

Employees' Retirement System of Alabama



GASB Statement No. 68 Report

Prepared as of September 30, 2025



April 14, 2026

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

Members of the Board:

Presented in this report is information to assist the Employees' Retirement System of Alabama (ERS) in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 68 and to identify the information to be provided by the actuary, CavMac. The information presented is for the period ending September 30, 2025 (the Measurement Date).

GASB Statement No. 68 establishes accounting and financial reporting requirements for governmental employers who provide pension benefits to their employees through a trust.

The annual actuarial valuation used as a basis for much of the information presented in this report, including the Net Pension Liability, was performed as of September 30, 2024. The valuation was based on data provided by the Retirement System staff, for active, inactive and retired members along with pertinent financial information. While not verifying data at the source, the actuary performed tests for consistency and reasonableness. The valuation results depend on the integrity of the data. If any of the information is inaccurate or incomplete, our results may be different, and our calculations may need to be revised. Please see the actuarial valuation for additional details on the funding requirements for the System.

To the best of our knowledge, the information contained in this report is complete and accurate. The calculations were performed by qualified actuaries according to generally accepted actuarial principles and practices, as well as in conformity with Actuarial Standards of Practice issued by the Actuarial Standards Board.

In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results.



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The calculations are based on the current provisions of the System, and on actuarial assumptions that are, individually and in the aggregate, internally consistent and reasonable based on the actual experience of the System. In addition, the calculations were completed in compliance with the laws governing the System and, in our opinion, meet the requirements of GASB 67 and GASB 68. Larry Langer, Edward Koebel, and Wendy Ludbrook are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

The calculation of the liability associated with the benefits described in this report was performed for the purpose of providing reporting and disclosure information that satisfies the requirements of GASB 67 and GASB 68 for accounting valuation purposes and may not be appropriate for funding purposes or other types of analysis. Calculations for purposes other than satisfying the requirements of GASB 67 and GASB 68 may produce significantly different results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as changes in plan experience or changes in economic or demographic assumptions.

Sincerely yours,

Larry Langer, ASA, EA, FCA, MAAA
Principal and Consulting Actuary

Edward J. Koebel, EA, FCA, MAAA
Chief Executive Officer

Jennifer Johnson
Managing Director

Wendy T. Ludbrook, FSA, EA, FCA, MAAA
Consulting Actuary



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SECTION I – INTRODUCTION

REPORT OF THE ANNUAL GASB STATEMENT NO. 68 REQUIRED INFORMATION FOR THE EMPLOYEES' RETIREMENT SYSTEM OF ALABAMA

PREPARED AS OF SEPTEMBER 30, 2025

The Governmental Accounting Standards Board issued Statement No. 68 (GASB 68), *“Accounting and Financial Reporting For Pensions”* in June 2012. GASB 68’s effective date is for an employer’s fiscal year beginning after June 15, 2014. The Employees’ Retirement System of Alabama is an agent multiple-employer defined benefit pension plan.

This report, prepared as of September 30, 2025 (the Measurement Date), presents information to assist the Employees’ Retirement System of Alabama (System) in meeting the requirements of GASB 68 for the fiscal year ending September 30, 2026 (Reporting Date). Much of the material provided in this report is based on the data, assumptions and results of the annual actuarial valuation of the System as of September 30, 2024. The results of the valuation were detailed in a report dated July 29, 2025.

The NPL shown in the GASB Statement No. 67 Schedules for the Employees’ Retirement System of Alabama Prepared as of September 30, 2025 and submitted December 11, 2025 is the total NPL used for purposes of GASB 68. The NPL for each local employer will be submitted in separate individual reports.

Pension Expense (PE) includes amounts for service cost (the Normal Cost under the Entry Age Normal actuarial cost method for the year), interest on the Total Pension Liability (TPL), changes in benefit structure, recognition of increases/decreases in liability due to actuarial experience and actuarial assumption changes, and recognition of investment gains/losses. The actuarial experience and assumption change impacts are recognized over the average expected remaining service life of the employer’s membership as of the beginning of the measurement period, and investment gains/losses are recognized over five years. The development of the PE is shown in Section IV.

The unrecognized portions of each year’s experience, assumption changes and investment gains/losses are used to develop deferred inflows and outflows, which also must be included on each employer’s balance sheet. The development of the deferred inflows and outflows is shown in Section III.





SECTION I – INTRODUCTION

Section II of this report is a summary of the principal results of the amounts under GASB 68. Section III provides the results of all the necessary calculations, presented in the order presented in GASB 68 for note disclosure. Schedule A of this report shows the Required Supplementary Information (RSI) for state employees and state police.

The required GASB 68 information has been prepared separately for each employer participating in ERS. This report shows all required tables for state employees, state policemen and in the aggregate for the participating local employers. The required information for the participating local employers has been reported on an individual basis and submitted under separate cover.





SECTION II – SUMMARY OF PRINCIPAL RESULTS

AS OF THE MEASUREMENT DATE (\$ IN THOUSANDS)

Valuation Date (VD):	September 30, 2024			
Measurement Date (MD):	September 30, 2025			
Reporting Date (RD):	September 30, 2026			
Membership Data as of Measurement Date:	State Employees	State Police	Local Employees	Total
Retirees and Survivors	25,407	1,011	33,279	59,697
Terminated Vested Employees	1,166	23	2,413	3,602
Terminated Non-vested Employees	34,713	33	22,507	57,253
Active Members	29,431	781	61,875	92,087
Post-DROP Retired Members Still in Active Service	58	0	26	84
Total	90,775	1,848	120,100	212,723
Single Equivalent Interest Rate (SEIR):				
Long-Term Expected Rate of Return	7.45%	7.45%	7.45%	7.45%
Municipal Bond Index Rate at Measurement Date	4.62%	4.62%	4.62%	4.62%
Fiscal Year in which Plan's Fiduciary Net Position is projected to be depleted from future benefit payments for current members	N/A	N/A	N/A	N/A
Single Equivalent Interest Rate	7.45%	7.45%	7.45%	7.45%
Net Pension Liability:				
Total Pension Liability (TPL)	\$9,670,151	\$830,574	\$14,529,526	\$25,030,251
Fiduciary Net Position (FNP)	6,205,478	479,809	11,209,097	\$17,894,384
Net Pension Liability (NPL= TPL-FNP)	\$3,464,673	\$350,765	\$3,320,429	\$7,135,867
FNP as a percentage of TPL	64.17%	57.77%	77.15%	71.49%
Pension Expense:	\$321,137	\$34,796	\$333,014	\$688,947
Deferred Outflows of Resources:	\$186,350	\$26,608	\$757,182	\$970,140
Deferred Inflows of Resources:	\$405,227	\$31,616	\$833,371	\$1,270,214





SECTION III – NOTES TO FINANCIAL STATEMENTS

The material presented herein will follow the order presented in GASB 68. Paragraph numbers are provided for ease of reference.

Paragraph 40 (c): The data required regarding the membership of the Employees' Retirement System of Alabama were furnished by the System office. The following table summarizes the membership of the System as of September 30, 2025, the Measurement Date.

