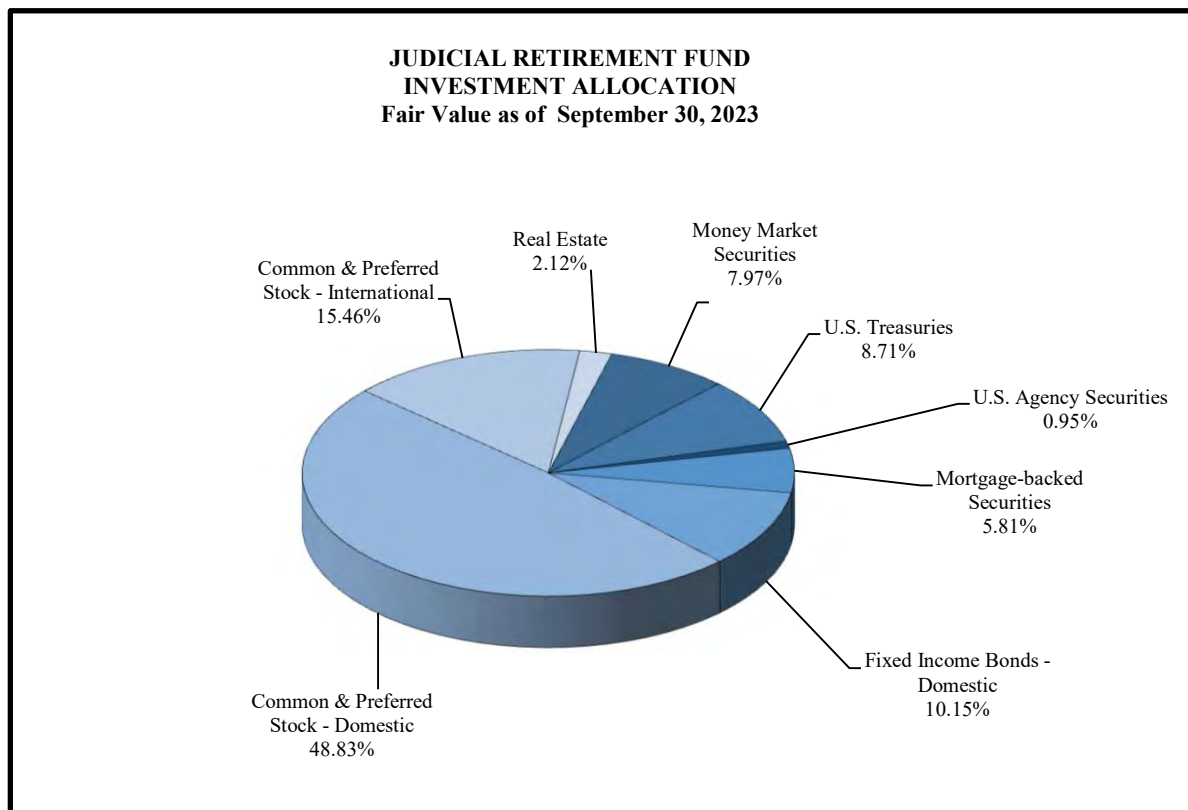
A complete list of portfolio holdings is available upon request.

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, 2023
(\$ In Thousands)**

	<u>Fair Value</u>	<u>% of Fair Value</u>
Money Market Securities and Mutual Funds	\$ 25,286	7.97
U.S. Treasuries	27,657	8.71
U.S. Agency Securities	3,029	0.95
Mortgage-backed Securities	18,447	5.81
Fixed Income Bonds	32,223	10.15
Common and Preferred Stocks		
Domestic	155,019	48.83
International	49,075	15.46
Real Estate	6,744	2.12
Total Investments	\$ 317,480	100.00

RETIREMENT SYSTEMS OF ALABAMA*Investment Section*

Judicial Retirement Fund

Largest Stock and Bond Holdings

**JUDICIAL RETIREMENT FUND
LARGEST STOCK HOLDINGS****September 30, 2023**

(Amounts in Thousands)

	Shares	Stock	Fair Value
1)	8	Morgan Stanley Small Cap Equity Linked Note	\$ 12,549
2)	47	Apple, Inc.	8,054
3)	24	Microsoft Corporation	7,509
4)	*	New Water Street Corporation	4,174
5)	29	Amazon.Com, Inc.	3,694
6)	8	Nvidia Corporation	3,439
7)	78	ISHARES MSCI Emerging Markets	2,975
8)	19	Alphabet, Inc. CL A	2,485
9)	108	Dimensional Emerging Core Equity Market ETF	2,440
10)	9	Tesla, Inc.	2,212

* Less than 1,000 shares

**JUDICIAL RETIREMENT FUND
LARGEST BOND HOLDINGS****September 30, 2023**

(Amounts In Thousands)

	Par	Bonds	Fair Value
1)	3,986	U.S. Treasury, 2.5%, Due 5/15/2024	\$ 3,913
2)	2,165	U.S. Treasury, 3.125%, Due 08/31/2029	1,995
3)	2,042	U.S. Treasury, 2.25%, Due 11/15/2024	1,972
4)	1,871	U.S. Treasury, 2.75%, Due 2/15/2024	1,852
5)	1,924	U.S. Treasury, 1.375%, Due 10/31/2028	1,641
6)	1,689	U.S. Treasury, 2.25%, Due 8/15/2027	1,543
7)	1,896	U.S. Treasury, 2.5%, Due 2/15/2045	1,288
8)	1,326	U.S. Treasury, 2.875%, Due 4/30/2025	1,279
9)	1,333	U.S. Treasury, 2%, Due 11/15/2026	1,226
10)	1,495	U.S. Treasury, 3%, Due 5/15/2042	1,144

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, 2023

	Stock		Commissions (000's)	Fixed Securities Commissions (000's)	Total Commissions (000's)
	Commissions Per Share	# of Shares (000's)			
Bank of America Merrill Lynch	\$ 0.010	19,555	\$ 188	\$ 177	\$ 365
Barclays	-	-	-	50	50
Bernstein	0.036	5,942	214	-	214
Citigroup	0.050	1,282	64	133	197
Convergex	0.050	8,999	450	-	450
Cowen	0.050	2,944	147	-	147
Credit Suisse	0.050	519	26	6	32
Goldman Sachs	0.018	8,912	156	146	302
Instinet	0.050	2,973	149	-	149
International Strategy and Investment - ISI	0.049	4,878	241	-	241
Issuer Designated	-	-	-	476	476
Jefferies	0.021	2,610	55	-	55
JP Morgan Chase	0.027	4,522	121	121	242
Leerink Swann	0.067	15	1	-	1
Marble Wealth	0.049	550	27	-	27
Morgan Stanley	0.013	34,789	441	286	727
National Bank of Commerce - NBC Securities	0.050	1,500	75	-	75
Piper Sandler	0.050	1,279	64	-	64
Raymond James & Associates	0.050	3,206	160	-	160
Renaissance Macro Securities - Renmac	0.050	3,493	175	-	175
Robert W. Baird & Co.	-	-	-	35	35
Royal Bank of Canada - RBC	0.050	2,548	127	144	271
Securities Capital	0.051	712	36	-	36
Stifel Nicolaus	0.050	6,572	329	7	336
Strategas	0.050	4,376	219	-	219
Truist	-	-	-	78	78
Wells Fargo	0.011	27,288	310	223	533
William Blair	0.050	538	27	-	27
Totals		150,002	\$ 3,802	\$ 1,882	\$ 5,684

Average Commission Per Share of Stock = \$ 0.0254

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

March 30, 2023

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, 2022. This valuation indicates that the current employer contribution rates of 13.57% of payroll for Tier I members and 12.60% of payroll for Tier II members, for benefits then in effect, meet the basic financial objective and the goals of the funding policy as listed above. There are 135,783 active members as of September 30, 2022.

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. This valuation reflects an additional 4% salary increase granted to teachers effective October 1, 2022.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and 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, 2022
- Ten-Year History of Average Monthly Benefit Payments as of September 30



Board of Control
March 30, 2023
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 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', enclosed in a thin black rectangular border.

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

A handwritten signature in blue ink that reads 'Cathy Turcot'.

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

Edward Koebel, EA, FCA, MAAA
Chief Executive Officer

S:\2022\AL Teachers\AFR LETTER\TRS AFR letter_2022.docx

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation are based on the results of the Experience Investigation for the Five-Year Period Ending 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 2.75% per annum:

Years of Service	Annual Rate (%)
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							
	Death*		Disability Retirement**					
			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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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	

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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

Pre-Retirement Death Benefit: For those eligible for spousal benefits, it is assumed that 70% will elect the lump sum death benefit payable from the death benefit fund and 30% 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.

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 actuarial 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 creditable service rendered while a member of the System and for which contributions are made.

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Benefits

Service Retirement Allowance

Condition for Allowance

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

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

Amount of Allowance

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

Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 1.65% of their average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation. For a member whose age at retirement is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer), the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer).

Tier 1 & 2 - Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement").

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance

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

Tier 2 - Upon 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. For a member whose age at retirement is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer), the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer).

Tier 1 & 2 - Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement").

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Benefits Payable upon Separation of Service

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

Benefits Payable upon Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect (1) to exercise Option 2 (Spouse) or Option 3 (Non-Spousal Beneficiary) 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Special Privileges at Retirement

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

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Summary of Plan Provisions (Continued)

Deferred Retirement Option Plan (DROP)

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

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
9/30/2022	A	135,783	\$ 7,982,339,732	\$ 58,787	9.11
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

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

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)
9/30/2022	\$28,518,292	\$ 42,552,369	\$14,034,077	67.0	\$ 7,982,340	175.8
9/30/2021 ¹	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 ²	25,006,419	35,628,398	10,621,979	70.2	6,756,474	157.2
9/30/2017 ²	23,887,077	34,688,078	10,801,001	68.9	6,698,835	161.2
9/30/2016 ¹	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

¹Reflects changes in actuarial assumptions and methods.

