

**THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**

**AUDITED FINANCIAL STATEMENTS
AND SUPPLEMENTAL SCHEDULES**

SEPTEMBER 30, 2022 and 2021

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PENSION BOARD MEMBERS

Robert Field, Chairman
Robert Nolen, Jr.
Connie Harris
Billy Morace, Jr.
Travis Hulsey



EXECUTIVE DIRECTOR
Amy Blomeley

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, 2022.

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 \$1,184,933,905 as of September 30, 2022, the end of the plan fiscal year. During the fiscal year, net position decreased \$260,121,553, or 18%, reflecting economic and market conditions.

The *Statements of Changes in Fiduciary Net Position* reflects a decrease of \$180.7 million in additions to fiduciary net position. Of this amount, \$18.9 million represents member and employer contributions, \$372.5 thousand in other income, and \$200 million represents investment loss less investment manager fees. Government Securities depreciated by \$28.8 million for the fiscal year ending September 30, 2022, compared to depreciation in value of \$5.5 million for the fiscal year ending September 30, 2021. Mutual funds depreciated by \$50.3 million for the fiscal year ending September 30, 2022, compared to appreciation of \$63.9 million for the fiscal year ending September 30, 2021. Corporate bonds depreciated by \$16.5 million for the fiscal year ending September 30, 2022, compared to appreciation of \$372 thousand for the fiscal year ending September 30, 2021. Common stocks depreciated by \$108.1 million for the fiscal year ending September 30, 2022, compared to appreciation of \$180.5 million for the fiscal year ending September 30, 2021. Foreign bonds depreciated by \$17.9 million for the fiscal year ending September 30, 2022, compared to depreciation of \$1.6 million for the fiscal year ending September 30, 2021. Municipal bonds depreciated by \$1.4 million for the fiscal year ending September 30, 2022, compared to depreciation \$133 thousand for the fiscal year ending September 30, 2021. Other investments appreciated by \$6.5 million for the fiscal year ending September 30, 2022, compared to appreciation of \$8.9 million for the fiscal year ending September 30, 2021. Participant expenses increased \$3.8 million which is primarily attributed to a one-time payment made to retirees in December 2021.

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, 2022, which was conducted in accordance with actuarial principles. The rate of return on investments of -14.14% on a market value basis decreased compared to last year's return of 21.48%.

Overview of the Financial Statements

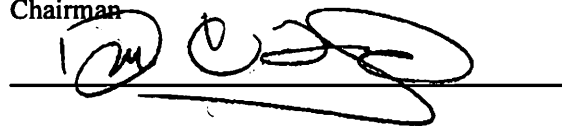
This Comprehensive Annual Financial Report includes the basic financial statements, accompanying notes, required supplementary information and supporting schedules. The *Statements of Fiduciary Net Position* provides a snapshot of account balances at the end of the fiscal year. This statement reports 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

A handwritten signature in black ink, appearing to read 'R. Field', is written over a horizontal line. The signature is stylized and cursive.



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INDEPENDENT AUDITOR'S REPORT

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

Opinion

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, 2022 and 2021, and the related statements of changes in fiduciary net position for the years then ended, and the related notes to the financial statements.

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, 2022 and 2021, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The General Retirement System for Employees of Jefferson County, Alabama and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. 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

Plan management is responsible for the preparation and fair presentation of the 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 General Retirement System for Employees of Jefferson County, Alabama's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Management is also responsible for maintaining a current plan instrument, including all plan amendments; administering the plan; and determining that the plan's transactions that are presented and disclosed in the financial statements are in conformity with the plan's provisions, including maintaining sufficient records with respect to each of the participants, to determine the benefits due or which may become due to such participants.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The General Retirement System for Employees of Jefferson County, 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 General Retirement System for Employees of Jefferson County, 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.

