THE GENERAL RETIREMENT SYSTEM FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA

AUDITED FINANCIAL STATEMENTS AND SUPPLEMENTAL SCHEDULES

SEPTEMBER 30, 2023 and 2022

TABLE OF CONTENTS

GENERAL RETIREMENT SYSTEM

MANAGEMENT'S DISCUSSION AND ANALYSIS

The General Retirement System for Employees of Jefferson County is a governmental employee defined benefit retirement system established by Act 497, 1965 Regular Session of the Alabama Legislature. The Plan is governed by a five-member Pension Board which provides retirement, disability, death and survivor benefits for its members. Management's discussion and analysis of the financial performance of the Plan provides an overview and analysis of financial activities for the fiscal year ended September 30, 2023.

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 $1,278,555,174 as of September 30, 2023, the end of the plan fiscal year. During the fiscal year, net position increased $93,621,269, or 8%, reflecting economic and market conditions.

The *Statements of Changes in Fiduciary Net Position* reflects an increase of $172.2 million in additions to fiduciary net position. Of this amount, $19.4 million represents member and employer contributions, $541 thousand in other income, and $152.2 million represents investment income less investment manager fees. Government Securities depreciated by $6.4 million for the fiscal year ending September 30, 2023, compared to depreciation in value of $28.8 million for the fiscal year ending September 30, 2022. Mutual funds appreciated by $13.4 million for the fiscal year ending September 30, 2023, compared to depreciation of $50.3 million for the fiscal year ending September 30, 2022. Corporate bonds appreciated by $1.3 million for the fiscal year ending September 30, 2023, compared to depreciation of $16.5 million for the fiscal year ending September 30, 2022. Common stocks appreciated by $98.7 million for the fiscal year ending September 30, 2023, compared to depreciation of $108.1 million for the fiscal year ending September 30, 2022. Foreign bonds appreciated by $1.9 million for the fiscal year ending September 30, 2023, compared to depreciation of $17.9 million for the fiscal year ending September 30, 2022. Municipal bonds depreciated by $140 thousand for the fiscal year ending September 30, 2023, compared to depreciation $1.4 million for the fiscal year ending September 30, 2022. Other investments appreciated by $26.5 million for the fiscal year ending September 30, 2023, compared to appreciation of $6.5 million for the fiscal year ending September 30, 2022. Participant expenses decreased $1.2 million, which is primarily attributed to a one-time payment made to retirees in December 2021, of which no such payments were made during fiscal year 2023.

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, 2023, which was conducted in accordance with actuarial principles. The rate of return on investments of 13.17% on a market value basis increased compared to last year's return of -14.14%.

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Overview of the Financial Statements

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

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

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

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

Robert Field
Chairman

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INDEPENDENT AUDITOR'S REPORT

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, 2023 and 2022, 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, 2023 and 2022, 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 25, 2024

THE GENERAL RETIREMENT SYSTEM
FOR EMPLOYEES OF JEFFERSON COUNTY, ALABAMA
Statements of Fiduciary Net Position
September 30, 2023 and 2022

ASSETS	2023	2022
CASH AND SHORT-TERM INVESTMENTS	$ 86,901,895	$ 56,703,186
INVESTMENTS, AT FAIR VALUE		
United States government securities	170,665,963	171,072,756
Mutual funds and trusts	218,407,639	192,459,701
Corporate bonds	83,074,801	93,575,964
Common stocks	511,665,729	440,144,930
Foreign stocks	37,258,186	33,508,375
Foreign bonds	62,580,952	67,985,467
Municipal bonds	5,137,061	7,187,254
Partnerships	136,873,437	136,951,174
Other investments	-	279,000
Total investments	1,225,663,768	1,143,164,621
RECEIVABLES		
Interest and dividends	2,531,369	2,309,815
Employee contributions	379,079	349,428
Employer contributions	379,079	349,428
Recapture of commission fees	3,740	4,590
Pistol permit revenue receivable	48,704	75,348
Total receivables	3,341,971	3,088,609
RIGHT-OF-USE ASSET	590,839	-
Total assets	$ 1,316,498,473	$ 1,202,956,416
LIABILITIES		
Lease liability	640,881	-
Accounts payable	779,795	625,708
Due to brokers	36,522,623	17,396,803
Total liabilities	37,943,299	18,022,511
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Reserve for contingent refunds	$ 93,152,725	$ 90,764,821
Reserve for retirement and disability benefits	1,185,402,449	1,094,169,084
Total net assets held in trust for pension benefits	1,278,555,174	1,184,933,905
Total liabilities and net assets held in trust for pension benefits	$ 1,316,498,473	$ 1,202,956,416