²Reflects 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)				
9/30/2022	\$ 6,865,652	\$ 23,899,984	\$ 11,786,733	\$ 28,518,292	100.00	91.00	0
9/30/2021 ¹	6,589,860	23,111,616	10,405,330	28,154,229	100.00	93.00	0
9/30/2020	6,356,922	21,781,149	9,614,729	26,681,234	100.00	93.00	0
9/30/2019	6,100,489	21,093,665	10,021,316	25,821,326	100.00	93.00	0
9/30/2018 ¹	5,788,187	20,511,811	9,328,400	25,006,419	100.00	93.00	0
9/30/2017 ¹	5,504,125	19,886,016	9,297,937	23,887,077	100.00	92.00	0
9/30/2016 ²	5,197,469	19,257,160	8,689,205	22,645,512	100.00	91.00	0
9/30/2015	4,894,145	18,621,250	8,329,448	21,740,280	100.00	90.00	0
9/30/2014	4,589,021	18,104,369	8,144,439	20,809,871	100.00	90.00	0
9/30/2013	4,261,269	17,666,932	7,737,642	19,629,816	100.00	87.00	0

¹ Reflects changes in actuarial assumptions.

² Reflects changes in actuarial assumptions and methods.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Teachers' Retirement System

Supporting Schedules (Continued)

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)		
2022	4,955	\$ 137,821	2,477	48,220	105,549	\$ 2,527,829	3.67	23,949
2021	4,990	138,383	2,785	50,872	103,071	2,438,228	3.72	23,656
2020	4,646	127,102	2,319	43,245	100,866	2,350,717	3.70	23,305
2019	4,428	113,405	2,120	38,250	98,539	2,266,860	3.43	23,005
2018	4,457	109,294	2,076	36,571	96,231	2,191,705	3.43	22,775
2017	4,352	101,946	2,076	36,726	93,850	2,118,982	3.18	22,578
2016	4,583	102,365	1,642	12,815	91,574	2,053,762	4.56	22,427
2015	4,951	117,295	1,527	18,633	88,633	1,964,212	5.29	22,161
2014	4,820	113,117	1,356	15,001	85,209	1,865,550	5.55	21,894
2013	4,627	104,280	1,252	7,238	81,745	1,767,434	5.81	21,621

§ 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)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2021	\$ 11,952,577
Normal Cost for 2022 Plan Year	127,221
Contributions Received During the Year	(963,163)
Interest to Year End	864,067
Expected Unfunded Actuarial Liability as of September 30, 2022	<u>11,980,702</u>
Actuarial (Gains)/Losses During the Year	
From Investments	595,224
From Actuarial Liabilities	1,458,151
Total Actuarial (Gains)/Losses During the Year	<u>2,053,375</u>
Actual Unfunded Actuarial Liability as of September 30, 2022	<u>\$ 14,034,077</u>









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May 9, 2023

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, 2022.

The valuation indicates that the current employer contribution rates for State employees (other than State policemen) of 16.26% of payroll for Tier I members and 16.02% of payroll for Tier II members and employer contribution rates for State policemen of 56.68% of payroll for Tier I members and 48.20% 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 84,697 total active members as of September 30, 2022.



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 an additional 4% salary increase granted to State employees and State policeman effective October 1, 2022.

The results shown reflect all local employer elections approved by the Board through October 1, 2022. The contribution rates for local employers for the fiscal year beginning October 1, 2024 will be submitted in a separate report and will include the impact of any employer elections as of September 30, 2022.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and 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, 2022
- Ten-Year History of Average Monthly Benefit Payments as of September 30



Board of Control
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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' with a horizontal line underneath.

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

A handwritten signature in blue ink that reads 'Cathy Turcot'.

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink that reads 'Edward J. Koebel'.

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

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:

Years of Service	Annual Rate* (%)
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:

Years of Service	Annual Rate* (%)
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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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 up on 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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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%		0.014%	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%		0.006%	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 of 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

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%	
56 to 59	40.00	18.00	17.00	15.00%
60	17.00	21.00	40.00	17.00
61	40.00	18.50	40.00	18.50
62	40.00	30.00	40.00	30.00
63	40.00	25.00	40.00	25.00
64	40.00	22.00	40.00	22.00
65	40.00	27.00	40.00	27.00
66	40.00	38.00	40.00	38.00
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	30.00
75 & Above	100.00	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	0.042%	0.016%
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 of 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		Service >=25	Tier II	
	Service < 25			Male	Female
	Male	Female	Male	Female	
20	0.014%	0.013%		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:

Rates of mortality are according to 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 >= 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

Actuarial Section

Employees' Retirement System

Summary of Actuarial Assumptions and Methods (Continued)

Death in Active Service Benefit:

For those eligible for service retirement who die in active service, it is assumed that 70% of beneficiaries will elect the lump sum death benefit, 20% will elect the Option 2 allowance, and 10% will elect the Option 3 allowance.

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

Unused Sick Leave: 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: 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 creditable 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Benefits – Members Classified as Other Than State Police

Service Retirement Allowance

Condition for Allowance

Tier 1 - A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service, (except for employees of local employers who did not elect 25-year retirement), 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 completed 30 years of creditable service or who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of creditable service for a full-time certified firefighter, police officer, or correctional officer).

Amount of Allowance

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

Tier 2 - Upon service retirement, a member receives a retirement allowance equal to 1.65% of their average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation. For a member whose age at retirement is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer), the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer).

Tier 1 & 2 - Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Members").

Disability Retirement Allowance

Condition for Allowance

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

Amount of Allowance

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

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

Tier 1 & 2 - Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Members").

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Benefits Payable upon Separation of Service

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

Benefits Payable upon Death in Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise Option 2 (Spouse) or Option 3 (Non-Spousal Beneficiary) 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member could elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 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

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Members of the City of Montgomery (City) 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

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 – Members hired prior to January 1, 2015: 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 completed 30 years of creditable service or 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

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

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 2 (Spouse) or Option 3 (Non-Spousal Beneficiary) as defined below under "Special Privileges at Retirement – All Members" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the Pre-retirement Death Benefit Fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*

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

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

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

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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Summary of Plan Provisions (Continued)

Deferred Retirement Option Plan (DROP)

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

Member Contributions

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)

<u>Valuation Date</u>		<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase/ (Decrease) in Average Pay</u>
9/30/2022	A	84,697	\$ 4,377,923,393	\$ 51,689	7.58
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

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.

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)
9/30/2022	\$ 14,504,813	\$ 22,095,937	\$ 7,591,124	65.6	\$ 4,377,923	173.4
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

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

SOLVENCY TEST

(Dollar Amounts in Thousands)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	% of Accrued Liabilities Covered by Reported Assets		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
9/30/2022	\$ 3,406,262	\$ 12,265,708	\$ 6,423,967	\$ 14,504,813	100	90	0
9/30/2021	3,292,498	11,794,825	6,017,619	14,291,093	100	93	0
9/30/2020	3,207,292	10,984,239	5,594,541	13,491,176	100	94	0
9/30/2019	3,038,594	10,300,063	5,204,885	12,645,789	100	93	0
9/30/2018	2,922,432	9,944,503	4,962,800	12,240,597	100	93	0
9/30/2017	2,817,368	9,567,278	4,866,189	11,690,952	100	93	0
9/30/2016	2,707,129	9,209,857	4,811,023	11,082,280	100	91	0
9/30/2015	2,591,066	8,666,490	4,466,164	10,589,258	100	92	0
9/30/2014	2,484,050	8,366,277	4,287,967	10,134,581	100	91	0
9/30/2013	2,363,600	8,085,291	4,087,709	9,546,459	100	89	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

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Employees' Retirement System

Supporting Schedules (Continued)

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)		
9/30/2022	2,819	\$ 81,031	1,669	30,325	56,743	\$ 1,311,757	4.02	\$ 23,118
9/30/2021	2,977	84,598	1,751	30,917	55,593	1,261,051	4.45	22,684
9/30/2020	4,705	104,970	1,789	28,528	54,367	1,207,370	6.76	22,208
9/30/2019	2,468	63,336	1,078	17,323	51,451	1,130,928	4.24	21,981
9/30/2018	2,571	64,020	1,286	20,147	50,061	1,084,915	4.21	21,672
9/30/2017	2,449	58,678	1,422	22,947	48,776	1,041,042	3.55	21,343
9/30/2016	2,655	61,579	1,024	9,458	47,749	1,005,311	5.47	21,054
9/30/2015	2,698	63,043	964	9,762	46,118	953,190	5.92	20,669
9/30/2014	2,617	59,959	912	8,787	44,384	899,909	6.03	20,276
9/30/2013	2,628	59,930	925	8,859	42,679	848,737	6.40	19,887

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, 2021	\$ 6,813,849
Normal Cost for 2022 Plan Year	70,085
Contributions Received During the Year	(546,087)
Interest to Year End	492,511
Expected Unfunded Actuarial Liability as of September 30, 2022	<u>6,830,358</u>
Actuarial (Gains)/Losses During the Year	
From Investments	298,538
From Actuarial Liabilities	462,228
Total Actuarial (Gains)/Losses During the Year	<u>760,766</u>
Actual Unfunded Actuarial Liability as of September 30, 2022	<u>\$ 7,591,124</u>







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March 30, 2023

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.



- 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, 2022. 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 45.48% of payroll for Tier I members and 41.05% 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 372 active members as of September 30, 2022.

