



Cavanaugh Macdonald
CONSULTING, LLC

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Retirement Systems
of Alabama

**Report on the Actuarial Valuation of the
Employees' Retirement System of Alabama
Prepared as of September 30, 2012**





Cavanaugh Macdonald

CONSULTING, LLC

The experience and dedication you deserve

July 9, 2013

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

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, 2012 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, 2012, 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 System was amended to provide a new benefit structure for members initially joining the System on or after January 1, 2013 (Tier II). There are no Tier II members included in the valuation as of September 30, 2012. However, for State employees we have received data from the Retirement System for Tier II members who joined during the first four months of 2013 and have used this data to determine the Tier II employer contribution rate for fiscal year ending September 30, 2015. For State policemen the Tier II employer contribution rates shown in this report have been estimated based on recent hires in Tier I.

On the basis of the 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 13.45% of payroll for Tier I members and 13.31% for Tier II members. It is also recommended that the State make contributions to the Retirement System for State policemen at the rate of 38.37% of payroll for Tier I members and 32.45% for Tier II members for the fiscal year ending September 30, 2015. The contribution rates for local employers for the fiscal year beginning October 1, 2014 will be submitted in a separate report and will include the impact of all assumption changes and employer-elected changes through September 30, 2012.

The promised benefits of the System are included in the actuarially calculated contribution rates which are developed using the entry age normal cost method. Since the previous valuation the Board has adopted a valuation interest smoothing methodology. Five-year smoothed market value of assets is used for actuarial valuation purposes. However, the actuarial value of assets was set equal to the market value of assets as of September 30, 2012; five-year smoothing will commence again in future years. 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 3.25% 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.

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.

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

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'Edward Macdonald'.

Edward A. Macdonald, ASA, FCA, MAAA
President

A handwritten signature in blue ink, appearing to read 'Cathy Turcot'.

Cathy Turcot
Principal and Managing Director

A handwritten signature in blue ink, appearing to read 'John Garrett'.

John J. Garrett, ASA, FCA, MAAA
Principal and Consulting Actuary

EAM/CT/JJG:jj



TABLE OF CONTENTS

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Summary of Principal Results	1
II	Membership Data	5
III	Assets	8
IV	Comments on Valuation	10
V	Contributions Payable by Employers	11
VI	Analysis of Financial Experience	12
VII	Accounting Information	14
<u>Schedule</u>		
A	Valuation Balance Sheet and Solvency Test	17
B	Development of the Actuarial Value of Assets	22
C	Summary of Receipts and Disbursements	27
D	Smoothed Interest Rate	28
E	Outline of Actuarial Assumptions and Methods	29
F	Actuarial Cost Method	35
G	Summary of Main Plan Provisions as Interpreted for Valuation Purposes	36
H	Schedules of Membership Data	44



**REPORT ON THE ACTUARIAL VALUATION OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA
PREPARED AS OF SEPTEMBER 30, 2012**

SECTION I - SUMMARY OF PRINCIPAL RESULTS

1. For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results for State Employees, Local Employees and State Policemen are summarized below:

SUMMARY OF PRINCIPAL RESULTS FOR STATE EMPLOYEES

VALUATION DATE	September 30, 2012	September 30, 2011
Number of active members	29,548	31,185
Annual compensation	\$ 1,179,824,013	\$ 1,299,463,347
Number of retired members and beneficiaries	20,618	19,658
Annual retirement allowances	\$ 419,165,667	\$ 391,950,391
Number of DROP participants	1,445	1,856
Annual compensation	\$ 87,308,963	\$ 112,262,151
Annual allowances	45,986,004	57,897,272
Assets:		
Actuarial value	\$ 4,152,166,843	\$ 4,428,511,476
Market value	4,152,166,843	3,750,991,726
Unfunded accrued liability	\$ 2,483,987,366	\$ 2,470,572,008
Funded Ratio	62.6%	64.2%
CONTRIBUTIONS FOR FISCAL YEAR ENDING	September 30, 2015	September 30, 2014
<u>Tier I</u>		
Employer contribution rate		
Normal	0.62%	1.05%
Accrued liability	12.48	10.62
Death benefit	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>
Total	13.45%	12.02%
<u>Tier II</u>		
Employer contribution rate		
Normal	0.48%	0.99%
Accrued liability	12.48	10.62
Death benefit	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>
Total	13.31%	11.96%
Amortization period	30 years	30 years



SUMMARY OF PRINCIPAL RESULTS FOR STATE POLICEMEN

VALUATION DATE	September 30, 2012	September 30, 2011
Number of active members	777	813
Annual compensation*	\$ 44,028,717	\$ 50,281,806
Number of retired members and beneficiaries	839	808
Annual retirement allowances	\$ 36,522,226	\$ 33,866,358
Number of DROP participants	25	31
Annual compensation	\$ 1,934,696	\$ 2,705,546
Annual allowances	1,533,318	1,905,673
Assets:		
Actuarial value	\$ 293,604,464	\$ 317,968,498
Market value	293,604,464	268,969,968
Unfunded accrued liability	\$ 223,751,421	\$ 225,726,739
Funded Ratio	56.8%	58.5%
CONTRIBUTION FOR FISCAL YEAR ENDING	September 30, 2015	September 30, 2014
<u>Tier I</u>		
Employer contribution rate		
Normal	8.44%	9.58%
Accrued liability	29.58	25.88
Death benefit	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>
Total	38.37%	35.81%
<u>Tier II</u>		
Employer contribution rate		
Normal	2.52%	3.29%
Accrued liability	29.58	25.88
Death benefit	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>
Total	32.45%	29.52%
Amortization Period	30 years	30 years

* Amount shown is reported compensation increased 7% for estimated overtime.



SUMMARY OF PRINCIPAL RESULTS FOR LOCAL EMPLOYEES

VALUATION DATE	September 30, 2012	September 30, 2011
Number of active members	53,844	53,635
Annual compensation	\$ 1,900,938,692	\$ 2,027,972,266
Number of retired members and beneficiaries	19,519	18,619
Annual retirement allowances	\$ 341,978,091	\$ 317,445,017
Number of DROP participants	651	821
Annual compensation	\$ 37,967,780	\$ 47,995,481
Annual allowances	19,773,054	24,209,041
Assets:		
Actuarial value	\$ 4,670,779,998	\$ 4,709,678,034
Market value	4,670,779,998	4,037,279,609
Unfunded accrued liability	\$ 2,060,705,460	\$ 2,214,339,447
Funded Ratio	69.4%	68.0%
CONTRIBUTIONS FOR FISCAL YEAR ENDING	September 30, 2015	September 30, 2014
Employer contribution rate		
Normal	Varies	Varies
Accrued liability	Varies	Varies
Death benefit	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>
Total	Varies	Varies
Amortization period	Varies	Varies



SUMMARY OF PRINCIPAL RESULTS FOR ALL GROUPS

VALUATION DATE	September 30, 2012	September 30, 2011
Number of active members	84,169	85,633
Annual compensation*	\$ 3,124,791,422	\$ 3,377,717,419
Number of retired members and beneficiaries	40,976	39,085
Annual retirement allowances	\$ 797,665,984	\$ 743,261,766
Number of DROP participants	2,121	2,708
Annual compensation	\$ 127,211,439	\$ 162,963,178
Annual allowances	67,292,376	84,011,986
Assets:		
Actuarial value	\$ 9,116,551,305	\$ 9,456,158,008
Market value	9,116,551,305	8,057,241,303
Unfunded accrued liability	\$ 4,768,444,247	\$ 4,910,638,194
Funded Ratio	65.7%	65.8%

* Amount shown reflects an increase in reported compensation for State Policemen of 7% for estimated overtime.