Membership

GROUP	State Employees	State Police	Local Employees	TOTAL
Retired participants and beneficiaries currently receiving benefits	25,407	1,011	33,279	59,697
Terminated participants and beneficiaries entitled to benefits but not yet receiving benefits	1,166	23	2,413	3,602
Terminated participants entitled to a refund of contributions	34,713	33	22,507	57,253
Active Participants	29,431	781	61,875	92,087
Post-DROP participants still in active service	<u>58</u>	<u>0</u>	<u>26</u>	<u>84</u>
Total	90,775	1,848	120,100	212,723

Paragraph 41: This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The TPL as of September 30, 2025 was determined based on the annual actuarial valuation report prepared as of September 30, 2024. The complete set of actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The key actuarial assumptions are summarized below:

Inflation	2.50 percent
Salary increases	3.25 – 6.00 percent for State and Local Employees and 4.00 – 7.75 percent for State Police, including inflation
Investment rate of return	7.45 percent, net of pension plan investment expense, including inflation





SECTION III – NOTES TO FINANCIAL STATEMENTS

Mortality rates were based on the Pub-2010 Below-Median Tables, projected generationally using the MP-2021 scale, which is adjusted by 66-2/3% beginning with year 2019:

<u>Group</u>	<u>Membership Table</u>	<u>Set Forward (+)/ Setback (-)</u>	<u>Adjustment to Rates</u>
Non FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

The actuarial assumptions used in the September 30, 2024 valuation were based on the results of an actuarial experience study for the period October 1, 2015 – September 30, 2020.

Paragraph 42 (a)-(f): The discount rate used to measure the TPL at September 30, 2025 was the long term rate of return, 7.45 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the rates currently in effect and that employer contributions will be made in accordance with the funding policy adopted by the Board of Control. Projected future benefit payments for all current plan members were projected for all years.

Based on those assumptions, each employer's FNP was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL and a municipal bond rate was not used in determining the discount rate.

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.





SECTION III – NOTES TO FINANCIAL STATEMENTS

The target asset allocation and best estimates of geometric real rates of return for each major asset class, as provided by the System, are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Rate of Return*
Fixed Income	15.0%	2.8%
US Large Stocks	32.0%	8.0%
US Mid Stocks	9.0%	10.0%
US Small Stocks	4.0%	11.0%
Int'l Developed Mkt Stocks	12.0%	9.5%
Int'l Emerging Mkt Stocks	3.0%	11.0%
Alternatives	10.0%	9.0%
Real Estate	10.0%	6.5%
Cash	<u>5.0%</u>	1.5%
Total	100.0%	

* Includes assumed rate of inflation of 2.00%.

Paragraph 42 (g): This paragraph requires disclosure of the sensitivity of the NPL to changes in the discount rate. The following presents NPL of the System, calculated using the discount rate of 7.45 percent, as well as what the System's NPL would be if it were calculated using a discount rate that is 1-percentage-point lower (6.45 percent) or 1-percentage-point higher (8.45 percent) than the current rate:

(\$ in Thousands)

Net Pension Liability	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
State Employees	\$4,481,938	\$3,464,673	\$2,602,031
State Police	438,614	350,765	276,350
Local Employees	<u>5,022,900</u>	<u>3,320,429</u>	<u>1,892,513</u>
Total	<u>\$9,943,452</u>	<u>\$7,135,867</u>	<u>\$4,770,894</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

Paragraph 44: This paragraph requires a schedule of changes in the NPL. The needed information is provided in the table below.

CHANGES IN THE NET PENSION LIABILITY STATE EMPLOYEES (\$ in Thousands)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2024	<u>\$9,285,209</u>	<u>\$5,840,162</u>	<u>\$3,445,047</u>
Changes for the year:			
Service cost	154,064		154,064
Interest	667,519		667,519
Benefit changes	0		0
Difference between expected and actual experience	203,843		203,843
Changes in assumptions	0		0
Contributions - employer		307,547	(307,547)
Contributions - employee		132,033	(132,033)
Other		330	(330)
Net investment income		585,942	(585,942)
Benefit payments, including refunds of employee contributions	(650,464)	(650,464)	0
Administrative expense		(20,052)	20,052
Transfers among employers	9,980	9,980	0
Net changes	<u>384,942</u>	<u>365,316</u>	<u>19,626</u>
Balances at September 30, 2025	<u>\$9,670,151</u>	<u>\$6,205,478</u>	<u>\$3,464,673</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

CHANGES IN THE NET PENSION LIABILITY STATE POLICE (\$ in Thousands)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2024	<u>\$783,512</u>	<u>\$442,956</u>	<u>\$340,556</u>
Changes for the year:			
Service cost	14,387		14,387
Interest	56,439		56,439
Benefit changes	0		0
Difference between expected and actual experience	26,997		26,997
Changes in assumptions	0		0
Contributions - employer		36,019	(36,019)
Contributions - employee		6,715	(6,715)
Net investment income		44,880	(44,880)
Benefit payments, including refunds of employee contributions	(51,871)	(51,871)	0
Administrative expense		0	0
Transfers among employers	<u>1,110</u>	<u>1,110</u>	<u>0</u>
Net changes	<u>47,062</u>	<u>36,853</u>	<u>10,209</u>
Balances at September 30, 2025	<u>\$830,574</u>	<u>\$479,809</u>	<u>\$350,765</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

CHANGES IN THE NET PENSION LIABILITY LOCAL EMPLOYEES (\$ in Thousands)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2024	\$13,743,416	\$10,329,015	\$3,414,401
Changes for the year:			
Service cost	332,970		332,970
Interest	992,941		992,941
Benefit changes	276		276
Difference between expected and actual experience	301,697		301,697
Changes in assumptions	0		0
Contributions - employer		422,130	(422,130)
Contributions - employee		252,221	(252,221)
Net investment income		1,047,505	(1,047,505)
Benefit payments, including refunds of employee contributions	(830,684)	(830,684)	0
Administrative expense		0	0
Transfers among employers	(11,090)	(11,090)	0
Net changes	786,110	880,082	(93,972)
Balances at September 30, 2025	\$14,529,526	\$11,209,097	\$3,320,429





SECTION III – NOTES TO FINANCIAL STATEMENTS

CHANGES IN THE NET PENSION LIABILITY TOTAL (\$ in Thousands)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances at September 30, 2024	<u>\$23,812,137</u>	<u>\$16,612,133</u>	<u>\$7,200,004</u>
Changes for the year:			
Service cost	501,421		501,421
Interest	1,716,899		1,716,899
Benefit changes	276		276
Difference between expected and actual experience	532,537		532,537
Changes in assumptions	0		0
Contributions - employer		765,696	(765,696)
Contributions - employee		390,969	(390,969)
Other		330	(330)
Net investment income		1,678,327	(1,678,327)
Benefit payments, including refunds of employee contributions	(1,533,019)	(1,533,019)	0
Administrative expense		(20,052)	20,052
Transfers among employers	0	0	0
Net changes	<u>1,218,114</u>	<u>1,282,251</u>	<u>(64,137)</u>
Balances at September 30, 2025	<u>\$25,030,251</u>	<u>\$17,894,384</u>	<u>\$7,135,867</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

Paragraph 45 (a): September 30, 2024 is the actuarial valuation date upon which the TPL is based. An expected TPL is determined as of September 30, 2025 using standard roll forward techniques. The procedure used to determine the TPL as of September 30, 2025 is shown on page 2 of the GASB Statement No. 67 Schedules for the Employees' Retirement System of Alabama Prepared as of September 30, 2025 and submitted December 11, 2025.

Paragraph 45 (c): There have been no changes in assumptions since the prior measurement date.

