THE GENERAL RETIREMENT SYSTEM FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

SEPTEMBER 30, 2019 and 2018

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GENERAL RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Retirement System for Employees of Jefferson County is a governmental employee defined benefit retirement system established by Act 497, 1965 Regular Session of the Alabama Legislature. The Plan is governed by a five-member Pension Board which provides retirement, disability, death and survivor benefits for its members. Management's discussion and analysis of the financial performance of the Plan provides an overview and analysis of financial activities for the fiscal year ended September 30, 2019.

The General Retirement System's fundamental financial objective is to meet long-term benefit obligations through employer and employee contributions and investment income.

Financial Highlights

Net position held in trust by The General Retirement System, as reported on the *Statements of Fiduciary Net Position*, totaled $1,213,737,159 as of September 30, 2019, the end of the plan fiscal year. During the fiscal year, net position decreased $18,795,687, or 1.52%, reflecting economic and market conditions.

The *Statements of Changes in Fiduciary Net Position* reflects an increase of $50 million in additions to fiduciary net position. Of this amount, $17.4 million represents member and employer contributions, $0.7 million in other income, and $32 million represents Investment Income less investment manager fees. Government Securities appreciated in value $18 million for the fiscal year ending September 30, 2019, compared to appreciation in value of $6.7 million for the fiscal year ending September 30, 2018. Mutual funds appreciated $1.9 million for the fiscal year ending September 30, 2019, compared to appreciation of $29.9 million for the fiscal year ending September 30, 2018. Corporate bonds depreciated $14.1 million for the fiscal years ending September 30, 2019 and 2018, Common stocks appreciated $5.4 million for the fiscal year ending September 30, 2019, compared to appreciation in value of $77.3 million for the fiscal year ending September 30, 2018. Foreign bonds appreciated $6.4 million for the fiscal year ending September 30, 2019, compared to depreciation of $4.1 million for the fiscal year ending September 30, 2018. Municipal bonds appreciated $2.1 million for the fiscal year ending September 30, 2019, compared to depreciation of $740 thousand for the fiscal year ending September 30, 2018. Other investments depreciated $6.5 million for the fiscal year ending September 30, 2019, compared to appreciation of $11 million for the fiscal year ending September 30, 2018. Participant expenses increased $3.7 million which is attributed to an increase in the number of retired members and active members separating employment and electing to withdraw their pension contributions.

The General Retirement System's actuary has indicated that the System is in sound financial condition based on the results of the actuarial valuation ending October 1, 2019, which was conducted in accordance with actuarial principles. The rate of return on investments of 2.62% on a market value basis decreased compared to last year's return of 11.03%.

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Overview of the Financial Statements

This Comprehensive Annual Financial Report includes the basic financial statements, accompanying notes, required supplementary information and supporting schedules. The *Statements of Fiduciary Net Position* provides a snapshot of account balances at the end of the fiscal year. This statement reports the assets available for future payments to County retirees and any current liabilities that are owed at the end of the year. These assets, less liabilities, represent the amount of funds that are available for future payments. The *Statements of Changes in Fiduciary Net Position* reports additions and deductions during the current year.

These statements provide standards regarding required disclosures and the full accrual method of accounting in compliance with the Governmental Accounting Standards Board. The General Retirement System complies with all material requirements of the pronouncements.

The financial statements report the resources available to pay benefits to retirees and other beneficiaries as of the end of fiscal year. Plan investments are reported at their fair market value as of the end of the fiscal year. Liabilities for benefits and refunds are recognized when due and payable according to the terms of the Plan. Revenue is reported in the financial statements when earned and expenses are reported when incurred regardless of when cash is received or paid. Investment gains and losses are reported on a trade-date basis and both realized and unrealized gains and losses on investments are presented. The notes to the financial statements are an integral part of the report. The notes communicate information that is essential for fair presentation of the financial statements that is not displayed on the face of the financial statements. Supplementary information and supporting schedules serve to further enhance understanding of the overall financial picture.

This financial report is designed to provide the Pension Board and its members, Jefferson County Commission, System investment managers, and actuary, with an overview of The General Retirement System for Employees of Jefferson County's finances and to demonstrate the System's accountability for the fund under the Pension Board.