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 21-22 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 23-24 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 26, 2023

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Fiduciary Net Position
September 30, 2022 and 2021**

| ASSETS | <u>2022</u> | <u>2021</u> |
|--|-------------------------|-------------------------|
| CASH AND SHORT-TERM INVESTMENTS | \$ 56,703,186 | \$ 11,653,559 |
| INVESTMENTS, AT FAIR VALUE | | |
| United States government securities | 171,072,756 | 157,997,546 |
| Mutual funds and trusts | 192,459,701 | 283,288,309 |
| Corporate bonds | 93,575,964 | 116,870,478 |
| Common stocks | 440,144,930 | 622,784,132 |
| Foreign stocks | 33,508,375 | 49,658,349 |
| Foreign bonds | 67,985,467 | 82,352,016 |
| Municipal bonds | 7,187,254 | 8,893,423 |
| Partnerships | 136,951,174 | 115,479,580 |
| Other investments | <u>279,000</u> | <u>60,000</u> |
| Total investments | 1,143,164,621 | 1,437,383,833 |
| RECEIVABLES | | |
| Interest and dividends | 2,309,815 | 2,368,358 |
| Employee contributions | 349,428 | 331,087 |
| Employer contributions | 349,428 | 331,087 |
| Recapture of commission fees | 4,590 | 380 |
| Pistol permit revenue receivable | <u>75,348</u> | <u>162,373</u> |
| Total receivables | <u>3,088,609</u> | <u>3,193,285</u> |
| Total assets | 1,202,956,416 | 1,452,230,677 |
| LIABILITIES | | |
| Accounts payable | 625,708 | 1,028,253 |
| Due to brokers | <u>17,396,803</u> | <u>6,146,966</u> |
| Total liabilities | 18,022,511 | 7,175,219 |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | | |
| Reserve for contingent refunds | \$ 90,764,821 | \$ 91,909,805 |
| Reserve for retirement and disability benefits | <u>1,094,169,084</u> | <u>1,353,145,653</u> |
| Total net assets held in trust for pension benefits | <u>1,184,933,905</u> | <u>1,445,055,458</u> |
| Total liabilities and net assets held in trust for pension benefits | <u>\$ 1,202,956,416</u> | <u>\$ 1,452,230,677</u> |

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, 2022 and 2021**

| | 2022 | 2021 |
|--|------------------|----------------|
| ADDITIONS TO NET POSITION ATTRIBUTED TO: | | |
| Investment income: | | |
| Net appreciation (depreciation) in government securities | \$ (28,842,740) | \$ (5,476,379) |
| Net appreciation (depreciation) in mutual funds and trusts | (50,312,327) | 63,890,934 |
| Net appreciation (depreciation) in corporate bonds | (16,461,820) | 372,726 |
| Net appreciation (depreciation) in common stocks | (108,134,318) | 180,499,405 |
| Net appreciation (depreciation) in foreign bonds | (17,885,520) | (1,610,512) |
| Net appreciation (depreciation) in other investments | 6,479,505 | 8,916,018 |
| Net appreciation (depreciation) in municipal bonds | (1,424,066) | (133,486) |
| Interest | 8,974,063 | 8,366,352 |
| Dividends | 10,418,014 | 10,542,912 |
| | (197,189,209) | 265,367,970 |
| Less investment manager fees | 2,848,254 | 4,565,685 |
| Total investment income | (200,037,463) | 260,802,285 |
| Contributions: | | |
| Members | 9,450,273 | 8,355,409 |
| Employer | 9,502,211 | 8,401,155 |
| Total contributions | 18,952,484 | 16,756,564 |
| Other: | | |
| Pistol permits | 372,506 | 608,625 |
| Total other | 372,506 | 608,625 |
| Total additions | \$ (180,712,473) | \$ 278,167,474 |

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, 2022 and 2021**

| | 2022 | 2021 |
|--|------------------|------------------|
| DEDUCTIONS FROM NET POSITION ATTRIBUTED TO: | | |
| Participant expenses: | | |
| Benefits paid to participants and beneficiaries | \$ 75,872,130 | \$ 72,106,887 |
| Refunds of member contributions | 1,389,812 | 1,130,472 |
| Direct rollovers of employee contributions | 171,464 | 318,097 |
| Interest paid on refunds of member contributions | 20,124 | 48,445 |
| Total participant expenses | 77,453,530 | 73,603,901 |
| Administrative expenses: | | |
| Office expenses | 1,054,837 | 1,162,719 |
| Legal and consulting fees | 346,165 | 361,090 |
| Fiduciary bond | 347,627 | 373,834 |
| Other expenses | 97,921 | 96,066 |
| Total administrative expenses | 1,846,550 | 1,993,709 |
| Transfer to 415(m) plan | 109,000 | 111,300 |
| Total deductions | 79,409,080 | 75,708,910 |
| CHANGE IN NET POSITION | (260,121,553) | 202,458,564 |
| NET POSITION HELD IN TRUST FOR PENSION BENEFITS | | |
| Beginning of year | 1,445,055,458 | 1,242,596,894 |
| End of year | \$ 1,184,933,905 | \$ 1,445,055,458 |