2. Comments on the valuation results as of September 30, 2012 are given in Section IV and further discussion of the contribution levels is set out in Section V. The valuation results for local employees do not include the impact of any changes elected by local employers after the valuation date. The contribution rates for local employers for fiscal year beginning October 1, 2014 will be submitted in a separate report.
3. Since the previous valuation, the Board has adopted a valuation interest rate smoothing methodology. Schedule D of this report shows the development of the smoothed interest rate. In addition, the actuarial value of assets was set equal to the market value of assets on September 30, 2012. Five-year smoothing of assets will commence again in future years. Schedule B shows the development of the actuarial value of assets. Schedule E of this report outlines the full set of actuarial assumptions and methods used in the current valuation.
4. The System was amended to provide a new benefit structure for members initially joining the System on or after January 1, 2013 (Tier II). There are no Tier II members included in the valuation as of September 30, 2012. However, for State employees we have received data from the Retirement



System for Tier II members who joined during the first four months of 2013 and have used this data to determine the Tier II employer contribution rate for fiscal year ending September 30, 2015. For State policemen the Tier II employer contribution rates shown in this report have been estimated based on recent hires in Tier I. In addition, legislation was passed to remove overtime pay from the definition of compensation for pension purposes. Subsequently additional legislation was passed to allow a limited amount of overtime to be included. Compensation for State Policemen has been increased by 7% to account for this legislation. Provisions of the System, as summarized in Schedule G, were taken into account in the current valuation.

SECTION II – MEMBERSHIP DATA

1. Data regarding the membership of the System for use as a basis of the valuation were furnished by the Retirement System office. The following table shows the number of active members and their annual compensation as of September 30, 2012 on the basis of which the valuation was prepared.

TABLE 1

THE NUMBER AND ANNUAL COMPENSATION OF ACTIVE MEMBERS AS OF SEPTEMBER 30, 2012

GROUP	NUMBER	COMPENSATION
State Employees	29,548	\$ 1,179,824,013
State Policemen	777	44,028,717*
Local Employees	<u>53,844</u>	<u>1,900,938,692</u>
Total	84,169	\$ 3,124,791,422

* Amount shown reflects an increase in reported compensation for State Policemen of 7% for estimated overtime.

The table reflects the active membership for whom complete valuation data were submitted. The results of the valuation include an estimated liability for an additional 10,511 non-contributing inactive members and members for whom incomplete data were submitted. In addition, there were 2,121 members with annual compensation of \$127,211,439 who were participating in the DROP program as of September 30, 2012.



2. The following table shows a six-year history of active member valuation data.

TABLE 2
SCHEDULE OF ACTIVE MEMBER VALUATION DATA

<u>Valuation Date</u>	<u>Number</u>	<u>Annual Payroll</u>	<u>Annual Average Pay</u>	<u>% Increase in Average Pay</u>
9/30/2012 ¹	84,169	\$ 3,124,791,422	\$ 37,125	- 5.88%
9/30/2011 ²	85,633	3,377,717,419	39,444	-1.00
9/30/2010 ³	86,967	3,464,913,031	39,842	0.38
9/30/2009 ⁴	87,647	3,478,635,402	39,689	3.65
9/30/2008 ⁵	88,002	3,369,696,707	38,291	4.71
9/30/2007 ⁶	86,668	3,169,432,161	36,570	4.65

¹In addition, there are 2,121 members with compensation of \$127,211,439 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

²In addition, there are 2,708 members with compensation of \$162,963,178 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

³In addition, there are 2,593 members with compensation of \$154,756,911 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁴In addition, there are 2,371 members with compensation of \$141,607,707 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁵In addition, there are 2,184 members with compensation of \$130,111,885 who are currently participating in the DROP. Employers of the Retirement System contribute on this payroll.

⁶In 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.



3. The following table shows the number and annual retirement allowances payable to retired members and their beneficiaries on the roll of the Retirement System as of the valuation date.

TABLE 3
THE NUMBER AND ANNUAL RETIREMENT ALLOWANCES
OF RETIRED MEMBERS AND BENEFICIARIES OF
DECEASED MEMBERS ON THE ROLL AS OF SEPTEMBER 30, 2012

TYPE OF RETIREMENT	GROUP			
	STATE EMPLOYEES	STATE POLICEMEN	LOCAL EMPLOYEES*	TOTAL
Service:				
Number	17,024	700	15,928	33,652
Annual Allowances	\$ 374,027,579	\$ 33,422,139	\$ 303,872,926	\$ 711,322,644
Disability:				
Number	2,063	39	1,724	3,826
Annual Allowances	\$ 27,020,694	\$ 1,104,309	\$ 21,151,682	\$ 49,276,685
Beneficiaries:				
Number	1,531	100	1,867	3,498
Annual Allowances	\$ 18,117,394	\$ 1,995,778	\$ 16,953,483	\$ 37,066,655
DROP participants:				
Number	1,445	25	651	2,121
Annual Allowances	\$ 45,986,004	\$ 1,533,318	\$ 19,773,054	\$ 67,292,376
Total:				
Number	22,063	864	20,170	43,097
Annual Allowances	\$ 465,151,671	\$ 38,055,544	\$ 361,751,145	\$ 864,958,360

* In addition, there are 43 terminated vested members with annual deferred allowances totaling \$225,651.

4. Tables in Schedule H show the distribution by age and service of the number and average annual compensation of active members included in the valuation. In addition, tables in Schedule H show the distribution by age and benefit type of the number, annual benefits, and average annual benefits of retired members included in the valuation.



SECTION III - ASSETS

1. The current retirement law provides for the maintenance of four funds for the purpose of recording the fiscal transactions of the System, namely, the Annuity Savings Fund, the Pension Accumulation Fund, the Pre-Retirement Death Benefit Fund, and the Deferred Retirement Option Plan Fund.

- (a) Annuity Savings Fund

The Annuity Savings Fund is the fund to which are credited all contributions made by members, except those contributions made by members who are participating in DROP, together with regular interest thereon. When a member retires or when a survivor allowance becomes payable or a member enters DROP, the amount of the member's accumulated contributions are transferred from the Annuity Savings Fund to the Pension Accumulation Fund. On September 30, 2012, the market value of assets credited to this Fund amounted to \$2,218,478,247 which represent the contributions of members to this date.

- (b) Pension Accumulation Fund

The Pension Accumulation Fund is the fund to which are credited all contributions made by the employers, except those contributions made to the Pre-Retirement Death Benefit Fund which was created October 1, 1983. When a member retires or when a survivor allowance becomes payable, the pension is paid from this fund. When a members enters DROP, the deferred pension is transferred from this fund to the DROP Fund. On September 30, 2012 the market value of assets credited to this fund amounted to \$6,562,010,247.

- (c) DROP Fund

The DROP Fund is the fund to which are credited deferred retirement benefits on behalf of members who elect to participate in the DROP, together with regular interest thereon. In addition, member contributions while participating in the DROP, together with regular interest therein, are credited to the Fund. At the end of the DROP deferral period, the member receives the amount of the deferred retirement benefits and contributions plus interest in the member's DROP account. On September 30, 2012, the market value of assets credited to this Fund amounted to \$336,062,811.

- (d) Pre-Retirement Death Benefit Fund

The Pre-Retirement Death Benefit Fund is the fund to which are credited contributions made by the employer for the special pre-retirement death benefit which became effective October 1, 1983. On September 30, 2012, the market value of assets credited to this fund amounted to \$22,025,479. These assets are not included in the valuation and the liabilities associated with these death benefits are not included in the valuation.



2. As of September 30, 2012 the total market value of assets exclusive of the Pre-Retirement Death Benefit Fund amounted to \$9,116,551,305 as shown in the following table.

TABLE 4
MARKET VALUE OF ASSETS BY FUND
AS OF SEPTEMBER 30, 2012

FUND	MARKET VALUE OF ASSETS
Annuity Savings Fund	\$ 2,218,478,247
Pension Accumulation Fund	6,562,010,247
DROP Fund	<u>336,062,811</u>
Total Market Value of Assets	\$ 9,116,551,305

3. The five-year market related actuarial value of assets as of September 30, 2012 was \$9,019,163,982. However, the final actuarial value of the assets was set equal to the market value of assets as September 30, 2012 with smoothing to commence in future years. Schedule B shows the development of the actuarial value of assets as of September 30, 2012. The following table shows the actuarial value of assets used for the current valuation allocated among State employees, State policemen and local employees.

TABLE 5
COMPARISON OF ACTUARIAL VALUE OF ASSETS
AT SEPTEMBER 30, 2012 AND SEPTEMBER 30, 2011

GROUP	SEPTEMBER 30, 2012 ACTUARIAL VALUE	SEPTEMBER 30, 2011 ACTUARIAL VALUE
State Employees	\$ 4,152,166,843	\$ 4,428,511,476
State Policemen	293,604,464	317,968,498
Local Employees	<u>4,670,779,998</u>	<u>4,709,678,034</u>
Total Assets	\$ 9,116,551,305	\$ 9,456,158,008

4. Schedule C shows the receipts and disbursements of the System for the year preceding the valuation date and a reconciliation of the fund balances at market value.