Robert Field
Chairman

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INDEPENDENT AUDITOR'S REPORT

Pension Board
The General Retirement System for
Employees of Jefferson County, Alabama
Birmingham, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of The General Retirement System for Employees of Jefferson County, Alabama, which comprise the statements of fiduciary net position as of September 30, 2019 and 2018, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Plan management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Plan's preparation and fair presentation of the financial statements 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 Plan's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of The General Retirement System for Employees of Jefferson County, Alabama, as of September 30, 2019 and 2018, and the changes in its fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis on pages 1-2, and the supplementary schedules of changes in the net pension liability and related ratios and employer contributions, on pages 20-21 be presented to supplement the financial statements. Such information, although not a required part of the financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedules of reserve for contingent refunds and reserve for retirement and disability benefits on pages 22-23 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

DiPiazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

January 30, 2020

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Fiduciary Net Position
September 30, 2019 and 2018

ASSETS	**2019**	**2018**
CASH AND SHORT-TERM INVESTMENTS	$ 10,537,327	$ 15,055,814
INVESTMENTS, AT FAIR VALUE		
United States government securities	141,209,274	121,341,051
Mutual funds	256,873,317	268,835,157
Repurchase agreements	-	19,100,000
Corporate bonds	127,855,311	187,639,212
Common stocks	477,807,402	489,465,868
Foreign stocks	44,161,632	78,549,383
Foreign bonds	77,865,161	32,170,026
Municipal bonds	9,201,906	7,194,293
Partnerships	76,895,813	10,011,790
Other investments	150,000	6,496,092
Total investments	1,212,019,816	1,220,802,872
RECEIVABLES		
Interest and dividends	2,847,619	3,166,606
Employee contributions	335,907	322,351
Employer contributions	335,907	322,351
Recapture of commission fees	6,341	6,356
Pistol permit revenue receivable	36,644	37,547
Total receivables	3,562,418	3,855,211
Total assets	1,226,119,561	1,239,713,897
LIABILITIES		
Accounts payable	897,490	803,723
Due to brokers	11,484,912	6,377,328
Total liabilities	12,382,402	7,181,051
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 1,213,737,159	$ 1,232,532,846
NET POSITION		
Reserve for contingent refunds	$ 93,558,602	$ 91,079,015
Reserve for retirement and disability benefits	1,120,178,557	1,141,453,831
NET POSITION HELD IN TRUST FOR PENSION BENEFITS	$ 1,213,737,159	$ 1,232,532,846

See accompanying independent auditor's report and notes to financial statements.

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Changes in Fiduciary Net Position
For the Years Ended September 30, 2019 and 2018

	2019	2018
ADDITIONS TO NET POSITION ATTRIBUTED TO:		
Investment income:		
Net appreciation (depreciation) in government securities	$ 18,101,210	$ 6,727,919
Net appreciation (depreciation) in mutual funds	1,892,063	29,859,657
Net appreciation (depreciation) in corporate bonds	(14,068,332)	(14,148,774)
Net appreciation (depreciation) in common stocks	5,385,514	77,251,579
Net appreciation (depreciation) in foreign bonds	6,373,756	(4,105,405)
Net appreciation (depreciation) in other investments	(6,536,968)	10,929,662
Net appreciation (depreciation) in municipal bonds	2,172,792	(740,589)
Interest	13,194,537	11,586,979
Dividends	10,670,228	11,211,503
	37,184,800	128,572,531
Less investment manager fees	5,252,994	3,587,791
Total investment income	31,931,806	124,984,740
Contributions:		
Members	8,676,606	8,319,311
Employer	8,709,656	8,339,978
Total contributions	17,386,262	16,659,289
Other:		
Pistol permits	670,527	415,069
Total other	670,527	415,069
Total additions	$ 49,988,595	$ 142,059,098

See accompanying independent auditor's report and notes to financial statements.