Paragraph 45 (d): The TPL as of September 30, 2025 reflects Act 2022-348 for employers that elected it since the previous measurement date.

Paragraph 45 (g): See Section IV for the annual Pension Expense.

Paragraph 45 (h): Since certain expense items are amortized over closed periods each year, the deferred portions of these items must be tracked annually. If the amounts serve to reduce Pension Expense, they are labeled deferred inflows. If they increase Pension Expense, they are labeled deferred outflows. The amortization of these amounts is accomplished on a level dollar basis, with no interest included in the deferred amounts. Experience gains/losses and the impact of changes in actuarial assumptions, if any, are amortized over the average expected remaining service life of the active and inactive members of each employer at the beginning of the measurement period. Investment gains and losses are amortized over a fixed five-year period.

The following tables provide a summary of the deferred inflows and outflows as of September 30, 2025 (all \$ in thousands).





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

STATE EMPLOYEES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$186,350	\$0
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	0	405,227
Employer contributions subsequent to the Measurement Date	See Note*	0
Total	<u>\$-----</u>	<u>\$405,227</u>

STATE POLICE

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$26,608	\$367
Changes of assumptions	0	0
Net difference between projected and actual earnings on plan investments	0	31,249
Employer contributions subsequent to the Measurement Date	See Note*	0
Total	<u>\$-----</u>	<u>\$31,616</u>

* Enter FY 2026 employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments and add for total Deferred Outflows of Resources.





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued)

LOCAL EMPLOYEES

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$697,928	\$98,202
Changes of assumptions	59,254	779
Net difference between projected and actual earnings on plan investments	0	734,390
Employer contributions subsequent to the Measurement Date	<u>See Note*</u>	<u>0</u>
Total	<u>\$-----</u>	<u>\$833,371</u>

TOTAL

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$910,886	\$98,569
Changes of assumptions	59,254	779
Net difference between projected and actual earnings on plan investments	0	1,170,866
Employer contributions subsequent to the Measurement Date	<u>See Note*</u>	<u>0</u>
Total	<u>\$-----</u>	<u>\$1,270,214</u>

* Enter FY 2026 employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments and add for total Deferred Outflows of Resources. Prepared on an individual employer basis





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) STATE EMPLOYEES (\$ in thousands)

Total Deferred Outflows and Inflows between Expected and Actual Experience											
Year	Beginning Balance							Ending Balance			
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$203,843	\$0	3.1	\$0	\$0	\$203,843	\$0	\$65,756	\$0	\$138,087	\$0
2024	\$116,656	\$0	3.1	\$79,025	\$0	\$0	\$0	\$37,631	\$0	\$41,394	\$0
2023	\$212,924	\$0	3.1	\$75,554	\$0	\$0	\$0	\$68,685	\$0	\$6,869	\$0
2022	\$0	\$24,790	3.4	\$0	\$2,917	\$0	\$0	\$0	\$2,917	\$0	\$0
2021	\$77,877	\$0	3.6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total				<u>\$154,579</u>	<u>\$2,917</u>	<u>\$203,843</u>	<u>\$0</u>			<u>\$186,350</u>	<u>\$0</u>

Total Deferred Outflows and Inflows for Differences From Assumption Changes											
Year	Beginning Balance							Ending Balance			
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows	Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$0	\$0	3.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$0	\$0	3.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	3.1	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	3.4	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$283,655	\$0	3.6	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total				<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>			<u>\$0</u>	<u>\$0</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) STATE EMPLOYEES (\$ in thousands)

Total Deferred Outflows and Inflows for Differences in Investment Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2025	\$0	\$159,084	5	\$0	\$0	\$0	\$159,084	\$0	\$31,817	\$0	\$127,267
2024	\$0	\$672,737	5	\$0	\$538,190	\$0	\$0	\$0	\$134,547	\$0	\$403,643
2023	\$0	\$254,513	5	\$0	\$152,707	\$0	\$0	\$0	\$50,903	\$0	\$101,804
2022	\$1,137,439	\$0	5	\$454,975	\$0	\$0	\$0	\$227,488	\$0	\$227,487	\$0
2021	\$0	\$703,265	5	\$0	\$140,653	\$0	\$0	\$0	\$140,653	\$0	\$0
2020	\$96,230	\$0	5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total				\$454,975	\$831,550	\$0	\$159,084			\$227,487	\$632,714
Net difference between projected and actual earnings on investments										\$0	\$405,227





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) STATE POLICE (\$ in thousands)

Total Deferred Outflows and Inflows between Expected and Actual Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$26,997	\$0	3.9	\$0	\$0	\$26,997	\$0	\$6,922	\$0	\$20,075	\$0
2024	\$4,566	\$0	3.9	\$3,364	\$0	\$0	\$0	\$1,202	\$0	\$2,162	\$0
2023	\$18,939	\$0	3.9	\$9,227	\$0	\$0	\$0	\$4,856	\$0	\$4,371	\$0
2022	\$0	\$7,695	4.2	\$0	\$2,199	\$0	\$0	\$0	\$1,832	\$0	\$367
2021	\$5,826	\$0	4.3	\$406	\$0	\$0	\$0	\$406	\$0	\$0	\$0
Total				\$12,997	\$2,199	\$26,997	\$0			\$26,608	\$367

Total Deferred Outflows and Inflows for Differences From Assumption Changes											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$0	\$0	3.9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$0	\$0	3.9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	3.9	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	4.2	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$25,326	\$0	4.3	\$1,766	\$0	\$0	\$0	\$1,766	\$0	\$0	\$0
Total				\$1,766	\$0	\$0	\$0			\$0	\$0





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) STATE POLICE (\$ in thousands)

Total Deferred Outflows and Inflows for Differences in Investment Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2025	\$0	\$12,179	5	\$0	\$0	\$0	\$12,179	\$0	\$2,436	\$0	\$9,743
2024	\$0	\$50,618	5	\$0	\$40,494	\$0	\$0	\$0	\$10,124	\$0	\$30,370
2023	\$0	\$18,220	5	\$0	\$10,932	\$0	\$0	\$0	\$3,644	\$0	\$7,288
2022	\$80,752	\$0	5	\$32,302	\$0	\$0	\$0	\$16,150	\$0	\$16,152	\$0
2021	\$0	\$49,400	5	\$0	\$9,880	\$0	\$0	\$0	\$9,880	\$0	\$0
2020	\$6,674	\$0	5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total				\$32,302	\$61,306	\$0	\$12,179			\$16,152	\$47,401
Net difference between projected and actual earnings on investments										\$0	\$31,249





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) LOCAL EMPLOYEES (\$ in thousands)