SECTION IV - COMMENTS ON VALUATION

1. Schedule A of this report contains the valuation balance sheets which show the present and prospective assets and liabilities of the System as of September 30, 2012. Separate balance sheets are shown for each employee group as well as in total for all groups.
2. The total valuation balance sheet shows that the System has total prospective liabilities of \$15,740,627,739. Of this amount, \$7,781,430,975 is for the prospective benefits payable on account of present retired members, beneficiaries of deceased members, and DROP participants, \$268,879,949 is for the prospective benefits payable on account of present inactive members and \$7,690,316,815 is for the prospective benefits payable on account of present active members. Against these liabilities the System has total actuarial value of assets of \$9,116,551,305 as of September 30, 2012. The difference of \$6,624,076,434 between the total liabilities and the total present market value of assets represents the present value of contributions to be made in the future. Of this amount, \$1,417,028,730 is the present value of future contributions expected to be made by members to the Annuity Savings Fund, and the balance of \$5,207,047,704 represents the present value of future contributions payable by the employers.
3. The employers' contributions to the System consist of normal contributions, accrued liability contributions and current disbursement cost-of-living benefit increase contributions. The valuation indicates that employer normal contributions at the rate of 0.62% of payroll for Tier I members and 0.48% of payroll for Tier II members are required to provide the benefits of the System for State employees. For State policemen, employer normal contributions at the rate of 8.44% of payroll for Tier I members and 2.52% of payroll for Tier II members are required. For local employees, varying rates of employer normal contributions are required.
4. Prospective employer normal contributions at the above rates have a present value of \$438,603,457. When this amount is subtracted from \$5,207,047,704, which is the present value of the total future contributions to be made by the employers, there remains \$4,768,444,247 as the amount of future cost-of-living and accrued liability contributions.



5. For all State employees, it is recommended that the accrued liability contribution rate payable by the State be set at 12.48% of payroll. For all State policemen, it is recommended that the accrued liability contribution rate payable by the State be set at 29.58% of payroll. These rates are sufficient to amortize the unfunded accrued liability of \$2,483,987,366 for State employees and \$223,751,421 for State policemen within 30 years on the assumption that the aggregate amount of accrued liability contribution will increase by 3.25% each year. However, if the amortization period continues to be set at 30 years each year, the unfunded accrued liability will never be fully amortized.
6. For all employers, an additional contribution of 0.14% of payroll will be required to meet the cost of the pre-retirement death benefit program established under Act No. 83-616. The assets and liabilities of the program are not included in the valuation.
7. For all employers, an additional contribution of 0.21% is required to cover the expenses of administering the System.

SECTION V - CONTRIBUTIONS PAYABLE BY EMPLOYERS

1. The retirement act provides that the Board of Control shall certify to the chief fiscal officer of each employer the rates of contribution required to be paid by the employer.
2. On the basis of the actuarial valuation prepared as of September 30, 2012 it is recommended that the State make contributions at the following rates for the fiscal year beginning October 1, 2014:

TABLE 6

RECOMMENDED CONTRIBUTION RATES

CONTRIBUTION	PERCENTAGE OF MEMBERS' COMPENSATION FOR FISCAL YEAR ENDING SEPTEMBER 20, 2015			
	STATE EMPLOYEES		STATE POLICEMEN	
	<u>Tier I</u>	<u>Tier II</u>	<u>Tier I</u>	<u>Tier II</u>
Normal	0.62%	0.48%	8.44%	2.52%
Accrued liability	12.48	12.48	29.58	29.58
Death benefit	0.14	0.14	0.14	0.14
Administration	<u>0.21</u>	<u>0.21</u>	<u>0.21</u>	<u>0.21</u>
Total	13.45%	13.31%	38.37%	32.45%



3. Contribution rates for Local Employers will be submitted in a separate report. The rates for the fiscal year beginning October 1, 2014 will be determined as of September 30, 2012, and will reflect any elections made pursuant to Act 2011-676 as of September 30, 2012.

SECTION VI – ANALYSIS OF FINANCIAL EXPERIENCE

The following table shows the estimated gain or loss from various factors that resulted in an increase or decrease in the unfunded accrued liability during the year ending September 30, 2012. For State employees, the unfunded accrued liability increased \$13,415,358; for State policemen, the unfunded accrued liability decreased \$1,975,318. Since the benefits, assumptions and accrued liability rates vary by location for the Local employees, we do not develop an analysis of financial experience for this group. The most significant item contributing to the \$13.4 million increase for State employees was a \$397.1 million loss due to less than expected investment return on the market value of assets. For State policemen the asset loss was \$29.1 million. This was offset by a gain of \$304.7 million for State employees and \$24.5 million for State Policemen due to the adoption of a valuation interest rate smoothing methodology. The results also show a significant gain of \$136.8 million for State employees and \$20.4 million for State Policemen due to salary increases that were less than expected.



ANALYSIS OF FINANCIAL EXPERIENCE

(in millions of dollars)

ITEM	AMOUNT OF INCREASE / (DECREASE)	
	<u>STATE EMPLOYEES</u>	<u>STATE POLICEMEN</u>
Interest (8.00%) added to previous unfunded accrued liability	\$ 197.6	\$ 18.1
Accrued liability contribution*	(114.4)	(7.8)
Experience:		
Valuation asset growth	397.1	29.1
Pensioners' mortality	3.6	0.3
Turnover and retirements	8.7	2.5
New entrants	7.6	2.2
Salary increases	(136.8)	(20.4)
Method changes	(40.4)	(2.0)
Amendments	0.0	0.0
Interest Smoothing	(304.7)	(24.5)
Miscellaneous	<u>(4.9)</u>	<u>0.5</u>
Total	\$ 13.4	\$ (2.0)

* Equal to the total contribution made to the System less the normal cost for the year adjusted for interest to September 30, 2012.



SECTION VII - ACCOUNTING INFORMATION

1. Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statements of the System and the employer. One such item is a distribution of the number of employees by type of membership, as follows:

**NUMBER OF ACTIVE AND RETIRED MEMBERS
AS OF SEPTEMBER 30, 2012**

GROUP	NUMBER			
	State Employees	State Police	Local Employees	Total
Retirees and beneficiaries currently receiving benefits	20,618	839	19,519	40,976
DROP participants	1,445	25	651	2,121
Terminated employees entitled to benefits but not yet receiving benefits	3,197	16	7,341	10,554
Active Members	<u>29,548</u>	<u>777</u>	<u>53,844</u>	<u>84,169</u>
Total	54,808	1,657	81,355	137,820



2. Another such item is the schedule of funding progress as shown below.

SCHEDULE OF FUNDING PROGRESS

(Dollar amounts in thousands)

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
<u>TOTAL ALL GROUPS</u>						
9/30/2007	\$9,770,897	\$12,370,342	\$2,599,445	79.0%	\$3,389,156	76.7%
9/30/2008	9,905,766	13,078,687	3,172,921	75.7	3,553,330	89.3
9/30/2009	9,928,104	13,756,176	3,828,072	72.2	3,620,243	105.7
9/30/2010	9,739,331	14,284,119	4,544,788	68.2	3,619,670	125.6
9/30/2011	9,456,158	14,366,796	4,910,638	65.8	3,540,681	138.7
9/30/2012	9,116,551	13,884,995	4,768,444	65.7	3,252,003	146.6
<u>STATE EMPLOYEES</u>						
9/30/2007	\$4,922,133	\$6,377,127	\$1,454,994	77.2%	\$1,490,522 ¹	97.6%
9/30/2008	4,912,248	6,613,798	1,701,550	74.3	1,531,217 ¹	111.1
9/30/2009	4,817,987	6,795,389	1,977,402	70.9	1,510,157	130.9
9/30/2010	4,649,567	6,935,473	2,285,906	67.0	1,494,440	153.0
9/30/2011	4,428,511	6,899,083	2,470,572	64.2	1,411,725	175.0
9/30/2012	4,152,167	6,636,154	2,483,987	62.6	1,267,133	196.0
<u>STATE POLICEMEN</u>						
9/30/2007	\$350,437	\$475,409	\$124,972	73.7%	\$50,987 ¹	245.1%
9/30/2008	350,686	489,058	138,372	71.7	51,495 ¹	268.7
9/30/2009	345,246	502,065	156,819	68.8	53,705	292.0
9/30/2010	334,178	533,209	199,031	62.7	57,266	347.6
9/30/2011	317,968	543,695	225,727	58.5	52,987	426.0
9/30/2012	293,604	517,355	223,751	56.8	45,963	486.8
<u>LOCAL EMPLOYEES</u>						
9/30/2007	\$4,498,327	\$5,517,806	\$1,019,479	81.5%	\$1,847,647	55.2%
9/30/2008	4,642,832	5,975,831	1,332,999	77.7	1,970,618	67.6
9/30/2009	4,764,871	6,458,721	1,693,850	73.8	2,056,381	82.4
9/30/2010	4,755,586	6,815,437	2,059,851	69.8	2,067,964	99.6
9/30/2011	4,709,678	6,924,017	2,214,339	68.0	2,075,968	106.7
9/30/2012	4,670,780	6,731,485	2,060,705	69.4	1,938,906	106.3