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Changes in Fiduciary Net Position - Continued
For the Years Ended September 30, 2019 and 2018

	2019	2018
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Participant expenses:		
Benefits paid to participants and beneficiaries	$ 65,397,271	$ 62,335,593
Refunds of member contributions	1,321,009	811,533
Direct rollovers of employee contributions	52,093	-
Interest paid on refunds of member contributions	74,535	40,819
Total participant expenses	66,844,908	63,187,945
Administrative expenses:		
Office expenses	916,760	820,517
Legal and consulting fees	457,256	347,141
Fiduciary bond	168,353	170,447
Other expenses	105,578	87,975
Total administrative expenses	1,647,947	1,426,080
Transfer to 415(m) plan	291,427	195,055
Total deductions	68,784,282	64,809,080
CHANGE IN NET POSITION	(18,795,687)	77,250,018
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,232,532,846	1,155,282,828
End of year	$ 1,213,737,159	$ 1,232,532,846

See accompanying independent auditor's report and notes to financial statements.

NOTE 1 – DESCRIPTION OF THE PLAN

The following description of The General Retirement System for Employees of Jefferson County, Alabama (the Plan) provides only general information. Participants should refer to Act No. 2013-415 for a more complete description of the Plan's provisions.

General

The Plan is a defined benefit plan covering substantially all civil service employees of Jefferson County, Alabama (the County). The Plan was established by Act No. 497 of the Regular Session of the Alabama legislature effective August 20, 1965, and as amended provides benefits to retired and disabled employees of the County.

The responsibility for making effective the provisions of Act 497 is vested in the Pension Board which consists of five members. Member Number One serves as the Chairman and is appointed by the Jefferson County Commission and shall have had more than ten years' experience in an executive capacity in insurance or actuarial work. Member Number Two is appointed by the Jefferson County Judge of Probate and shall have had at least ten years' experience in an executive capacity in investing or banking. Member Number Three is appointed by the Jefferson County Personnel Board. Member Number Four and Member Number Five are elected by the active members of the Retirement System. Each members' term of office is for three years.

Plan membership is mandatory for all classified full-time Jefferson County civil service employees upon commencement of employment. Employees whose employment is not subject to the Civil service system or those who are officers may elect to join. At September 30, 2019 and 2018, membership in the Plan consisted of the following:

	2019	**2018**
Current active members	2,608	2,581
Retirees and beneficiaries currently receiving benefits	2,432	2,364
Terminated employees electing deferred benefits	154	152

Plan benefits are determined by various criteria including, but not limited to, age, years of service and basic average salary. Basic average salary is defined as the average salary for the highest consecutive 36-month period of employment, excluding overtime and longevity pay. Benefits are limited to a maximum of 75 percent of a member's basic average salary and vest after 10 years of paid service. Benefits are received in monthly payments over the remaining life of the member. Vested members, upon termination, for reasons other than retirement, death or disability, may elect to forego monthly benefit payments and receive a one-time payment of their retirement contributions and related interest. Benefits may be received under the following conditions:

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

General (Continued)

Normal Retirement – A member may retire upon reaching age 55 with a total of 30 years of service of which at least 20 years are paid membership time with the County, or the member may retire regardless of age after completing 30 years of paid membership time with the County. Otherwise, the member must have attained age 60 with a minimum of 10 years of paid service.

Early Retirement – Any member who has completed 30 years of service, including 10 years of paid membership service, may elect to receive a Regular Early Retirement Benefit reduced by a percentage according to the member's age on the birthday preceding retirement. Any member who has completed 25 years of paid membership service may elect to receive a 25-Year Early Retirement Benefit reduced by 7% for each year less than 30 years of paid membership.

Investment policy

The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the Pension Board by a majority vote of its members. It is the policy of the Pension Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The pension plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of August 25, 2016.

Asset Class	Target Allocation
Domestic equity	50%
International equity	5
Domestic fixed income	30
International fixed income	10
Alternative	5
Total	100%

The following table represents the net pension liability as of September 30, 2019 ($ thousands):

Total Pension Liability	$	1,065,974
Fiduciary Net Position		1,213,737
Net Pension Liability (Asset)	$	(147,763)

Ratio of Fiduciary Net Position to Total Pension Liability: 113.86%

Investment rate of return: 7.00 percent, net of pension plan investment expense, including inflation

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

The total pension liability was determined by an actuarial valuation as of September 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75 percent
Salary Increases	4.25 – 6.75 percent, including inflation

Mortality rates are based on the Pub – 2010 Headcount-weighted Mortality Table for General Employees Below Median and projected generationally with scale MP-2018 adjusted 105% for males and 110% for females for the period after service retirement and for dependent beneficiaries. The Pub-2010 Mortality Table for Non-Safety Disabled Retirees projected generationally with projection scale MP-2018, adjusted by 105% for males and 110% for females was used for the period after disability retirement.