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, 2023 and 2022

		2023		2022
ADDITIONS TO NET POSITION ATTRIBUTED TO:				
Investment income:				
Net appreciation (depreciation) in government securities	$	(6,358,048)	$	(28,842,740)
Net appreciation (depreciation) in mutual funds and trusts		13,382,287		(50,312,327)
Net appreciation (depreciation) in corporate bonds		1,251,845		(16,461,820)
Net appreciation (depreciation) in common stocks		98,655,497		(108,134,318)
Net appreciation (depreciation) in foreign bonds		1,900,473		(17,885,520)
Net appreciation (depreciation) in other investments		26,529,430		6,479,505
Net appreciation (depreciation) in municipal bonds		(140,398)		(1,424,066)
Interest		12,843,244		8,974,063
Dividends		10,204,691		10,418,014
		158,269,021		(197,189,209)
Less investment manager fees		5,908,151		2,848,254
Total investment income		152,360,870		(200,037,463)
Contributions:				
Members		9,710,908		9,450,273
Employer		9,724,158		9,502,211
Total contributions		19,435,066		18,952,484
Other:				
Pistol permits		223,160		372,506
Total other		223,160		372,506
Total additions	$	172,019,096	$	(180,712,473)

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, 2023 and 2022

	2023	2022
DEDUCTIONS FROM NET POSITION ATTRIBUTED TO:		
Participant expenses:		
Benefits paid to participants and beneficiaries	$ 74,405,495	$ 75,872,130
Refunds of member contributions	1,553,766	1,389,812
Direct rollovers of employee contributions	303,781	171,464
Interest paid on refunds of member contributions	6,803	20,124
Total participant expenses	76,269,845	77,453,530
Administrative expenses:		
Office expenses	1,081,647	1,054,837
Legal and consulting fees	508,938	346,165
Fiduciary bond	333,036	347,627
Other expenses	149,261	97,921
Total administrative expenses	2,072,882	1,846,550
Transfer to 415(m) plan	55,100	109,000
Total deductions	78,397,827	79,409,080
CHANGE IN NET POSITION	93,621,269	(260,121,553)
NET POSITION HELD IN TRUST FOR PENSION BENEFITS		
Beginning of year	1,184,933,905	1,445,055,458
End of year	$ 1,278,555,174	$ 1,184,933,905

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, and shall have had at least ten years' experience as a certified public accountant. Member Number Four and Member Number Five are elected by the members of the Plan. 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, 2023 and 2022, membership in the Plan consisted of the following:

	2023	2022
Current active members	2,477	2,527
Retirees and beneficiaries currently receiving benefits	2,442	2,447
Terminated employees electing deferred benefits	286	243

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 October 27, 2022.