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. The valuation reflects the impact of Act 2021-441, which revised the salary structure for state judges and district attorneys. In addition, the valuation reflects the 4% salary increase granted to all state employees effective October 1, 2022.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and 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, 2022
- Ten-Year History of Average Monthly Benefit Payments as of September 30



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

Respectfully submitted,

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

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: 3.50% per annum for less than 14 years of service, 3.25% for 14 years of service, and 2.75% for 15 or greater years of service, 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 greater than 10 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
64	0.3439	0.1995	0.570

*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
45-59	7.5%
60-61	16.5
62	20.0
63-64	16.5
65-69	20.0
70-74	30.0
75	100.0

*30% are assumed to retire when first eligible at ages <60; 25% are assumed to retire when first eligible at ages 60-69.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Actuarial Assumptions and Methods (Continued)

Tier 2 (Group 3) and District Attorneys' Plan:

Age	Judges		Clerks and District*** Attorneys
	<18 years	≥18 years**	
62	10%	30%	10%**
63-64	10%	15%*	10%**
65-69	10%	16.5%	10%**
70-74	30%	30%	30%
75	100%	100%	100%

**30% are assumed to retire when first eligible.

***An additional 20% are assumed to retire when first eligible 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

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. Gains and losses are reflected in the unfunded actuarial accrued liability. See Schedule E for more details.

Assets: 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.

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 3.00% 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 was established September 18, 1973. This valuation included amendments to the Fund effective through the valuation date. There is a new tier of benefits (Tier II) for all justices, judges, and circuit clerks elected or appointed on or after November 8, 2016. In addition, there is a new tier of benefits (District Attorneys' Plan) for all district attorneys serving in the capacity of district attorney on or after November 8, 2016. The following summary describes the main benefit and contribution provisions of the Fund 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

Tier 1 (Group 1 and 2):

For a circuit, appellate or probate judge, average final salary equals the member salary at the time of separation from service. For a district judge, average final salary equals the position's salary immediately prior to retirement.

Tier 2 (Group 3) and District Attorneys:

The average of the highest 5 fiscal years (October – September) out of the last 10 fiscal years the member made contribution

Creditable Service

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

Benefits

Service Retirement Benefit

Condition of Benefit

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)

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. (Ten years for Tier 2 members).

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.

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" 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.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Summary of Plan Provisions (Continued)

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

Special Privileges at Retirement

Tier 2 (Group 3) and District Attorneys:

In lieu of the full retirement allowance, any 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 or exceed the present value of the value of the annuity in the member's account at the date of retirement, the balance is paid to a designated beneficiary or to the 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 the designated beneficiary provided such benefit, together with the reduced retirement allowance, is of equivalent actuarial value to his retirement allowance and is approved.

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
9/30/2022	372	\$ 55,352,812	\$ 148,798	14.34%
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)

*4.6% increase for total pay since 2016.

**3.4% 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 Liability (AAL) (B)	Unfunded AAL (UAAL) (B-A)	Percentage Funded (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
9/30/2022	\$ 334,668	\$ 544,518	\$ 209,850	61.5	\$ 55,353	379.1
9/30/2021 ¹	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 ¹	305,397	457,834	152,437	66.7	43,819	347.9
9/30/2017 ²	293,090	448,446	155,356	65.4	44,292	350.8
9/30/2016 ¹	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

¹Reflects changes in actuarial assumptions and methods.

²Reflects changes in benefit structure beginning November 8, 2016.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

The following schedule presents a ten- year history of solvency tests:

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)				
9/30/2022	\$ 51,509	\$ 357,653	\$ 135,356	\$ 334,668	100	79	0
9/30/2021 ¹	47,304	343,885	108,727	333,779	100	83	0
9/30/2020	43,899	338,492	99,472	318,673	100	81	0
9/30/2019	40,993	338,734	96,102	310,689	100	80	0
9/30/2018 ¹	48,609	296,550	112,675	305,397	100	87	0
9/30/2017	44,792	296,231	107,422	293,090	100	84	0
9/30/2016 ¹	45,900	280,836	120,185	279,807	100	83	0
9/30/2015	42,745	272,624	112,222	267,414	100	82	0
9/30/2014	40,981	268,439	113,443	257,452	100	81	0
9/30/2013	37,366	270,430	106,404	243,315	100	76	0

¹Reflects 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 ROI

Fiscal Year Ended	Retirees Added		Retirees Removed		Retirees - Year-end		% Increase/ (Decrease) in Annual Allowances
	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	
2022 ¹	11	\$ 1,977	4	360	459	\$ 40,736	4.13
2021	10	609	14	566	452	39,119	0.11
2020	11	950	7	352	456	39,076	1.55
2019 ²	52	5,360	4	269	452	38,478	15.25
2018	11	733	10	407	404	33,387	0.99
2017 ³	27	2,688	8	695	403	33,061	6.41
2016	11	970	11	825	384	31,068	0.47
2015	16	1,500	7	333	384	30,923	3.92
2014	9	918	9	1,070	375	29,756	(0.51)
2013 ⁴	33	3,144	5	389	375	29,908	10.15

1 - Reflects impact of Act 2021-441, which revised salary structure for state judges and district attorneys.

2 - Reflects 3% COLA and increase in retirements added is a result of the 2019 election cycle.

3 - Increase in retirements added is a result of the 2017 election cycle.

4 - Increase in retirements added is a result of the 2013 election cycle.

RETIREMENT SYSTEMS OF ALABAMA

Actuarial Section

Judicial Retirement Fund

Supporting Schedules (Continued)

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

ANALYSIS OF ACTUARIAL GAINS AND LOSSES

(Dollar Amounts in Thousands)

	<u>Amount</u>
Unfunded Actuarial Liability as of September 30, 2021	\$ 166,136
Normal Cost for 2022 Plan Year	5,037
Contributions Received During the Year	(19,925)
Interest to Year End	<u>11,930</u>
Expected Unfunded Actuarial Liability as of September 30, 2022	<u>163,178</u>
Actuarial (Gains)Losses During the Year	
From Investments	6,950
From Actuarial Liabilities	<u>39,722</u>
Total Actuarial (Gains)/Losses During the Year	<u>46,672</u>
Actual Unfunded Actuarial Liability as of September 30, 2022	<u><u>\$ 209,850</u></u>





Statistical Section

Annual Comprehensive Financial Report
Component Units of the State of Alabama





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

Financial Trends

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

Additions by Source – Ten-Year History – page 190

Deductions by Type – Ten-Year History – page 191

Benefits by Type – Ten-Year History – page 192

Ten-Year History of Additions, Reductions, and Changes in Net Position – page 193

Retirees and Beneficiaries

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

Retired Members by Type of Benefit – page 199

Ten-Year History of Average Monthly Benefit Payments – page 202

Participating Units

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

Local Participating Employers – page 205

Largest Employers – Ten-Year History – page 214

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		Transfers from an Internal Service Fund		Marketing & Advertising Revenue	Investment Income/(Loss)	Total
		Amount	Employer Rate (%)	Amount	Employer Rate (%)			
2023	\$ 596,833	\$ 1,008,365	12.59	11.44	\$ 503	\$ 3,335,244	\$ 4,940,945	
2022	563,132	932,332	12.43	11.32	335	(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	

EMPLOYEES' RETIREMENT SYSTEM
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions		Transfers from an Internal Service Fund		Marketing & Advertising Revenue	Investment Income/(Loss)	Total
		Amount	Employer Rate (%)	Amount	Employer Rate (%)			
2023	\$ 334,456	\$ 593,211	14.82	51.67	14.44	42.86	\$ 2,581,809	
2022	309,720	559,869	14.83	52.22	14.44	42.86	(1,073,027)	
2021	286,396	516,402	14.64	51.75	14.24	42.89	3,663,997	
2020	270,947	519,806	15.24	52.29	14.87	45.56	1,859,130	
2019	254,440	467,553	14.51	50.08	14.14	43.43	723,630	
2018	241,741	426,340	13.94	44.44	13.29	39.29	320,585	
2017	233,901	426,215	13.89	57.25	13.25	53.55	1,042,578	
2016	238,017	435,098	14.57	42.61	14.09	38.98	1,766,493	
2015	229,254	410,932	13.45	38.37	13.31	32.45	2,062,279	
2014	226,016	391,181	12.02	35.81	11.96	29.52	1,726,146	

JUDICIAL RETIREMENT FUND
ADDITIONS BY SOURCE

Fiscal Year	Member Contributions \$	Employer Contributions			New Units	Marketing & Advertising Revenue	Investment Income/(Loss)	Total
		Amount	Employer Rate (%)	Employer Rate (%)				
2023	\$ 5,019	\$ 21,609	42.10	19.77	\$ 42,820	\$ 1,653,894	\$ 2,581,809	
2022	4,692	20,617	42.10	19.77	(51,779)	(1,945,460)	(1,073,027)	
2021	4,271	18,260	40.80	35.61	63,731	2,860,948	3,663,997	
2020	4,184	18,099	41.40	34.32	23,159	-	1,859,130	
2019	4,101	18,022	41.40	34.32	11,016	-	723,630	
2018	3,867	17,180	40.09	34.32	27,622	-	320,585	
2017	3,972	17,373	40.65	-	32,685	-	1,042,578	
2016	3,723	17,529	40.98	-	28,321	-	1,766,493	
2015	3,683	15,077	35.24	-	(856)	-	2,062,279	
2014	3,764	15,790	35.24	-	31,344	-	1,726,146	

§ 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' Superannuity 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
2023	\$ 2,566,776	\$ 65,142	\$ 6,825	\$ 25,694	\$ 9,143	\$ 2,673,580
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

**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
2023	\$ 1,366,602	\$ 55,427	\$ 8,775	\$ 13,285	\$ 3,538	\$ 1,447,627
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