Total Deferred Outflows and Inflows between Expected and Actual Experience											
Year	Beginning Balance							Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$343,344	\$41,647	Varies	\$0	\$0	\$343,344	\$41,647	\$65,260	\$10,272	\$278,084	\$31,375
2024	\$354,145	\$32,530	Varies	\$286,909	\$24,022	\$0	\$0	\$66,073	\$6,243	\$220,836	\$17,779
2023	\$290,992	\$34,604	Varies	\$180,223	\$19,809	\$0	\$0	\$53,863	\$6,330	\$126,360	\$13,479
2022	\$149,604	\$71,632	Varies	\$67,818	\$29,356	\$0	\$0	\$25,069	\$11,948	\$42,749	\$17,408
2021	\$104,136	\$90,944	Varies	\$33,385	\$23,276	\$0	\$0	\$14,788	\$12,404	\$18,597	\$10,872
2020	\$151,854	\$51,152	Varies	\$22,007	\$6,480	\$0	\$0	\$14,825	\$3,494	\$7,182	\$2,986
2019	\$85,590	\$61,669	Varies	\$7,976	\$5,080	\$0	\$0	\$5,072	\$2,962	\$2,904	\$2,118
2018	\$53,203	\$115,142	Varies	\$1,675	\$3,252	\$0	\$0	\$1,089	\$1,797	\$586	\$1,455
2017	\$88,079	\$94,532	Varies	\$871	\$1,222	\$0	\$0	\$472	\$663	\$399	\$559
2016	\$69,623	\$77,377	Varies	\$477	\$367	\$0	\$0	\$261	\$214	\$216	\$153
2015	\$78,729	\$52,479	Varies	\$80	\$38	\$0	\$0	\$65	\$20	\$15	\$18
Total				<u>\$601,421</u>	<u>\$112,902</u>	<u>\$343,344</u>	<u>\$41,647</u>			<u>\$697,928</u>	<u>\$98,202</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) LOCAL EMPLOYEES (\$ in thousands)

Total Deferred Outflows and Inflows for Differences From Assumption Changes											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$420,742	\$3,528	Varies	\$119,615	\$1,326	\$0	\$0	\$60,958	\$547	\$58,657	\$779
2020	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2019	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2018	\$49,188	\$0	Varies	\$936	\$0	\$0	\$0	\$710	\$0	\$226	\$0
2017	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2016	\$350,904	\$0	Varies	\$953	\$0	\$0	\$0	\$582	\$0	\$371	\$0
Total				<u>\$121,504</u>	<u>\$1,326</u>	<u>\$0</u>	<u>\$0</u>			<u>\$59,254</u>	<u>\$779</u>





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) LOCAL EMPLOYEES (\$ in thousands)

Total Deferred Outflows and Inflows for Differences in Investment Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2025	\$0	\$284,227	5	\$0	\$0	\$0	\$284,227	\$0	\$56,845	\$0	\$227,382
2024	\$0	\$1,177,137	5	\$0	\$941,710	\$0	\$0	\$0	\$235,427	\$0	\$706,283
2023	\$0	\$432,093	5	\$0	\$259,255	\$0	\$0	\$0	\$86,418	\$0	\$172,837
2022	\$1,860,562	\$0	5	\$744,225	\$0	\$0	\$0	\$372,113	\$0	\$372,112	\$0
2021	\$0	\$1,116,431	5	\$0	\$223,286	\$0	\$0	\$0	\$223,286	\$0	\$0
2020	\$148,638	\$0	5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
				<u>\$744,225</u>	<u>\$1,424,251</u>	<u>\$0</u>	<u>\$284,227</u>			<u>\$372,112</u>	<u>\$1,106,502</u>
Net difference between projected and actual earnings on investments										\$0	\$734,390





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) TOTAL (\$ in thousands)

Total Deferred Outflows and Inflows between Expected and Actual Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance		Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)	Amounts Recognized in Pension Expense / Deferred Outflow (e)	Amounts Recognized in Pension Expense / Deferred Inflow (f)	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)					Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2025	\$574,184	\$41,647	Varies	\$0	\$0	\$574,184	\$41,647	\$137,938	\$10,272	\$436,246	\$31,375
2024	\$475,367	\$32,530	Varies	\$369,298	\$24,022	\$0	\$0	\$104,906	\$6,243	\$264,392	\$17,779
2023	\$522,855	\$34,604	Varies	\$265,004	\$19,809	\$0	\$0	\$127,404	\$6,330	\$137,600	\$13,479
2022	\$149,604	\$104,117	Varies	\$67,818	\$34,472	\$0	\$0	\$25,069	\$16,697	\$42,749	\$17,775
2021	\$187,839	\$90,944	Varies	\$33,791	\$23,276	\$0	\$0	\$15,194	\$12,404	\$18,597	\$10,872
2020	\$295,061	\$51,152	Varies	\$22,007	\$6,480	\$0	\$0	\$14,825	\$3,494	\$7,182	\$2,986
2019	\$86,081	\$61,669	Varies	\$7,976	\$5,080	\$0	\$0	\$5,072	\$2,962	\$2,904	\$2,118
2018	\$53,203	\$115,142	Varies	\$1,675	\$3,252	\$0	\$0	\$1,089	\$1,797	\$586	\$1,455
2017	\$88,079	\$94,532	Varies	\$871	\$1,222	\$0	\$0	\$472	\$663	\$399	\$559
2016	\$69,623	\$77,377	Varies	\$477	\$367	\$0	\$0	\$261	\$214	\$216	\$153
2015	\$78,729	\$52,479	Varies	\$80	\$38	\$0	\$0	\$65	\$20	\$15	\$18
Total				\$768,997	\$118,018	\$574,184	\$41,647			\$910,886	\$98,569





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) TOTAL (\$ in thousands)

Total Deferred Outflows and Inflows for Differences From Assumption Changes											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows	Deferred Inflows	Losses / Deferred Outflows	Gains / Deferred Inflows			Deferred Outflows	Deferred Inflows
				(a)	(b)	(c)	(d)	(e)	(f)	(a) + (c) - (e)	(b) + (d) - (f)
2025	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2024	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2023	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2022	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2021	\$729,723	\$3,528	Varies	\$121,381	\$1,326	\$0	\$0	\$62,724	\$547	\$58,657	\$779
2020	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2019	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2018	\$49,188	\$0	Varies	\$936	\$0	\$0	\$0	\$710	\$0	\$226	\$0
2017	\$0	\$0	Varies	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2016	\$350,904	\$0	Varies	\$953	\$0	\$0	\$0	\$582	\$0	\$371	\$0
Total				\$123,270	\$1,326	\$0	\$0			\$59,254	\$779





SECTION III – NOTES TO FINANCIAL STATEMENTS

SCHEDULE OF DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES (continued) TOTAL (\$ in thousands)

Total Deferred Outflows and Inflows for Differences in Investment Experience											
Year	Initial Balance of Losses / Deferred Outflow	Initial Balance of Gains / Deferred Inflow	Amortization Period	Beginning Balance				Amounts Recognized in Pension Expense / Deferred Outflow	Amounts Recognized in Pension Expense / Deferred Inflow	Ending Balance	
				Deferred Outflows (a)	Deferred Inflows (b)	Losses / Deferred Outflows (c)	Gains / Deferred Inflows (d)			Deferred Outflows (a) + (c) - (e)	Deferred Inflows (b) + (d) - (f)
2025	\$0	\$455,490	5	\$0	\$0	\$0	\$455,490	\$0	\$91,098	\$0	\$364,392
2024	\$0	\$1,900,492	5	\$0	\$1,520,394	\$0	\$0	\$0	\$380,098	\$0	\$1,140,296
2023	\$0	\$704,826	5	\$0	\$422,894	\$0	\$0	\$0	\$140,965	\$0	\$281,929
2022	\$3,078,753	\$0	5	\$1,231,502	\$0	\$0	\$0	\$615,751	\$0	\$615,751	\$0
2021	\$0	\$1,869,096	5	\$0	\$373,819	\$0	\$0	\$0	\$373,819	\$0	\$0
2020	\$251,542	\$0	5	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total				<u>\$1,231,502</u>	<u>\$2,317,107</u>	<u>\$0</u>	<u>\$455,490</u>			<u>\$615,751</u>	<u>\$1,786,617</u>
Net difference between projected and actual earnings on investments										\$0	\$1,170,866





