Teachers' Retirement System of Alabama

GASB Statement No. 67 Report

Prepared as of September 30, 2025

CavMac
Actuarial Consulting Services

December 11, 2025

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

Ladies and Gentlemen:

Presented in this report is information to assist the Teachers' Retirement System of Alabama in meeting the requirements of the Governmental Accounting Standards Board (GASB) Statement No. 67. The information is presented for the period ending September 30, 2025.

The annual actuarial valuation used as a basis for determining the Total 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.

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. 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 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 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.

Respectfully submitted,

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Chief Executive Officer

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SECTION I – INTRODUCTION

REPORT OF THE ANNUAL GASB STATEMENT NO. 67
REQUIRED INFORMATION FOR THE
TEACHERS' RETIREMENT SYSTEM OF ALABAMA
PREPARED AS OF SEPTEMBER 30, 2025

The Governmental Accounting Standards Board issued Statement No. 67 (GASB 67), "*Financial Reporting For Pension Plans*", in June 2012. GASB 67's effective date is for plan years beginning after June 15, 2013. This report, prepared as of September 30, 2025 (the Measurement Date), presents information to assist the Teachers' Retirement System of Alabama in meeting the requirements of GASB 67. The material provided in this report is based on the data we received to prepare the annual actuarial valuation of the Teachers' Retirement System of Alabama as of September 30, 2024. The results of the valuation were detailed in a report dated May 6, 2025.

GASB 67 requires us to determine the Total Pension Liability (TPL) utilizing the Entry Age Normal actuarial funding method. If the valuation date at which the TPL is determined is before the measurement date, as is the case here, the TPL must be rolled forward to the measurement date. The Net Pension Liability (NPL) is then set equal to the rolled forward TPL minus the Plan's Fiduciary Net Position (FNP) as of the Measurement Date. The benefit provisions recognized in the calculation of the TPL are summarized in Schedule B. The development of the roll-forward of the TPL is shown in the table on page 7.

Among the assumptions needed for the liability calculation is a Single Equivalent Interest Rate (SEIR). To determine the SEIR, the FNP must be projected into the future for as long as there are anticipated benefits payable under the plan's provision applicable to the membership and beneficiaries of the System on the Measurement Date. Future contributions were projected to be made in accordance with the Funding Policy adopted by the Board. The funding policy is shown in Schedule D of this report. If the FNP is not projected to be depleted at any point in the future, as the results currently indicate, the long term expected rate of return on plan investments expected to be used to finance the benefit payments may be used as the SEIR.

If, however, at a future measurement date the FNP is projected to be depleted, the SEIR is determined as the single rate that will generate a present value of benefit payments equal to the sum of the present value determined by discounting all projected benefit payments through the date of depletion by the long term expected rate of return, and the present value determined by discounting those benefits after the date of depletion by a 20-year tax-exempt municipal bond (rating AA/Aa or higher) rate. The Municipal Bond Index Rate used, if necessary, for this purpose is the average of the Bond Buyer General Obligation 20-year Municipal Bond Index, the S&P High Grade 20-year Municipal Bond Index, and the Bloomberg (Barclays) General Obligation 20-year Muni Bond Index. We have determined that a discount rate of 7.45 percent meets the requirements of GASB 67.

SECTION I – INTRODUCTION

The FNP projections are based upon the System's financial status on the Measurement Date, the indicated set of methods and assumptions, and the requirements of GASB 67. As such, the FNP projections are not reflective of the cash flows and asset accumulations that would occur on an ongoing plan basis, reflecting the impact of future members. Therefore, the results of this test do not necessarily indicate whether or not the fund will actually run out of money, the financial condition of the System, or the System's ability to make benefit payments in future years.

The sections that follow provide the results of all the necessary calculations, presented in the order laid out in GASB 67 for note disclosure and Required Supplementary Information (RSI)

SECTION II–FINANCIAL STATEMENT NOTES

The actuarial related information presented herein will follow the order presented in GASB 67. There are other, non-actuarial items required which are not included in this report. Paragraph numbers are provided for ease of reference.

Paragraphs 30(a) (1)-(3): The information required is to be supplied by the System.