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

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

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, 2022 and 2021, membership in the Plan consisted of the following:

| | <u>2022</u> | <u>2021</u> |
|---|-------------|-------------|
| Current active members | 2,527 | 2,502 |
| Retirees and beneficiaries currently receiving benefits | 2,447 | 2,469 |
| Terminated employees electing deferred benefits | 243 | 229 |

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:

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

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 | 10 |
| Domestic fixed income | 25 |
| International fixed income | 5 |
| Alternative | 10 |
| Total | 100% |

The following table represents the net pension liability as of September 30, 2022 (\$ thousands):

| | |
|-------------------------------|--------------|
| Total Pension Liability | \$ 1,196,551 |
| Fiduciary Net Position | 1,184,934 |
| Net Pension Liability (Asset) | \$ 11,617 |

Ratio of Fiduciary Net Position to Total Pension Liability: 99.03%

Investment rate of return: 6.50 percent, net of pension plan investment expense,
including inflation

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

The total pension liability was determined by an actuarial valuation as of September 30, 2022, 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, 2022 valuation were based on the results of an actuarial experience study for the period of October 1, 2013 – September 30, 2018. The discount rate of 6.5% was adopted by the Board on January 27, 2022.

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% | |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

Discount rate. The discount rate used to measure the total pension liability was 6.50 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 6.50 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 (5.50 percent) or 1-percentage-point higher (7.50 percent) than the current rate (\$ thousands):

| | 1% Decrease (5.50%) | Current Discount Rate (6.50%) | 1% Increase (7.50%) |
|--------------------------------------|--------------------------------|--|--------------------------------|
| Plan's net pension liability (asset) | \$ 140,336 | \$ 11,617 | \$ (100,575) |

September 30, 2022 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, 2022 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, 2022 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, 2022 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, 2022, as shown in the following table (\$ thousands):

| | |
|--|--------------|
| Total Pension Liability as of September 30, 2021 | \$ 1,169,179 |
| Entry Age Normal Cost for the year ended September 30, 2022 | \$ 28,455 |
| Actual Benefit Payments for the year ended September 30, 2022 | \$ 77,453 |
| Expected Actual Total Pension Liability as of September 30, 2022 | \$ 1,193,660 |
| Total Pension Liability as of September 30, 2022 | \$ 1,193,553 |
| Difference between Expected and Actual Experience (Gain)/Loss | \$ (107) |
| Actual Total Pension Liability as of September 30, 2022 | \$ 1,196,551 |
| Difference Due to Benefit Change | \$ 2,998 |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

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 February 2016, the FASB issued ASU 2016-02 *Leases (Topic 824)*. Prior to this standard, leases classified as operating leases recognized rental income or expense as payments were received and made. ASU 2016-02 requires that any entity that enters into a lease with some specified scope exemptions, must now recognize a lease asset and lease liability at the inception of the lease. Generally, the liability is amortized over the term of the lease using the effective interest method. The asset is generally depreciated on a straight-line basis over the life of the lease. Any lease with an expected term of 12 months or less is to be recognized as an operating lease and payments expensed or recorded as income when paid or received. Since the release of the standard, there have been various ASU's issued to address complications as well as deferring the effective date. These ASU's carved out caveats and exceptions which apply to certain industries, transaction types, etc. The standard is effective for reporting periods beginning after December 15, 2021. The Plan is evaluating the impact this will have on the 2023 financial statements.

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

The Plan reports the value of its investments in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 820 *Fair Value Measurements and Disclosures* as well as subsequent guidance in Accounting Standards Update (ASU) 2015-07 *Fair Value Measurement (Topic 820); Disclosures for Investment in Certain Entities That Calculate Net Asset Value per Share (or its Equivalent) and ASU 2015-12 Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): (Part I) Fully Benefit-Responsive Investment Contracts, (Part II) Plan Investment Disclosures, (Part III) Measurement Date Practical Expedient*. ASC 820 requires that investments held by the Plan be stated at fair value, which is defined as the price that the Plan would receive upon selling an investment in an orderly transaction to an independent buyer in the principle or most advantageous market of the investment. For certain investments measured using net asset value (NAV) as the practical expedient for fair value, ASU 2015-07 exempts the inclusion of these investments from categorization with the fair value hierarchy established by ASC 820.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Investment Valuation and Income Recognition (Continued)