¹ Includes pay increases granted under Act 2007-297.



3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at September 30, 2012. Additional information as of the latest actuarial valuation follows.

	<u>State Employees</u>	<u>State Policemen</u>	<u>Local Employees</u>
Valuation date	9/30/2012	9/30/2012	9/30/2012
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percent Open	Level percent Open	Level percent Open
Remaining amortization period	30 years	30 years	Within 30 years - Varies by employer
Asset valuation method	Five-year market related value*	Five-year market related value*	Five-year market related value*
Actuarial assumptions:			
Ultimate Investment rate of return (discount rate)**	8.00%	8.00%	8.00%
Projected salary increases**	3.75 – 7.25%	5.00%	3.75 – 7.25%
Cost-of-living adjustment	None	None	None
**Includes inflation at	3.00%	3.00%	3.00%

* Actuarial value of assets was set equal to the market value of assets on September 30, 2012. Smoothing will commence again in future years.

TREND INFORMATION

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percent Of APC Contributed</u>	<u>Net Pension Obligation (NPO)</u>
<u>State Employees</u>			
9/30/2010	\$162,718,309	100%	\$0
9/30/2011	162,923,038	100	0
9/30/2012	120,128,454	100	0
<u>State Policemen</u>			
9/30/2010	\$17,281,367	100%	\$0
9/30/2011	16,723,246	100	0
9/30/2012	13,067,496	100	0
<u>Local Employees</u>			
9/30/2010	Varies	Varies	Varies
9/30/2011	Varies	Varies	Varies
9/30/2012	Varies	Varies	Varies



SCHEDULE A

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

STATE EMPLOYEES

	SEPTEMBER 30, 2012
<u>ASSETS</u>	
Actuarial Value of Assets	\$ 4,152,166,843
Present value of future members' contributions to the Annuity Savings Fund	\$ 618,594,583
Present value of future employer contributions to the Pension Accumulation Fund	
Normal contributions	\$ 55,080,345
Unfunded accrued liability contributions	<u>2,483,987,366</u>
Total prospective employer contributions	\$ 2,539,067,711
Total Assets	<u>\$ 7,309,829,137</u>
<u>LIABILITIES</u>	
Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances	
Service Retirements	\$ 3,618,636,901
Disability Retirements	213,751,446
Beneficiaries of Deceased Members	128,799,854
DROP Participant Accounts	<u>241,614,893</u>
Total	\$ 4,202,803,094
Inactive Members	\$ 105,855,386
Present value of prospective benefits payable on account of present active members:	
Service retirement allowances	\$ 2,591,800,058
Disability retirement allowances	130,206,275
Death Benefits	33,330,356
Termination Benefits	<u>245,833,968</u>
Total	\$ 3,001,170,657
Total Liabilities	<u>\$ 7,309,829,137</u>



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

STATE POLICEMEN

	SEPTEMBER 30, 2012
<u>ASSETS</u>	
Actuarial Value of Assets	\$ 293,604,464
Present value of future members' contributions to the Annuity Savings Fund	\$ 36,474,065
Present value of future employer contributions to the Pension Accumulation Fund	
Normal contributions	\$ 31,810,873
Unfunded accrued liability contributions	<u>223,751,421</u>
Total prospective employer contributions	\$ 255,562,294
Total Assets	<u>\$ 585,640,823</u>
<u>LIABILITIES</u>	
Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances	
Service Retirements	\$ 312,644,047
Disability Retirements	7,688,974
Beneficiaries of Deceased Members	14,390,578
DROP Participant Accounts	<u>6,327,891</u>
Total	\$ 341,051,490
Inactive Members	\$ 3,014,404
Present value of prospective benefits payable on account of present active members:	
Service retirement allowances	\$ 229,431,386
Disability retirement allowances	4,913,661
Death Benefits	1,436,265
Termination Benefits	<u>5,793,617</u>
Total	\$ 241,574,929
Total Liabilities	<u>\$ 585,640,823</u>



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

LOCAL EMPLOYEES

	SEPTEMBER 30, 2012
<u>ASSETS</u>	
Actuarial Value of Assets	\$ 4,670,779,998
Present value of future members' contributions to the Annuity Savings Fund	\$ 761,960,082
Present value of future employer contributions to the Pension Accumulation Fund	
Normal contributions	\$ 351,712,239
Unfunded accrued liability contributions	<u>2,060,705,460</u>
Total prospective employer contributions	\$ 2,412,417,699
Total Assets	<u>\$ 7,845,157,779</u>
<u>LIABILITIES</u>	
Present value of benefits payable on account of retired members and beneficiaries of deceased members now drawing retirement allowances	
Service Retirements	\$ 2,853,616,562
Disability Retirements	168,152,803
Beneficiaries of Deceased Members	127,686,999
DROP Participant Accounts	<u>88,120,027</u>
Total	\$ 3,237,576,391
Inactive Members	\$ 160,010,159
Present value of prospective benefits payable on account of present active members:	
Service retirement allowances	\$ 3,840,906,328
Disability retirement allowances	192,958,598
Death Benefits	49,393,770
Termination Benefits	<u>364,312,533</u>
Total	\$ 4,447,571,229
Total Liabilities	<u>\$ 7,845,157,779</u>



SCHEDULE A (Continued)

**VALUATION BALANCE SHEET
SHOWING THE PRESENT AND PROSPECTIVE ASSETS AND LIABILITIES OF
THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA**

TOTAL - ALL GROUPS

	SEPTEMBER 30, 2012
<u>ASSETS</u>	
Actuarial Value of Assets	\$ 9,116,551,305
Present value of future members' contributions to the Annuity Savings Fund	\$ 1,417,028,730
Present value of future employer contributions to the Pension Accumulation Fund	
Normal contributions	\$ 438,603,457
Unfunded accrued liability contributions	<u>4,768,444,247</u>
Total prospective employer contributions	\$ 5,207,047,704
Total Assets	<u>\$ 15,740,627,739</u>
<u>LIABILITIES</u>	
Present value of benefits payable on account of retired members, beneficiaries of deceased members now drawing retirement allowances, and DROP participants	
Service Retirements	\$ 6,784,897,510
Disability Retirements	389,593,223
Beneficiaries of Deceased Members	270,877,431
DROP Participant Accounts	<u>336,062,811</u>
Total	\$ 7,781,430,975
Inactive Members	\$ 268,879,949
Present value of prospective benefits payable on account of present active members:	
Service retirement allowances	\$ 6,662,137,772
Disability retirement allowances	328,078,534
Death Benefits	84,160,391
Termination Benefits	<u>615,940,118</u>
Total	\$ 7,690,316,815
Total Liabilities	<u>\$ 15,740,627,739</u>



SCHEDULE A (continued)

SOLVENCY TEST
(\$1000's)

Valuation Date	Aggregate Accrued Liabilities For			Reported Assets	Portion of Accrued Liabilities Covered by Reported Asset		
	(1) Active Member Contributions	(2) Retirants and Beneficiaries	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
9/30/2012 ¹	\$2,218,478	\$7,781,431	\$3,885,086	\$9,116,551	100%	89%	0%
9/30/2011 ²	2,112,356	7,722,942	4,531,498	9,456,158	100	95	0
9/30/2010	2,050,051	7,130,938	4,535,113	9,739,331	100	100	12.3
9/30/2009	1,973,511	6,707,240	5,075,425	9,928,104	100	100	24.6
9/30/2008 ³	1,860,095	6,275,136	4,943,455	9,905,766	100	100	35.8
9/30/2007 ³	1,777,331	5,911,861	4,681,149	9,770,897	100	100	44.5

¹ Reflects changes in methods.