Paragraph 30(a) (4): The data required regarding the membership of the Teachers' Retirement System of Alabama were furnished by the System office. The following table summarizes the membership of the System as of September 30, 2024, the actuarial valuation date.

Membership

	Number
Inactive Members Or Their Beneficiaries Currently Receiving Benefits	109,312
Inactive Members Entitled To But Not Yet Receiving Benefits	33,948
Non-vested Inactive Members Who Have Not Contributed For More Than 5 Years	36,195
Active Members	139,806
Total	319,261

Paragraphs 30(a)(5)-(6) and Paragraphs 30(b)-(f): The information required is to be supplied by the System.

Paragraphs 31(a) (1)-(4): The information is provided in the following table. As stated above, the NPL is equal to the TPL minus the FNP. That result as of September 30, 2025 is presented in the table below ($ thousands).

	Fiscal Year Ending September 30, 2025
Total Pension Liability	$47,054,461
Plan Fiduciary Net Position	34,631,519
Net Pension Liability	$12,422,942
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	73.60%

Paragraph 31(b) (1)(a)-(f): This paragraph requires information regarding the actuarial assumptions used to measure the TPL. The actuarial assumptions utilized in developing the TPL are outlined in Schedule C. The total pension liability was determined by an actuarial valuation as of September 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50 percent
Projected Salary increases	3.25 – 5.00 percent, including inflation
Investment rate of return	7.45 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	SetForward(+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 - 67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

The actuarial assumptions used in the September 30, 2024 valuation, for purposes of determining the TPL, were based on the results of an actuarial experience study for the period October 1, 2015 through September 30, 2020, and a discount rate of 7.45% as adopted by the Board of Trustees on September 13, 2021.

SECTION II–FINANCIAL STATEMENT NOTES

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. The target asset allocation and best estimates of geometric real rates of return for each major asset class 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 Equivalents	5.0%	1.5%
Total	100.0%	

*Includes assumed rate of inflation of 2.00%.

Discount rate. The discount rate used to measure the total pension liability was 7.45 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Paragraph 31(b) (1) (g): This paragraph requires disclosure of the sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability of the System, calculated using the discount rate of 7.45 percent, as well as what the System's net pension liability 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 ($ thousands):

	1% Decrease (6.45%)	Current Discount Rate (7.45%)	1% Increase (8.45%)
System's net pension liability	$17,661,899	$12,422,942	$8,013,202

SECTION II–FINANCIAL STATEMENT NOTES

Paragraph 31(c): 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 for the TPL. The roll forward calculations add the annual normal cost (also called the service cost), subtract the actual benefit payments and refunds for the plan year and then apply the expected investment rate of return for the year. In addition, we have determined an expected TPL as of September 30, 2025, based on the TPL roll-forward in the September 30, 2024 GASB 67 report. The difference between this amount and the roll-forward of the actual TPL before any assumption changes is reflected as an experience gain or loss for the year. These procedures are shown in the following table ($ thousands):

	TPL Roll-Forward	
	Expected	Actual
(a) TPL as of September 30, 2024	$45,495,140	$45,726,660
(b) Expected Rate of Return	7.45%	7.45%
(c) Entry Age Normal Cost* for the Year October 1, 2024 – September 30, 2025	858,380	858,380
(d) Actual Benefit Payments (including refunds) for the Year October 1, 2024 – September 30, 2025	2,831,733	2,831,733
(e) TPL as of September 30, 2025 = [(a) x (1 + (b))] + (c) – [(d) x (1 + 0.5 x (b))]	$46,805,693	$47,054,461
(f) Difference between Expected and Actual Before Plan Changes - Experience (Gain)/Loss		$248,768

**Also called the Service Cost*

SECTION III–REQUIRED SUPPLEMENTARY INFORMATION

There are several tables of Required Supplementary Information (RSI) that need to be included in the System's financial statements:

Paragraphs 32(a)-(c): The required tables are provided in Schedule A.

Paragraph 32(d): The money-weighted rates of return required are to be supplied by the System.

Paragraph 34: In addition, the following should be noted regarding the RSI:

Changes of benefit terms.

In 2022, the plan was amended to allow Tier II members to retire with 30 years of creditable service regardless of age with an early retirement reduction of 2% for each year that the member is less than age 62 at retirement (age 56 for police officers, firefighters, and correctional officers).