SECTION III – NOTES TO FINANCIAL STATEMENTS

Paragraph 45 (i): Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in Pension Expense as follows:

Deferred Amounts to be Recognized in Fiscal Years Following the Reporting Date

Year	State Employees	State Police	Local Employees	Total
2027	\$120,477	\$12,075	\$212,668	\$345,220
2028	(147,752)	(8,318)	(201,530)	(357,600)
2029	(159,788)	(6,329)	(159,895)	(326,012)
2030	(31,814)	(2,436)	25,734	(8,516)
2031	0	0	35,369	35,369
Thereafter	0	0	11,465	11,465





SECTION IV – PENSION EXPENSE

As noted earlier, the Pension Expense (PE) consists of a number of different items. GASB 68 refers to the first as Service Cost which is the Normal Cost using the Entry Age Normal (EAN) actuarial funding method. The second item is interest on the beginning of year TPL and the cash flows during the year at the 7.45% rate of return in effect as of the previous measurement date.

The next three items refer to any changes that occurred in the TPL due to:

- benefit changes,
- actual versus expected experience or
- changes in actuarial assumptions.

Benefit changes, which are reflected immediately in PE, can be positive if there is a benefit enhancement for existing Plan members, or negative if there is a benefit reduction. For the year ended September 30, 2025, the provisions of Act 2022-348 are recognized for local units that elected to provide benefits pursuant to Act 2022-348 since the prior measurement date.

The next item to be recognized is the portion of current year changes in TPL due to actual versus expected experience for the year. The portion to recognize in the current year is determined by spreading the total change over the average expected remaining service life of the entire membership of the employer. The remaining service life of active members is the average number of years the active members are expected to remain active. For the year ended September 30, 2025 the average remaining service life is 9.2 years for state employees and 9.2 years for state police. The remaining service life of the inactive members is zero. Therefore, the figure to use for the amortization is the weighted average of these two amounts, or 3.1 years for state employees and 3.9 years for state police. The amortization period varies for each local employer.

The last item under changes in TPL are changes in actuarial assumptions. Recognition of the change is spread over the remaining service life of the entire membership of the employer.

Member contributions for the year and projected earnings on the FNP, again at the rate used to calculate the liabilities, are subtracted from the amount determined thus far. One-fifth of current period differences between actual and projected earnings on the FNP are recognized in the pension expense.

The current year portions of previously determined experience, assumption, and earnings amounts, recognized as deferred inflows and outflows (see Section IV) are included next. Deferred inflows are subtracted from the PE while deferred outflows are added to the PE. Transfers among employers are also included in PE.

The calculation of the Pension Expense is shown in the following table.





SECTION IV – PENSION EXPENSE

Determined as of the Measurement Date (\$ thousands)

	State Employees	State Police	Local Employees	Total
Service Cost	\$154,064	\$14,387	\$332,970	\$501,421
Interest	667,519	56,439	992,941	1,716,899
Current-period benefit changes	0	0	276	276
Expensed portion of current-period difference between expected and actual experience in the total pension liability	65,756	6,922	54,988	127,666
Expensed portion of current-period changes of assumptions	0	0	0	0
Member contributions	(132,033)	(6,715)	(252,221)	(390,969)
Other	(330)	0	0	(330)
Projected earnings on plan investments	(426,858)	(32,701)	(763,279)	(1,222,838)
Expensed portion of current-period differences between actual and projected earnings on plan investments	(31,817)	(2,436)	(56,845)	(91,098)
Administrative expense	20,052	0	0	20,052
Transfers among employers	0	0	0	0
Recognition of beginning deferred outflows of resources as pension expense	106,316	8,230	243,824	358,370
Recognition of beginning deferred inflows of resources as pension expense	(101,532)	(9,330)	(219,640)	(330,502)
Pension Expense	<u>\$321,137</u>	<u>\$34,796</u>	<u>\$333,014</u>	<u>\$688,947</u>