The General Retirement System for Employees of Jefferson County, Alabama had investments in 2 single securities at September 30, 2022 and September 30, 2021 that exceeded 5% of fiduciary net position. The Boyd Watterson GSA Fund, which had a value of \$110,669,250 and \$155,315,795 as of September 30, 2022 and 2021, respectively, accounts for 9.3% and 10.8% of fiduciary net position as of September 30, 2022 and 2021, respectively. The Bank of New York Mellon Dynamic Value Fund, which had a value of \$102,010,595 and \$104,524,389 as of September 30, 2022 and 2021, respectively, accounts for 8.6% and 7.2% of fiduciary net position as of September 30, 2022 and 2021, respectively.

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.

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)

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements (Continued)

See note 4, Investments, for a summary of the inputs used as of September 30, 2022 in determining the fair value of the Plan's investments.

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, 2022:

| | |
|-------------------------------------|-------------------------|
| United States government securities | \$ 171,072,756 |
| Mutual funds and trusts | 192,459,701 |
| Corporate bonds | 93,575,964 |
| Common stocks | 440,144,930 |
| Foreign stocks | 33,508,375 |
| Foreign bonds | 67,985,467 |
| Municipal bonds | 7,187,254 |
| Partnerships | 136,951,174 |
| Other investments | 279,000 |
| Total | <u>\$ 1,143,164,621</u> |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 4 – INVESTMENTS – Continued

The following table represents the fair value of investments by type at September 30, 2021:

| | |
|-------------------------------------|-------------------------|
| United States government securities | \$ 157,997,546 |
| Mutual funds and trusts | 283,288,309 |
| Corporate bonds | 116,870,478 |
| Common stocks | 622,784,132 |
| Foreign stocks | 49,658,349 |
| Foreign bonds | 82,352,016 |
| Municipal bonds | 8,893,423 |
| Partnerships | 115,479,580 |
| Other investments | <u>60,000</u> |
| Total | <u>\$ 1,437,383,833</u> |

The weighted average rate of return was -16.64% and 25.3% for the years ended September 30, 2022 and 2021, respectively.

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, 2022, 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 | \$ 171,072,756 | \$ 2,083,403 | \$ 50,531,889 | \$ 27,179,027 | \$ 91,278,437 |
| Corporate bonds | 93,575,964 | 888,623 | 58,916,373 | 21,375,043 | 12,395,925 |
| Foreign bonds | 67,985,467 | 11,485,527 | 31,049,244 | 20,877,865 | 4,572,831 |
| Municipal bonds | <u>7,187,255</u> | <u>-</u> | <u>894,577</u> | <u>3,584,059</u> | <u>2,708,619</u> |
| Total | <u>\$ 339,821,442</u> | <u>\$ 14,457,553</u> | <u>\$ 141,392,083</u> | <u>\$ 73,015,994</u> | <u>\$ 110,955,812</u> |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA**
Notes to Financial Statements
September 30, 2022 and 2021

NOTE 4 – INVESTMENTS -- Continued

Interest Rate Risk (Continued)

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.

Concentration of Credit Risk

The General Retirement System for Employees of Jefferson County, Alabama has investments in 2 single securities at September 30, 2022 that exceeded 5% of fiduciary net position. The Boyd Watterson GSA Fund, which has a value of \$110,669,250, and the Bank of New York Mellon Dynamic Value Fund investment, which had a value of \$102,010,595, account for 9.3% and 8.6% of the fiduciary net position as of September 30, 2022, respectively.

