THE GENERAL RETIREMENT SYSTEM FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

SEPTEMBER 30, 2018 and 2017

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PENSION BOARD MEMBERS
Robert Field, Chairman
Connie Harris
Billy Morace
Travis Hulsey

GENERAL RETIREMENT SYSTEM

EXECUTIVE DIRECTOR
Amy Adams

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, 2018.

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 assets held in trust by The General Retirement System, as reported on the *Statement of Plan Net Assets*, totaled $1,232,532,846 as of September 30, 2018, the end of the plan fiscal year. During the fiscal year, net assets increased $77,250,018, or 6.7%, reflecting economic and market conditions.

The *Statement of Changes in Plan Net Assets* reflects an increase of $142 million in additions to plan net assets. Of this amount, $16.7 million represents member and employer contributions, $0.4 million in other income, and $125 million represents Investment Income less investment manager fees. Government Securities appreciated in value $6.7 million for the fiscal year ending September 30, 2018, compared to depreciation in value of $223,492 for the fiscal year ending September 30, 2017. Mutual funds appreciated $29.9 million for the fiscal year ending September 30, 2018, compared to appreciation of $3 million for the fiscal year ending September 30, 2017. Corporate bonds depreciated $14.1 million for the fiscal year ending September 30, 2018, compared to depreciation in value of $2.9 million for the fiscal year ending September 30, 2017. Common stocks appreciated $77.3 million for the fiscal year ending September 30, 2018, compared to appreciation in value of $95.5 million for the fiscal year ending September 30, 2017. Foreign bonds depreciated $4.1 million for the fiscal year ending September 30, 2018, compared to depreciation of $93 thousand for the fiscal year ending September 30, 2017. Municipal bonds depreciated $740 thousand for the fiscal year ending September 30, 2018, compared to depreciation of $787 thousand for the fiscal year ending September 30, 2017. Other investments appreciated $11 million for the fiscal year ending September 30, 2018, compared to appreciation of $6.6 million for the fiscal year ending September 30, 2017. Participant expenses increased $1.7 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, 2018, which was conducted in accordance with actuarial principles. The rate of return on investments of 11.03% on a market value basis decreased compared to last year's return of 11.33%.

Overview of the Financial Statements

This Comprehensive Annual Financial Report includes the basic financial statements, accompanying notes, required supplementary information and supporting schedules. The *Statement of Plan Net Assets* 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 *Statement of Changes in Plan Net Assets* 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 plan net assets as of September 30, 2018 and 2017, and the related statements of changes in plan net assets 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 plan net assets of The General Retirement System for Employees of Jefferson County, Alabama, as of September 30, 2018 and 2017, and the changes in its plan net assets 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.

D. Piazza LaRocca Heeter & Co., LLC

DiPiazza LaRocca Heeter & Co., LLC
Birmingham, Alabama

January 31, 2019

THE GENERAL RETIREMENT SYSTEM FOR
EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Plan Net Assets
September 30, 2018 and 2017

ASSETS	**2018**	**2017**
CASH AND SHORT-TERM INVESTMENTS	$ 15,055,814	$ 13,031,174
INVESTMENTS, AT FAIR VALUE		
Certificates of deposit	-	1,700,550
United States government securities	121,341,051	138,470,499
Mutual funds	268,835,157	252,144,144
Repurchase agreements	19,100,000	10,850,000
Corporate bonds	187,639,212	149,387,168
Common stocks	489,465,868	481,607,254
Foreign stocks	78,549,383	76,311,266
Foreign bonds	32,170,026	21,226,418
Municipal bonds	7,194,293	8,135,532
Partnerships	10,011,790	682,822
Other investments	6,496,092	6,251,260
Total investments	1,220,802,872	1,146,766,913
RECEIVABLES		
Interest and dividends	3,166,606	2,721,673
Employee contributions	322,351	298,101
Employer contributions	322,351	298,101
Due from brokers	-	3,917,063
Recapture of Commission Fees	6,356	26,309
Pistol permit revenue receivable	37,547	27,234
Total receivables	3,855,211	7,288,481
Total assets	1,239,713,897	1,167,086,568
LIABILITIES		
Accounts payable	803,723	718,737
Due to brokers	6,377,328	11,085,003
Total liabilities	7,181,051	11,803,740
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS (A schedule of funding progress is presented on page 15.)	$ 1,232,532,846	$ 1,155,282,828
NET ASSETS		
Reserve for contingent refunds	91,079,015	89,568,782
Reserve for retirement and disability benefits	1,141,453,831	1,065,714,046
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 1,232,532,846	$ 1,155,282,828

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 Plan Net Assets
For the Years Ended September 30, 2018 and 2017