² Reflects changes in actuarial assumptions.

³ Reflects pay increases payable under Act 2007-297.



SCHEDULE B

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2012**

STATE EMPLOYEES

(1)	Actuarial Value Beginning of Year	
	a. Actuarial Value Beginning of Year	\$ 4,428,511,476
	b. Adjustment	<u>2,004,744</u>
	c. Adjusted Actuarial Value Beginning of Year	\$ 4,430,516,220
(2)	Market Value End of Year	\$ 4,152,166,843
(3)	Market Value Beginning of Year	
	a. Market Value Beginning of Year	\$ 3,750,991,726
	b. Adjustment	<u>(55,394)</u>
	c. Adjusted Market Value Beginning of Year	\$ 3,750,936,332
(4)	Cash Flow	
	a. Contributions	\$ 220,860,485
	b. Benefit Payments	(479,617,602)
	c. Investment Expenses	<u>(6,470,070)</u>
	d. Net	\$ (265,227,187)
(5)	Investment Income	
	a. Market total: (2) – (3)c – (4)d	\$ 666,457,698
	b. Assumed Rate	8.00%
	c. Amount for Immediate Recognition [(3)c x (5)b] + [(4)a + (4)b] * (5)b * 0.5] – (4)c	\$ 296,194,692
	d. Amount for Phased-in Recognition (5)a – (5)c	\$ 370,263,006
(6)	Phased-In Recognition of Investment Income	
	a. Current Year: 0.20*(5)d	\$ 74,052,601
	b. First Prior Year	(41,890,242)
	c. Second Prior Year	10,025,383
	d. Third Prior Year	(152,153,596)
	e. Fourth Prior Year	<u>(239,770,134)</u>
	f. Total Recognized Investment Gain	\$ (349,735,988)
(7)	Actuarial Value End of Year: (1)c + (4)d + (5)c + (6)f	\$ 4,111,747,737
(8)	Final Actuarial Value End of Year *:	\$ 4,152,166,843

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE B (Continued)

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2012**

STATE POLICEMEN

(1)	Actuarial Value Beginning of Year	\$	317,968,498
(2)	Market Value End of Year	\$	293,604,464
(3)	Market Value Beginning of Year	\$	268,969,968
(4)	Cash Flow		
	a. Contributions	\$	17,588,006
	b. Benefit Payments		(39,404,611)
	c. Net	\$	(21,816,605)
(5)	Investment Income		
	a. Market total: (2) – (3) – (4)c	\$	46,451,101
	b. Assumed Rate		8.00%
	c. Amount of Immediate Recognition [(3) x (5)b] + [(4)c * (5)b * 0.5]	\$	20,644,933
	d. Amount for Phased-in Recognition (5)a – (5)c	\$	25,806,168
(6)	Phased-In Recognition of Investment Income		
	a. Current Year: 0.20*(5)d	\$	5,161,234
	b. First Prior Year		(2,961,555)
	c. Second Prior Year		644,494
	d. Third Prior Year		(11,068,040)
	e. Fourth Prior Year		(16,949,719)
	f. Total Recognized Investment Gain	\$	(25,173,586)
(7)	Actuarial Value End of Year: (1) + (4)c + (5)c + (6)f	\$	291,623,240
(8)	Final Actuarial Value End of Year *:	\$	293,604,464

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE B (Continued)

**DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS
AS OF SEPTEMBER 30, 2012**

LOCAL EMPLOYEES

(1)	Actuarial Value Beginning of Year	
a.	Actuarial Value Beginning of Year	\$ 4,709,678,034
b.	Adjustment	<u>(2,004,744)</u>
c.	Adjusted Actuarial Value Beginning of Year	\$ 4,707,673,290
(2)	Market Value End of Year	\$ 4,670,779,998
(3)	Market Value Beginning of Year	
a.	Market Value Beginning of Year	\$ 4,037,279,609
b.	Adjustment	<u>55,394</u>
c.	Adjusted Market Value Beginning of Year	\$ 4,037,335,003
(4)	Cash Flow	
a.	Contributions	\$ 284,858,117
b.	Benefit Payments	<u>(370,434,621)</u>
c.	Net	\$ (85,576,504)
(5)	Investment Income	
a.	Market total: (2) – (3)c – (4)c	\$ 719,021,499
b.	Assumed Rate	8.00%
c.	Amount of Immediate Recognition [(3)c x (5)b] + [(4)c * (5)b * 0.5]	\$ 319,563,740
d.	Adjustment for Employer Lump Sums	\$ 1,419
e.	Adjusted Amount for Immediate Recognition (5)c + (5)d	\$ 319,565,159
f.	Amount for Phased-In Recognition (5)a – (5)e	\$ 399,456,340
(6)	Phased-In Recognition of Investment Income	
a.	Current Year: 0.20*(5)f	\$ 79,891,268
b.	First Prior Year	(45,557,389)
c.	Second Prior Year	11,798,547
d.	Third Prior Year	(150,627,609)
e.	Fourth Prior Year	<u>(221,373,757)</u>
f.	Total Recognized Investment Gain	\$ (325,868,941)
(7)	Actuarial Value End of Year: (1)c + (4)c + (5)e + (6)f	\$ 4,615,793,004
(8)	Final Actuarial Value End of Year *:	\$ 4,670,779,998

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE B (Continued)

SEPTEMBER 30, 2012
DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

TOTAL - ALL GROUPS

(1)	Actuarial Value Beginning of Year	\$	9,456,158,008
(2)	Market Value End of Year	\$	9,116,551,305
(3)	Market Value Beginning of Year	\$	8,057,241,303
(4)	Cash Flow		
	a. Contributions	\$	523,306,608
	b. Benefit Payments and Administrative Expenses		(889,456,834)
	c. Investment Expenses		(6,470,070)
	d. Net	\$	(372,620,296)
(5)	Investment Income		
	a. Market total: (2) – (3) – (4)d	\$	1,431,930,298
	b. Assumed Rate		8.00%
	c. Amount for Immediate Recognition [(3) x (5)b] + [(4)a + (4)b] * (5)b * 0.5] – (4)c	\$	636,403,365
	d. Adjusted for Employer Lump Sums	\$	1,419
	e. Adjusted Amount for Immediate Recognition (5)c + (5)d	\$	636,404,784
	f. Amount for Phased-In Recognition (5)a – (5)e	\$	795,525,514
(6)	Phased-In Recognition of Investment Income		
	a. Current Year: 0.20*(5)f	\$	159,105,103
	b. First Prior Year		(90,409,186)
	c. Second Prior Year		22,468,424
	d. Third Prior Year		(313,849,245)
	e. Fourth Prior Year		(478,093,610)
	f. Total Recognized Investment Gain	\$	(700,778,515)
(7)	Actuarial Value End of Year: (1) + (4)d + (5)e + (6)f	\$	9,019,163,982
(8)	Final Actuarial Value End of Year*:	\$	9,116,551,305

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE B (Continued)

SEPTEMBER 30, 2012
DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

<u>Date</u>	<u>Investment Gain/(Loss)</u>	<u>Amount Recognized</u>	<u>Remaining Balance as of 9/30/2012*</u>
9/30/2012	\$ 795,525,514	\$ 159,105,103	\$ 0
9/30/2011	(441,588,558)	(88,317,712)	0
9/30/2010	98,981,351	19,796,270	0
9/30/2009	(1,569,593,406)	(313,918,681)	0
9/30/2008	(2,389,556,662)	(477,911,332)	0

*Actuarial value of assets was set equal to market value on September 30, 2012. Smoothing will commence again in future years.