The actuarial assumptions used in the September 30, 2019 valuation were based on the results of an actuarial experience study for the period of October 1, 2013 – September 30, 2018.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which the 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 arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity Large Cap	35%	8.4%
US Equity Small/Mid Cap	15%	8.4%
International Equity	10%	8.9%
Domestic Fixed	25%	4.0%
International Fixed	5%	3.8%
Hedge Funds of Funds	5%	5.8%
Real Estate	5%	6.8%
Total	100.00%	

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

Discount rate. The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to measure the discount rate assumed that plan member and Employer contributions will be made at the current contribution rates. Based on those assumptions, the pension plan's fiduciary net position was 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 presents the net pension liability (asset) of the System, calculated using the discount rate of 7.00 percent, as well as what the System's net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate ($ thousands):

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Plan's net pension liability (asset)	$ (35,063)	$ (147,763)	$ (243,680)

September 30, 2019 is the actuarial valuation date upon which the total pension liability (asset) is based. An expected total pension liability (TPL) is determined as of September 30, 2018 using standard roll forward techniques. The roll forward calculation adds the annual normal cost (also called the service cost), subtracts the actual benefit payments and refunds for the plan year and then applies the expected investment rate of return for the year. The difference between the expected TPL and the actual TPL as of September 30, 2019 before reflecting any assumption changes is reflected as an experience gain or loss for the year. The difference between the actual TPL as of September 30, 2019 before and after reflecting assumption changes is reflected as an assumption change gain or loss for the year. The procedure was used to determine the total pension liability as of September 30, 2019, as shown in the following table ($ thousands):

Total Pension Liability as of September 30, 2018	$	1,045,752
Entry Age Normal Cost for the year ended September 30, 2019	$	22,859
Actual Benefit Payments for the year ended September 30, 2019	$	66,845
Expected Actual Total Pension Liability as of September 30, 2019	$	1,072,629
Total Pension Liability as of September 30, 2019	$	1,072,152
Difference between Expected and Actual Experience (Gain)/Loss	$	(477)
Actual Total Pension Liability as of September 30, 2019	$	1,065,974
Difference – Assumption Change (Gain)/Loss	$	(6,178)

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The accounting and reporting policies of the Plan conform to accounting principles generally accepted in the United States of America (GAAP).

New Accounting Pronouncements

In July 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-12, *Plan Accounting: Defined Benefit Pension Plans-(*Topic 960); *Defined Contribution Pension Plans*-(Topic 962), *and Health and Welfare Benefit Plans*-(Topic 965)*: Part(I) Fully Benefit-Responsive Investment Contracts, Part (II) Plan Investment Disclosures, Part (III) Measurement Date Expedient.* This three-part standard simplifies employee benefit plan reporting with respect to fully benefit- responsive investment contracts and plan investment disclosures, and provides for a measurement-date practical expedient. Management has adopted Part II. Part I and Part III are not applicable to the Plan.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investment Valuation and Income Recognition

Plan investments are stated at fair value. Quoted market prices are used for all investments. Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Unrealized appreciation or depreciation is reflected in the financial statements, when applicable.

There were no investments in a single security at September 30, 2019 and 2018 that exceeded 5% of fiduciary net position.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Reserves for Contingent Refunds and Retirement and Disability Benefits

Contingent refunds represent all contributions made by members into the Plan until refunded or transferred to the reserve for retirement and disability benefits. Such transfers occur when benefit payments equal or exceed the amount of member contributions or when a terminated employee has not requested a refund of his personal contributions within five years of termination.

