ACTUARIAL SECTION

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July 31, 2008

Board of Control
Teachers' Retirement System of Alabama
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Teachers' Retirement System of Alabama, prepared as of September 30, 2007 in accordance with Section 367(15) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the System as of September 30, 2007, to recommend rates of State contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the pay increase granted to active members effective October 1, 2007 under Act 2007-296. On the basis of this valuation, it is recommended that the State make contributions to the Retirement System at the rate of 12.51% of payroll for the fiscal year ending September 30, 2010, based on a 20-year amortization period. The increase in the contribution rate from 12.07% to 12.51% of payroll is primarily due to the impact of Act 2007-296.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the Entry Age Normal cost method. Five-year market related value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll, on the assumption that payroll will increase by 4.50% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
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Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM/CT:bdm

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005, submitted to and adopted by the Board on May 21, 2007.

Investment Rate of Return: 8% per annum, compounded annually.

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.50% per annum:

Age	Annual Rate (%)
20	7.25
25	7.25
30	7.75
35	7.00
40	6.50
45	6.25
50	6.00
55	5.50
60	5.00
65	5.00

Separations Before Service Retirement: Representative values of the assumed annual rates of death, disability, and withdrawal are as follows:

Males						
	Annual Rate (%)					
			Withdrawal (Years of Service)			
Age	Death	Disability	0-4	5-9	10-20	20+
20	0.05	0.05	30.00			
25	0.07	0.06	16.50	12.00		
30	0.08	0.07	15.00	5.50	5.50	
35	0.09	0.13	15.00	5.50	3.00	
40	0.11	0.20	14.50	5.50	3.00	1.25
45	0.16	0.21	14.50	5.25	3.00	1.00
50	0.26	0.64	12.00	4.50	3.00	1.00
55	0.44	1.20	11.50	4.00	2.25	1.00
60	0.80		10.00	4.00		
65	1.45		10.00	6.00		
69	2.17		10.00	6.00		

Females						
	Annual Rate (%)					
			Withdrawal (Years of Service)			
Age	Death	Disability	0-4	5-9	10-20	20+
20	0.03	0.10	30.00			
25	0.03	0.10	14.50	8.00		
30	0.04	0.10	14.50	6.00	4.00	
35	0.05	0.15	13.50	6.00	3.50	
40	0.08	0.16	12.00	4.50	2.50	1.50
45	0.10	0.37	11.50	3.75	2.50	0.75
50	0.16	0.70	11.00	3.75	2.50	0.75
55	0.26	1.10	10.50	3.75	2.50	0.75
60	0.51		11.00	4.50		
65	0.97		14.00	6.00		
69	1.37		14.00	6.00		

Service Retirement: Representative values of the assumed annual rates of service retirement are as follows:

For members first eligible for unreduced benefits upon attaining 25 years of service but before age 65, rates are as follows:

	Annual Rate (%) *	
Age	Male	Female
45	30.0	30.0
50	15.0	16.0
55	48.0	53.0
60	40.0	49.0
62	50.0	55.0

*Retirement rates increase by 7% in year when member first becomes eligible for unreduced service retirement on or after age 50 but before age 60.

For members first eligible for unreduced benefits before attaining 25 years of service and all members age 65 and over, the rates are as follows:

	Annual Rate (%)	
Age	Male	Female
60	13.0	22.0
62	30.0	30.0
65	34.0	35.0
67	26.0	27.0
69	25.0	26.0
70	25.0	26.0
72	26.0	25.0
75	100.0	100.0

Deaths after Retirement: Rates of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward one year for females. Special tables are used for the period after disability retirement. Representative values of the assumed annual rates of death after service and disability retirement are as follows:

	Annual Rate (%) of Death After			
	Service Retirement		Disability Retirement	
Age	Male	Female	Male	Female
40	0.11	0.08	3.32	2.60
45	0.16	0.10	3.49	2.43
50	0.26	0.16	3.76	2.50
55	0.44	0.26	4.20	2.67
60	0.80	0.51	4.88	2.95
65	1.45	0.97	5.95	3.39
70	2.37	1.50	7.63	4.08
75	3.72	2.53	10.22	5.16
80	6.20	4.40	14.17	6.85
85	9.72	7.53	20.09	9.47
90	15.29	12.88	28.67	13.46

Spousal Benefits: For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit and 25% will elect the spousal benefit.

Valuation Method: Entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

Assets: Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of assets and the expected value of assets, based on the assumed valuation rate of return. Each year 20% of the difference between market value and expected actuarial value is recognized.

Actuarial Cost Method

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.

2. The employer contributions required to support the benefits of the System are determined following a level funding approach, and consist of a normal contribution and an accrued liability contribution.

3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

4. The unfunded accrued liability contributions are determined by subtracting the current assets held by the System and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System.

Summary of Plan Provisions as Interpreted for Valuation Purposes

The Teachers' Retirement System of Alabama was established on September 15, 1939 and became effective September 30, 1941. The valuation considered amendments to the System through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

Definitions

Average Final Compensation - the average compensation of a member for the 3 highest years in the last 10 years of creditable service.