The following is a summary of the inputs used as of September 30, 2022 in valuing the Plan's investments carried at fair value:

| | <u>September 30, 2022</u> | <u>Quoted prices in active markets for identical assets (Level 1)</u> | <u>Significant other observable inputs (Level 2)</u> | <u>Significant unobservable inputs (Level 3)</u> | <u>Net Asset Value (NAV)</u> |
|---|-------------------------------|---|--|--|--------------------------------------|
| United States government securities | \$ 171,072,756 | \$ - | \$ 171,072,756 | \$ - | \$ - |
| Mutual funds and trusts | 192,459,701 | - | - | - | 192,459,701 |
| Corporate bonds | 93,575,964 | - | 93,575,964 | - | - |
| Common stocks | 440,144,930 | 440,144,930 | - | - | - |
| Foreign stocks | 33,508,375 | 33,508,375 | - | - | - |
| Foreign bonds | 67,985,467 | - | 67,985,467 | - | - |
| Municipal bonds | 7,187,254 | - | 7,187,254 | - | - |
| Partnerships | 136,951,174 | - | - | 136,951,174 | - |
| Other investments | 279,000 | - | 279,000 | - | - |
| Total investments in the fair value hierarchy | <u>\$ 1,143,164,621</u> | <u>\$ 473,653,305</u> | <u>\$ 340,100,441</u> | <u>\$ 136,951,174</u> | <u>\$ 192,459,701</u> |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

The following is a summary of the inputs used as of September 30, 2021 in valuing the Plan’s investments carried at fair value:

| | <u>September 30, 2021</u> | <u>Quoted prices in active markets for identical assets (Level 1)</u> | <u>Significant other observable inputs (Level 2)</u> | <u>Significant unobservable inputs (Level 3)</u> | <u>Net Asset Value (NAV)</u> |
|---|-------------------------------|---|--|--|--------------------------------------|
| United States government securities | \$ 157,997,546 | \$ - | \$ 157,997,546 | \$ - | \$ - |
| Mutual funds and trusts | 283,288,309 | - | - | - | 283,288,309 |
| Corporate bonds | 116,870,478 | - | 116,870,478 | - | - |
| Common stocks | 622,784,132 | 622,784,132 | - | - | - |
| Foreign stocks | 49,658,349 | 49,658,349 | - | - | - |
| Foreign bonds | 82,352,016 | - | 82,352,016 | - | - |
| Municipal bonds | 8,893,423 | - | 8,893,423 | - | - |
| Partnerships | 115,479,580 | - | - | 115,479,580 | - |
| Other investments | 60,000 | - | 60,000 | - | - |
| Total investments in the fair value hierarchy | <u>\$ 1,437,383,833</u> | <u>\$ 672,442,481</u> | <u>\$ 366,173,463</u> | <u>\$ 115,479,580</u> | <u>\$ 283,288,309</u> |

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

Level 1 measurements

Common and foreign 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.

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

Level 2 measurements – Continued

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.

Level 3 measurements

Partnerships: These privately owned investments are pooled investment funds valued at fair market value and managed by an investment company. The fair market value is determined daily by taking the current market value of total assets, subtracting any liabilities and dividing the result by the total number of shares (units) outstanding. Valuation inputs include trading volume and prices collected by third party vendors, brokers, and market maker dealers on similar assets in markets that are not actively traded.

NOTE 5 – FAIR VALUE OF INVESTMENTS IN ENTITIES THAT USE NAV AS A PRACTICAL EXPEDIENT OF FAIR VALUE

The following table summarizes investments measured at fair value based on NAV per share.

| Investment | Fair value as of September 30, | | Unfunded commitments | Redemption frequency (if currently eligible) | Redemption notice period |
|-----------------------------------|-----------------------------------|----------------|-------------------------|---|-----------------------------|
| | 2022 | 2021 | | | |
| Mutual funds | \$ 110,344,682 | \$ 169,517,711 | n/a | daily | 1 business day |
| Collective investment trust funds | \$ 82,115,019 | \$ 113,770,598 | n/a | daily | 1 business day |

**THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Notes to Financial Statements
September 30, 2022 and 2021**

NOTE 5 – FAIR VALUE OF INVESTMENTS IN ENTITIES THAT USE NAV AS A PRACTICAL EXPEDIENT OF FAIR VALUE – Continued

The mutual funds are 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 of these investments is at NAV which is calculated by dividing the “rate” level market value less management fees by the number of participation units in the fund. Investment returns are not guaranteed and participants transact at NAV.

These collective investment trust funds seek to provide long-term capital growth by investing in small-cap growth strategies and a diversified portfolio of international companies with sustainable above-average earnings growth, efficient capital allocation and attractive prices.

The collective investment trust funds include an international equity which use the MSCI ACW growth indexes and the Russell 2000 Growth index, respectively as benchmarks to achieve their investment objectives.