**JUDICIAL RETIREMENT FUND
DEDUCTIONS BY TYPE**

Fiscal Year	Retirement Allowance Payments	Return of Contributions & Death Benefits	Membership Service Transfers	Administrative Expenses	Depreciation	Total
2023	\$ 42,580	\$ 341	\$ 23	\$ 527	\$ -	\$ 43,471
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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Benefits by Type

Ten-Year History

(Dollar Amounts in Thousands)

**TEACHERS' RETIREMENT SYSTEM
BENEFITS BY TYPE**

Fiscal Year	Age & Service Benefits			Disability Benefits	Return of Contributions & Death Benefits	
	Retirants	Beneficiaries	Return of Contributions		Death Benefits	
2023	\$ 2,386,739	\$ 108,695	\$ 71,342	\$ 48,094	\$ 17,048	
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	

**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	
2023	\$ 1,234,517	\$ 68,392	\$ 63,693	\$ 44,672	\$ 10,755	
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	

**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	
2023	\$ 37,324	\$ 4,632	\$ 624	\$ 127	\$ 214	
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	-	

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2023	2022	2021	2020	2019
Additions					
Contributions					
Employee	\$ 588,284	\$ 553,615	\$ 519,627	\$ 510,818	\$ 516,675
Employer	1,008,365	932,332	874,401	862,475	869,336
Transfers from the Employees' Retirement System	8,526	9,517	6,128	4,185	6,234
Transfers from the Judicial Retirement Fund	23	-	-	-	-
Transfers from PEEHIP	-	-	-	-	-
Transfers from an Internal Service Fund	-	-	377	602	-
Marketing & Advertising Revenue	503	335	-	-	-
Direct Appropriation from the Education Trust Fund	-	58,400	-	-	-
Total Contributions	<u>1,605,701</u>	<u>1,554,199</u>	<u>1,400,533</u>	<u>1,378,080</u>	<u>1,392,245</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	2,625,411	(4,500,179)	5,155,012	801,465	33,671
Interest and Dividends	714,409	629,210	576,552	576,193	583,329
Total Investment Income/(Loss) from Investing Activities	3,339,820	(3,870,969)	5,731,564	1,377,658	617,000
Less: Investment Expenses, Net	11,696	11,573	11,191	9,719	9,205
Net Investment Income/(Loss) from Investing Activities	<u>3,328,124</u>	<u>(3,882,542)</u>	<u>5,720,373</u>	<u>1,367,939</u>	<u>607,795</u>
From Securities Lending Activities					
Securities Lending Income	63,743	12,606	11,019	13,960	28,905
Less Securities Lending Expenses:					
Borrower Rebates	52,783	4,585	108	4,423	19,431
Management Fees	3,840	2,406	3,445	3,120	2,842
Total Securities Lending Expenses	<u>56,623</u>	<u>6,991</u>	<u>3,553</u>	<u>7,543</u>	<u>22,273</u>
Net Income from Securities Lending Activities	7,120	5,615	7,466	6,417	6,632
Total Net Investment Income/(Loss)	<u>3,335,244</u>	<u>(3,876,927)</u>	<u>5,727,839</u>	<u>1,374,356</u>	<u>614,427</u>
Total Additions/Reductions	<u>4,940,945</u>	<u>(2,322,728)</u>	<u>7,128,372</u>	<u>2,752,436</u>	<u>2,006,672</u>
Deductions					
Retirement Allowance Payments	2,566,776	2,555,391	2,415,128	2,328,892	2,233,514
Return of Contributions and Death Benefits	65,142	68,722	63,747	60,601	56,861
Transfers to the Employees' Retirement System	6,825	6,213	4,421	4,891	4,187
Transfers to the Judicial Retirement Fund	-	-	-	-	-
Administrative Expenses	25,694	18,945	20,402	21,957	20,583
Depreciation	9,143	9,060	9,133	9,154	7,512
Total Deductions	<u>2,673,580</u>	<u>2,658,331</u>	<u>2,512,831</u>	<u>2,425,495</u>	<u>2,322,657</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>2,267,365</u>	<u>(4,981,059)</u>	<u>4,615,541</u>	<u>326,941</u>	<u>(315,985)</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	25,580,871	30,561,930	25,946,389	25,619,448	25,935,433
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	<u>25,580,871</u>	<u>30,561,930</u>	<u>25,946,389</u>	<u>25,619,448</u>	<u>25,935,433</u>
End of Year	<u>\$ 27,848,236</u>	<u>\$ 25,580,871</u>	<u>\$ 30,561,930</u>	<u>\$ 25,946,389</u>	<u>\$ 25,619,448</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Additions					
Contributions					
Employee	\$ 488,503	\$ 486,542	\$ 472,390	\$ 473,903	\$ 477,300
Employer	802,598	782,695	751,902	737,671	739,547
Transfers from the Employees' Retirement System	4,963	3,096	3,590	4,015	3,549
Transfers from the Judicial Retirement Fund	-	-	-	-	-
Transfers from PEEHIP	24,700	-	-	-	-
Transfers from an Internal Service Fund	-	-	-	-	-
Marketing & Advertising Revenue	-	-	-	-	-
Direct Appropriation from the Education Trust Fund	-	-	-	-	-
Total Contributions	<u>1,320,764</u>	<u>1,272,333</u>	<u>1,227,882</u>	<u>1,215,589</u>	<u>1,220,396</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,615,440	2,021,774	1,589,279	(381,400)	1,853,288
Interest and Dividends	650,293	613,353	607,795	640,910	618,861
Total Investment Income/(Loss) from Investing Activities	2,265,733	2,635,127	2,197,074	259,510	2,472,149
Less: Investment Expenses, Net	9,171	8,685	7,731	6,407	5,732
Net Investment Income/(Loss) from Investing Activities	<u>2,256,562</u>	<u>2,626,442</u>	<u>2,189,343</u>	<u>253,103</u>	<u>2,466,417</u>
From Securities Lending Activities					
Securities Lending Income	23,246	20,125	15,930	11,512	9,629
Less Securities Lending Expenses:					
Borrower Rebates	12,385	7,350	2,825	365	65
Management Fees	3,189	3,112	3,044	2,782	2,829
Total Securities Lending Expenses	<u>15,574</u>	<u>10,462</u>	<u>5,869</u>	<u>3,147</u>	<u>2,894</u>
Net Income from Securities Lending Activities	<u>7,672</u>	<u>9,663</u>	<u>10,061</u>	<u>8,365</u>	<u>6,735</u>
Total Net Investment Income/(Loss)	<u>2,264,234</u>	<u>2,636,105</u>	<u>2,199,404</u>	<u>261,468</u>	<u>2,473,152</u>
Total Additions/Reductions	<u>3,584,998</u>	<u>3,908,438</u>	<u>3,427,286</u>	<u>1,477,057</u>	<u>3,693,548</u>
Deductions					
Retirement Allowance Payments	2,204,031	2,111,830	2,155,784	2,075,302	1,997,595
Return of Contributions and Death Benefits	58,538	55,634	57,130	58,060	54,699
Transfers to the Employees' Retirement System	4,899	3,413	6,223	3,432	2,880
Transfers to the Judicial Retirement Fund	9	-	-	-	-
Administrative Expenses	15,952	16,390	14,873	15,074	13,103
Depreciation	6,338	6,012	4,709	4,258	4,336
Total Deductions	<u>2,289,767</u>	<u>2,193,279</u>	<u>2,238,719</u>	<u>2,156,126</u>	<u>2,072,613</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>1,295,231</u>	<u>1,715,159</u>	<u>1,188,567</u>	<u>(679,069)</u>	<u>1,620,935</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	24,651,457	22,936,298	21,747,731	22,441,307	20,820,372
Adjustment for Application of GASB 68	-	-	-	(14,507)	-
Adjustment for Application of GASB 75	(11,255)	-	-	-	-
Beginning of Year - as adjusted	<u>24,640,202</u>	<u>22,936,298</u>	<u>21,747,731</u>	<u>22,426,800</u>	<u>20,820,372</u>
End of Year	<u>\$ 25,935,433</u>	<u>\$ 24,651,457</u>	<u>\$ 22,936,298</u>	<u>\$ 21,747,731</u>	<u>\$ 22,441,307</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2023	2022	2021	2020	2019
Additions					
Contributions					
Employee	\$ 327,631	\$ 303,507	\$ 281,975	\$ 266,056	\$ 250,253
Employer	593,211	559,869	516,402	519,806	467,553
New Units	-	2,679	-	344,352	-
Transfers from the Teachers' Retirement System	6,825	6,213	4,421	4,891	4,187
Transfers from the Judicial Retirement Fund	-	-	-	-	-
Transfers from an Internal Service Fund	-	-	251	395	-
Marketing & Advertising Revenue	248	165	-	-	-
Total Contributions	<u>927,915</u>	<u>872,433</u>	<u>803,049</u>	<u>1,135,500</u>	<u>721,993</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	1,283,045	(2,274,633)	2,558,276	425,632	30,092