Membership Service - all service rendered while a member of the retirement system and for which contributions are made.

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

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

Pension - payments for life derived from employer contributions.

Retirement Allowance - the sum of the annuity and pension.

Benefits

Service Retirement Allowance

Condition for Allowance	A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 60 and completed at least 10 years of creditable service.
Amount of Allowance	Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. Members may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement" below).

Disability Retirement Allowance

Condition for Allowance	A disability retirement allowance may be granted to a member who has 10 years or more of creditable service and becomes totally and permanently incapacitated for duty before reaching eligibility for a service retirement allowance.
Amount of Allowance	Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member

receives one additional year of creditable service in determining retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer.

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

Benefits Payable on Separation of Service

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

Benefits Payable upon Death In Active Service

In the event of the death of a member eligible for service retirement, the designated beneficiary may elect (1) to exercise Option 3 defined below under "Special Privileges at Retirement" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous scholastic year (July 1-June 30). *

In the event of the death of a member with more than one year of service who is not eligible to retire, the designated beneficiary shall receive the return of member contributions and total earned interest. Also, the designated beneficiary shall receive an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which member retirement contributions were made for the previous scholastic year (July 1-June 30). *

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

In the event of a non-job related death of a member with less than one year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit which is limited to a $5,000 maximum.

*However, if the death occurred more than 180 calendar days after the member's last day in pay status, or if the deceased had applied for a refund of contributions or terminated employment, the lump sum will be the same as if the member had less than one year of service and the death was non-job related.

Special Privileges at Retirement

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

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

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

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

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

Deferred Retirement Option Plan (DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based the retirement benefit calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

Member Contributions

Regular members contribute 5% of salary. Certified police officers and firefighters contribute 6% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and interest upon retirement.

Supporting Schedules

The following table reflects a six-year history of active member valuation data:

TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
09/30/07	‡	141,217	$ 5,589,726,297	$ 39,583	7.41
09/30/06	φ	138,613	5,108,187,755	36,852	5.20
09/30/05	£	135,126	4,733,415,807	35,030	2.73
09/30/04	*	131,814	4,494,548,521	34,098	(1.48)
06/30/03	§	129,617	4,486,058,170	34,610	2.78
06/30/02	†	128,649	4,332,119,671	33,674	1.74

‡ In addition, there are 5,071 employees with annual compensation of $308,045,402 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

φ In addition, there are 5,375 employees with annual compensation of $350,255,378 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

£ In addition, there were 4,839 employees with annual compensation of $291,497,474 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

* In addition, there are 4,468 employees with annual compensation of $252,128,959 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

§ In addition, there are 2,711 employees with annual compensation of $146,552,344 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

† In addition, there are 973 employees with annual compensation of $47,063,551 who are currently in the DROP program. Employers of the Retirement System contribute on this payroll.

The following table presents a six-year history of a solvency test:

TEACHERS' RETIREMENT SYSTEM
SOLVENCY TEST
($ in Thousands)

Valuation Date		Aggegate Accrued Liabilities For (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portions)	Reported Assets	% of Accrued Liabilities Covered by Reported Assets (1)	(2)	(3)
09/30/07	‡	$ 3,038,296	$ 14,048,525	$ 8,884,713	$ 20,650,916	100	100	40.1
09/30/06	#	2,943,588	13,408,294	7,593,218	19,821,133	100	100	45.7
09/30/05	†	2,856,983	12,998,138	7,172,217	19,248,207	100	100	47.3
09/30/04	*	2,779,858	11,491,556	6,614,776	18,704,009	100	100	67.0
06/30/03		2,750,536	9,548,773	7,058,426	18,110,470	100	100	82.3
06/30/02	§	2,690,967	8,526,609	7,156,598	17,904,881	100	100	93.4

‡ Reflects pay increase payable under Act 2007-296.

Reflects changes in actuarial assumptions.

† Reflects pay increase payable under Act 2005-174 and additional allowance payable under Act 2006-310.

* Reflects additional allowance payable under Act 2005-174.

§ Reflects effect of amendments to the System and additional allowance payable under Act 2002-393. Beginning 6/30/2002, item (1) and item (2) include DROP participants.

The following table presents a six-year history of retirants and beneficiaries:

TEACHERS' RETIREMENT SYSTEM
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

Fiscal Year Ended	Retirees Added § * Number	Annual Allowances (000s)	Retirees Removed Number	Annual Allowances (000s)	Retirees - Year-end * Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2007	3,679	$ 78,490	1,329	$ 19,755	64,056	$ 1,299,028	11.64	$ 20,280
2006	3,168	65,235	1,188	17,672	61,706	1,163,614	8.09	18,857
2005	4,423	83,973	1,419	20,712	59,726	1,076,506	6.24	18,024
2004	3,610	67,418	1,298	17,303	56,722	1,013,245	5.20	17,863
2003	3,782	68,233	1,275	16,923	54,410	963,130	8.59	17,701
2002	3,550	64,509	1,294	17,244	51,903	886,969	5.63	17,089

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.
* Does not include active DROP participants.