Fair Value Measurements

The Plan adopted Accounting Standards Codification (ASC) 820, *Fair Value Measurements and Disclosures*, effective October 1, 2008. In accordance with ASC 820, fair value is defined as the price that the Plan would receive upon selling an investment in an orderly transaction to an independent buyer in the principal or most advantageous market of the investment. ASC 820 established a three-tier hierarchy to maximize the use of observable market data and minimize the use of unobservable inputs, and to establish classification of fair value measurements for disclosure purposes. Inputs refer broadly to the assumptions that market participants would use in pricing the asset or liability, including assumptions about risk. Inputs may be observable or unobservable. Observable inputs are inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available. The three-tier hierarchy of inputs is summarized in the three broad levels listed as follows:

- Level 1 – quoted prices in active markets for identical investments
- Level 2 – other significant observable inputs (including quoted prices for similar investments, interest rates, prepayment speeds, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Plan's own assumptions in determining the fair value of investments)

See note 4, Investments, for a summary of the inputs used as of September 30, 2019 in determining the fair value of the Plan's investments.

Reclassifications

Certain reclassifications have been made in the previously reported financial statements to make prior year amounts comparable to those of the current year. Such reclassifications had no effect on previously reported fiduciary net position or changes in fiduciary net position.

Subsequent Events

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued.

NOTE 3 – RELATED PARTY TRANSACTIONS

Certain Plan short-term investments are comprised of money market accounts managed by US Bank, the trustee as defined by the Plan; therefore, these transactions qualify as party-in-interest.

NOTE 4 - INVESTMENTS

The following table represents the fair value of investments by type at September 30, 2019:

United States government securities	$	141,209,274
Mutual funds		256,873,317
Corporate bonds		127,855,311
Common stocks		477,807,402
Foreign stocks		44,161,632
Foreign bonds		77,865,161
Municipal bonds		9,201,906
Partnerships		76,895,813
Other investments		150,000
Total	$	1,212,019,816

The following table represents the fair value of investments by type at September 30, 2018:

United States government securities		121,341,051
Mutual funds		268,835,157
Repurchase agreements		19,100,000
Corporate bonds		187,639,212
Common stocks		489,465,868
Foreign stocks		78,549,383
Foreign bonds		32,170,026
Municipal bonds		7,194,293
Partnerships		10,011,790
Other investments		6,496,092
Total	$	1,220,802,872

The weighted average rate of return was 4.2% and 13% for the years ended September 30, 2019 and 2018, respectively.

NOTE 4 – INVESTMENTS – Continued

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the pension trust fund will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the plan, and are held by either: a) the counterparty or b) the counterparty's trust department or agent but not in the Plan's name.

The Plan's investments are held by the bank's trust department. The investments are in the bank's name as nominee and designated to the Plan. These investments are insured for $10,000,000 per incident.

Interest Rate Risk

As of September 30, 2019, the Plan had the following investments and maturities:

		Investment Maturities (In Years)			
	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
U.S. government securities	141,209,274	6,579	10,806,228	30,778,969	99,617,498
Corporate bonds	127,855,311	2,823,104	67,252,766	33,464,495	24,314,946
Foreign bonds	77,865,161	7,132,091	34,900,820	22,331,742	13,500,508
Municipal bonds	9,201,906	-	1,568,303	355,329	7,278,274
Total	$ 356,131,652	$ 9,961,774	$ 114,528,117	$ 86,930,535	$ 144,711,226

The Plan's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Interest rate risk is controlled through diversification of portfolio management styles.

Credit Risk

Approved fixed income securities are to be selected from among U.S. Government and Federal Agency obligations, obligations of foreign governments and agencies, and securities rated "BBB-" or better by one of the recognized bond rating services at the time of purchase. Asset-backed securities, mortgage-backed securities, and collateral mortgage obligations are to be rated "AAA" at the time of purchase.

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk

The General Retirement System for Employees of Jefferson County, Alabama does not have investments in any one issuer which represent 5 percent or more of the total fair value of all investments.

The following is a summary of the inputs used as of September 30, 2019 in valuing the Plan's investments carried at fair value:

	September 30, 2019	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
United States government securities	$ 141,209,274	$ -	$ 141,209,274	$ -
Mutual funds	256,873,317	256,873,317	-	-
Corporate bonds	127,855,311	-	127,855,311	-
Common stocks	477,807,402	477,807,402	-	-
Foreign stocks	44,161.632	44,161.632	-	-
Foreign bonds	77,865,161	-	77,865,160	-
Municipal bonds	9,201,906	-	9,201,906	-
Partnerships	76,895,813	-	76,895,813	-
Other investments	150,000	-	150,000	-
Total investments	$ 1,212,019,816	$ 778,842,351	$ 433,177,464	$ -