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY Last 10 Fiscal Years Ending September 30 STATE EMPLOYEES (\$ in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service Cost	\$ 154,064	\$ 142,889	\$ 139,396	\$ 132,524	\$ 119,061	\$ 115,018	\$ 110,482	\$ 107,929	\$ 107,377	\$ 113,497
Interest	667,519	648,552	622,806	615,208	600,401	582,317	573,993	567,816	563,620	557,699
Benefit changes	-	(16,900)	-	12,124	-	-	-	-	-	-
Difference between expected and actual experience	203,843	116,656	212,924	(24,790)	77,877	134,241	310	(16,241)	(56,579)	3,957
Changes of assumptions	-	-	-	-	283,655	-	-	35,615	-	183,527
Benefit payments, including refunds of employee contributions	(650,464)	(635,408)	(629,310)	(633,471)	(606,886)	(586,640)	(569,659)	(569,781)	(551,721)	(563,913)
Transfers among employers	9,980	6,318	2,819	(1,693)	(398)	39	1,470	2,411	1,290	(409)
Net change in total pension liability	384,942	262,107	348,635	99,902	473,710	244,975	116,596	127,749	63,987	294,358
Total pension liability - beginning	\$ 9,285,209	\$ 9,023,102	\$ 8,674,467	\$ 8,574,565	\$ 8,100,855	\$ 7,855,880	\$ 7,739,284	\$ 7,611,535	\$ 7,547,548	\$ 7,253,190
Total pension liability - ending (a)	\$ 9,670,151	\$ 9,285,209	\$ 9,023,102	\$ 8,674,467	\$ 8,574,565	\$ 8,100,855	\$ 7,855,880	\$ 7,739,284	\$ 7,611,535	\$ 7,547,548
Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability										
Contributions - employer	\$ 307,547	\$ 284,062	\$ 240,665	\$ 226,307	\$ 221,634	\$ 228,964	\$ 208,020	\$ 186,715	\$ 184,362	\$ 192,420
Contributions - member	132,033	123,585	115,416	108,889	108,134	110,197	104,031	97,527	95,979	100,907
Other	330	330	247	165	-	-	-	(7,481)	-	-
Net investment income	585,942	1,039,328	597,173	(718,813)	1,076,417	276,998	128,063	446,946	581,603	446,180
Benefit payments, including refunds of employee contributions	(650,464)	(635,408)	(629,310)	(633,471)	(606,886)	(586,640)	(569,659)	(570,131)	(551,721)	(563,913)
Transfers among employers	9,980	(6,578)	2,819	(1,693)	(398)	39	1,470	2,411	478	(409)
Administrative Expenses	(20,052)	(18,414)	(16,822)	(14,857)	(14,496)	(16,539)	(15,829)	(13,763)	(14,502)	(13,023)
Net change in plan fiduciary net position	365,316	786,905	310,188	(1,033,473)	784,405	13,019	(143,904)	142,224	296,199	162,162
Plan fiduciary net position - beginning	\$ 5,840,162	\$ 5,053,257	\$ 4,743,069	\$ 5,776,542	\$ 4,992,137	\$ 4,979,118	\$ 5,123,022	\$ 4,980,798	\$ 4,684,599	\$ 4,522,437
Plan fiduciary net position - ending (b)	\$ 6,205,478	\$ 5,840,162	\$ 5,053,257	\$ 4,743,069	\$ 5,776,542	\$ 4,992,137	\$ 4,979,118	\$ 5,123,022	\$ 4,980,798	\$ 4,684,599
Net pension liability (asset) - ending (a) - (b)	\$ 3,464,673	\$ 3,445,047	\$ 3,969,845	\$ 3,931,398	\$ 2,798,023	\$ 3,108,718	\$ 2,876,762	\$ 2,616,262	\$ 2,630,737	\$ 2,862,949
Plan fiduciary net position as a percentage of the total pension liability	64.17%	62.90%	56.00%	54.68%	67.37%	61.62%	63.38%	66.20%	65.44%	62.07%
Covered payroll*	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Net pension liability (asset) as a percentage of covered payroll	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2026 the measurement period is October 1, 2025 – September 30, 2026.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY Last 10 Fiscal Years Ending September 30 STATE POLICE (\$ in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability										
Service Cost	\$ 14,387	\$ 9,860	\$ 9,847	\$ 9,779	\$ 9,426	\$ 8,800	\$ 8,758	\$ 8,829	\$ 9,016	\$ 8,484
Interest	56,439	52,211	50,125	50,021	48,517	46,806	46,042	45,434	44,687	43,025
Benefit changes	-	39,729	-	311	-	-	-	-	-	-
Difference between expected and actual experience	26,997	4,566	18,939	(7,695)	5,826	8,966	181	(1,093)	(1,079)	7,138
Changes of assumptions	-	-	-	-	25,326	-	-	2,823	-	24,237
Benefit payments, including refunds of employee contributions	(51,871)	(51,112)	(50,305)	(50,695)	(45,849)	(46,258)	(44,857)	(44,004)	(42,454)	(44,770)
Transfers among employers	1,110	1,885	(203)	(526)	510	3,710	496	127	253	(470)
Net change in total pension liability	47,062	57,139	28,403	1,195	43,756	22,024	10,620	12,116	10,423	37,644
Total pension liability - beginning	\$ 783,512	\$ 726,373	\$ 697,970	\$ 696,775	\$ 653,019	\$ 630,995	\$ 620,375	\$ 608,259	\$ 597,836	\$ 560,192
Total pension liability - ending (a)	\$ 830,574	\$ 783,512	\$ 726,373	\$ 697,970	\$ 696,775	\$ 653,019	\$ 630,995	\$ 620,375	\$ 608,259	\$ 597,836
Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability										
Contributions - employer	\$ 36,019	\$ 31,791	\$ 27,317	\$ 25,715	\$ 25,768	\$ 24,917	\$ 20,915	\$ 17,885	\$ 23,031	\$ 18,491
Contributions - member	6,715	6,252	5,118	4,910	4,919	4,638	4,406	4,141	4,322	4,407
Other	-	-	-	-	-	-	-	-	-	-
Net investment income	44,880	78,208	42,753	(50,979)	75,700	19,211	8,817	30,819	39,883	30,508
Benefit payments, including refunds of employee contributions	(51,871)	(51,112)	(50,305)	(50,695)	(45,849)	(46,258)	(44,857)	(44,004)	(42,454)	(44,770)
Transfers among employers	1,110	14,781	(203)	(526)	510	3,710	496	127	253	(470)
Administrative Expenses	-	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	36,853	79,920	24,680	(71,575)	61,048	6,218	(10,223)	8,968	25,035	8,166
Plan fiduciary net position - beginning	\$ 442,956	\$ 363,036	\$ 338,356	\$ 409,931	\$ 348,883	\$ 342,665	\$ 352,888	\$ 343,920	\$ 318,885	\$ 310,719
Plan fiduciary net position - ending (b)	\$ 479,809	\$ 442,956	\$ 363,036	\$ 338,356	\$ 409,931	\$ 348,883	\$ 342,665	\$ 352,888	\$ 343,920	\$ 318,885
Net pension liability (asset) - ending (a) - (b)	\$ 350,765	\$ 340,556	\$ 363,337	\$ 359,614	\$ 286,844	\$ 304,136	\$ 288,330	\$ 267,487	\$ 264,339	\$ 278,951
Plan fiduciary net position as a percentage of the total pension liability	57.77%	56.53%	49.98%	48.48%	58.83%	53.43%	54.31%	56.88%	56.54%	53.34%
Covered payroll*	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Net pension liability (asset) as a percentage of covered payroll	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%

*Employer's covered payroll during the measurement period is the total covered payroll. For FY2026 the measurement period is October 1, 2025 – September 30, 2026.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS Last 10 Fiscal Years Ending September 30 STATE EMPLOYEES

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution*	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Contributions in relation to the actuarially determined contribution*	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll**	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Contributions as a percentage of covered payroll	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

**Employer's covered payroll for FY2026 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2026 were based on the September 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2025 to September 30, 2026*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	24.9 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	3.25% - 6.00%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

*If the employer's financial reporting period end is other than September 30, 2026, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.





SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF EMPLOYER CONTRIBUTIONS Last 10 Fiscal Years Ending September 30 STATE POLICE

	2026	2025	2024	2023	2022	2021	2020	2019	2018	2017
Actuarially determined contribution*	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Contributions in relation to the actuarially determined contribution*	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX	X,XXX
Contribution deficiency (excess)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Covered payroll**	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX	\$X,XXX
Contributions as a percentage of covered payroll	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%	X.XX%

*The amount of employer contributions related to normal and accrued liability components of employer rate net of any refunds or error service payments. The Schedule of Employer Contributions is based on the 12-month period of the underlying financial statement.

**Employer's covered payroll for FY2026 is the total covered payroll for the 12-month period of the underlying financial statement.

Notes to Schedule

Actuarially determined contribution rates are calculated as of September 30, three years prior to the end of the fiscal year in which contributions are reported. Contributions for fiscal year 2026 were based on the September 30, 2023 actuarial valuation.

Methods and assumptions used to determine contribution rates for the period October 1, 2025 to September 30, 2026*:

Actuarial cost method	Entry Age
Amortization method	Level percent closed
Remaining amortization period	19.0 years
Asset valuation method	Five-year smoothed market
Inflation	2.50%
Salary increases	4.00% - 7.75%, including inflation
Investment rate of return	7.45%, net of pension plan investment expense, including inflation

*If the employer's financial reporting period end is other than September 30, 2026, additional assumptions should be reported for the basis of determining the portion of the contribution prior to or subsequent to this period.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

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. Act 2019-132 allows local employers that participate in the System to elect to provide Tier I retirement benefits to their Tier II employees, upon approval by the Board of Control, until May 8, 2021, and will be reflected in the valuations prepared for the individual employers. Act 2022-138 removes the deadline for this election effective April 13, 2022. There is a new tier (Tier II) of benefits for all members initially joining the System on and after January 1, 2013. Act 2023-73 revised the definition of "state police" to include all employees of the Alabama State Law Enforcement Agency who are certified by the Alabama Peace Officers' Standards and Training Commission and perform law enforcement duties, as well as investigators employed by the AG's office and Ethics Commission. These members pay the same employee contribution rate and receive the same benefits as State Police. 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:

- Tier 1 - the 3 highest years in the last 10 years of creditable service
- Tier 2 - the 5 highest years in the last 10 years of creditable service

Membership Service – all creditable 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.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

2 – BENEFITS MEMBERS CLASSIFIED AS STATE EMPLOYEES

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 completed 30 years of creditable service or 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 creditable 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. For a member whose age at retirement is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer), the amount of the allowance will be reduced by 2% for each year that the member's age is less than age 62 (age 56 for a full-time certified firefighter, police officer, or correctional officer).