NAV is calculated as the value of assets of the investment class (class) less liabilities of the class with the result divided by the number of outstanding shares of the class. Valuation inputs include readily available market quotations, bid prices, last sales prices and third-party pricing services.

NOTE 6 – LEASES

During 2017, 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:

| | | |
|------------|----|----------------|
| 2023 | \$ | 44,425 |
| 2024 | | 46,091 |
| 2025 | | 46,646 |
| 2026 | | 46,646 |
| 2027 | | 46,646 |
| 2028 | | 46,646 |
| Thereafter | | <u>513,692</u> |
| Total | \$ | <u>790,792</u> |

Rent expense for 2022 amounted to \$44,425 and is included in administrative expenses.

REQUIRED SUPPLEMENTARY INFORMATION

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

| | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|---------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Total pension liability | | | | | | | | |
| Service cost | \$ 28,455 | 26,741 | 25,372 | 22,859 | 20,890 | 19,490 | 17,798 | 17,325 |
| Interest | 73,479 | 72,815 | 72,053 | 70,863 | 69,534 | 68,349 | 65,859 | 64,608 |
| Benefit changes | 2,998 | - | 2,756 | - | - | - | - | - |
| Difference between expected and actual experience | (107) | (1,050) | (4,267) | (477) | (6,423) | (8,548) | 12,504 | (5,226) |
| Changes in assumptions | - | 28,728 | 26,958 | (6,178) | - | - | - | - |
| Benefit payments | (75,872) | (72,107) | (71,905) | (65,397) | (62,336) | (60,683) | (58,760) | (57,021) |
| Refunds of contributions | (1,581) | (1,497) | (1,392) | (1,448) | (852) | (844) | (902) | (985) |
| Net change in total pension liability | <u>27,372</u> | <u>53,630</u> | <u>49,575</u> | <u>20,222</u> | <u>20,813</u> | <u>17,764</u> | <u>36,499</u> | <u>18,701</u> |
| Total pension liability - beginning | <u>1,169,179</u> | <u>1,115,549</u> | <u>1,065,974</u> | <u>1,045,752</u> | <u>1,024,939</u> | <u>1,007,175</u> | <u>970,676</u> | <u>951,975</u> |
| Total pension liability - ending (a) | <u>\$ 1,196,551</u> | <u>1,169,179</u> | <u>1,115,549</u> | <u>1,065,974</u> | <u>1,045,752</u> | <u>1,024,939</u> | <u>1,007,175</u> | <u>970,676</u> |
| Plan net position | | | | | | | | |
| Contributions - employer | \$ 9,502 | 8,401 | 9,180 | 8,710 | 8,340 | 7,627 | 7,393 | 6,732 |
| Contributions - member | 9,450 | 8,355 | 9,177 | 8,677 | 8,319 | 7,592 | 7,385 | 6,716 |
| Contributions - other | 373 | 609 | 712 | 671 | 415 | 441 | 584 | 439 |
| Net investment income | (200,037) | 260,802 | 85,095 | 31,930 | 124,985 | 120,056 | 97,411 | (1,107) |
| Benefit payments | (75,872) | (72,107) | (71,905) | (65,397) | (62,336) | (60,683) | (58,760) | (57,021) |
| Administrative expense | (1,847) | (1,994) | (1,726) | (1,648) | (1,426) | (1,865) | (1,300) | (998) |
| Refunds of contributions | (1,581) | (1,497) | (1,392) | (1,448) | (852) | (844) | (902) | (985) |
| Other | (109) | (111) | (281) | (291) | (195) | (78) | (78) | (78) |
| Net change in plan net position | <u>(260,121)</u> | <u>202,458</u> | <u>28,860</u> | <u>(18,796)</u> | <u>77,250</u> | <u>72,246</u> | <u>51,733</u> | <u>(46,302)</u> |
| Plan net position - beginning | <u>1,445,055</u> | <u>1,242,597</u> | <u>1,213,737</u> | <u>1,232,533</u> | <u>1,155,283</u> | <u>1,083,037</u> | <u>1,031,304</u> | <u>1,077,606</u> |
| Plan net position - ending (b) | <u>\$ 1,184,934</u> | <u>1,445,055</u> | <u>1,242,597</u> | <u>1,213,737</u> | <u>1,232,533</u> | <u>1,155,283</u> | <u>1,083,037</u> | <u>1,031,304</u> |
| Net pension liability (asset) - ending (a) - (b) | <u>\$ 11,617</u> | <u>(275,876)</u> | <u>(127,048)</u> | <u>(147,763)</u> | <u>(186,781)</u> | <u>(130,344)</u> | <u>(75,862)</u> | <u>(60,628)</u> |
| Ratio of plan net position to total pension liability | 99.03% | 123.60% | 111.39% | 113.86% | 117.86% | 112.72% | 107.53% | 106.25% |
| Covered-employee payroll | \$ <u>158,367</u> | <u>140,017</u> | <u>153,000</u> | <u>145,167</u> | <u>139,000</u> | <u>127,117</u> | <u>123,217</u> | <u>112,200</u> |
| Net pension liability as a percentage of covered-employee payroll | 7.34% | -197.03% | -83.04% | -101.79% | -134.37% | -102.54% | -61.57% | -54.04% |