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

TEACHERS' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2007

		Amount
Unfunded Actuarial Liability as of September 30, 2006	$	4,123,966,699
Normal Cost for 2007 Plan Year		346,164,582
Contributions Received During the Year		(519,246,873)
Interest to Year End		329,917,336
Expected Underfunded Actuarial Liability as of September 30, 2007		4,280,801,744
Actuarial Losses During the Year		
From Investments		20,931,941
From Actuarial Liabilities		1,018,884,552
Total Actuarial Losses During the Year		1,039,816,493
Actual Unfunded Actuarial Liability as of September 30, 2007	**$**	**5,320,618,237**

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July 31, 2008

Board of Control
Employees' Retirement System of Alabama
State Capitol
Montgomery, AL 36104

Members of the Board:

In this report are submitted the results of the annual actuarial valuation of the Employees' Retirement System of Alabama, prepared as of September 30, 2007 in accordance with Section 36-27-23(p) of the act governing the operation of the System.

The purpose of this report is to provide a summary of the funded status of the system as of September 30, 2007, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). While not verifying the data at source, the actuary performed tests for consistency and reasonability. The valuation liabilities include the pay increases granted to active State employees under Act 2007-297.

On the basis of this valuation, it is recommended that the State make contributions to the Retirement System for State employees (members other than State policemen) at the rate of 11.94% of payroll. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 30.57% of payroll for the fiscal year ending September 30, 2010. The increases in the contribution rates since the previous valuation are primarily due to the impact of Act 2007-297. The contribution rates for local employers for the fiscal year beginning October 1, 2009 will be submitted in a separate report and will not include the impact of any employer-elected benefit improvements after September 30, 2007.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 20-year period for State Employees and State policemen, on the assumption that payroll will increase by 4.5% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

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We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Comprehensive Annual Financial Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Comprehensive Annual Financial Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the retirement system and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the System.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

In our opinion the System is operating on an actuarially sound basis. Assuming that contributions to the System are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the System may be safely anticipated.

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Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM/CT:kc

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The assumptions and methods used in the valuation were based on the actuarial experience study prepared as of September 30, 2005 submitted to and adopted by the Board on May 30, 2007.

Investment Rate of Return: 8% per annum, compounded annually.

Salary Increases: Representative values of the assumed annual rates of future salary increases are as follows and include inflation at 4.50% per annum:

Age	Annual Rate (%)
20	7.66
25	7.75
30	7.61
35	7.25
40	6.98
45	6.60
50	6.32
55	5.84
60	5.49
65	5.05

Separations Before Service Retirement: Representative values of the assumed annual rates of death, disability, and withdrawal, are shown in the following tables:

State and Local Employees with DROP Coverage
Annual Rate (%)

	Death		Disability		Withdrawal (Years of Service)			
					Male		Female	
Age	Male	Female	Male	Female	0-4	5+	0-4	5+
20	0.06	0.03	0.05	0.08	35.00		37.00	
25	0.08	0.03	0.08	0.09	19.50	10.00	22.50	12.00
30	0.08	0.04	0.10	0.12	17.00	8.00	18.50	10.00
35	0.09	0.06	0.12	0.24	16.00	6.00	18.00	7.50
40	0.14	0.08	0.32	0.38	16.00	4.50	15.00	5.00
45	0.21	0.11	0.60	0.58	14.00	3.50	13.00	4.00
50	0.36	0.17	1.00	0.98	13.00	2.50	13.00	3.50
55	0.63	0.29	1.65	1.50	11.50	2.50	14.00	3.00
60	1.15	0.58			12.00	3.00	12.00	3.00
62	1.45	0.76			13.20	4.20	12.20	4.60
65	1.99	1.08			15.00	6.00	12.50	7.00
69	2.85	1.50			15.00	6.00	12.50	7.00

State Policemen

	Annual Rate (%) of			
	Death			
Age	Male	Female	Disability	Withdrawal §
20	0.06	0.03	0.08	2.00
25	0.08	0.03	0.10	2.00
30	0.08	0.04	0.14	2.00
35	0.09	0.06	0.22	2.00
40	0.14	0.08	0.34	2.00
45	0.21	0.11	0.46	2.00
50	0.36	0.17	0.60	
55	0.63	0.29		
60	1.15	0.58		
62	1.45	0.76		
65	1.99	1.08		

§ A rate of 3.50% is assumed during the first four years of employment.