Asset Class	Target Allocation
Domestic equity	50%
International equity	5
Domestic fixed income	25
International fixed income	5
Real estate	10
Alternative	5
Total	100%

The following table represents the net pension liability as of September 30, 2023 ($ thousands):

Total Pension Liability	$ 1,285,019
Fiduciary Net Position	1,278,555
Net Pension Liability (Asset)	$ 6,464

Ratio of Fiduciary Net Position to Total Pension Liability: 99.50%

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

The total pension liability was determined by an actuarial valuation as of September 30, 2023, 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
Investment rate of return	6.50 percent, net of pension plan investment expense, 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, 2023 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	5%	8.9%
Domestic Fixed	25%	4.0%
International Fixed	5%	3.8%
Alternatives	5%	5.8%
Real Estate	10%	6.8%
Total	100%	

NOTE 1 – DESCRIPTION OF THE PLAN – Continued

Investment Policy (Continued)

Discount rate. The discount rate used to measure the total pension liability was 6.01 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 until the plan year ending September 30, 2064. Therefore, the long-term expected rate of return on pension plan investments of 6.50% was applied to all periods of projected benefit payments through September 30, 2064 and the applicable municipal bond index rate of 3.93%, based on the monthly average of the Bond Buyers General Obligation 20-year Municipal Bond Index Rate published weekly by The Bond Buyer (www.bondbuyer.com) as of September 30, 2023, was applied to all periods of projected benefit payments after September 30, 2064. The Single Equivalent Interest Rate (SEIR) of 6.01% was used to determine the total pension liability.

The following presents the net pension liability (asset) of the System, calculated using the discount rate of 6.01 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 (5.01 percent) or 1-percentage-point higher (7.01 percent) than the current rate ($ thousands):

	1% Decrease (5.01%)	Current Discount Rate (6.01%)	1% Increase (7.01%)
Plan's net pension liability (asset)	$ 151,271	$ 6,464	$ (115,740)

September 30, 2023 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, 2023 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 interest at the discount rate that was used to determine the September 30, 2023 TPL of 6.50% for the year. The difference between the expected TPL and the actual TPL as of September 30, 2023 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, 2023 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, 2023, as shown in the following table ($ thousands):

Total Pension Liability as of September 30, 2022	$ 1,196,551
Entry Age Normal Cost for the year ended September 30, 2023	$ 30,372
Actual Benefit Payments for the year ended September 30, 2023	$ 76,269
Expected Actual Total Pension Liability as of September 30, 2023	$ 1,225,951
Total Pension Liability as of September 30, 2023	$ 1,222,610
Difference between Expected and Actual Experience (Gain)/Loss	$ (3,341)
Actual Total Pension Liability as of September 30, 2023	$ 1,285,019
Difference Due to Benefit Change	$ 62,409

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).

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.

Leases

During fiscal year 2023, the Plan implemented GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-of-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. The lease term is defined as the period during which a lessee has a noncancelable right to use an underlying asset, plus additional periods, if applicable.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Leases (Continued)

Under GASB 87, a short-term lease is defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

A lessee recognizes a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset. The lease liability is measured at the present value of payments expected to be made during the lease term (less any lease incentives). The lease asset is measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Lessees reduce the lease liability as payments are made and recognize an outflow of resources (expense) for interest on the liability. Lessees amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. Note 6 includes a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.

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:

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Fair Value Measurements (Continued)

- 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, 2023 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, 2023:

United States government securities	$	170,665,963
Mutual funds and trusts		218,407,639
Corporate bonds		83,074,801
Common stocks		511,665,729
Foreign stocks		37,258,186
Foreign bonds		62,580,952
Municipal bonds		5,137,061
Partnerships		136,873,437
Total	$	1,225,663,768

NOTE 4 – INVESTMENTS – Continued

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	$	1,143,164,621

The weighted average rate of return was 13.77% and -16.64% for the years ended September 30, 2023 and 2022, 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, 2023, 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	$ 170,665,964	$ 4,833,711	$ 46,344,544	$ 20,282,452	$ 99,205,257
Corporate bonds	83,074,801	8,157,184	44,572,347	17,238,025	13,107,245
Foreign bonds	62,580,952	8,878,349	27,179,172	22,180,259	4,343,172
Municipal bonds	5,137,060	193,854	858,865	813,350	3,270,991
Total	$ 321,458,777	$ 22,063,098	$ 118,954,928	$ 60,514,086	$ 119,926,665

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, 2023 and 2022 that exceeded 5% of fiduciary net position. The Boyd Watterson GSA Fund, which has a value of $110,795,310 and $110,669,250, accounting for 8.67% and 9.34% and the Bank of New York Mellon Dynamic Value Fund investment, which had a value of $116,460,982 and $102,010,595, accounting for 9.11% and 8.61% of the fiduciary net position as of September 30, 2023 and 2022, respectively.