In 2022, the plan was amended to allow surviving spouses of retirement-eligible members who die in active service to receive an Option 2 monthly allowance.

In 2021, the plan was amended to allow sick leave conversion for Tier II members and to increase the member contribution rates for Tier II members to 6.20% for regular members and 7.20% for police officers, firefighters, and correctional officers effective on October 1, 2021.

The member contribution rates were increased from 5.00% (6.00% for certified law enforcement, correctional officers, and firefighters) of earnable compensation to 7.25% (8.25%) of earnable compensation effective October 1, 2011, and to 7.50% (8.50%) of earnable compensation effective October 1, 2012. Members hired on or after January 1, 2013 are covered under a new benefit structure.

Changes of assumptions.

In 2021, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2021, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience, including a change in the discount rate from 7.70% to 7.45%. In 2021 and later, the expectation of retired life mortality was changed to the Pub-2010 Teacher Retiree Below Median Tables projected generationally with 66-2/3% of the MP-2020 scale beginning in 2019.

In 2018, the discount rate was changed from 7.75% to 7.70%.

SECTION III–REQUIRED SUPPLEMENTARY INFORMATION

In 2016, rates of withdrawal, retirement, disability and mortality were adjusted to more closely reflect actual experience. In 2016, economic assumptions and the assumed rates of salary increase were adjusted to more closely reflect actual and anticipated experience. In 2016 and later, the expectation of retired life mortality was changed to the RP-2000 White Collar Mortality Table projected to 2020 using scale BB and adjusted 115% for all ages for males and 112% for ages 78 and over for females.

Method and assumptions used in calculations of actuarially determined contributions. The actuarially determined contribution rates in the schedule of employer contributions are calculated three years prior to the end of the fiscal year in which contributions are reported (September 30, 2022 for the fiscal year 2025 amounts). The following actuarial methods and assumptions were used to determine the most recent contribution rate reported in that schedule:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	25.9 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.25 percent to 5.00 percent, including inflation
Investment rate of return	7.45 percent, net of pension plan investment expense, including inflation

SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION TABLES

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
GASB 67 Paragraph 32(a)
($ in Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability										
Service Cost*	$ 627,938	$ 617,120	$ 637,532	$ 645,409	$ 677,424	$ 660,269	$ 717,506	$ 789,946	$ 826,293	$ 858,380
Interest	2,488,310	2,532,457	2,584,330	2,674,266	2,731,895	2,854,728	2,880,698	2,965,271	3,161,948	3,283,906
Benefit changes	-	-	-	-	-	-	69,125	-	-	-
Difference between expected and actual experience	(290,388)	(261,067)	265,644	(226,777)	624,754	(562,647)	102,411	1,567,942	428,471	248,768
Changes of assumptions	942,133	-	178,049	-	-	1,197,157	-	-	-	-
Benefit payments	(2,161,570)	(2,117,351)	(2,208,925)	(2,238,966)	(2,335,705)	(2,424,490)	(2,564,392)	(2,566,994)	(2,647,049)	(2,752,601)
Refunds of contributions	(57,566)	(53,526)	(58,552)	(55,596)	(58,679)	(58,806)	(65,934)	(71,749)	(80,603)	(79,132)
Net change in total pension liability	1,548,857	717,633	1,398,078	798,336	1,639,689	1,666,211	1,139,414	2,684,416	1,689,060	1,559,321
Total pension liability - beginning	$ 32,213,446	$ 33,762,303	$ 34,479,936	$ 35,878,014	$ 36,676,350	$ 38,316,039	$ 39,982,250	$ 41,121,664	$ 43,806,080	$ 45,495,140
Total pension liability - ending (a)	$ 33,762,303	$ 34,479,936	$ 35,878,014	$ 36,676,350	$ 38,316,039	$ 39,982,250	$ 41,121,664	$ 43,806,080	$ 45,495,140	$ 47,054,461
Components of Plan Fiduciary Net Position reserved to fund Total Pension Liability										
Contributions - employer	$ 751,909	$ 782,702	$ 802,598	$ 869,336	$ 862,475	$ 874,401	$ 932,332	$ 1,008,365	$ 1,066,094	$ 1,195,942
Contributions - member	475,980	489,638	493,466	522,909	515,003	525,755	563,132	596,833	625,336	643,725
Other	-	-	13,445	-	-	-	58,735	503	670	670
Net Investment Income/(Loss)	2,199,396	2,636,098	2,264,234	614,427	1,374,958	5,728,217	(3,876,927)	3,335,243	5,712,336	3,175,423
Benefit payments	(2,161,570)	(2,117,351)	(2,208,925)	(2,238,966)	(2,335,705)	(2,424,490)	(2,564,392)	(2,566,994)	(2,647,049)	(2,752,601)
Refunds of contributions	(57,566)	(53,526)	(58,552)	(55,596)	(58,679)	(58,806)	(65,934)	(71,749)	(80,603)	(79,132)
Administrative Expenses	(19,582)	(22,402)	(22,290)	(28,095)	(31,111)	(29,536)	(28,005)	(34,836)	(38,024)	(39,504)
Net change in plan fiduciary net position	1,188,567	1,715,159	1,283,976	(315,985)	326,941	4,615,541	(4,981,059)	2,267,365	4,638,760	2,144,523
Plan fiduciary net position - beginning	$ 21,747,731	$ 22,936,298	$ 24,651,457	$ 25,935,433	$ 25,619,448	$ 25,946,389	$ 30,561,930	$ 25,580,871	$ 27,848,236	$ 32,486,996
Plan fiduciary net position - ending (b)	$ 22,936,298	$ 24,651,457	$ 25,935,433	$ 25,619,448	$ 25,946,389	$ 30,561,930	$ 25,580,871	$ 27,848,236	$ 32,486,996	$ 34,631,519
Net pension liability - ending (a) - (b)	$ 10,826,005	$ 9,828,479	$ 9,942,581	$ 11,056,902	$ 12,369,650	$ 9,420,320	$ 15,540,793	$ 15,957,844	$ 13,008,144	$ 12,422,942

*Also called the Entry Age Normal Cost

SCHEDULE A – REQUIRED SUPPLEMENTARY INFORMATION TABLES

SCHEDULE OF THE NET PENSION LIABILITY
GASB 67 Paragraph 32(b)
($ in Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Total pension liability	$ 33,762,303	$ 34,479,936	$ 35,878,014	$ 36,676,350	$ 38,316,039	$ 39,982,250	$ 41,121,664	$ 43,806,080	$ 45,495,140	$ 47,054,461
Plan fiduciary net position	22,936,298	24,651,457	25,935,433	25,619,448	25,946,389	30,561,930	25,580,871	27,848,236	32,486,996	34,631,519
Net pension liability	$ 10,826,005	$ 9,828,479	$ 9,942,581	$ 11,056,902	$ 12,369,650	$ 9,420,320	$ 15,540,793	$ 15,957,844	$ 13,008,144	$ 12,422,942
Plan Fiduciary Net Position as a % of the Total Pension Liability	67.93%	71.50%	72.29%	69.85%	67.72%	76.44%	62.21%	63.57%	71.41%	73.60%
Covered payroll*	$ 6,541,310	$ 6,623,929	$ 6,899,800	$ 6,959,168	$ 7,409,647	$ 7,212,288	$ 7,420,389	$ 8,201,854	$ 8,648,801	$ 9,083,612
Net pension liability as a percentage of covered employee payroll	165.50%	148.38%	144.10%	158.88%	166.94%	130.61%	209.43%	194.56%	150.40%	136.76%

*Payroll from the annual actuarial valuation upon which the TPL is based, increased with assumed annual payroll growth.

SCHEDULE OF EMPLOYER CONTRIBUTIONS
GASB 67 Paragraph 32(c)
($ in Thousands)

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Actuarially determined employer contribution	$ 751,909	$ 782,702	$ 802,598	$ 869,336	$ 862,475	$ 874,401	$ 932,332	$ 1,008,365	$ 1,066,094	$ 1,195,942
Actual employer contributions	751,909	782,702	802,598	869,336	862,475	874,401	932,332	1,008,365	1,066,094	1,195,942
Annual contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll*	$ 6,377,515	$ 6,633,068	$ 6,699,482	$ 7,160,923	$ 7,116,130	$ 7,292,752	$ 7,750,058	$ 8,312,984	$ 8,774,436	$ 9,115,412
Actual contributions as a percentage of covered employee payroll**	11.79%	11.80%	11.98%	12.14%	12.12%	11.99%	12.03%	12.13%	12.15%	13.12%

*Estimated based on employer contribution rates and actual employer contributions.