Interest and Dividends	370,837	329,975	302,802	298,770	291,011
Total Investment Income/(Loss) from Investing Activities	1,653,882	(1,944,658)	2,861,078	724,402	321,103
Less: Investment Expenses, Net	3,611	3,544	4,003	3,828	3,661
Net Investment Income/(Loss) from Investing Activities	<u>1,650,271</u>	<u>(1,948,202)</u>	<u>2,857,075</u>	<u>720,574</u>	<u>317,442</u>
From Securities Lending Activities					
Securities Lending Income	34,364	6,284	5,685	6,534	13,884
Less Securities Lending Expenses:					
Borrower Rebates	28,834	2,367	39	1,996	9,394
Management Fees	1,907	1,175	1,773	1,482	1,347
Total Securities Lending Expenses	30,741	3,542	1,812	3,478	10,741
Net Income from Securities Lending Activities	3,623	2,742	3,873	3,056	3,143
Total Net Investment Income/(Loss)	<u>1,653,894</u>	<u>(1,945,460)</u>	<u>2,860,948</u>	<u>723,630</u>	<u>320,585</u>
Total Additions/Reductions	<u>2,581,809</u>	<u>(1,073,027)</u>	<u>3,663,997</u>	<u>1,859,130</u>	<u>1,042,578</u>
Deductions					
Retirement Allowance Payments	1,366,602	1,323,657	1,260,159	1,209,437	1,123,150
Return of Contributions and Death Benefits	55,427	58,978	54,157	46,745	48,675
Unit Withdrawals	-	53	-	-	380
Transfers to the Teachers' Retirement System	8,526	9,517	6,128	4,185	6,234
Transfers to the Judicial Retirement Fund	249	228	118	159	189
Administrative Expenses	13,285	11,306	10,977	13,128	12,934
Depreciation	3,538	3,551	3,520	3,411	2,895
Total Deductions	<u>1,447,627</u>	<u>1,407,290</u>	<u>1,335,059</u>	<u>1,277,065</u>	<u>1,194,457</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>1,134,182</u>	<u>(2,480,317)</u>	<u>2,328,938</u>	<u>582,065</u>	<u>(151,879)</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	12,999,159	15,479,476	13,150,538	12,568,473	12,720,352
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	<u>12,999,159</u>	<u>15,479,476</u>	<u>13,150,538</u>	<u>12,568,473</u>	<u>12,720,352</u>
End of Year	<u>\$ 14,133,341</u>	<u>\$ 12,999,159</u>	<u>\$ 15,479,476</u>	<u>\$ 13,150,538</u>	<u>\$ 12,568,473</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Additions					
Contributions					
Employee	\$ 236,842	\$ 230,488	\$ 231,794	\$ 225,767	\$ 223,135
Employer	426,340	426,215	435,098	410,932	391,181
New Units	-	-	-	-	-
Transfers from the Teachers' Retirement System	4,899	3,413	6,223	3,432	2,880
Transfers from the Judicial Retirement Fund	-	-	-	55	1
Transfers from an Internal Service Fund	-	-	-	-	-
Marketing & Advertising Revenue	-	-	-	-	-
Total Contributions	<u>668,081</u>	<u>660,116</u>	<u>673,115</u>	<u>640,186</u>	<u>617,197</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	775,132	1,098,859	753,836	(186,154)	888,303
Interest and Dividends	323,182	302,295	297,369	311,516	298,049
Total Investment Income/(Loss) from Investing Activities	<u>1,098,314</u>	<u>1,401,154</u>	<u>1,051,205</u>	<u>125,362</u>	<u>1,186,352</u>
Less: Investment Expenses, Net	<u>3,395</u>	<u>3,305</u>	<u>2,883</u>	<u>2,771</u>	<u>2,766</u>
Net Investment Income/(Loss) from Investing Activities	<u>1,094,919</u>	<u>1,397,849</u>	<u>1,048,322</u>	<u>122,591</u>	<u>1,183,586</u>
From Securities Lending Activities					
Securities Lending Income	10,589	9,127	7,481	5,353	4,199
Less Securities Lending Expenses:					
Borrower Rebates	5,647	3,424	1,356	164	21
Management Fees	1,449	1,389	1,416	1,290	1,235
Total Securities Lending Expenses	<u>7,096</u>	<u>4,813</u>	<u>2,772</u>	<u>1,454</u>	<u>1,256</u>
Net Income from Securities Lending Activities	<u>3,493</u>	<u>4,314</u>	<u>4,709</u>	<u>3,899</u>	<u>2,943</u>
Total Net Investment Income/(Loss)	<u>1,098,412</u>	<u>1,402,163</u>	<u>1,053,031</u>	<u>126,490</u>	<u>1,186,529</u>
Total Additions/Reductions	<u>1,766,493</u>	<u>2,062,279</u>	<u>1,726,146</u>	<u>766,676</u>	<u>1,803,726</u>
Deductions					
Retirement Allowance Payments	1,096,883	1,050,340	1,038,517	1,018,515	948,478
Return of Contributions and Death Benefits	45,070	47,683	45,768	51,024	47,937
Unit Withdrawals	350	1,000	-	-	-
Transfers to Teachers' Retirement System	4,963	3,096	3,590	4,015	3,549
Transfers to Judicial Retirement Fund	102	261	78	44	83
Administrative Expenses	11,219	11,982	11,002	11,136	9,612
Depreciation	2,544	2,520	2,021	2,046	2,055
Total Deductions	<u>1,161,131</u>	<u>1,116,882</u>	<u>1,100,976</u>	<u>1,086,780</u>	<u>1,011,714</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>605,362</u>	<u>945,397</u>	<u>625,170</u>	<u>(320,104)</u>	<u>792,012</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	12,122,471	11,177,074	10,551,904	10,883,952	10,091,940
Adjustment for Application of GASB 68	-	-	-	(11,944)	-
Adjustment for Application of GASB 75	(7,481)	-	-	-	-
Beginning of Year - as adjusted	<u>12,114,990</u>	<u>11,177,074</u>	<u>10,551,904</u>	<u>10,872,008</u>	<u>10,091,940</u>
End of Year	<u>\$ 12,720,352</u>	<u>\$ 12,122,471</u>	<u>\$ 11,177,074</u>	<u>\$ 10,551,904</u>	<u>\$ 10,883,952</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	2023	2022	2021	2020	2019
Additions					
Contributions					
Employee	\$ 4,770	\$ 4,464	\$ 4,153	\$ 4,025	\$ 3,912
Employer	21,609	20,617	18,260	18,099	18,022
Transfers from the Teachers' Retirement System	-	-	-	-	-
Transfers from the Employees' Retirement System	249	228	118	159	189
Total Contributions	<u>26,628</u>	<u>25,309</u>	<u>22,531</u>	<u>22,283</u>	<u>22,123</u>
Investment Income					
From Investing Activities					
Net Increase/(Decrease) in Fair Value of Investments	34,443	(59,058)	56,970	16,173	3,476
Interest and Dividends	8,312	7,229	6,689	6,928	7,463
Total Investment Income/(Loss) from Investing Activities	<u>42,755</u>	<u>(51,829)</u>	<u>63,659</u>	<u>23,101</u>	<u>10,939</u>
Less: Investment Expenses, Net	-	-	-	-	-
Net Investment Income/(Loss) from Investing Activities	<u>42,755</u>	<u>(51,829)</u>	<u>63,659</u>	<u>23,101</u>	<u>10,939</u>
From Securities Lending Activities					
Securities Lending Income	380	94	106	128	327
Less Securities Lending Expenses:					
Borrower Rebates	281	23	1	41	218
Management Fees	34	21	33	29	32
Total Securities Lending Expenses	<u>315</u>	<u>44</u>	<u>34</u>	<u>70</u>	<u>250</u>
Net Income from Securities Lending Activities	<u>65</u>	<u>50</u>	<u>72</u>	<u>58</u>	<u>77</u>
Total Investment Income/(Loss)	<u>42,820</u>	<u>(51,779)</u>	<u>63,731</u>	<u>23,159</u>	<u>11,016</u>
Total Additions/Reductions	<u>69,448</u>	<u>(26,470)</u>	<u>86,262</u>	<u>45,442</u>	<u>33,139</u>
Deductions					
Retirement Allowance Payments	42,580	40,542	39,089	38,812	36,909
Return of Contributions and Death Benefits	341	325	28	256	646
Transfers to the Employees' Retirement System	-	-	-	-	-
Transfers to the Teachers' Retirement System	23	-	-	-	-
Administrative Expenses	527	443	374	357	357
Total Deductions	<u>43,471</u>	<u>41,310</u>	<u>39,491</u>	<u>39,425</u>	<u>37,912</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>25,977</u>	<u>(67,780)</u>	<u>46,771</u>	<u>6,017</u>	<u>(4,773)</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	297,549	365,329	318,558	312,541	317,314
Adjustment for Application of GASB 68	-	-	-	-	-
Adjustment for Application of GASB 75	-	-	-	-	-
Beginning of Year - as adjusted	<u>297,549</u>	<u>365,329</u>	<u>318,558</u>	<u>312,541</u>	<u>317,314</u>
End of Year	<u>\$ 323,526</u>	<u>\$ 297,549</u>	<u>\$ 365,329</u>	<u>\$ 318,558</u>	<u>\$ 312,541</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

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

(Amounts in Thousands)