The following is a summary of the inputs used as of September 30, 2023 in valuing the Plan's investments carried at fair value:

	September 30, 2023	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)
United States government securities	$ 170,665,963	$ -	$ 170,665,963	$ -	$ -
Mutual funds and trusts	218,407,639	-	-	-	218,407,639
Corporate bonds	83,074,801	-	83,074,801	-	-
Common stocks	511,665,729	511,665,729	-	-	-
Foreign stocks	37,258,186	37,258,186	-	-	-
Foreign bonds	62,580,952	-	62,580,952	-	-
Municipal bonds	5,137,061	-	5,137,061	-	-
Partnerships	136,873,437	-	-	136,873,437	-
Total investments in the fair value hierarchy	$ 1,225,663,768	$ 548,923,915	$ 321,458,777	$ 136,873,437	$ 218,407,639

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (Continued)

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

	September 30, 2022	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Net Asset Value (NAV)
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	$ 1,143,164,621	$ 473,653,305	$ 340,100,441	$ 136,951,174	$ 192,459,701

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.

NOTE 4 – INVESTMENTS – Continued

Concentration of Credit Risk (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, 2023	Fair value as of September 30, 2022	Unfunded commitments	Redemption frequency (if currently eligible)	Redemption notice period
Mutual funds	$ 202,492,371	$ 110,344,682	n/a	daily	1 business day
Collective investment trust funds	$ 15,915,268	$ 82,115,019	n/a	daily	1 business day

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.

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

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 2018, the Plan entered into a long-term lease for office space. The lease began January 1, 2018 and terminates December 1, 2038. The monthly payments are $3,702 and escalate every five years by 5%. As of September 30, 2023, the ROU asset had a balance of $590,839 and the lease liability had a balance of $640,881. Amortization expense for the ROU asset was $36,659 and lease interest expense totaled $16,584. The incremental borrowing rate of 2.64% was used to calculate the net present value of the ROU assets and liabilities at inception of the leases.

The future interest and principal amounts for the next five years are as follows:

	Interest	Principal
2024	$ 15,825	$ 30,266
2025	15,004	31,642
2026	14,158	32,488
2027	13,290	33,356
2028	12,399	34,247
Thereafter	65,567	448,125
Total	$ 136,243	$ 610,124

Rent expense, including short-term leases during 2023 and 2022, amounted to $44,425.