Local Employers with No DROP Coverage

	Annual Rate (%)							
					Withdrawal (Years of Service)			
	Death		Disability		Male		Female	
Age	Male	Female	Male	Female	0-4	5+	0-4	5+
20	0.06	0.03	0.06	0.06	26.00		37.00	
25	0.08	0.03	0.08	0.13	21.00	11.00	30.00	15.00
30	0.08	0.04	0.11	0.19	19.00	8.50	25.00	12.00
35	0.09	0.06	0.13	0.25	17.00	6.50	22.00	9.50
40	0.14	0.08	0.20	0.28	16.00	4.50	19.00	7.50
45	0.21	0.11	0.42	0.36	15.00	4.25	18.00	6.50
50	0.36	0.17	0.77	0.43	13.00	4.00	17.00	6.00
55	0.63	0.29	1.41	0.82	13.00	4.25	16.00	6.00
60	1.15	0.58			13.00	5.00	16.00	5.50
62	1.45	0.76			15.00	6.20	16.00	7.30
65	1.99	1.08			18.00	8.00	16.00	10.00
69	2.85	1.50			18.00	8.00	16.00	10.00

Service Retirement: Representative values of the assumed annual rates of service retirement are as follows:

State and Local Employers with DROP Coverage				
	Annual Rate (%) of Service Retirement			
	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
Age	Male §	Female †	Male	Female
45	15.00	15.00		
50	10.00	10.00		
55	48.00	51.00		
60	42.00	48.00	16.00	22.00
62	56.00	58.00	32.00	31.00
64	28.00	50.00	25.00	24.00
65			36.00	36.00
70			27.00	30.00
72			23.00	30.00
75			100.00	100.00

§ Rates are increased by 12% in year when member attains 25 years of service.
† Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 or older.

State Policemen		
	Annual Rate (%) of Service Retirement	
Age	< 25 Years	25+ Years
40		19.00
45		19.00
50		18.00
55	20.00	65.00
60	20.00	100.00
62	20.00	100.00
65	100.00	100.00

Local Employers with No DROP Coverage				
	Annual Rate (%) of Service Retirement			
	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
Age	Male §	Female †	Male	Female
45	15.00	17.00		
50	12.00	16.00		
55	16.00	23.00		
60	19.00	30.00	7.50	18.00
62	49.00	34.00	31.00	28.00
64	28.00	26.00	14.00	15.00
65			28.00	29.00
70			20.00	17.00
72			20.00	24.00
75			100.00	100.00

§ Rates are increased by 12% in year when member attains 25 years of service.

† Rates are increased in year when member attains 25 years of service by 10% for ages less than 55 and by 17% for ages 55 or older.

Death after Retirement: The rate of mortality for the period after service retirement are according to the 1994 Group Annuity Mortality Table set forward three years for males and set forward two years for females. Special tables are used for the period after disability retirement.

Spousal Benefit: For those eligible for spousal benefits, it is assumed that 75% will elect the lump sum death benefit and 25% will elect the spousal benefit.

Percent Married: 100% of employees are assumed to be married, with the wife 3 years younger than the husband.

Actuarial Method: Entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

Assets: Actuarial value. The actuarial value of assets recognizes a portion of the difference between the market value of the assets and the expected value of the assets, based on the assumed valuation rate of return. Each year 20% of the difference between the market value and expected value is recognized.

Actuarial Cost Method

1. The valuation is prepared on the projected benefit basis, which is used to determine the present value of each member's expected benefit payable at retirement or death. The calculations are based on the member's age, years of service, sex, compensation, expected future salary increases, and an assumed future interest earnings rate (currently 8%). The calculations consider the probability of a member's death or termination of employment prior to becoming eligible for a benefit and the probability of the member terminating with a service, disability, or survivor's benefit. The present value of the expected benefits payable to active members is added to the present value of the expected future payments to retired members and beneficiaries to obtain the present value of all expected benefits payable to the present group of members and beneficiaries.

2. The employer contributions required to support the benefits of the System are determined following a level funding approach and consist of a normal contribution and an accrued liability contribution.

3. The normal contribution is determined using the "entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contributions which, if applied to the compensation of the average new member during the entire period of the member's anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on the member's behalf.

4. The unfunded accrued liability is determined by subtracting the current assets and the present value of prospective employer normal contributions and member contributions from the present value of expected benefits to be paid from the System. The accrued liability contribution amortizes the balance of the unfunded accrued liability over a period of years from the valuation date.

Summary of Plan Provisions as Interpreted for Valuation Purposes

The Employees' Retirement System of Alabama was established on October 1, 1945. The valuation considered amendments to the System effective through the valuation date. The following summary describes the main benefit and contribution provisions of the System as interpreted for the valuation.

Definitions
Average Final Compensation - the average compensation of a member for the 3 highest years in the last 10 years of creditable service.

Membership Service - all service rendered while a member of the Retirement System and for which contributions are made.