	2018	2017	2016	2015	2014
Additions					
Contributions					
Employee	\$ 3,756	\$ 3,711	\$ 3,645	\$ 3,639	\$ 3,681
Employer	17,180	17,373	17,529	15,077	15,790
Transfers from the Teachers' Retirement System	9	-	-	-	-
Transfers from the Employees' Retirement System	102	261	78	44	83
Total Contributions	<u>21,047</u>	<u>21,345</u>	<u>21,252</u>	<u>18,760</u>	<u>19,554</u>
Investment Income					
<i>From Investing Activities</i>					
Net Increase/(Decrease) in Fair Value of Investments	20,071	25,639	21,302	(7,695)	24,197
Interest and Dividends	7,471	6,910	6,865	6,698	7,030
Total Investment Income/(Loss) from Investing Activities	<u>27,542</u>	<u>32,549</u>	<u>28,167</u>	<u>(997)</u>	<u>31,227</u>
Less: Investment Expenses, Net	-	-	-	-	-
Net Investment Income/(Loss) from Investing Activities	<u>27,542</u>	<u>32,549</u>	<u>28,167</u>	<u>(997)</u>	<u>31,227</u>
<i>From Securities Lending Activities</i>					
Securities Lending Income	248	270	258	195	167
Less Securities Lending Expenses:					
Borrower Rebates	134	90	58	7	1
Management Fees	34	44	46	47	49
Total Securities Lending Expenses	<u>168</u>	<u>134</u>	<u>104</u>	<u>54</u>	<u>50</u>
Net Income from Securities Lending Activities	<u>80</u>	<u>136</u>	<u>154</u>	<u>141</u>	<u>117</u>
Total Investment Income/(Loss)	<u>27,622</u>	<u>32,685</u>	<u>28,321</u>	<u>(856)</u>	<u>31,344</u>
Total Additions/Reductions	<u>48,669</u>	<u>54,030</u>	<u>49,573</u>	<u>17,904</u>	<u>50,898</u>
Deductions					
Retirement Allowance Payments	33,419	32,807	30,893	30,348	29,826
Return of Contributions and Death Benefits	130	353	115	100	54
Transfers to the Employees' Retirement System	-	-	-	55	1
Administrative Expenses	328	334	397	356	281
Total Deductions	<u>33,877</u>	<u>33,494</u>	<u>31,405</u>	<u>30,859</u>	<u>30,162</u>
Net Increase/(Decrease) in Fiduciary Net Position	<u>14,792</u>	<u>20,536</u>	<u>18,168</u>	<u>(12,955)</u>	<u>20,736</u>
Net Position Restricted for Pension Benefits					
Beginning of Year - as previously reported	302,578	282,042	263,874	277,096	256,360
Adjustment for Application of GASB 68	-	-	-	(267)	-
Adjustment for Application of GASB 75	(56)	-	-	-	-
Beginning of Year - as adjusted	<u>302,522</u>	<u>282,042</u>	<u>263,874</u>	<u>276,829</u>	<u>256,360</u>
End of Year	<u>\$ 317,314</u>	<u>\$ 302,578</u>	<u>\$ 282,042</u>	<u>\$ 263,874</u>	<u>\$ 277,096</u>

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

Retired Members by Type of Benefit as of September 30, 2022

Amount of Monthly Benefit	Number of Retirants	Type of Retirement ¹			Option Selected ²				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	1,403	806	467	130	230	282	467	424	-
251 - 500	8,600	6,301	936	1,363	2,363	3,146	2,021	1,065	5
501 - 750	9,449	7,538	788	1,123	2,377	3,644	2,215	1,211	2
751 - 1,000	8,602	7,041	739	822	1,974	3,329	2,037	1,259	3
1,001 - 1,250	7,411	6,109	657	645	1,411	2,719	2,100	1,178	3
1,251 - 1,500	6,484	5,393	546	545	1,222	2,292	1,979	989	2
1,501 - 1,750	7,431	6,547	418	466	1,296	2,901	2,225	1,008	1
1,751 - 2,000	9,116	8,471	326	319	1,543	3,878	2,384	1,307	4
2,001 - 2,250	9,675	9,189	280	206	1,427	4,154	2,785	1,306	3
2,251 - 2,500	8,343	7,988	240	115	1,210	3,644	2,409	1,078	2
2,501 - 2,750	6,440	6,213	162	65	905	2,763	1,945	826	1
2,751 - 3,000	4,880	4,708	134	38	672	1,963	1,550	694	1
3,001 - 3,250	3,705	3,569	113	23	496	1,466	1,205	534	4
3,251 - 3,500	2,783	2,671	101	11	349	1,072	957	404	1
3,501 - 3,750	2,188	2,113	63	12	273	843	754	314	4
3,751 - 4,000	1,677	1,620	47	10	230	634	559	251	3
4,001 - 4,250	1,428	1,373	50	5	190	554	467	215	2
4,251 - 4,500	1,042	1,004	36	2	119	390	381	149	3
4,501 - 4,750	817	791	26	-	103	271	311	131	1
4,751 - 5,000	674	657	17	-	87	243	245	98	1
Over 5,000	3,401	3,291	106	4	368	998	1,468	555	12
Totals ³	105,549	93,393	6,252	5,904	18,845	41,186	30,464	14,996	58

¹ Type of Retirement

A - Service

B - Survivor benefit

C - Disability

² Option

Maximum - Life Annuity

Opt-1 - Cash Refund

Opt-2 - 100% Joint Survivorship

Opt-3 - 50% Joint Survivorship

Opt-4 - Other

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Retired Members by Type of Benefit as of September 30, 2022

Amount of Monthly Benefit	Number of Retirants	Type of Retirement ¹			Option Selected ²				
		A	B	C	Maximum	Opt-1	Opt-2	Opt-3	Opt-4
\$ 1 - 250	374	163	205	6	37	21	65	188	63
251 - 500	3,460	2,295	852	313	814	834	875	745	192
501 - 750	5,216	3,686	810	720	1,442	1,510	1,203	848	213
751 - 1,000	5,146	3,723	632	791	1,410	1,613	1,014	849	260
1,001 - 1,250	5,820	4,611	534	675	1,246	1,974	1,316	902	382
1,251 - 1,500	5,241	4,306	432	503	1,080	1,857	1,236	790	278
1,501 - 1,750	4,877	4,221	299	357	933	1,794	1,148	793	209
1,751 - 2,000	4,615	4,147	210	258	821	1,765	1,031	755	243
2,001 - 2,250	4,045	3,702	167	176	706	1,367	1,052	686	234
2,251 - 2,500	3,458	3,195	123	140	596	1,243	909	561	149
2,501 - 2,750	2,810	2,636	81	93	447	1,041	754	463	105
2,751 - 3,000	2,185	2,062	68	55	350	811	588	379	57
3,001 - 3,250	2,011	1,917	64	30	314	751	562	345	39
3,251 - 3,500	1,453	1,386	44	23	221	527	423	253	29
3,501 - 3,750	1,214	1,179	25	10	188	460	333	213	20
3,751 - 4,000	894	863	20	11	151	342	231	151	19
4,001 - 4,250	783	764	14	5	102	296	215	156	14
4,251 - 4,500	585	559	19	7	81	210	183	102	9
4,501 - 4,750	462	445	16	1	78	161	140	74	9
4,751 - 5,000	396	386	8	2	58	135	115	83	5
Over 5,000	1,698	1,662	28	8	245	592	495	344	22
Totals	56,743	47,908	4,651	4,184	11,320	19,304	13,888	9,680	2,551

¹ Type of Retirement

- A - Service
- B - Survivor benefit
- C - Disability

² Option

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Judicial Retirement Fund

Retired Members by Type of Benefit as of September 30, 2022

Amount of Monthly Benefit	Number of Retirants	Type of Retirement †			Option	
		A	B	C	Maximum	Joint Survivorship
\$ 1 - 250	-	-	-	-	-	-
251 - 500	3	-	3	-	3	-
501 - 750	1	-	1	-	1	-
751 - 1,000	3	-	3	-	3	-
1,001 - 1,250	3	-	2	1	2	1
1,251 - 1,500	9	-	9	-	9	-
1,501 - 1,750	6	-	6	-	6	-
1,751 - 2,000	3	-	3	-	3	-
2,001 - 2,250	1	-	1	-	1	-
2,251 - 2,500	-	-	-	-	-	-
2,501 - 2,750	1	-	1	-	1	-
2,751 - 3,000	2	-	2	-	2	-
3,001 - 3,250	6	2	2	2	2	4
3,251 - 3,500	5	4	1	-	1	4
3,501 - 3,750	2	-	2	-	2	-
3,751 - 4,000	16	1	15	-	16	-
4,001 - 4,250	36	3	33	-	33	3
4,251 - 4,500	24	3	21	-	21	3
4,501 - 4,750	8	8	-	-	1	7
4,751 - 5,000	6	4	2	-	2	4
Over 5,000	324	311	8	5	55	269
Totals	459	336	115	8	164	295

† Type of Retirement

A - Service

B - Survivor benefit

C - Disability

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Teachers' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2022					
Average monthly benefit	\$ 884	\$ 1,355	\$ 1,936	\$ 2,750	\$ 4,038
Average final average salary	\$ 46,450	\$ 49,352	\$ 54,861	\$ 64,669	\$ 74,010
Number of active retirants	864	769	702	1,717	896
2021					
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
2020					
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
2019					
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
2018					
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
2017					
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
2016					
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
2015					
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
2014					
Average monthly benefit	\$ 790	\$ 1,273	\$ 1,675	\$ 2,374	\$ 3,236
Average final average salary	\$ 40,969	\$ 46,200	\$ 47,036	\$ 56,099	\$ 60,273
Number of active retirants	855	656	633	1,397	364
2013					
Average monthly benefit	\$ 810	\$ 1,201	\$ 1,653	\$ 2,325	\$ 3,204
Average final average salary	\$ 41,846	\$ 43,291	\$ 46,143	\$ 55,080	\$ 59,738
Number of active retirants	879	676	600	1,216	278

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

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

	Years Credited Service				
	10-14	15-19	20-24	25-29	30 & over
2022					
Average monthly benefit	\$ 888	\$ 1,434	\$ 2,216	\$ 2,918	\$ 3,864
Average final average salary	\$ 46,242	\$ 51,765	\$ 58,835	\$ 65,112	\$ 70,933
Number of active retirants*	491	398	442	831	580
2021					
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
2020					
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
2019					
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
2018					
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
2017					
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
2016					
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
2015					
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
2014					
Average monthly benefit	\$ 737	\$ 1,144	\$ 1,676	\$ 2,326	\$ 3,258
Average final average salary	\$ 38,296	\$ 42,040	\$ 48,423	\$ 54,092	\$ 60,078
Number of active retirants	532	319	316	725	337
2013					
Average monthly benefit	\$ 718	\$ 1,257	\$ 1,738	\$ 2,392	\$ 3,236
Average final average salary	\$ 37,933	\$ 46,357	\$ 49,200	\$ 54,929	\$ 59,595
Number of active retirants	537	385	321	661	337