**This represents a blended rate based on separate Tier 1 and Tier 2 contribution rates.

SCHEDULE B – SUMMARY OF BENEFIT PROVISIONS EVALUATED

The Teachers' Retirement System of Alabama was established on September 15, 1939, and went into effect September 30, 1941. The valuation took into account amendments to the System through the valuation date. There is a new tier (Tier II) of benefits for all members initially joining the System on and after January 1, 2013. 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 I – the 3 highest years in the last 10 years of Creditable Service
Tier II – 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 service established as creditable in accordance with the provisions of the retirement law.

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

Pension – payments for life derived from employer contributions.

Retirement Allowance – the sum of the annuity and pension.

2 - BENEFITS

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 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 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).
Both	The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member’s death (see “Special Privileges at Retirement” below).

SCHEDULE B – SUMMARY OF BENEFIT PROVISIONS EVALUATED

Disability Retirement Allowance

Condition for Allowance	A disability retirement allowance may be granted to a member who has 10 years or more of creditable service and becomes totally and permanently incapacitated for duty before reaching eligibility for a service retirement allowance.
Amount of Allowance	
Tier I	On retirement for disability, a member receives a retirement allowance equal to 2.0125% of the member's average final compensation multiplied by the number of years of creditable service. At retirement, a member receives one additional year of creditable service in determining 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.
Both	The member may elect to receive a reduced retirement allowance in order to provide an allowance to a designated beneficiary after the member's death (see "Special Privileges at Retirement" below).

SCHEDULE B – SUMMARY OF BENEFIT PROVISIONS EVALUATED

Benefits Payable on Separation from Service	Any member who withdraws from service is entitled to receive his or her contributions with allowable interest. A member who has completed 10 years of creditable service may, after separation from service, continue in the membership of the System and file for service retirement after reaching age 60 (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, a designated beneficiary may elect (1) to exercise Option 2 (spouse) or Option 3 (non-spouse beneficiary) as defined below under "Special Privileges at Retirement" or (2) to receive a return of member contributions and total earned interest plus a death benefit payable from the preretirement death benefit fund equal to the salary on which the member made retirement contributions for the previous scholastic year(July 1-June 30).* In the event of the death of a member with more than one year of creditable service who is not eligible to retire, the designated beneficiary shall receive the return of member contributions and total earned interest. Also, the designated beneficiary shall receive an additional death benefit payable from the preretirement death benefit fund equal to the salary on which retirement contributions were made for the previous scholastic year (July 1-June 30).* In the event of a job-related death of a member with less than one year of 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 of death.*

In the event of the death of a member with less than one year of creditable service that is not job-related, the designated beneficiary shall receive the return of member contributions and total earned interest plus a matching death benefit which is limited to a $5,000 maximum.

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

Special Privileges at Retirement

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

Option 1 - If the member dies before annuity payments have equaled the present value of the 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

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

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

SCHEDULE B – SUMMARY OF BENEFIT PROVISIONS EVALUATED

	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.
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 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 calculated 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.
Term Life Insurance	Upon the death of a contributing member, there is paid a term life insurance benefit of $15,000 (pro-rated for part-time members).

Schedule B – Summary of Benefit Provisions Evaluated

Member Contributions

Tier I	Prior to October 1, 2011, regular members contributed 5.0% of salary and 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. 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.
Tier II	Prior to October 1, 2021, regular members contributed 6% of salary and full-time certified firefighters, police officers, and correctional officers contributed 7% of salary. Beginning October 1, 2021, the contribution rates were increased to 6.20% of salary for regular members and 7.20% of salary for full-time certified police officers, firefighters, and correctional officers.
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 16-25-14-(g)(1)).