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

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

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

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

Benefits – Members Classified as Other Than State Policemen
Service Retirement Allowance

Condition for Allowance	A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service (except for employees of local employers that maintained 30-year retirement by not electing 25-year

	retirement) or who has attained age 60 and completed at least 10 years of creditable service.
Amount of Allowance	Upon service retirement, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).
Disability Retirement Allowance	
Condition for Allowance	A disability retirement allowance may be granted to a member who has 10 or more years of creditable service and becomes permanently incapacitated for duty before reaching eligibility for service retirement.
Amount of Allowance	Upon retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of the member's creditable service. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of service as a full-time certified firefighter, police officer, or correctional officer. The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).
Benefits Payable on Separation of Service	Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed at least 10 years of creditable service may, after separation from service, continue membership in the System and file for service retirement after reaching age 60.
Benefits Payable upon Death in Active Service	In the event of the death of a member eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). * In the event of the death of a member with more than one year of service who is not eligible for retirement, the designated beneficiary shall receive a return of member contributions and total interest earned. Also, the designated beneficiary shall receive an additional death benefit payable from the pre-retirement death benefit fund equal to the salary on which the member retirement contributions were made for the previous fiscal year (October 1 – September 30). *

In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs. *

In the event of a non job-related death of a member with less than 1 year of service, the beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit, which is limited to a maximum of $5,000.

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

Deferred Retirement Option Plan (DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years (at least 30 years for units that did not elect 25 year retirement) of creditable service (excluding sick leave) and attainment of at least 55 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based the retirement benefit calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

Member Contributions

Regular members contribute 5% of salary. Certified firefighters, police officers and correctional officers contribute 6% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and interest upon retirement.

Benefits – Members Classified as State Policemen

Service Retirement Allowance

Condition of Allowance

A retirement allowance is payable upon the request of any member who has completed 25 years of creditable service or who has attained age 52 and completed at least 10 years of creditable service.

Amount of Allowance

Upon service retirement, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of their creditable service.

The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).

A member who has attained 20 or more years of creditable service and retires prior to age 60 is eligible to receive a "bonus service credit" up to 4 years as follows:

-Age 56 or older – bonus service of 4 years reduced by 1 month for each month over the age of 56.

-Age 52 to 56 – bonus service of 4 years.

-Age 52 or less (disability retirement only) – bonus service of 4 years.

-Age 52 or less with 25 or more years of service – bonus service of 4 years.

Disability Retirement Allowance

Condition for Allowance

A disability retirement allowance may be granted to a member who has 10 or more years of creditable service or who becomes disabled as a result of his or her employment in the line of duty without regard to his or her years of creditable service, and who becomes permanently incapacitated, mentally or physically, for the further performance of duty before reaching the minimum age for service retirement.

Amount of Allowance

Upon retirement for disability, a member receives a retirement allowance equal to 2.875% of the member's average final compensation multiplied by the number of years of the member's creditable service.

The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement – All Employees" below).

Benefits Payable upon Separation from Service

Any member who withdraws from service is entitled to receive a return of member contributions with allowable interest. A member who has completed 10 years or more of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after the attainment of age 52.

Benefits Payable upon Death in Active Service

In the event of the death of a member who is eligible for service retirement, the designated beneficiary may elect: (1) to exercise option 3 as defined below under "Special Privileges at Retirement – All Employees" or (2) to receive a return of member contributions and total interest earned plus a death benefit payable from the pre-retirement death benefit equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30). *

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

In the event of a job-related death of a member at any age with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the pre-retirement death benefit fund equal to the annual earnable compensation of the member at the time death occurs. *

In the event of a non job-related death of a member with less than 1 year of service, the designated beneficiary shall receive the return of member contributions and total interest earned plus a matching death benefit, which is limited to a maximum of $5,000.

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

Deferred Retirement Option Plan (DROP)

A member may elect to participate in the Deferred Retirement Option Plan (DROP) upon completion of at least 25 years of creditable service (excluding sick leave) and attainment of at least 52 years of age. Under the DROP, the member may defer receipt of a retirement allowance and continue employment for a period not to exceed five years, nor to be less than three years. At the end of the period, the member may withdraw from active service and receive the retirement benefit based the retirement benefit calculated at the time of enrollment in the DROP, and also receive a payment for the deferred retirement benefits, employee contributions while participating in the DROP and interest earned on DROP deposits.

Member Contributions

Members contribute 10% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions with interest upon retirement.

Special Privileges at Retirement – All Members

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

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

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

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

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

Supporting Schedules

The following schedule provides a six-year history on active member valuation data:

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date		Number	Annual Payroll	Annual Average Pay	% Increase in Average Pay
09/30/07	‡	86,668	$ 3,169,432,161	$ 36,570	4.65
09/30/06	†	84,482	2,952,186,813	34,945	3.05
09/30/05	γ	82,830	2,808,823,045	33,911	4.94
09/30/04	φ	81,249	2,625,617,551	32,316	1.18
09/30/03	§	82,304	2,628,626,363	31,938	3.12
09/30/02	*	81,545	2,525,514,089	30,971	3.20

‡ In addition, there are 2,039 members with compensation of $118,877,383 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

† In addition, there are 1,905 members with compensation of $115,812,311 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

γ In addition, there are 1,753 members with compensation of $95,585,173 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

φ In addition, there are 1,440 members with compensation of $76,775,883 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

§ In addition, there are 923 members with compensation of $48,398,330 who are currently participating in DROP. Employers of the Retirement System contribute on this payroll.