* 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 Credited Service				
	10-14	15-19	20-24	25-29	30+
2022					
Average monthly benefit	\$ 6,224	\$ 10,547	\$ 8,646	\$ 7,409	\$ 4,675
Average final average salary	\$ 120,055	\$ 168,756	\$ 138,337	\$ 145,000	\$ 74,803
Number of active retirees	2	3	2	1	1
2021					
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 retirees	3	1	3	3	1
2020					
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 retirees	2	3	3	2	-
2019					
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 retirees	12	17	4	6	13
2018					
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 retirees	4	5	1	1	-
2017					
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 retirees	8	8	3	4	4
2016					
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 retirees	2	3	1	4	-
2015					
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 retirees	4	2	3	2	4
2014					
Average monthly benefit	\$ 8,528	\$ 9,158	\$ 9,051	\$ 9,371	\$ -
Average final average salary	\$ 136,441	\$ 146,529	\$ 144,812	\$ 149,936	\$ -
Number of active retirees	2	3	2	1	-
2013					
Average monthly benefit	\$ 7,458	\$ 8,297	\$ 9,128	\$ 9,216	\$ 7,224
Average final average salary	\$ 119,322	\$ 132,747	\$ 146,050	\$ 147,448	\$ 115,578
Number of active retirees	5	10	3	5	9

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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
Citizens' Water Service
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
Cottonwood Housing Authority
Cottonwood, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Courtland, Town of
Covington County Commission
Covington County E-911 Board
Covington County Water Authority
Cowarts, Town of
Crenshaw County Commission
Crenshaw County Emergency Communications District
Creola, City of
Crossville Water Works Board
Crossville, Town of
Cuba, Town of
Cullman County Center for the Developmentally Disabled
Cullman County Commission
Cullman County E-911
Cullman Power Board
Cullman, City of
Cullman-Jefferson Counties Gas District
Cumberland Mountain Water Authority
Curry Water Authority
CWM Water Authority
Dadeville Housing Authority
Dadeville Water Supply & Gas Board
Dadeville, City of
Dadeville, Waterworks & Sewer Board of
Dale County Commission
Dale County Water Authority
Daleville Housing Authority
Daleville, City of
Dallas County Commission
Dallas County Water & Sewer Authority
Daphne Utilities Board
Daphne, City of
Dauphin Island Water & Sewer Authority
Dauphin Island, Town of
Decatur Utilities
Decatur, City of
DeKalb County Commission
DeKalb County Economic Development Authority
DeKalb County Emergency Communications District
DeKalb County Hospital Association
DeKalb County Mental Retardation Board
DeKalb-Cherokee Counties Gas District
DeKalb-Jackson Water Supply District Board
Demopolis Housing Authority
Demopolis Water Works & Sewer Board
Demopolis, City of
Dora Waterworks & Gas Board
Dora, City of
Dothan, City of
Dothan-Houston County Communications District
Dothan-Houston County Intellectual Disabilities Board
Double Springs Water Works Board
Double Springs, Town of
Douglas Water Authority
Douglas, Town of
Dutton, Town of
East Alabama Mental Health-Mental Retardation Board
East Alabama Regional Planning & Development Commission
East Alabama Water, Sewer & Fire Protection District
East Brewton, City of
East Central Alabama Gas District
East Central Baldwin County Water & Fire Protection Authority
East Lauderdale County Water & Fire Protection Authority
Eclectic, Town of
Elba Water & Electric Board
Elba, City of
Elberta, City of
Electric Cities of Alabama
Elmore County Commission
Elmore County Emergency Communications District
Elmore Water & Sewer Authority
Enterprise Housing Authority
Enterprise Water Works Board
Enterprise, City of
Ernest F. Ladd Memorial Stadium
Escambia County Commission
Escambia County Cooperative Library System
Escambia County Emergency Communications District
Etowah County Commission
Etowah County Communications District
Etowah County Community Corrections
Etowah County Tourism Board
Etowah County Solid Waste Disposal Authority
Eufaula Housing Authority
Eufaula Water Works & Sewer Board
Eufaula, City of
Eutaw, City of
Evergreen Housing Authority
Evergreen, City of
Excel, Town of
Fairfield, City of
Fairhope Public Library
Fairhope, City of
Falkville, Town of
Fayette County Commission
Fayette County E-911 District
Fayette County Water Authority
Fayette Gas Board
Fayette Housing Authority
Fayette Water Works Board
Fayette, City of
Fayetteville Water Authority
Five Star Water Supply District

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Flomaton, Town of	Greenhill Water & Fire Protection Authority
Florence Housing Authority	Greensboro Housing Authority
Florence Lauderdale Port Authority	Greensboro, City of
Florence/Lauderdale Tourism Board	Greenville Housing Authority
Foley Utilities Board	Greenville Water Works & Sewer Board
Foley, City of	Greenville, City of
Forestdale Fire District	Grove Hill, City of
Fort Deposit Water Works & Sewer Board	Guin Housing Authority
Fort Deposit, Town of	Guin Water Works & Sewer Board
Fort Payne Housing Authority	Guin, City of
Fort Payne Improvement Authority	Gulf Shores Utilities Board
Fort Payne Water Works Board	Gulf Shores, City of
Fort Payne, City of	Guntersville Electric Board
Fosters-Ralph Water Authority	Guntersville Housing Authority
Franklin County Commission	Guntersville Water Works & Sewer Board
Franklin County Soil & Water Conservation District	Guntersville, City of
Franklin County Water Service Authority	Gurley, Town of
Frisco City, Town of	Hackleburg Housing Authority
Fultondale Gas Board	Hackleburg Water Board
Fultondale, Town of	Hackleburg, Town of
Fyffe, Town of	Hackneyville Water & Fire Protection Authority
Gadsden Water Works & Sewer Board	Hale County Commission
Gadsden, City of	Hale County Emergency Medical Service
Gantt, Town of	Hale County Soil & Water Conservation District
Garden Town, Town of	Haleyville, City of
Gardendale, City of	Hamilton Housing Authority
Geneva County Commission	Hamilton, City of
Geneva County E-911	Hammondville, Town of
Geneva Water Works & Sewer Board	Hanceville Water Works & Sewer Board
Geneva, City of	Hanceville, City of
Georgiana Housing Authority	Harpersville, Town of
Georgiana, City of	Hartford, City of
Geraldine, Town of	Hartselle Utilities Board
Gilbertown Utilities Board	Hartselle, City of
Gilbertown, Town of	Hartselle, Housing Authority of the City of
Glencoe Water & Sewer Board	Harvest-Monrovia Water, Sewer & Fire Protection Authority
Glencoe, City of	Hayden, Town of
Goodwater Water Works & Sewer Board	Hayneville, City of
Good Hope, City of	Headland Housing Authority
Goodwater, City of	Headland, City of
Gordo, City of	Heflin Water Works & Sewer Board
Governmental Utility Services Corporation of Moody	Heflin, City of
Governmental Utility Services Corporation of the City of Bessemer	Helena Utilities Board
Grant, Town of	Helena, City of
Graysville Public Library	Henagar, City of
Graysville, City of	Henry County Commission
Greater Etowah Mental Retardation 310 Board	Henry County Water Authority
Greene County Ambulance Service	Highland Water Authority
Greene County Commission	Historic Blakeley Authority
Greene County E-911 Communication District	Hillsboro, Town of
Greene County Hospital & Nursing Home	Hodges, Town of
Greene County Housing Authority	Hokes Bluff Water Board
Greene County Industrial Development Authority	Hokes Bluff, Town of
Greene County Racing Commission	Holly Pond, Town of
	Hollywood, Town of
	Homewood, City of
	Hoover, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Horseshoe Bend Regional Library
Houston County Commission
Houston County Soil Conservation District
Houston County Water Authority
Houston-Love Memorial Library
Hueytown, City of
Huguley Water, Sewer & Fire Protection Authority
Huntsville Electric Utilities System
Huntsville Gas Utilities System
Huntsville Solid Waste Disposal Authority
Huntsville Waterworks Utilities System
Huntsville, City of
Huntsville/Madison County Convention & Visitors Bureau
Huntsville-Madison County Airport Authority
Huntsville-Madison County Marina & Port Authority
Huntsville-Madison County Mental Health Center Board
Ider, Town of
Indian Pines Recreational Authority
International Motorsports Hall of Fame
Ironton, City of
J. Paul Jones Hospital
Jackson County Commission
Jackson County Economic Development Authority
Jackson County Emergency Management Communications District
Jackson County Soil & Water Conservation District
Jackson County Water Authority
Jackson, City of
Jackson's Gap Water Authority
Jackson's Gap, Town of
Jacksonville Housing Authority
Jacksonville Water Works, Gas & Sewer Board
Jacksonville, City of
Jasper Waterworks & Sewer Board
Jasper, City of
Jefferson County Department of Health
Jefferson County Housing Authority
Jefferson-Blount-St. Clair Mental Health Authority
Jemison, Town of
Joppa, Hulaco & Ryan Water Authority
Kennedy, City of
Killen, City of
Kinsey, Town of
LaFayette, City of
Lamar County Commission
Lamar County Communications District
Lanett, City of
Lauderdale County Commission
Lauderdale County Community Corrections Authority
Lauderdale County Regional Library System
Lawrence County Commission
Lee County Commission
Leeds Housing Authority
Leeds Water Works Board
Leeds, City of
Lee-Russell Council of Governments
Leesburg, Town of
Leighton Water & Sewer Board
Leighton, Town of
Level Plains, Town of
Lexington, Town of
Limestone County Commission
Limestone County Water & Sewer Authority
Lincoln, City of
Linden, City of
Lineville Housing Authority
Lineville Waterworks & Sewer Board
Lineville, City of
Littleville, Town of
Livingston Housing Authority
Livingston, City of
Loachapoka Water Authority
Locust Fork, Town of
Lowndes County Commission
Loxley, City of
Luverne Housing Authority
Luverne, City of
Lynn, Town of
Macon County Commission
Macon County Racing Commission
Madison County 310 Board
Madison County Commission
Madison County Communications District
Madison Water & Wastewater Board
Madison, City of
Magnolia Springs, Town of
Malvern, Town of
Maplesville Waterworks & Gas Board
Maplesville, City of
Marengo County Commission
Marengo County Emergency Communications District
Marengo Nursing Home
Margaret, Town of
Marion County Commission
Marion County Emergency Communications District
Marion County Public Water Authority
Marion Housing Authority
Marion, City of
Marshall County Commission
Marshall County Community Punishment & Corrections Authority
Marshall County Emergency Telephone Services
Marshall County Gas District
Marshall-Jackson Mental Retardation Authority
McAdory Area Fire District