SCHEDULE C

**SUMMARY OF RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDING SEPTEMBER 30, 2012**

Receipts for the Year

Contributions:		
Members	\$ 216,870,614	
Employers	<u>306,435,994</u>	
Total		\$ 523,306,608
Net Investment Income*		<u>1,430,114,298</u>
TOTAL		\$ 1,953,420,906

Disbursements for the Year

Benefit Payments		\$ (766,673,767)
Refunds to Members		(35,767,986)
DROP Distributions		(81,990,157)
Miscellaneous:		
Transfers to TRS/JRF	\$ (2,179,732)	
Transfers to Plant Fund	(88,925)	
Transfers to Expense Fund	(6,975,392)	
Transfers to Pre-retirement Death Benefit Fund	<u>(434,945)</u>	
TOTAL		(9,678,994)
TOTAL		\$ (894,110,904)

Excess of Receipts Over Disbursements \$ 1,059,310,002

Reconciliation of Asset Balances

Market Value of Assets as of September 30, 2011	\$ 8,057,241,303
Excess of Receipts Over Disbursements	1,059,310,002
Market Value of Assets as of September 30, 2012	<u>\$ 9,116,551,305</u>

*Net of \$1,816,000 in investment expenses.



SCHEDULE D

SMOOTHED INTEREST RATE

Actual Rate of Return for 5 Year Look Back Period

Fiscal Year Ending 9/30	Actual Rate of Return for Fiscal Year
2008	-15.21 %
2009	-10.03
2010	8.47
2011	2.21
2012	18.01

SMOOTHED INTEREST RATE: The assumed rate of return during the 25 year look forward period beginning on the valuation date. This is the investment rate of return expected to be earned during this period based on the actual rates earned during the five year look back period shown above such that the average rate of return over the combined 30 year period is equivalent to the ultimate investment rate of return (currently 8.00%). On this basis, for the September 30, 2012 valuation, the smoothed interest rate during the 25 year look forward period has been determined to be 9.68%.

ULTIMATE INVESTMENT RATE OF RETURN: The assumed investment rate of return used in determining the smoothed interest rate described above. This is also the assumed investment rate of return after the 25 year look forward period and is currently 8.00%.

CORRIDOR AROUND LONG-TERM INVESTMENT RATE OF RETURN: A corridor of 0.50% around the ultimate investment rate of return is applied in determining the smoothed interest rate.

LIMITED SMOOTHED INTEREST RATE: The assumed rate of return during the 25 year look forward period as limited based on the application of the corridor above and used for valuation purposes. Since the smoothed interest rate above is 9.68%, the assumed rate for the first 25 years after the valuation date is limited to 8.50%.



SCHEDULE E

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation were selected based on the actuarial experience study prepared as of September 30, 2010, submitted to and adopted by the Board on January 27, 2012.

ULTIMATE INVESTMENT RATE OF RETURN: 8.00% per annum, compounded annually, including price inflation at 3.00%.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 3.25% per annum:

STATE AND LOCAL EMPLOYEES

Service	Annual Rate	Service	Annual Rate
0	7.25 %	7	5.00 %
1	7.25	8	5.00
2	6.00	9 to 13	4.75
3	5.50	14 to 16	4.50
4	5.25	17	4.00
5	5.25	18 & Over	3.75
6	5.25		

STATE POLICEMEN

5% per year for all years of service



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

Age	Death*	Annual Rate of					
		Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
<u>Male</u>							
20	0.03%	0.04%		28.00%			
25	0.03	0.06		19.50	10.00%		
30	0.05	0.08		17.50	7.00	5.00%	
35	0.08	0.10		16.00	6.00	4.75	
40	0.10	0.27		15.50	4.50	3.50	2.50%
45	0.14	0.42	0.25%	14.00	4.00	3.00	2.25
50	0.20	0.77	0.25	13.00	4.00	2.75	2.00
55	0.36	1.53	0.25	12.00	3.75	2.75	2.00
60	0.71	2.50	0.25	12.00	4.25		
65	1.30			16.00	7.00		
69	1.99			17.00	7.00		

Age	Death*	Annual Rate of					
		Disability		Withdrawal			
		Years of Service		Years of Service			
		0-24	25+	0-4	5-9	10-20	20+
<u>Female</u>							
20	0.01%	0.04%		34.00%			
25	0.01	0.06		24.00	12.00%		
30	0.02	0.08		20.00	8.25	6.50%	
35	0.03	0.14		18.00	7.25	6.00	
40	0.04	0.29		16.00	6.00	4.00	3.00%
45	0.07	0.43	0.25%	14.75	5.25	3.75	2.50
50	0.10	0.69	0.25	14.00	4.50	3.50	2.50
55	0.19	1.24	0.25	14.00	4.00	3.00	2.50
60	0.38	0.25	0.25	14.00	4.00		
65	0.71			14.00	8.50		
69	1.09			14.00	8.50		

* Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90% for males and 0.70% for females.



SERVICE RETIREMENT: The assumed annual rates of service retirement for Tier I members are as follows:

Age	Annual Rate			
	Under age 65 with 25 or more years of service		Under age 65 with less than 25 years of service & All over age 65	
	Male ¹	Female ²	Male	Female
47 & Under	16.00%	13.00%		
48 to 51	11.00	11.00		
52 to 54	10.00	10.00		
55 to 59	16.00	16.00		
60	16.00	25.00	12.00%	16.00%
61	20.00	16.00	11.00	13.00
62	42.00	32.00	28.00	26.00
63	35.00	28.00	23.00	20.00
64	30.00	25.00	18.00	15.00
65			30.00	28.00
66			30.00	28.00
67			25.00	23.00
68 to 74			23.00	23.00
75 & Above			100.00	100.00

¹Rates are increased by 10% in year when member attains 25 years of service at or before age 60.

²Rates are increased by 7% in year when member attains 25 years of service at or before age 60.

The assumed annual rates of service retirement for Tier II members are as follows:

Age	Annual Rate			
	Less than 25 years of service		25 or more years of service	
	Male	Female	Male	Female
62	40%	45%	55%	60%
63	23	20	35	28
64	18	15	30	25
65	30	28	30	28
66	30	28	30	28
67	25	28	25	28
68 to 74	23	23	23	23
75 & Above	100	100	100	100



STATE POLICEMEN

Annual Rate of

<u>Age</u>	<u>Death</u> ¹		<u>Disability</u>	<u>Withdrawal</u> ²
	<u>Male</u>	<u>Female</u>		
20	0.03%	0.01%	0.08%	3.00%
25	0.03	0.01	0.10	3.00
30	0.05	0.02	0.14	2.50
35	0.08	0.03	0.22	1.75
40	0.10	0.04	0.34	1.75
45	0.14	0.07	0.46	1.75
50	0.20	0.10	0.60	
55	0.36	0.19		
60	0.71	0.38		
62	0.91	0.50		
65	1.30	0.71		

¹ Rates of pre-retirement mortality are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and set forward one year for females with an adjustment factor of 0.90% for males and 0.70% for females.

² A rate of 4.00% is assumed during the first four years of employment.

Annual Rate of Service Retirement for Tier I Members

<u>Age</u>	<u>Under Age 60 with <20 years of service and all over age 60</u>	<u>Under Age 60 with between 20 and 24 years of service</u>	<u>Under Age 60 with 25 or more years of service</u>
< 52			25.00%
52	10.00%	25.00%	25.00
53	10.00	25.00	25.00
54	10.00	25.00	25.00
55	10.00	15.00	25.00
56	10.00	15.00	25.00
57	10.00	15.00	25.00
58	10.00	15.00	25.00
59	10.00	15.00	25.00
60	40.00		
62	40.00		
65	100.00		



Annual Rate of Service Retirement for Tier II Members

<u>Age</u>	<u>Under Age 60 with <20 years of service and all over age 60</u>	<u>Under Age 60 with between 20 and 24 years of service</u>	<u>Under Age 60 with 25 or more years of service</u>
55			
56	40.00%	60.00%	75.00%
57	10.00	15.00	25.00
58	10.00	15.00	25.00
59	10.00	15.00	25.00
60	40.00		
62	40.00		
65	100.00		

DEATH AFTER RETIREMENT: The rates of mortality for the period after service retirement are according to the sex distinct RP-2000 Combined Mortality Table Projected with Scale AA to 2015 set forward three years for males and two years for females. The rates of mortality for the period after disability retirement are according to the sex distinct RP-2000 Disabled Mortality Table.