See accompanying independent auditor's report.

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

| | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Actuarially determined employer contribution | \$ 9,502 | 8,401 | 9,180 | 8,710 | 8,340 | 7,627 | 7,393 | 6,732 | 6,587 | 6,851 |
| Actual employer contributions | <u>9,502</u> | <u>8,401</u> | <u>9,180</u> | <u>8,710</u> | <u>8,340</u> | <u>7,627</u> | <u>7,393</u> | <u>6,732</u> | <u>6,587</u> | <u>6,851</u> |
| Annual contribution deficiency (excess) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Covered-employee payroll | \$ 158,367 | 140,017 | 153,000 | 145,167 | 139,000 | 127,117 | 123,217 | 112,200 | 109,783 | 114,183 |
| 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% |

Notes to Required Supplementary Information

| | |
|---------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percent, open |
| Asset valuation method | 5-year smoothed market |
| Inflation | 2.75 percent |
| Salary increase | 4.25 - 6.75 percent |
| Investment rate of return | 6.5 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 2019 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, which was used prior to 2019.

In 2019, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2019, assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. The rate of 6.5% was adopted by the Board on January 27, 2022.

Changes of benefit terms - In December 2019 a one-time payment was provided to retirees according to the following schedule:

- Members retired between October 2, 2014 and October 1, 2019 - 20% of the Member's gross monthly benefit.
- Members retired between October 2, 2009 and October 1, 2014 - 40% of the Member's gross monthly benefit.
- Members retired between October 2, 2004 and October 1, 2009 - 60% of the Member's gross monthly benefit.
- Members retired on or before October 1, 2004 - 80% of the Member's gross monthly benefit.

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, 2022 and 2021**

| | 2022 | 2021 |
|--|---------------|---------------|
| Additions: | | |
| Member contributions | \$ 9,450,273 | \$ 8,355,409 |
| Deductions: | | |
| Transfers to reserve for retirement and disability benefits | 9,033,981 | 8,724,208 |
| Refunds of member contributions | 1,561,276 | 1,448,569 |
| | 10,595,257 | 10,172,777 |
| Net increase (decrease) | (1,144,984) | (1,817,368) |
| Balance - beginning of year | 91,909,805 | 93,727,173 |
| Balance - end of year | \$ 90,764,821 | \$ 91,909,805 |

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, 2022 and 2021**

| | 2022 | 2021 |
|--|------------------|------------------|
| Additions: | | |
| Investment income | \$ 16,543,823 | \$ 14,343,579 |
| Net appreciation (depreciation) in fair value of investments | (216,581,286) | 246,458,706 |
| Employer contributions | 9,502,211 | 8,401,155 |
| Transfers from reserve for contingent refunds | 9,033,981 | 8,724,208 |
| Pistol permits | 372,506 | 608,625 |
| | (181,128,765) | 278,536,273 |
| Deductions: | | |
| Benefits paid to participants and beneficiaries | 75,872,130 | 72,106,887 |
| Transfer to 415(m) plan | 109,000 | 111,300 |
| Interest paid on refunds of member contributions | 20,124 | 48,445 |
| Administrative expenses | 1,846,550 | 1,993,709 |
| | 77,847,804 | 74,260,341 |
| Net increase (decrease) | (258,976,569) | 204,275,932 |
| Balance - beginning of year | 1,353,145,653 | 1,148,869,721 |
| Balance - end of year | \$ 1,094,169,084 | \$ 1,353,145,653 |

See accompanying independent auditor's report.