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

The following is a summary of the inputs used as of September 30, 2018 in valuing the Plan's investments carried at fair value:

	September 30, 2018	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
United States government securities	$ 121,341,051	$ -	$ 121,341,051	$ -
Mutual funds	268,835,157	268,835,157	-	-
Repurchase agreements	19,100,000	19,100,000	-	-
Corporate bonds	187,639,212	-	187,639,212	-
Common stocks	489,465,868	489,465,868	-	-
Foreign stocks	78,549,383	78,549,383	-	-
Foreign bonds	32,170,026	-	32,170,026	-
Municipal bonds	7,194,293	-	7,194,293	-
Partnerships	10,011,790	-	10,011,790	-
Other investments	6,496,092	-	6,496,092	-
Total investments	$ 1,220,802,872	$ 855,950,408	$ 364,852,464	$ -

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

The following is a summary of significant valuation techniques for assets and liabilities measured at fair value on a recurring basis:

Level 1 measurements

Mutual funds and other investments: Comprised of pools of money managed by an investment company that brings together money from many people and invests it in stocks, bonds or other assets. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Plan can access.

Common stocks: Comprised of actively traded, exchange-listed U.S. and international equity securities. Valuation is based on unadjusted quoted prices for identical assets in active markets that the Plan can access.

Level 2 measurements

U.S. government securities: Comprise financial debt instruments backed by the U.S. government. For example, mortgage backed securities, treasury bills, and collateralized mortgage obligations. The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credits spreads.

Fixed income securities: *Corporate bonds, including privately placed:* The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads. Also included are privately placed securities valued using a discounted cash flow model that is widely accepted in the financial services industry and uses market observable inputs and inputs derived principally from, or corroborated by, observable market data. The primary inputs to the discounted cash flow model include an interest rate yield curve, as well as published credit spreads for similar assets in markets that are not active that incorporate the credit quality and industry sector of the issuer.

Foreign bonds: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Municipal bonds: The primary inputs to the valuation include quoted prices for identical or similar assets in markets that are not active, contractual cash flows, benchmark yields and credit spreads.

Partnerships: Comprised of pools of international equity securities managed by an investment company, typically investing in mid and large-cap stocks. Valuation is based on unadjusted quoted prices for identical assets in active markets.

NOTE 5 – LEASES

During 2018, the Plan entered into a lease agreement with the Jefferson County Commission. The lease period began January 1, 2018 and ends December 31, 2038. The future minimum lease payments are as follows:

2020	$	44,425
2021		44,425
2022		44,425
2023		44,425
2024		46,091
Thereafter		700,277
Total	$	924,068

Rent expense for 2019 amounted to $44,425 and is included in administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Changes in the Net Pension Liability and Related Ratios
($ in Thousands)

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	$ 22,859	20,890	19,490	17,798	17,325	16,860
Interest	70,863	69,534	68,349	65,859	64,608	63,046
Difference between expected and actual experience	(477)	(6,423)	(8,548)	12,504	(5,226)	-
Changes in assumptions	(6,178)					
Benefit payments	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)	(55,458)
Refunds of contributions	(1,448)	(852)	(844)	(902)	(985)	(1,707)
Net change in total pension liability	20,222	20,813	17,764	36,499	18,701	22,741
Total pension liability - beginning	1,045,752	1,024,939	1,007,175	970,676	951,975	929,234
Total pension liability - ending (a)	$ 1,065,974	1,045,752	1,024,939	1,007,175	970,676	951,975
Plan net position						
Contributions - employer	$ 8,710	8,340	7,627	7,393	6,732	6,587
Contributions - member	8,677	8,319	7,592	7,385	6,716	6,562
Contributions - other	671	415	441	584	439	771
Net investment income	31,930	124,985	120,056	97,411	(1,107)	105,706
Benefit payments	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)	(55,458)
Administrative expense	(1,648)	(1,426)	(1,865)	(1,300)	(998)	(931)
Refunds of contributions	(1,448)	(852)	(844)	(902)	(985)	(1,707)
Other	(291)	(195)	(78)	(78)	(78)	(84)
Net change in plan net position	(18,796)	77,250	72,246	51,733	(46,302)	61,446
Plan net position - beginning	1,232,533	1,155,283	1,083,037	1,031,304	1,077,606	1,016,160
Plan net position - ending (b)	$ 1,213,737	1,232,533	1,155,283	1,083,037	1,031,304	1,077,606
Net pension liability (asset) - ending (a) - (b)	$ (147,763)	(186,781)	(130,344)	(75,862)	(60,628)	(125,631)
Ratio of plan net position to total pension liability	113.86%	117.86%	112.72%	107.53%	106.25%	113.20%
Covered-employee payroll	$ 145,167	139,000	127,117	123,217	112,200	109,783
Net pension liability as a percentage of covered-employee payroll	-101.79%	-134.37%	-102.54%	-61.57%	-54.04%	-114.44%