DEATH IN ACTIVE SERVICE BENEFIT: For those eligible for service retirement who die in active service, it is assumed that 75% of beneficiaries will elect the lump sum death benefit and 25% will elect the Option 3 allowance.

BENEFITS PAYABLE UPON SEPARATION FROM SERVICE: For active members who separate from service prior to eligibility for a service retirement allowance, the liability is assumed to be the greater of the value of the refund of contributions and the value of the deferred annuity.

UNUSED SICK LEAVE: 2.25% load on service retirement liabilities for active members (No load for Tier II members).

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

ACTUARIAL METHOD: Individual entry age normal cost method. Actuarial gains and losses are reflected in the unfunded actuarial accrued liability.

ASSET METHOD: Actuarial value, as developed in Schedule B. 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. The amount recognized each year is 20% of the difference between market value and expected value. The actuarial value of assets was set equal to the market value on September 30, 2012. Smoothing will commence in future years.

LIABILITY FOR CURRENT INACTIVE MEMBERS: Member Contribution Balance is multiplied by a factor of 2.5 for State Employees, and 3.0 for Local Employees and State Policemen.



VALUATION INTEREST RATE SMOOTHING: The valuation liabilities are calculated using a smoothed interest rate method. The interest rate assumed during the look forward period (currently 25 years from the valuation date) is the investment rate of return expected to be earned during the look forward period based on the actual rate of return earned during the look back period (currently 5 years) such that the average assumed rate of return over the combined 30 year period is equivalent to the assumed ultimate investment rate of return (currently 8.00%). The interest rate after the 25 year look forward period is the ultimate investment rate of return of 8.00%.

CORRIDOR LIMIT ON INTEREST SMOOTHING: The smoothed interest rate used during the 25 year look forward period is limited to a corridor of 0.50% around the ultimate investment rate of return.



SCHEDULE F

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 (See Schedules D and E for a description of the interest rate used). 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 "individual entry age normal" method. Under this method, a calculation is made to determine the uniform and constant percentage rate of employer contribution which, if applied to the compensation of each new member during the entire period of his anticipated covered service, would be required in addition to the contributions of the member to meet the cost of all benefits payable on his 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.



SCHEDULE G

SUMMARY OF MAIN SYSTEM PROVISIONS AS INTERPRETED FOR VALUATION PURPOSES

The Employees' Retirement System of Alabama was established on October 1, 1945. The valuation took into account 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.

1 – DEFINITIONS

Average Final Compensation - the average compensation of a member for the 3 highest years in the last 10 years of creditable service (5 highest years in the last 10 years for Tier II members).

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.

2 - BENEFITS

MEMBERS CLASSIFIED OTHER THAN STATE POLICEMEN

Service Retirement Allowance

Condition for Allowance

Tier I	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 who did not elect 25-year retirement), or who has attained age 60 and completed at least 10 years of creditable service.
Tier II	A retirement allowance is payable upon the request of any member who has attained age 62 and completed at least 10 years of creditable service (age 56 with 10 years of



creditable service for a full-time certified firefighter, police officer or correctional officer).

Amount of Allowance

Tier I

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 his 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.

Tier II

Upon service retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

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

Tier I

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 his 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.

Tier II

Upon service retirement a member receives a retirement allowance equal to 1.65% of the member's average final compensation multiplied by the number of years of creditable service. The benefit is capped at 80% of the member's average final compensation.

Benefits Payable on 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 of creditable service may, after separation from service,



continue in the membership of the System and file for service retirement after reaching age 60 (age 62 for Tier II members).

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 their 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 of service (at least 30 years for employers 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 this period, the member may withdraw from active service and receive the retirement benefit based on his or her years of service credit 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.

The effect of Act 2011-27 is that no new participants will be allowed to enter DROP with an effective participation date after June 1, 2011.

Member Contributions

Tier I

Prior to October 1, 2011, regular members contributed 5.0% of salary. Full-time certified police officers, firefighters and correctional officers contributed 6.0% of salary. DROP participants continue to contribute during the DROP period, but receive a refund of these contributions and regular interest upon retirement.

Beginning October 1, 2011, the contribution rates were increased to 7.25% for regular members and 8.25% for full-time certified police officers, firefighters and correctional officers, for all State employees and for local employees whose employers elect to do so.

Beginning October 1, 2012, the contribution rates will increase to 7.50% for regular members and 8.50% for full-time certified police officers, firefighters and correctional officers, for all State employees and for local employees whose employers elect to do so.

Tier II

Regular members will contribute 6% of salary and full-time certified firefighters, police officers and correctional officers will contribute 7% of salary.

Both

If positive investment performance results in a decrease in the total contribution rate paid by employers and employees participating in the System, the Retirement System of Alabama shall first reduce the employee contribution rate.

“Regular Interest” is 4% which is the rate adopted by the Board and applied to the balance in each member’s account every year; however, if a member receives a refund of contributions, the interest rate applied to the refund is lower than the 4% regular rate (Based on Section 36-27-16.3(c)(1)).



MEMBERS CLASSIFIED AS STATE POLICEMEN

Service Retirement Allowance

Condition for Allowance

- | | |
|---------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tier I | 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. |
| Tier II | A retirement allowance is payable upon the request of any member who has attained age 56 and completed at least 10 years of creditable service. |

Amount of Allowance

- | | |
|---------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Tier I | <p>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 his creditable service.</p> <p>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:</p> <ul style="list-style-type: none">- 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. |
| Tier II | Upon service retirement a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member's average final compensation. |



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 employment in line of duty without regard to his 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

Tier I

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 his creditable service.

Tier II

Upon retirement for disability, a member receives a retirement allowance equal to 2.375% of the member's average final compensation multiplied by the number of years of his creditable service. The benefit is capped at 80% of the member's average final compensation.

Benefits Payable on 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 of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 52 (age 56 for Tier II members).

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 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 their 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 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 this period, the member may withdraw from active service and receive the retirement benefit based on his or her years of service credit 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.

The effect of Act 2011-27 is that no new participants will be allowed to enter DROP with an effective participation date after June 1, 2011.

Member Contributions

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



3 - 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 allowance, with the provision that:

Option 1. If the 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 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 the designated beneficiary provided such benefit, together with the reduced retirement allowance, is of equivalent actuarial value to his retirement allowance and is approved by the Board of Control.



SCHEDULE H

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

ACTIVE STATE EMPLOYEES

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25	305	367	17								689
Avg. Pay	\$11,799	\$27,731	\$27,635								\$20,676
25 to 29	413	1,362	537	5							2,317
Avg. Pay	\$13,242	\$31,297	\$30,910	\$34,550							\$27,996
30 to 34	244	1,106	1,613	340	3						3,306
Avg. Pay	\$14,833	\$32,192	\$35,906	\$36,542	\$50,252						\$33,187
35 to 39	163	740	1,262	1,017	171	3					3,356
Avg. Pay	\$13,908	\$32,630	\$37,241	\$41,990	\$42,542	\$44,000					\$36,806
40 to 44	163	687	1,015	954	784	288	6				3,897
Avg. Pay	\$13,690	\$32,974	\$37,281	\$42,136	\$50,723	\$48,538	\$44,955				\$40,271
45 to 49	169	588	883	713	780	1,117	247	4			4,501
Avg. Pay	\$13,226	\$32,689	\$35,632	\$40,446	\$49,163	\$53,269	\$55,425	\$38,636			\$42,979
50 to 54	131	491	785	653	571	1,053	708	197	6		4,595
Avg. Pay	\$16,198	\$32,428	\$35,563	\$39,896	\$46,854	\$52,163	\$60,296	\$54,124	\$59,446		\$45,137
55 to 59	105	361	654	628	490	795	363	215	47	1	3,659
Avg. Pay	\$14,272	\$31,686	\$35,566	\$38,594	\$45,681	\$49,545	\$59,128	\$59,583	\$56,911	\$30,724	\$43,505
60 to 64	136	364	421	397	316	470	101	22	10	1	2,238
Avg. Pay	\$27,895	\$48,314	\$39,037	\$40,452	\$46,911	\$50,986	\$53,666	\$61,757	\$57,716	\$32,286	\$44,705
65 to 69	17	135	189	120	103	123	28	5	4	2	726
Avg. Pay	\$23,814	\$65,038	\$46,279	\$44,550	\$48,280	\$57,274	\$52,388	\$61,563	\$127,439	\$94,914	\$52,024
70 & up	9	39	58	46	36	51	17	5	1	2	264
Avg. Pay	\$23,713	\$53,932	\$38,907	\$45,008	\$50,764	\$56,078	\$54,080	\$54,894	\$47,758	\$53,537	\$48,030
Total	1,855	6,240	7,434	4,873	3,254	3,900	1,470	448	68	6	29,548
Avg. Pay	\$14,800	\$33,695	\$36,306	\$40,653	\$48,033	\$51,743	\$58,448	\$57,072	\$61,267	\$59,985	\$39,929