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

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

Tier II

Upon disability 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 2 (spouse) or option 3 (non-spouse beneficiary) 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 preretirement death benefit fund equal to the salary on which the member made retirement contributions for the previous fiscal year (October 1 – September 30).*





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

In the event of the death of a member with more than one year of creditable 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 preretirement 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 creditable 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 creditable service and the death was not job-related.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Deferred Retirement Option Plan (DROP)

A member could 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 deferred receipt of a retirement allowance and continued employment for a period not to exceed five years, nor to be less than three years. At the end of this period, the member withdrew from active service and received the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also received 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 was that no new participants were allowed to enter the 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 continued to contribute during the DROP period but received a refund of these contributions and regular interest upon retirement.

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





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Beginning October 1, 2012, the contribution rates were increased to 7.50% of salary for regular members and 8.50% of salary 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 contribute 6% of salary and full-time certified firefighters, police officers, and correctional officers 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 Systems 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 OF LOCAL EMPLOYERS

Members of local employers generally receive the same benefit structure as State employees, however some benefits must be elected by individual employers. Members whose employers have not yet elected to grant retirement upon completion of 25 years of service must have 30 years of service for retirement before age 60 (For Tier I). These employers have the option of electing 25-year retirement for their Tier I members. Employers may also elect to increase Tier I member contribution rates to 7.5% of payroll for regular members and 8.5% of payroll for FLC members. Employers who have not elected to allow sick leave conversion may still elect to do so. Employers may elect to provide Tier I benefits to their Tier II members, provided the members pay the increased members rates shown above.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Members of the City of Montgomery who elected to remain under the City's retirement plan structure are subject to the conditions and benefit structure of that plan. A brief description of this structure is as follows:

Service Retirement Allowance

Condition for Allowance

Group I	For general municipal employees hired before October 1, 2013, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service, or who has attained age 65 (25 years or age 62 if hired after October 1, 2005 or elected)
Group II	For members of the fire department or police department of the City, a retirement allowance is payable upon the request of any member who has completed 20 years of creditable service or attained age 62 (25 years or age 55 if hired after October 1, 2005, or 25 years or age 55 with 10 years of creditable service if hired after October 1, 2013)

Amount of Allowance

Group I	20-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation. 25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.0% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.
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SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Group II

20-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service (up to 20 years), and 1% of the member's average final compensation multiplied by the number of years of his creditable service over 20 years. Maximum benefit is 60% of average final compensation.

25-year retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation.

Age 62 retirement plan: Upon service retirement a member receives a retirement allowance equal to 2.5% of the member's average final compensation multiplied by the number of years of his creditable service. Maximum benefit is 100% of average final compensation. Benefit is reduced by early retirement factor (5/9% for each month annuity start date precedes age 62 but not earlier than age 55).

Employee Retention Incentive Program (ERIP)

An employee is eligible to enter the ERIP plan if he or she is an active employee and has at least 20 years of service (25 years for a 25-year retirement plan participant). The participant can effectively elect to retire up to three years prior to termination and receive the payments that would have been made as a lump sum (accumulated with 5% interest). Subsequent monthly benefits are based on the benefit used to determine the lump sum.

Preretirement Death Benefits

If the member is eligible for a service retirement, 50% of the accrued benefit, reduced for a 50% joint and survivor annuity. If the member is not eligible for a service retirement benefit, a lump sum of member contributions is payable.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Disability Benefits

If a participant has 10 years of service and becomes permanently disabled he is entitled to immediately receive his monthly accrued benefit, based on his current years of service and current final average earnings.

Separation Benefits

Group I

Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 62 (age 65 for 20-year plan).

Group II

Return of contributions if less than 10 years of service. If more than 10 years of service, member is entitled to his accrued benefit payable at age 55 (age 62 for 20-year plan and Age 62 plan).





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

MEMBERS CLASSIFIED AS 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 or who has attained age 52 and completed at least 10 years of creditable service.

Amount of Allowance

Tier I

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.

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.

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. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a state police officer. The benefit is capped at 80% of the member's average final compensation.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

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. At retirement, a member receives one additional year of creditable service in determining the retirement allowance for each five years of creditable service as a state police officer. 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.

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 2 (spouse) or option 3 (non-spouse beneficiary) as defined below under "Special





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

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 preretirement 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 creditable 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 preretirement 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 creditable service, the designated beneficiary shall receive the return of member contributions and total earned interest plus a death benefit payable from the preretirement 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 creditable 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 creditable service and the death was not job-related.





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

Deferred Retirement Option Plan (DROP)

Prior to March 25, 2011, a member could 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 deferred receipt of a retirement allowance and continued employment for a period not to exceed five years, nor to be less than three years. At the end of this period, the member withdrew from active service and received the retirement benefit based on his or her years of service credit at the time of enrollment in the DROP, and also received 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 was that no new participants were allowed to enter the DROP with an effective participation date after June 1, 2011.

Member Contributions

Tier I

Each member contributes 10% of salary.

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 his/her estate, or

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





SCHEDULE B – SUMMARY OF PLAN PROVISIONS

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.

Partial Lump Sum Option Plan (PLOP). For members retiring on or after October 1, 2019, in addition to selecting Options 1, 2, 3, or 4, the member may also elect to receive a one-time lump-sum distribution in addition to the monthly retirement benefit. The PLOP distribution will be made as a single payment at the time the first monthly benefit is paid. Based on the amount of the PLOP and the member's age, the monthly retirement benefit is actuarially reduced.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation are based on the results of the Experience Investigation for the Five-Year Period Ending September 30, 2020, dated July 7, 2021, and adopted by the Board on September 14, 2021. The combined effect of the assumptions is expected to have no significant bias.

LONG-TERM INVESTMENT RATE OF RETURN: 7.45% per annum, compounded annually, including price inflation at 2.50%.

SALARY INCREASES: Representative values of the assumed annual rates of future salary increases are as follows and include wage inflation at 2.75% per annum:

STATE AND LOCAL EMPLOYEES

Service	Annual Rate *
0	6.00 %
1-5	4.25
6-10	4.00
11-15	3.75
16-19	3.50
20 & Over	3.25

STATE POLICE

Service	Annual Rate *
0-3	7.75 %
4-5	7.50
6	6.25
7-10	5.50
11-14	5.25
15-17	4.75
18-19	4.50
20 & Over	4.00

* Includes wage inflation at 2.75% per annum.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

SEPARATIONS FROM ACTIVE SERVICE- STATE AND LOCAL EMPLOYEES

TERMINATION: Representative values of the assumed annual rates of withdrawal are shown in the following tables:

Years of Service	Annual Rate of Withdrawal*	
	Non-FLC Members	FLC Members
0-1	20.00%	16.50%
2	16.75	12.00
3	14.00	11.50
4	13.00	11.00
5	7.50	6.50
6	6.75	6.25
7	6.50	6.00
8	5.75	5.40
9	5.25	5.00
10-12	3.50	3.00
13-14	3.50	2.75
15	3.00	2.25
16-18	2.50	2.00
19	2.00	1.50
20+	1.50	1.50

There are no withdrawal decrements after eligibility for service retirement.