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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
Mulga, 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
Oneonta Utilities Board
Oneonta, City of
Opelika Housing Authority
Opelika Utilities Board
Opelika, City of
Opp Utilities Board
Opp, City of
Orange Beach Water, Sewer & Fire Protection
Authority
Orange Beach, Town of
Owassa/Brownville Water Authority
Owens Cross Roads Water Authority

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Owens Cross Roads, City of
Oxford Emergency Medical Services
Oxford, City of
Ozark Utilities Board
Ozark, City of
Ozark-Dale County E-911
Parrish Water Works & Sewer Board
Parrish, Town of
Pelham, City of
Pell City Housing Authority
Pell City, City of
Pennington Utilities Board
Pennington, City of
Perdido Bay Water, Sewer & Fire Protection District
Perry County Commission
Perry County E-911
Phenix City Utilities
Phenix City, City of
Phil Campbell Housing Authority
Phil Campbell Water Works & Sewer Board
Phil Campbell, Town of
Pickens County Commission
Pickens County E-911 Board
Pickens County Water Authority
Piedmont Housing Authority
Piedmont, City of
Pike County Commission
Pike County Communications District
Pike County Soil & Water Conservation District
Pike County Water Authority
Pike Road Volunteer Fire Protection Authority
Pike Road, Town of
Pine Bluff Water Authority
Pine Hill, Town of
Pine Level Water Authority
Pinson, City of
Pisgah, Town of
Pleasant Grove, City of
Prattville Housing Authority
Prattville Water Works Board
Prattville, City of
Priceville, Town of
Prichard Housing Authority
Pryor Field Airport Authority
Quint-Mar Water Authority
Ragland Water Works Board
Ragland, Town of
Rainbow City Utilities Board
Rainbow City, City of
Rainsville, City of
Randolph County Commission
Randolph County E9-1-1
Red Bay Housing Authority
Red Bay Water Works & Gas Board
Red Bay, City of
Reform Housing Authority
Reform, City of
Regional Housing Authority of Lawrence, Cullman & Morgan Counties
Rehobeth, City of
Remlap-Pine Mountain Water Authority
Repton, Town of
Riverbend Center for Mental Health
Riverside, Town of
Roanoke Utility Board
Roanoke, City of
Robertsdale, City of
Rockford Utilities Board
Rockford, Town of
Rocky Ridge Fire District
Rogersville Water Works & Sewer Board
Rogersville, Town of
Russell County Commission
Russell County Emergency Communications District
Russell County Soil & Water Conservation District
Russell County Water Authority
Russellville Electric Board
Russellville Gas Board
Russellville Housing Authority
Russellville Water & Sewer Board
Russellville, City of
Rutledge, Town of
Samson, City of
Saraland Water Service
Saraland, City of
Sardis City Water Board
Sardis, City of
Satsuma Water Works Board
Satsuma, City of
Scottsboro Electric Power Board
Scottsboro Housing Authority
Scottsboro Public Library
Scottsboro Public Park & Recreation Board
Scottsboro Waterworks, Sewer & Gas Board
Scottsboro, City of
Section Waterworks Board
Section, Town of
Selma Housing Authority
Selma Water & Sewer Board
Selma, City of
Semmes, City of
Sheffield Utilities Board
Sheffield, City of
Shelby County Commission
Shelby County Community Corrections
Shelby County Emergency Management Communications District
Shelby County Soil Conservation District
Shoals Committee on Programs & Employment for the Mentally Retarded
Shoals Economic Development Authority
Shoals Solid Waste Disposal Authority
Shorter, Town of
Silas, Town of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

Silverhill, Town of
Skyline, Town of
Slocomb Waterworks & Sewer Board
Slocomb, Town of
Smiths Station, City of
Smiths Station Fire Protection District
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
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
Theodore Dawes Fire District
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
Tuscaloosa County Special Tax Board
Tuscaloosa Housing Authority
Tuscaloosa Public Library
Tuscaloosa, City of
Tuscumbia, City of
Tuskegee Utilities Board
Tuskegee, City of
Union Grove Utilities Board
Union Springs Utilities Board
Union Springs, City of
Uniontown Housing Authority
Uniontown Utilities Board
Uniontown, Town of
USS Alabama Battleship Commission
Valley Grande, City of
Valley Head Water Works Board

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Local Participating Employers

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
Wilcox County Emergency Communications
District
Wilcox County Gas District
Wilsonville, Town of
Wilton, Town of
Winfield Water Works & Sewer Board
Winfield, City of
Winston County Commission
Winston County E9-1-1 Communications
District
Woodland, Town of
Woodstock, Town of
Woodville, Town of
York Housing Authority
York, City of

RETIREMENT SYSTEMS OF ALABAMA

Statistical Section

Employees' Retirement System

Ten-Year History of Largest Employers

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	27,380	28,333	29,019	28,533	29,664	29,548	29,756	30,109	30,297	30,659
% of Total Active Members	32.33%	33.50%	33.95%	33.75%	34.27%	34.50%	35.08%	35.43%	35.40%	35.84%
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	2,418	2,374	2,353	2,443	2,362	2,296	2,258	2,207	2,243	2,209
% of Total Active Members	2.85%	2.81%	2.75%	2.89%	2.73%	2.68%	2.66%	2.60%	2.62%	2.58%
3) Employer	Montgomery, City of	Montgomery, City of	Montgomery, City of	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County	Mobile County
# of Active Members	2,120	2,139	2,206	1,539	1,896	1,610	1,604	1,587	1,578	1,625
% of Total Active Members	2.50%	2.53%	2.58%	1.82%	1.84%	1.88%	1.89%	1.87%	1.84%	1.90%
4) Employer	Mobile County	Mobile County	Mobile County	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	Mobile, City of	AltaPointe Health*	Mobile, City of
# of Active Members	1,492	1,452	1,514	1,058	1,104	1,150	1,195	1,250	1,341	1,282
% of Total Active Members	1.76%	1.72%	1.77%	1.25%	1.28%	1.34%	1.41%	1.47%	1.57%	1.50%
5) Employer	Mobile, City of	Mobile, City of	Madison County	Madison County	Madison County	Madison County	Madison County	Madison County	Mobile, City of	AltaPointe Health*
# of Active Members	1,051	1,043	1,048	1,044	1,083	1,107	1,145	1,152	1,254	1,236
% of Total Active Members	1.24%	1.23%	1.23%	1.24%	1.25%	1.29%	1.35%	1.36%	1.47%	1.44%
6) Employer	Dothan, City of	Madison County	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Dothan, City of	Madison County	Madison County
# of Active Members	1,050	1,015	1,022	1,035	1,032	1,018	999	995	1,152	1,174
% of Total Active Members	1.24%	1.20%	1.20%	1.22%	1.19%	1.19%	1.18%	1.17%	1.35%	1.37%
7) Employer	Madison County	Dothan, City of	Mobile, City of	Auburn, City of	Auburn, City of	Montgomery County	Montgomery County	AltaPointe Health*	Dothan, City of	Dothan, City of
# of Active Members	991	1,003	1,022	822	828	801	807	792	996	985
% of Total Active Members	1.17%	1.19%	1.20%	0.97%	0.96%	0.94%	0.95%	0.93%	1.16%	1.15%
8) Employer	Auburn, City of	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
# of Active Members	847	770	768	770	759	786	774	777	790	775
% of Total Active Members	1.00%	0.91%	0.90%	0.91%	0.88%	0.92%	0.91%	0.91%	0.92%	0.91%
9) Employer	Tuscaloosa, City of	Tuscaloosa, City of	Auburn, City of	Montgomery County	Montgomery County	Tuscaloosa, City of	Auburn, City of	Montgomery County	Montgomery County	Montgomery County
# of Active Members	739	757	759	751	757	783	752	766	769	767
% of Total Active Members	0.87%	0.90%	0.89%	0.89%	0.87%	0.91%	0.89%	0.90%	0.90%	0.90%
10) Employer	Hoover, City of	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
# of Active Members	695	697	715	726	689	706	704	706	678	729
% of Total Active Members	0.82%	0.82%	0.84%	0.86%	0.80%	0.82%	0.83%	0.83%	0.79%	0.85%
Total # of Active Members	84,697	84,572	85,485	84,534	86,565	85,657	84,814	84,985	85,585	85,549

* Fairway Greater Mobile-Washington Co. Mental Health Board





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