* In addition, there are 428 members with compensation of $22,260,590 who are currently

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

EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
SOLVENCY TEST
($ in Thousands)

Valuation Date	Aggregate Accrued Liabilities For (1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active (Employer Financed Portion)	Reported Assets	Portion (%) of Accrued Liabilities Covered by Assets (1)	(2)	(3)
09/30/07 ‡	$ 1,777,331	$ 5,911,861	$ 4,681,149	$ 9,770,897	100	100	44.5
09/30/06 γ	1,705,372	5,540,766	4,211,426	9,287,531	100	100	48.5
09/30/05 †	1,616,410	5,076,621	3,941,945	8,935,568	100	100	56.9
09/30/04 φ	1,533,055	4,496,854	3,516,569	8,563,945	100	100	72.1
09/30/03	1,484,793	3,928,131	3,711,355	8,312,500	100	100	78.1
09/30/02	1,400,699	3,580,584	3,512,186	8,100,846	100	100	88.8

‡ Reflects pay increases payable under Act 2007-297.

γ Reflects changes in actuarial assumptions.

† Reflects pay increases payable under Act 2005-316 and Act 2006-231 and COLA granted October 1, 2006 under Act 2006-510.

φ Reflects COLA granted effective October 1, 2005 under Act 2005-316. Active member contributions exclude $20,500,000 of employee lump sum contributions made by local employers before September 30, 2004 not recognized for valuation purposes.

The following table presents a six-year history of data concerning retirants and beneficiaries:

EMPLOYEES' RETIREMENT SYSTEM
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

	Retirees Added § *		Retirees Removed		Retirees - Year-end *			
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2007	1,997	$ 39,636	925	$ 12,075	33,701	$ 590,203	10.38	$ 17,513
2006	1,998	39,636	883	10,511	32,629	534,682	9.23	16,387
2005	2,362	42,823	857	9,975	31,514	489,491	7.19	15,532
2004	2,015	35,634	926	9,624	30,009	456,643	6.04	15,217
2003	1,702	29,850	709	7,634	28,920	430,633	8.10	14,890
2002	1,678	28,346	760	7,511	27,927	398,383	14.06	14,265

§ Includes retirees completing DROP participation and entering regular retirement. Fiscal year 2005 was the first year of normal DROP completions.
* Does not include active DROP participants.

Note that fiscal year 2005 was the first year DROP participants completed DROP participation and entered regular retirement.

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

EMPLOYEES' RETIREMENT SYSTEM
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2007

	Amount
Unfunded Actuarial Liabiltiy as of September 30, 2006	$ 2,170,032,772
Normal Cost for 2007 Plan Year	146,222,054
Contributions Received During the Year	(266,966,342)
Interest to Year End	168,772,850
Expected Underfunded Actuarial Liability as of September 30, 2007	2,218,061,334
Actuarial Losses During the Year	
From Investments	(2,604,407)
From Actuarial Liabilities	383,987,402
Total Actuarial Losses During the Year	381,382,995
Total Unfunded Actuarial Liability as of September 30, 2007	**$ 2,599,444,329**

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July 31, 2008

Board of Control
Alabama Judicial Retirement Fund
Montgomery, Alabama

Members of the Board:

In this report are submitted the results of the annual valuation of the assets and liabilities of the Alabama Judicial Retirement Fund, prepared as of September 30, 2007 in accordance with Section 36-27-23(p) of the act governing the operation of the Fund.

The purpose of this report is to provide a summary of the funded status of the Fund as of September 30, 2007, to recommend rates of contribution and to provide accounting information under Governmental Accounting Standards Board Statements No. 25 and 27 (GASB 25 and 27). Data regarding the membership of the Fund for use as a basis of the valuation was furnished by the Retirement Fund office. While not verifying the data at source, the actuary performed tests for consistency and reasonability. On the basis of this valuation, it is recommended that the State make contributions to the Retirement Fund at the rate of 24.20% of payroll for the fiscal year ending September 30, 2010.

The financing objective of the Fund has been to have contribution rates remain relatively level over time as a percentage of payroll. The promised benefits of the Fund are included in the actuarially calculated contribution rates which are developed using the Projected Unit Credit cost method. Five-year smoothed market value of assets is used for actuarial valuation purposes. Gains and losses are reflected in the unfunded accrued liability that is being amortized by regular annual contributions as a level percentage of payroll within a 20-year period, on the assumption that payroll will increase by 4.50% annually. The assumptions recommended by the actuary and adopted by the Board are in the aggregate reasonably related to the experience under the Fund and to reasonable expectations of anticipated experience under the Fund and meet the parameters for the disclosures under GASB 25 and 27.

We have prepared the Schedule of Funding Progress and Trend Information shown in the financial section of the Annual Report, and all supporting schedules including the Schedule of Active Member Valuation Data, the Solvency Test and the Analysis of Financial Experience shown in the actuarial section of the Annual Report. All historical information that references a valuation date prior to September 30, 2004 was prepared by the previous actuarial firm.