	2018	2017
ADDITIONS TO NET ASSETS ATTRIBUTED TO:		
Investment income:		
Net appreciation (depreciation) in government securities	$ 6,727,919	$ (223,492)
Net appreciation (depreciation) in mutual funds	29,859,657	3,025,266
Net appreciation (depreciation) in corporate bonds	(14,148,774)	(2,870,949)
Net appreciation (depreciation) in common stocks	77,251,579	95,482,363
Net appreciation (depreciation) in foreign bonds	(4,105,405)	(92,655)
Net appreciation (depreciation) in other investments	10,929,662	6,628,792
Net appreciation (depreciation) in municipal bonds	(740,589)	(787,443)
Interest	11,586,979	9,217,029
Dividends	11,211,503	13,139,555
	128,572,531	123,518,466
Less investment manager fees	3,587,791	3,462,748
Total investment income	124,984,740	120,055,718
Contributions:		
Members	8,319,311	7,591,399
Employer	8,339,978	7,627,382
Total contributions	16,659,289	15,218,781
Other:		
Pistol permits	415,069	441,153
Total other	415,069	441,153
Total additions	$ 142,059,098	$ 135,715,652

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 Plan Net Assets - Continued
For the Years Ended September 30, 2018 and 2017

	2018	2017
DEDUCTIONS FROM NET ASSETS ATTRIBUTED TO:		
Participant expenses:		
Benefits paid to participants and beneficiaries	$ 62,335,593	$ 60,683,183
Refunds of member contributions	811,533	707,873
Direct rollovers of employee contributions	-	111,968
Interest paid on refunds of member contributions	40,819	23,931
Total participant expenses	63,187,945	61,526,955
Administrative expenses:		
Office expenses	820,517	1,382,748
Legal and consulting fees	347,141	292,843
Fiduciary bond	170,447	105,268
Other expenses	87,975	84,652
Total administrative expenses	1,426,080	1,865,511
Transfer to 415(m) plan	195,055	77,708
Total deductions	64,809,080	63,470,174
CHANGE IN NET ASSETS	77,250,018	72,245,478
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	$ 1,155,282,828	$ 1,083,037,350
End of year	$ 1,232,532,846	$ 1,155,282,828

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, 2018 and 2017, membership in the Plan consisted of the following:

	2018	**2017**
Current active members	2,581	2,409
Retirees and beneficiaries currently receiving benefits	2,364	2,334
Terminated employees electing deferred benefits	152	241

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, 2018 ($ thousands):

Total Pension Liability	$	1,045,752
Fiduciary Net Position		1,232,533
Net Pension Liability (Asset)	$	(186,781)

Ratio of Fiduciary Net Position to Total Pension Liability: 117.86%

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, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.25 percent
Salary Increases	4.25 – 7.25 percent, including inflation

Mortality rates are based on the RP – 2000 Combined Mortality Table with Projection Scale AA set forward one year for males for the period after service retirement and for dependent beneficiaries.

The actuarial assumptions used in the September 30, 2018 valuation were based on the results of an actuarial experience study for the period of October 1, 2004 – September 30, 2009.

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 Large Cap Growth	20.00%	6.65%
US Large Cap Value	20.00%	5.95%
US Small Cap Growth	3.75%	8.25%
US Small Cap Value	3.75%	6.55%
International Equity	7.50%	6.75%
US Fixed Income – Short	12.00%	1.75%
US Fixed Income – Intermediate	11.00%	2.15%
US Fixed Income – Long	12.00%	2.20%
International Fixed Income	10.00%	1.75%
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)	$ (76,353)	$ (186,781)	$ (280,821)

September 30, 2018 is the actuarial valuation date upon which the total pension liability (asset) is based. An expected total pension liability 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 procedure was used to determine the total pension liability as of September 30, 2018, as shown in the following table ($ thousands):

Total Pension Liability as of September 30, 2017	$	1,024,939
Entry Age Normal Cost for the year ended September 30, 2018	$	20,890
Actual Benefit Payments for the year ended September 30, 2018	$	63,188
Expected Actual Total Pension Liability as of September 30, 2018	$	1,052,175
Total Pension Liability as of September 30, 2018	$	1,045,752
Difference between Expected and Actual Experience (Gain)/Loss	$	(6,423)

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. Parts I and II are effective for fiscal years beginning after December 15, 2015 and should be applied retrospectively, with early adoption permitted. Part III is effective for fiscal years beginning after December 15, 2015 and should be applied prospectively, with early adoption permitted.

Since the standard is meant to simplify plan investment disclosures, management has elected to adopt Part II early. Accordingly, the amendment was retrospectively applied having no effect on the statement of plan net assets or the statement of changes in net plan assets at and for the year ended September 30, 2018. Parts I and 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, 2018 and 2017 that exceeded 5% of Plan net assets.