Average Age:45.24 Average Service: 11.33

In addition there are 1,445 employees with annual compensation of \$87,308,963 participating in the DROP as of September 30, 2012.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

ACTIVE STATE POLICE

Attained Age	Completed Years of Service										Total
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up	
Under 25 Avg. Pay											
25 to 29 Avg. Pay		23 \$43,490	25 \$43,721								48 \$43,610
30 to 34 Avg. Pay		18 \$43,776	72 \$45,453	29 \$47,615							119 \$45,726
35 to 39 Avg. Pay		12 \$41,984	45 \$45,479	45 \$50,329	56 \$60,277						158 \$51,840
40 to 44 Avg. Pay		4 \$45,958	40 \$44,129	49 \$51,353	88 \$63,843	19 \$76,366					200 \$57,672
45 to 49 Avg. Pay		6 \$45,847	17 \$47,809	15 \$49,201	55 \$65,853	40 \$76,860	12 \$88,958				145 \$66,136
50 to 54 Avg. Pay		4 \$57,948	10 \$48,643	5 \$34,575	17 \$68,507	21 \$75,230	11 \$75,897	4 \$94,465			72 \$67,337
55 to 59 Avg. Pay	1 \$14,643	4 \$66,237	5 \$53,345	2 \$62,997	4 \$65,067	8 \$72,901					24 \$63,158
60 to 64 Avg. Pay		4 \$77,525			2 \$74,695	2 \$84,934					8 \$78,669
65 to 69 Avg. Pay		1 \$13,743	1 \$81,693								2 \$47,718
70 & up Avg. Pay					1 \$90,435						1 \$90,435
Total Avg. Pay	1 \$14,643	76 \$46,994	215 \$45,697	145 \$49,647	223 \$64,037	90 \$76,203	23 \$82,711	4 \$94,465			777 \$56,665

Average Age:41.22 Average Service:13.18

In addition there are 25 employees with annual compensation of \$1,934,696 participating in the DROP as of September 30, 2012.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

ACTIVE LOCAL EMPLOYEES

Attained Age	Completed Years of Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	1,099	1,140	47									2,286
Avg. Pay	\$8,659	\$25,257	\$30,387									\$17,383
25 to 29	1,156	2,683	1,312	21								5,172
Avg. Pay	\$10,795	\$28,136	\$33,974	\$43,343								\$25,803
30 to 34	820	1,970	2,161	774	17							5,742
Avg. Pay	\$11,239	\$29,179	\$36,667	\$41,114	\$43,401							\$31,086
35 to 39	635	1,660	1,816	1,559	622	19						6,310
Avg. Pay	\$11,594	\$29,907	\$36,953	\$43,067	\$47,602	\$64,631						\$35,165
40 to 44	573	1,612	1,745	1,630	1,496	581	19					7,656
Avg. Pay	\$10,992	\$29,082	\$36,696	\$42,596	\$49,915	\$52,406	\$50,756					\$38,235
45 to 49	506	1,423	1,431	1,374	1,224	1,138	425	12				7,533
Avg. Pay	\$11,850	\$29,793	\$33,628	\$39,788	\$46,460	\$52,386	\$56,402	\$64,194				\$38,817
50 to 54	404	1,156	1,463	1,336	1,042	1,017	660	261	22			7,361
Avg. Pay	\$12,231	\$28,686	\$34,024	\$38,893	\$44,175	\$50,313	\$57,924	\$59,049	\$60,130			\$39,669
55 to 59	273	912	1,191	1,136	931	867	471	286	97	1		6,165
Avg. Pay	\$11,662	\$28,416	\$32,718	\$37,458	\$42,648	\$48,216	\$53,206	\$57,997	\$59,915	\$35,318		\$38,868
60 to 64	155	589	760	698	578	459	197	86	55	17		3,594
Avg. Pay	\$14,150	\$31,897	\$32,655	\$38,445	\$43,418	\$47,348	\$52,366	\$49,681	\$60,125	\$66,832		\$38,534
65 to 69	54	185	338	292	180	137	71	18	12	15		1,302
Avg. Pay	\$9,096	\$33,144	\$32,336	\$40,005	\$43,027	\$47,528	\$50,957	\$56,336	\$55,848	\$67,072		\$38,248
70 & up	36	137	194	129	84	75	36	13	9	10		723
Avg. Pay	\$7,979	\$24,458	\$26,643	\$31,116	\$37,797	\$46,341	\$39,664	\$35,152	\$44,835	\$54,779		\$30,854
Total	5,711	13,467	12,458	8,949	6,174	4,292	1,879	676	195	43		53,844
Avg. Pay	\$10,850	\$28,814	\$34,850	\$40,342	\$45,941	\$50,275	\$55,129	\$56,972	\$59,052	\$63,380		\$35,305

Average Age:44.20 Average Service:9.77

In addition there are 651 employees with annual compensation of \$37,967,780 participating in the DROP as of September 30, 2012.



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

**NUMBER OF RETIRED MEMBERS
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	343	\$ 10,661,449	\$ 31,083
50 – 54	1600	47,588,740	29,743
55 – 59	3094	85,035,444	27,484
60 – 64	6629	157,678,055	23,786
65 – 69	7282	152,865,717	20,992
70 – 74	5618	109,900,047	19,562
75 – 79	4211	74,952,654	17,799
80 – 84	2743	43,359,041	15,807
85 – 89	1479	21,136,631	14,291
90 – 94	522	6,752,305	12,935
95 & Over	131	1,392,561	10,630
Total	33,652	\$ 711,322,644	\$ 21,138

Average Age:68.84

**NUMBER OF DROP PARTICIPANTS
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 60	1191	\$ 39,442,978	\$ 33,118
60 – 64	740	22,482,267	30,381
65 – 69	157	4,424,067	28,179
70 – 74	20	608,777	30,439
75 – 79	9	205,889	22,877
80 – 84	3	97,004	32,335
85 & Over	1	31,394	31,394
Total	2,121	\$ 67,292,376	\$ 31,727

Average Age:59.98



SCHEDULE G (Continued)

**SCHEDULE OF MEMBERSHIP DATA
AS OF SEPTEMBER 30, 2012**

**NUMBER OF BENEFICIARIES
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	126	\$ 1,180,472	\$ 9,369
50 – 54	106	1,156,525	10,911
55 – 59	171	1,988,327	11,628
60 – 64	297	3,632,370	12,230
65 – 69	406	4,795,965	11,813
70 – 74	507	6,239,279	12,306
75 – 79	591	6,417,579	10,859
80 – 84	571	5,616,856	9,837
85 – 89	450	4,060,689	9,024
90 – 94	208	1,611,471	7,747
95 & Over	65	367,122	5,648
Total	3,498	\$ 37,066,655	\$ 10,597

Average Age: 74.01

**NUMBER OF DISABLED RETIREES
AND THEIR BENEFITS BY AGE**

Age	Number of Members	Total Annual Benefits	Average Annual Benefits
Under 50	365	\$ 5,126,637	\$ 14,046
50 – 54	495	6,713,344	13,562
55 – 59	770	10,328,527	13,414
60 – 64	872	11,709,128	13,428
65 – 69	644	7,605,473	11,810
70 – 74	336	3,826,972	11,390
75 – 79	191	2,297,348	12,028
80 – 84	103	1,157,189	11,235
85 – 89	34	404,035	11,883
90 – 94	12	85,238	7,103
95 & Over	4	22,794	5,698
Total	3,826	\$ 49,276,685	\$ 12,879

Average Age: 61.45