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 12, 2021, and adopted by the Board on September 13, 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, net of investment expenses, 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:

Service	Annual Rate
0	5.00 %
1-5	4.00
6-10	3.75
11-15	3.50
16 & Over	3.25

SEPARATIONS BEFORE SERVICE RETIREMENT:

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

AGE	Annual Rates							
			Disability Retirement**					
	Death*		Tier 1				Tier 2	
			Males		Females			
			Years of Service		Years of Service			
	Males	Females	<25	>=25	<25	>=25	Males	Females
25	0.0143%	0.0072%	0.1000%		0.0700%		0.1000%	0.0700%
30	0.0195	0.0111	0.1000		0.0700		0.1000	0.0700
35	0.0267	0.0169	0.1000		0.0700		0.1000	0.0700
40	0.0371	0.0260	0.1300		0.1700		0.1300	0.1700
45	0.0585	0.0403	0.2500	0.2000%	0.3200	0.2000%	0.2500	0.3200
50	0.0969	0.0605	0.5000	0.2000	0.5800	0.2000	0.5000	0.5800
55	0.1508	0.0878	0.8000	0.2000	0.9000	0.2250	0.8000	0.9000
60	0.2321	0.1326	0.5000	0.2000	0.6500	0.3000	0.5000	0.6500
65	0.3809	0.2223	0.5000	0.2000	0.6500	0.3000	0.5000	0.6500

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

***No rates of disability are assumed for members with less than 10 years of creditable service.*

Values of the assumed annual rates of withdrawal are as follows:

Years of Service	Annual Rates of Withdrawal*	
	Males	**Females**
0-3	12.00%	11.00%
4	10.00	9.00
5	7.25	6.50
6	6.25	5.50
7	5.25	5.00
8	5.00	4.25
9	4.25	3.50
10	3.25	3.25
11	3.25	3.00
12	3.00	2.75
13	3.00	2.50
14	2.75	2.25
15	2.50	2.25
16	2.00	2.00
17	2.00	1.90
18	2.00	1.85
19	2.00	1.70
>=20	1.00	1.00

**No rates after eligibility for retirement.*

Values of the assumed annual rates of service retirement for Tier 1 are as follows:

AGE	Annual Rates				
	Males		Females		
	Years of Service		Years of Service		
	<25	>=25	<25	25	>=25
40-47		25.00%		25.00%	25.00%
48		22.00		18.00	18.00
49		17.50		15.50	15.50
50		16.00		17.50	12.50
51		16.00		19.00	14.00
52		16.00		19.50	14.50
53		16.00		20.00	15.00
54		16.00		21.50	16.50
55		15.50		22.00	17.00
56		15.50		22.00	17.00
57		15.50		22.50	17.50
58		15.50		23.50	18.50
59		18.00		25.00	20.00
60	12.00%	18.00	15.00%	29.00	24.00
61	9.50	18.00	12.00	29.00	24.00
62	22.00	32.00	21.00	45.00	40.00
63	16.00	27.50	16.00	36.00	31.00
64	14.00	21.50	15.50	32.50	27.50
65	25.00	27.50	27.00	38.00	38.00
66	25.00	27.50	28.00	40.00	40.00
67	22.00	23.50	23.00	33.00	33.00
68	21.00	22.50	25.00	33.00	33.00
69	21.00	22.50	20.50	30.00	30.00
70	21.00	22.50	24.50	30.00	30.00
71-74	20.00	22.50	22.00	30.00	30.00
75-76	30.00	22.50	30.00	30.00	30.00
77-79	30.00	22.50	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00

Values of the assumed annual rates of service retirement for Tier 2 (Non-FLC) are as follows:

AGE	Annual Rates								
	Males				Females				
	Years of Service				Years of Service				
	<25	25-29	30	>=31	<25	25	26-29	30	>=31
40-47			10.00%	10.00%				10.00%	10.00%
48			10.00	10.00				10.00	10.00
49			10.00	10.00				10.00	10.00
50			10.00	10.00				10.00	10.00
51			10.00	10.00				10.00	10.00
52			10.00	10.00				10.00	10.00
53			10.00	10.00				10.00	10.00
54			10.00	10.00				10.00	10.00
55			20.00	10.00				20.00	10.00
56			20.00	10.00				20.00	10.00
57			20.00	10.00				20.00	10.00
58			20.00	10.00				20.00	10.00
59			20.00	10.00				20.00	10.00
60			40.00	40.00				45.00	45.00
61			40.00	40.00				45.00	45.00
62	50.00%	60.00%	60.00	60.00	50.00%	70.00%	70.00%	70.00	70.00
63	16.00	27.50	27.50	27.50	16.00	36.00	31.00	31.00	31.00
64	14.00	21.50	21.50	21.50	15.50	32.50	27.50	27.50	27.50
65	25.00	27.50	27.50	27.50	27.00	38.00	38.00	38.00	38.00
66	25.00	27.50	27.50	27.50	28.00	40.00	40.00	40.00	40.00
67	22.00	23.50	23.50	23.50	23.00	33.00	33.00	33.00	33.00
68	21.00	22.50	22.50	22.50	25.00	33.00	33.00	33.00	33.00
69	21.00	22.50	22.50	22.50	20.50	30.00	30.00	30.00	30.00
70	21.00	22.50	22.50	22.50	24.50	30.00	30.00	30.00	30.00
71-74	20.00	22.50	22.50	22.50	22.00	30.00	30.00	30.00	30.00
75-76	30.00	22.50	22.50	22.50	30.00	30.00	30.00	30.00	30.00
77-79	30.00	30.00	22.50	22.50	30.00	30.00	30.00	30.00	30.00
80	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00	100.00

Values of the assumed annual rates of service retirement for Tier 2 (FLC) (for both males and females) are as follows:

AGE	Annual Rates		
	Years of Service		
	10	11-29	30
40-47			2.50%
48			2.50
49			5.00
50			5.00
51			10.00
52			10.00
53			10.00
54			10.00
55			10.00
56	15.00%	15.00%	15.00
57	15.00	15.00	15.00
58	15.00	15.00	15.00
59	15.00	15.00	15.00
60	17.00	17.00	17.00
61	40.00	18.50	18.50
62	40.00	30.00	30.00
63	40.00	25.00	25.00
64	40.00	22.00	22.00
65	40.00	27.00	27.00
66	40.00	38.00	38.00
67	40.00	30.00	30.00
68	40.00	30.00	30.00
69	40.00	30.00	30.00
70-74	60.00	30.00	30.00
75	100.00	100.00	100.00

SCHEDULE C – ACTUARIAL ASSUMPTIONS AND METHODS

DEATHS AFTER RETIREMENT: Mortality rates were based on the Pub-2010 Teacher tables with the following adjustments, projected generationally using scale MP-2020 adjusted by 66-2/3% beginning with year 2019:

Group	Membership Table	SetForward(+)/ Setback (-)	Adjustment to Rates
Service Retirees	Teacher Retiree - Below Median	Male: +2, Female: +2	Male: 108% ages < 63, 96% ages > 67; Phasing down 63 -67 Female: 112% ages < 69 98% > age 74 Phasing down 69-74
Beneficiaries	Contingent Survivor Below Median	Male: +2, Female: None	None
Disabled Retirees	Teacher Disability	Male: +8, Female: +3	None

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 or the value of the deferred annuity.

UNUSED SICK LEAVE: 2.5% load on service retirement liabilities for active members.

PERCENTAGE MARRIED: 100% of active members are assumed to be married with the husband 3 years older than the wife.

VALUATION METHOD: Individual entry age normal cost method.

ASSET METHOD: Market Value.

LIABILITY FOR CURRENT INACTIVE MEMBERS: Member Contribution Balance is multiplied by a factor of 2.0. for vested members with incomplete data and 1.0 for other 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.

SCHEDULE D – FUNDING POLICY OF THE BOARD

EFFECTIVE SEPTEMBER 30, 2021

The purpose of the funding policy is to state the overall funding objectives for the Teachers' Retirement System of Alabama (System), the benchmarks that will be used to measure progress in achieving those goals, and the methods and assumptions that will be employed to develop the benchmarks.

The funding policy reflects the Board's long-term strategy for stability in funding of the plan.