3550 Busbee Pkwy, Suite 250, Kennesaw, GA 30144
Phone (678) 388-1700 • Fax (678) 388-1730
www.CavMacConsulting.com

This is to certify that the independent consulting actuary is a member of the American Academy of Actuaries and has experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Retirement Fund and on actuarial assumptions that are internally consistent and reasonably based on the actual experience of the Fund.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

In our opinion the Fund is operating on an actuarially sound basis. Assuming that contributions to the Fund are made by the employer from year to year in the future at the rates recommended on the basis of the successive actuarial valuations, the continued sufficiency of the retirement fund to provide the benefits called for under the Fund may be safely anticipated.

The Table of Contents, which immediately follows, outlines the material contained in the report.

Respectfully submitted,

Edward A. Macdonald, ASA, FCA, MAAA
President

Cathy Turcot
Managing Director

EAM:bdm

Summary of Actuarial Assumptions and Methods

The assumptions and methods used in the valuation were selected by the prior actuarial firm based on the actuarial experience study prepared as of September 30, 2000, submitted May 23, 2002, and adopted by the Board on June 5, 2002.

Investment Rate of Return: 8% per annum, compounded annually.

Salary Increases: 5% per annum, compounded annually.

Separations Before Retirement: Representative values of the assumed annual rates of death and disability are as follows:

	Annual Rate (%) of		
	Death		
Age	Male	Female	Disability
30	0.08	0.03	0.08
35	0.08	0.04	0.16
40	0.09	0.06	0.27
45	0.14	0.09	0.43
50	0.21	0.12	0.65
55	0.36	0.19	1.00
60	0.63	0.34	1.58
64	1.01	0.58	2.28

Rates of Retirement: 30% of members are assumed to retire in the first year of eligibility and 5% in each year thereafter. All remaining members are assumed to retire at age 70.

Deaths after Retirement: The rate of mortality after service retirement are based on the George B. Buck 1979 Table for males rated forward one year and the George B. Buck 1979 Table for females. Special mortality tables are used for the period after disability retirement.

Percent Married: 90% of members are assumed to be married.

Actuarial Method: Projected unit credit method. Gains and losses are reflected in the unfunded accrued liability.

Assets: Actuarial Value. The actuarial value of assets recognizes 20% of the difference between the market value of assets and the expected actuarial value of assets based on the assumed valuation rate of return.

Summary of Plan Provisions as Interpreted for Valuation Purposes

The Judicial Retirement Fund (JRF) was established on September 18, 1973. The valuation considered amendments to the JRF through the valuation date. The following summary describes the main benefit and contribution provisions of the JRF as interpreted for the valuation.

Membership
Any justice of the Supreme Court, judge of the Court of Civil Appeals, judge of the Court of Criminal Appeals, judge of the Circuit Court, or officeholder of any newly created judicial office receiving compensation from the State Treasury became a member of the JRF if the member was holding office on the effective date of the Act and elected to come under its provisions. Any such justice or judge elected or appointed to the office after the effective date of the Act or any district or probate judge elected or appointed to office after October 10, 1975 or October 1, 1976, respectively, automatically becomes a member. Certain other district and probate judges as well as certain former county court judges, district attorneys, or assistant district attorneys serving as circuit judges and certain supernumerary judges and justices may also elect to become a member.

Credited Service
Credited service is service as a member plus certain periods of previous service credited in accordance with the provisions of the Act.

Benefits
Service Retirement Benefit

Condition of Benefit

A retirement benefit is payable upon request of any member who has:

-Completed 12 years of credited service and has attained age 65, or

-Completed 15 years of credited service and whose age plus service equals or exceeds 77, or

-Completed at least 18 years of credited service or three full terms as a judge or justice, or

-Completed 10 years of credited service and has attained age 70

However, a judge who became a member on or after July 30, 1979 or who is a district or probate judge must meet the following age and service requirement combinations in order to be eligible to retire:

-Completed 12 years of credited service and attained age 65, or
-Completed at least 15 years of credited service and attained age 60, and whose age plus service equals or exceeds 77
-Completed 10 years of credited service and attained age 70
-Completed 25 years of service or 24 years of service provided the member purchases one year of service prior to retirement, regardless of age.

Amount of Benefit

The service retirement benefit for a member is equal to:

(a) For circuit or appellate judges who were members prior to July 30, 1979, 75% of the salary prescribed by law for the position from which the member retires.

(b) For circuit and appellate judges who assumed office on or after July 30, 1979, 75% of the member's salary at the time of separation from service.

(c) For district judges, 75% of the position's salary immediately prior to retirement.

(d) For probate judges, 75% of the member's salary at the time of separation from service.

Disability Retirement Benefit

Condition of Benefit

A disability retirement benefit is payable to any member who becomes permanently unable, physically or mentally, to carry out their duties on a full-time basis, provided the member has completed five or more years of credited service.