See accompanying independent auditor's report.

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
REQUIRED SUPPLEMENTARY INFORMATION
Schedule of Employer Contributions
($ in Thousands)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	$ 8,710	8,340	$ 7,627	$ 7,393	$ 6,732	$ 6,587	$ 6,851	$ 7,744	$ 8,923	$ 9,297	$ 9,657
Actual employer contributions	8,710	8,340	7,627	7,393	6,732	6,587	6,851	7,744	8,923	9,297	9,657
Annual contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-	-
Covered -employee payroll	$ 145,167	139,000	$ 127,117	$ 123,217	$ 112,200	$ 109,783	$ 114,183	$ 129,067	$ 148,717	$ 154,950	$ 160,950
Actual contributions as a percentage of covered-employee payroll	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%	6.00%

Notes to Required Supplementary Information

Actuarial cost method	Entry age
Amortization method	Level percent, open
Asset valuation method	5-year smoothed market
Inflation	3.25 percent
Salary increase	4.25 - 7.25 percent
Investment rate of return	7.00 percent, net of pension plan investment expense, including inflation

Valuation Date - The actuarially determined contribution rates in the schedule of employer contributions are calculated as of September 30, one year prior to the end of the fiscal year in which contributions are reported.

Changes of assumptions - In 2010 and later, the expectation of retired life mortality was changed to the Pub-2010 Headcount-weighted Mortality Tables rather than the RP-2000 Mortality Table, was used prior to 2019.
In 2019, rates of withdrawal, retirement, disability and mortality were adusted to more closely reflect actual experience. In 2019, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience.

Changes of benefit terms - None.

See accompanying independent auditor's report.

SUPPLEMENTAL SCHEDULES

THE GENERAL RETIREMENT SYSTEM FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
SCHEDULES OF RESERVE FOR CONTINGENT REFUNDS
For the Years Ended September 30, 2019 and 2018

	2019	2018
Additions:		
Member contributions	$ 8,676,606	$ 8,319,311
Deductions:		
Transfers to reserve for retirement and disability benefits	4,823,917	5,997,545
Refunds of member contributions	1,373,102	811,533
	6,197,019	6,809,078
Net increase (decrease)	2,479,587	1,510,233
Balance - beginning of year	91,079,015	89,568,782
Balance - end of year	$ 93,558,602	$ 91,079,015

See accompanying independent auditor's report.

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
SCHEDULES OF RESERVE FOR RETIREMENT AND DISABILITY BENEFITS
For the Years Ended September 30, 2019 and 2018

	2019	2018
Additions:		
Investment income	$ 18,611,771	$ 19,210,691
Net appreciation (depreciation) in fair value of investments	13,320,035	105,774,049
Employer contributions	8,709,656	8,339,978
Transfers from reserve for contingent refunds	4,823,917	5,997,545
Pistol permits	670,527	415,069
	46,135,906	139,737,332
Deductions:		
Benefits paid to participants and beneficiaries	65,397,271	62,335,593
Transfer to 415(m) plan	291,427	195,055
Interest paid on refunds of member contributions	74,535	40,819
Administrative expenses	1,647,947	1,426,080
	67,411,180	63,997,547
Net increase (decrease)	(21,275,274)	75,739,785
Balance - beginning of year	1,141,453,831	1,065,714,046
Balance - end of year	$ 1,120,178,557	$ 1,141,453,831

See accompanying independent auditor's report.