I. Funding Objectives

The goal in requiring employer and member contributions to the System is to accumulate sufficient assets during a member's employment to fully finance the benefits the member is expected to receive throughout retirement. In meeting this objective, the System will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of system actuarial value of assets to actuarial accrued liabilities) that reflects a trend of improved actuarial condition. The long-term objective is to attain a funded ratio which is consistent with the fiscal health and long-term stability of the System.
- To maintain adequate asset levels to finance the benefits promised to members and monitor the future demands for liquidity.
- To develop a pattern of contribution rates expressed as a percentage of member payroll as measured by valuations prepared in accordance with applicable State laws and the principles of practice prescribed by the Actuarial Standards Board. In no event will the employer contribution rate be negative.
- To provide intergenerational equity for taxpayers with respect to System costs.

II. Benchmarks

To track progress in achieving the previously outlined funding objectives, the following benchmarks will be measured annually as of the valuation date. The valuation date is the date that the annual actuarial valuation of the System's assets and liabilities is prepared. This date is currently September 30th each year with due recognition that a single year's results may not be indicative of long-term trends:

- **Funded ratio** – The funded ratio, defined as the actuarial value of assets divided by the actuarial accrued liability, should increase over time, before adjustments for changes in benefits, actuarial methods, and or actuarial assumptions.

SCHEDULE D – FUNDING POLICY OF THE BOARD

- **Unfunded Actuarial Accrued Liability (UAAL)**
  - **Initial Total UAAL -** The initial total UAAL established as of the initial valuation date (September 30, 2021) for which this funding policy is adopted shall be amortized over a closed period. (A closed amortization period is one which is calculated over a fixed period and at the end of that period, the amount is fully amortized). All gains and losses occurring after the initial valuation date and before September 30, 2028, with the exception of those due to benefit improvements, shall be included in the remaining initial total UAAL each year and amortized over the remaining closed period. (applicable only to employers participating in the System as of the adoption date of the funding policy).
  - **New Incremental UAAL -** Each valuation after the initial valuation date will produce a New Incremental UAAL consisting of all benefit changes that have occurred since the previous valuation. Each valuation beginning with the September 30, 2028 valuation will produce a New Incremental UAAL consisting of all assumption and method changes and experience gains and/or losses that have occurred since the previous valuation.

- **UAAL Amortization Period and Contribution Rates**
  - The Initial Total UAAL will be amortized over a 27-year closed period.
  - Except as noted later, each New Incremental UAAL shall be amortized over a closed 20-year period.
  - Incremental UAAL resulting from plan changes that grant benefit improvements shall be amortized over a period not to exceed 15 years.
  - Employer Normal Contribution Rate – the contribution rate determined as of the valuation date each year based on the provisions of Alabama Code Section 16-25-21.
  - In each valuation subsequent to the adoption of this funding policy the required employer contribution rate will be determined by the summation of the employer Normal Contribution Rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, a contribution rate for the term life insurance fund, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate of the remaining initial UAAL.

SCHEDULE D – FUNDING POLICY OF THE BOARD

- **UAAL Amortization Period for Employers joining the System after the Implementation of this Funding Policy**
  - For Employers joining the System after the implementation of this Funding Policy, the employer contribution rate shall be computed as the sum of the employer Normal Contribution rate, a contribution rate for administrative expenses, a contribution rate for the pre-retirement death benefit fund, a contribution rate for the term life insurance fund, and the initial UAAL contribution rate. The initial UAAL contribution rate shall be determined by amortizing the initial UAAL over a closed period equal to the expected future working lifetime of the active membership. This initial amortization period shall not be less than 10 years nor greater than 20 years.
  - In subsequent years the UAAL and employer contribution rate shall be determined in accordance with the rules of the Funding Policy described in the previous section.

III. Methods and Assumptions

The actuarial funding method used to develop the benchmarks will be the Entry Age Normal (EAN) actuarial cost method. The actuarial methods and assumptions used will be those last adopted by the Board based upon the advice and recommendation of the actuary. The actuary shall conduct an investigation into the system's experience at least every five years and utilize the results of the investigation to form the basis for those recommendations.

IV. Funding Policy Progress

The Board will periodically have projections of funded status performed to assess the current and expected future progress towards the overall funding goals of the System.