Amount of Benefit

The disability retirement benefit for a judge is equal to 25% of the salary prescribed by law for the position at the time of retirement from which the member retires on disability plus 10% of such salary for each year of credited service in excess of five years. The disability retirement benefit is subject to a 30% minimum and a 75% maximum of such salary. The retirement benefit for a circuit judge and for an appellant judge who assumed office prior to July 30, 1979, is adjusted as current salaries are adjusted.

Spousal Benefits

Condition of Benefit

Upon the death of an active, inactive, or retired member with at least 5 years of credited service, a death benefit is payable to the member's spouse.

Amount of Benefit

The death benefit for the spouse of a judge other than a district or probate judge consists of a yearly benefit equivalent to 3% of the salary prescribed by law for the position for each year of service of the former member, not to exceed 30% of such salary.

The death benefit for the spouse of a district judge consists of a yearly benefit equal to 3% of the position's salary prescribed by law at the time of death for each year of service not to exceed 30% of such salary.

For the spouse of a probate judge, the yearly benefit is equal to the greater of $480 for each year of credited service to a maximum of 10 year, or 3% of the judge's salary at the time of their separation from service for each year of credited service not to exceed 30% of such salary.

The benefit is payable for the spouse's life or until remarriage.

Benefit Payable on Separation from Service

If a member terminates service and elects not to withdraw his or her contributions and accrued interest from the JRF, the member is eligible to receive any of the above benefits for which the member has sufficient credited service upon reaching an eligible retirement age.

A member terminating service prior to reaching eligibility for retirement benefits may elect to receive a refund of their accumulated contributions

	and interest (the amount of accrued interest refundable to a District or Probate Judge is based upon the same rules and regulations applicable to similar refunds under ERS).
Member Contributions	Each member contributes 6% of salary.
State Contributions	The State makes contributions, which, in addition to the members' contributions, are sufficient to carry out the provisions of the Act.

Supporting Schedules

The following schedule presents six years of active member valuation data:

JUDICIAL RETIREMENT FUND
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual † Payroll	Annual Average Pay	% Increase (Decrease) in Average Pay
09/30/07	348	$ 41,318,229	$ 118,731	0.60
09/30/06	332	39,184,897	118,027	(0.04)
09/30/05	340	40,144,335	118,072	(0.56)
09/30/04	332	39,419,414	118,733	0.98
09/30/03	338	39,742,054	117,580	2.83
09/30/02	331	37,849,332	114,348	9.95

† Does not include salary increases effective after the valuation date.

The following schedule presents six years of solvency tests:

JUDICIAL RETIREMENT FUND
SOLVENCY TEST
($ in Thousands)

	Aggegate Accrued Liabilities For				Portion (%) of Accrued Liabilities Covered by Reported Assets		
Valuation Date	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)	Reported Assets	(1)	(2)	(3)
09/30/07	$ 30,286	$ 202,835	$ 82,820	$ 265,189	100	100	38.7
09/30/06	31,569	180,555	89,468	260,664	100	100	54.3
09/30/05 §	29,027	183,797	86,840	256,092	100	100	49.8
09/30/04 *	27,492	178,446	87,118	251,844	100	100	52.7
09/30/03	25,012	181,882	78,228	247,011	100	100	51.3
09/30/02	23,537	184,490	81,831	245,425	100	100	45.7

§ Reflect additional allowance payable under Act 2006-510.

* Reflects COLA granted under Act 2005-316.

The following schedule presents six years of retirant and beneficiary data:

JUDICIAL RETIEEMENT FUND
SCHEDULE OF RETIRANTS AND BENEFICIARIES ADDED AND REMOVED FROM ROLLS

	Retirees Added		Retirees Removed		Retirees - Year-end			
Fiscal Year Ended	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	Number	Annual Allowances (000s)	% Increase in Annual Allowances	Average Annual Allowance
2007	35	$ 2,978	2	$ 146	306	$ 22,038	16.54	$ 72,020
2006	9	753	10	399	273	18,911	2.66	69,271
2005	10	967	8	408	274	18,421	3.13	67,230
2004	7	551	11	692	272	17,862	(0.78)	65,669
2003	14	1,172	7	747	276	18,003	2.42	65,228
2002	8	682	10	590	269	17,578	58.93	65,346

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

JUDICIAL RETIREMENT FUND
ANALYSIS OF ACTUARIAL GAINS AND LOSSES AS OF SEPTEMBER 30, 2007

	Amount
Unfunded Actuarial Liability as of September 30, 2006	$ 40,927,612
Normal Cost for 2007 Plan Year	5,937,996
Contributions Received During the Year	(8,766,726)
Interest to Year End	3,274,209
Expected Unfunded Actuarial Liability as of September 30, 2007	41,373,091
Actuarial Losses During the Year	
From Investments	4,576,434
From Actuarial Liabilites	4,802,638
Total Actuarial Losses During the Year	9,379,072
Actual Unfunded Actuarial Liability as of September 30, 2007	**$ 50,752,163**