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, 2018 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 net assets or changes in net assets.

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 Regions 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, 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 following table represents the fair value of investments by type at September 30, 2017:

Certificates of deposit	$	1,700,550
United States government securities		138,470,499
Mutual funds		252,144,144
Repurchase agreements		10,850,000
Corporate bonds		149,387,168
Common stocks		481,607,254
Foreign stocks		76,311,266
Foreign bonds		21,226,418
Municipal bonds		8,135,532
Partnerships		682,822
Other investments		6,251,260
Total	$	1,146,766,913

The weighted average rate of return was 13% and 13% for the years ended September 30, 2018 and 2017, 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 $75,000,000 per incident.

Interest Rate Risk

As of September 30, 2018, the Plan had the following investments and maturities:

		Investment Maturities (In Years)			
	Fair Value	Less than 1	1 – 5	6 – 10	More than 10
Collateralized mortgage obligations	$ 489,293	$ -	$ -	$ -	$ 489,293
U.S. government securities	120,250,720	33,306	14,643,384	32,542,317	73,031,713
Corporate bonds	187,639,212	2,690,978	107,048,100	56,351,670	21,548,464
Foreign bonds	32,170,026	-	6,532,538	17,233,165	8,404,323
Municipal bonds	7,194,293	-	1,764,531	325,149	5,104,613
Certificates of deposit	601,038	-	601,038	-	-
Total	$ 348,344,582	$ 2,724,284	$ 130,589,591	$ 106,452,301	$ 108,578,406

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, 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)
Certificates of deposit	$ -	$ -	$ -	$ -
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 the inputs used as of September 30, 2017 in valuing the Plan's investments carried at fair value:

	September 30, 2017	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Certificates of deposit	$ 1,700,550	$ 1,700,550	$ -	$ -
United States government securities	138,470,499	-	138,470,499	-
Mutual funds	252,144,144	252,144,144	-	-
Repurchase agreements	10,850,000	10,850,000	-	-
Corporate bonds	149,387,168	-	149,387,168	-
Common stocks	481,607,254	481,607,254	-	-
Foreign stocks	76,311,266	76,311,266	-	-
Foreign bonds	21,226,418	-	21,226,418	-
Municipal bonds	8,135,532	-	8,135,532	-
Partnerships	682,822	-	682,822	-
Other investments	6,251,260	-	6,251,260	-
Total investments	$ 1,146,766,913	$ 822,613,214	$ 324,153,699	$ -

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

Certificates of deposit: Comprised of actively traded savings certificates issued by a bank. Valuation is based on unadjusted quoted prices for similar or identical assets in active markets that the Plan can access.

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.

NOTE 5 – LEASES

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

2019	$	44,425
2020		44,425
2021		44,425
2022		44,425
2023		44,425
Thereafter		746,368
Total	$	968,493

Rent expense for 2018 amounted to $44,350 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)

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined employer contribution	$ 8,340	$ 7,627	$ 7,393	$ 6,732	$ 6,587	$ 6,851	$ 7,744	$ 8,923	$ 9,297	$ 9,657
Actual employer contributions	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	$ 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%

Notes to Required Supplementary Information

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period	28 years
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 RP-2000 Mortality Tables rather than the UP94 Mortality Table, which was used prior to 2010.
In 2010, rates of withdrawal, retirement, disability and mortality were adusted to more closely reflect actual experience. In 2010, 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, 2018 and 2017

	2018	2017
Additions:		
Member contributions	$ 8,319,311	$ 7,591,399
Deductions:		
Transfers to reserve for retirement and disability benefits	5,997,545	4,540,341
Refunds of member contributions	811,533	819,840
	6,809,078	5,360,181
Net increase (decrease)	1,510,233	2,231,218
Balance - beginning of year	89,568,782	87,337,564
Balance - end of year	$ 91,079,015	$ 89,568,782

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, 2018 and 2017

	2018	2017
Additions:		
Investment income	$ 19,210,691	$ 18,893,835
Net appreciation (depreciation) in fair value of investments	105,774,049	101,161,882
Employer contributions	8,339,978	7,627,382
Transfers from reserve for contingent refunds	5,997,545	4,540,341
Pistol permits	415,069	441,153
	139,737,332	132,664,593
Deductions:		
Benefits paid to participants and beneficiaries	62,335,593	60,683,183
Transfer to 415(m) plan	195,055	77,708
Interest paid on refunds of member contributions	40,819	23,931
Administrative expenses	1,426,080	1,865,511
	63,997,547	62,650,333
Net increase (decrease)	75,739,785	70,014,260
Balance - beginning of year	1,065,714,046	995,699,786
Balance - end of year	$ 1,141,453,831	$ 1,065,714,046

See accompanying independent auditor's report.