* For local employers with fewer than 25 employees the rates are multiplied by 50%.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

SERVICE RETIREMENT: The assumed annual rates of service retirement are as follows:

REGULAR MEMBERS

Age	Annual Rate ¹			
	TIER I ²		TIER II	
	1 ST Eligible	Subsequent	1 ST Eligible	Subsequent
49 & Under	16.50%	10.50%	2.50%	2.50%
50 to 54	20.00	10.50	2.50	2.50
55 to 56	20.00	10.50	10.00	10.00
57	20.00	10.50	20.00	20.00
58	25.00	12.50	20.00	20.00
59	23.00	12.50	20.00	20.00
60	12.00	15.00	50.00	50.00
61	13.00	12.00	50.00	50.00
62	23.00	23.00	50.00	50.00
63	23.00	20.00	23.00	20.00
64	23.00	17.00	23.00	17.00
65	32.00	25.00	32.00	25.00
66	35.00	28.50	35.00	28.50
67	35.00	24.00	35.00	24.00
68 to 79	35.00	21.00	35.00	21.00
80 & Above	100.00	100.00	100.00	100.00

¹For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

²25% are assumed to retire at age 60 with 25 years of service.

FLC MEMBERS

Age	Annual Rate ¹			
	TIER I ²		TIER II	
	1 ST Eligible	Subsequent	1 ST Eligible	Subsequent
48 & Under	35.00%	22.00%	2.50%	2.50%
49 to 50	35.00	22.00	10.00	10.00
51	35.00	22.00	20.00	20.00
52 to 55	35.00	18.00	20.00	20.00
56 to 59	40.00	18.00	15.00	15.00
60	17.00	21.00	17.00	17.00
61	40.00	18.50	40.00	18.50
62	40.00	30.00	40.00	30.00
63	40.00	25.00	40.00	25.00
64	40.00	22.00	40.00	22.00
65	40.00	27.00	40.00	27.00
66	40.00	38.00	40.00	38.00
67 to 69	40.00	30.00	40.00	30.00
70 to 74	60.00	30.00	60.00	30.00
75 & Above	100.00	100.00	100.00	100.00

¹For local employers with fewer than 25 employees we assume that all members retire upon first eligibility for a service retirement benefit.

²50% are assumed to retire at age 60 with 25 years of service.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

RATES OF DEATH: Representative values of the assumed annual rates of death are as follows:

Age	Annual Rate of Death*			
	Non FLC State & Local		FLC State & Local	
	Male	Female	Male	Female
20	0.040%	0.014%	0.042%	0.016%
25	0.040	0.011	0.049	0.025
30	0.050	0.017	0.054	0.034
35	0.065	0.027	0.060	0.046
40	0.089	0.043	0.074	0.062
45	0.132	0.066	0.101	0.085
50	0.201	0.099	0.147	0.115
55	0.297	0.145	0.216	0.157
60	0.432	0.218	0.323	0.213
65	0.631	0.344	0.499	0.290
69	0.866	0.512	0.793	0.466

*Base mortality rates as of 2010 before application of the improvement scale

RATES OF DISABILITY: Representative values of the assumed annual rates of disability are as follows:

STATE EMPLOYEES

Age	Annual Rate of Disability*				
	Tier I			Tier II	
	Service < 25		Service >=25	Male	Female
	Male	Female			
20	0.014%	0.013%		0.014%	0.013%
25	0.082	0.075		0.082	0.075
30	0.150	0.138		0.150	0.138
35	0.180	0.200		0.180	0.200
40	0.350	0.300		0.350	0.300
45	0.650	0.500	0.250%	0.650	0.500
50	1.000	0.800	0.250	1.000	0.800
55	1.350	1.100	0.250	1.350	1.100
60	1.200	1.450	0.250	1.200	1.450
65	0.600	0.750	0.250	0.600	0.750
69	0.200	0.270		0.200	0.270





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

LOCAL EMPLOYEES

Age	Annual Rate of Disability*				
	Tier I			Tier II	
	Service < 25		Service >=25		
	Male	Female		Male	Female
20	0.006%	0.014%		0.006%	0.014%
25	0.033	0.082		0.033	0.082
30	0.060	0.150		0.060	0.150
35	0.120	0.080		0.120	0.080
40	0.290	0.230		0.290	0.230
45	0.470	0.350	0.250%	0.470	0.350
50	0.800	0.600	0.250	0.800	0.600
55	1.300	0.900	0.250	1.300	0.900
60	1.000	0.550	0.250	1.000	0.550
65	0.500	0.160	0.250	0.500	0.160
69	0.100	0.032		0.100	0.032

*There are no disability rates for members with less than 10 years of service.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

STATE POLICE

Withdrawal*		Age	Death**		Disability
Years of Service	Rate		Male	Female	
0	7.00%	20	0.042%	0.016%	0.080%
1-5	6.00	25	0.049	0.025	0.100
6-10	1.50	30	0.054	0.034	0.140
11-15	1.50	35	0.060	0.046	0.220
20+	1.00	40	0.074	0.062	0.340
		45	0.101	0.085	0.460
		50	0.147	0.115	0.600
		55	0.216	0.157	
		60	0.323	0.213	
		62	0.383	0.241	
		65	0.499	0.290	

*There are no withdrawal decrements after eligibility for service retirement.

**Base mortality rates as of 2010 before application of the improvement scale

Age	Annual Rate of Retirement		
	10-19	20-24	25+
51 & Under			40.00%
52	5.00%	33.00%	33.00
53	5.00	28.00	28.00
54	5.00	28.00	28.00
55	5.00	33.00	33.00
56	5.00	40.00	40.00
57	5.00	40.00	40.00
58	20.00	40.00	40.00
59 - 64	20.00	35.00	35.00
65 & Above	100.00	100.00	100.00





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

DEATH AFTER RETIREMENT: Rates of mortality are according to the Pub-2010 Below-Median Tables, projected generationally using the MP-2020 scale, which is adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	Set Forward (+)/ Setback (-)	Adjustment to Rates
Non FLC Service Retirees	General Healthy Below Median	Male: +2, Female: +2	Male: 90% ages < 65, 96% ages >= 65 Female: 96% all ages
FLC/State Police Service Retirees	Public Safety Healthy Below Median	Male: +1, Female: none	None
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: +2	None
Non-FLC Disabled Retirees	General Disability	Male: +7, Female: +3	None
FLC/State Police Disabled Retirees	Public Safety Disability	Male: +7, Female: none	None

DEATH IN ACTIVE SERVICE BENEFIT: For those eligible for service retirement who die in active service, it is assumed that 70% of beneficiaries will elect the lump sum death benefit, 20% will elect the Option 2 allowance, and 10% 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: 1.00% load on service retirement liabilities for State Tier 1 active members, and for Local Tier 1 active members of employers that have elected sick leave conversion.

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.





SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

ASSET METHOD: Market value.

LIABILITY FOR CURRENT INACTIVE MEMBERS: Member Contribution Balance is multiplied by a factor of 3.0 for vested local employees with incomplete data and by a factor of 1.0 for all non-vested inactive members.

LIABILITY FOR POST-DROP ACTIVE MEMBERS: Members are assumed to retire immediately and receive their accrued benefit.

COLA: No future ad hoc cost of living adjustments (COLAs) are assumed.

FUTURE SERVICE CREDIT: One year of creditable service per year of employment.