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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Total pension liability									
Service cost	$ 30,372	28,455	26,741	25,372	22,859	20,890	19,490	17,798	17,325
Interest	75,297	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	(3,341)	(107)	(1,050)	(4,267)	(477)	(6,423)	(8,548)	12,504	(5,226)
Changes in assumptions	62,409	-	28,728	26,958	(6,178)	-	-	-	-
Benefit payments	(74,405)	(75,872)	(72,107)	(71,905)	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)
Refunds of contributions	(1,864)	(1,581)	(1,497)	(1,392)	(1,448)	(852)	(844)	(902)	(985)
Net change in total pension liability	88,468	27,372	53,630	49,575	20,222	20,813	17,764	36,499	18,701
Total pension liability - beginning	1,196,551	1,169,179	1,115,549	1,065,974	1,045,752	1,024,939	1,007,175	970,676	951,975
Total pension liability - ending (a)	$ 1,285,019	1,196,551	1,169,179	1,115,549	1,065,974	1,045,752	1,024,939	1,007,175	970,676
Plan net position									
Contributions - employer	$ 9,724	9,502	8,401	9,180	8,710	8,340	7,627	7,393	6,732
Contributions - member	9,711	9,450	8,355	9,177	8,677	8,319	7,592	7,385	6,716
Contributions - other	541	373	609	712	671	415	441	584	439
Net investment income	152,210	(200,037)	260,802	85,095	31,930	124,985	120,056	97,411	(1,107)
Benefit payments	(74,405)	(75,872)	(72,107)	(71,905)	(65,397)	(62,336)	(60,683)	(58,760)	(57,021)
Administrative expense	(2,241)	(1,847)	(1,994)	(1,726)	(1,648)	(1,426)	(1,865)	(1,300)	(998)
Refunds of contributions	(1,864)	(1,581)	(1,497)	(1,392)	(1,448)	(852)	(844)	(902)	(985)
Other	(55)	(109)	(111)	(281)	(291)	(195)	(78)	(78)	(78)
Net change in plan net position	93,621	(260,121)	202,458	28,860	(18,796)	77,250	72,246	51,733	(46,302)
Plan net position - beginning	1,184,934	1,445,055	1,242,597	1,213,737	1,232,533	1,155,283	1,083,037	1,031,304	1,077,606
Plan net position - ending (b)	$ 1,278,555	1,184,934	1,445,055	1,242,597	1,213,737	1,232,533	1,155,283	1,083,037	1,031,304
Net pension liability (asset) - ending (a) - (b)	$ 6,464	11,617	(275,876)	(127,048)	(147,763)	(186,781)	(130,344)	(75,862)	(60,628)
Ratio of plan net position to total pension liability	99.50%	99.03%	123.60%	111.39%	113.86%	117.86%	112.72%	107.53%	106.25%
Covered-employee payroll	$ 162,067	158,367	140,017	153,000	145,167	139,000	127,117	123,217	112,200
Net pension liability as a percentage of covered-employee payroll	3.99%	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)

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Actuarially determined employer contribution	$ 9,724	9,502	8,401	9,180	8,710	8,340	7,627	7,393	6,732	6,587
Actual employer contributions	9,724	9,502	8,401	9,180	8,710	8,340	7,627	7,393	6,732	6,587
Annual contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Covered-employee payroll	$ 162,067	158,367	140,017	153,000	145,167	139,000	127,117	123,217	112,200	109,783
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 2023, the discount rate was changed from 6.50% to 6.01% for GASB purposes only due to the projected depletion of the assets in 2064.

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

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, 2023 and 2022

	2023	2022
Additions:		
Member contributions	$ 9,710,908	$ 9,450,273
Deductions:		
Transfers to reserve for retirement and disability benefits	5,465,457	9,033,981
Refunds of member contributions	1,857,547	1,561,276
	7,323,004	10,595,257
Net increase (decrease)	2,387,904	(1,144,984)
Balance - beginning of year	90,764,821	91,909,805
Balance - end of year	$ 93,152,725	$ 90,764,821

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, 2023 and 2022

	2023	2022
Additions:		
Investment income	$ 17,139,784	$ 16,543,823
Net appreciation (depreciation) in fair value of investments	135,221,086	(216,581,286)
Employer contributions	9,724,158	9,502,211
Transfers from reserve for contingent refunds	5,465,457	9,033,981
Other income	-	-
Pistol permits	223,160	372,506
	167,773,645	(181,128,765)
Deductions:		
Benefits paid to participants and beneficiaries	74,405,495	75,872,130
Transfer to 415(m) plan	55,100	109,000
Interest paid on refunds of member contributions	6,803	20,124
Administrative expenses	2,072,882	1,846,550
	76,540,280	77,847,804
Net increase (decrease)	91,233,365	(258,976,569)
Balance - beginning of year	1,094,169,084	1,353,145,653
Balance - end of year	$ 1,185,402,449	$ 1,094,169,084

See accompanying independent auditor's report.