

SCHEDULE C

STATEMENT OF ACTUARIAL ASSUMPTIONS AND METHODS

The assumptions and methods used in the valuation are based on the actual experience study prepared as of September 30, 2020 and adopted by the Board on September 13, 2021.

Investment Rate of Return: 7.40% per annum, compounded annually, including inflation at 2.50%.

Salary Increases: 3.50% per annum for less than 14 years of service, 3.25% for 14 years of service, and 2.75% for 15 or greater years of service, compounded annually, including wage inflation at 2.50%.

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

<u>Years of Service</u>	<u>Withdrawal</u>	<u>Annual Rate</u>		<u>Disability**</u>
		<u>Death</u>		
		<u>Male</u>	<u>Female</u>	
<1	3.00%	30	0.0111%	0.020%
1	3.00	35	0.0169	0.040
2-5	3.00	40	0.0371	0.068
6-9	3.00	45	0.0585	0.108
10-14	3.30	50	0.0969	0.163
15-19	1.30	55	0.1508	0.250
20+	1.30	60	0.2321	0.395
	1.30		0.3439	0.570

... of premature mortality as of 2010 from the sex distinct Pub-2010 Teacher Employment Allowance Table with an adjustment factor of 65%, before application of the improvement scale
 **Disability rate turns off at retirement eligibility.



Rates of Retirement:

<u>Age</u>	Tier I Judges (Groups 1 and 2)*	Tier II Judges (Group 3)		Clerks and District Attorneys***
		<u><18 years</u>	<u>≥18 years**</u>	
45-59	7.5%			
60-61	16.5%			
62	20.0%	10.0%	30.0%	10.0%
63-64	16.5%	10.0%	16.5%	10.0%
65-69	20.0%	10.0%	20.0%	10.0%
70-74	30.0%	30.0%	30.0%	30.0%
75	100.0%	100.0%	100.0%	100.0%

*30% are assumed to retire when first eligible at ages <60; 25% are assumed to retire when first eligible at ages 60-69.

**30% are assumed to retire when first eligible.

***An additional 20% are assumed to retire when first eligible and at 27 years of service.

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	Set Forward(+)/ 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

Percent Married: 85% of active members are assumed to be married with the husband 4 years older than the wife.

Actuarial Method: Individual Entry age normal. Gains and losses are reflected in the unfunded accrued liability.

Assets: Market Value.



Liability for Current Inactive Members: Member Contribution Balance is multiplied by a factor of 1.0.

Post Retirement Increases: Allowances of retired members and spouses who receive benefits based on the salaries prescribed by law for the position are assumed to increase by 2.75% per year. The members' actual salaries at retirement are assumed to be equal to the salary prescribed by law for their position.

Benefits Payable upon Separation from Service: Active members who separated from service prior to becoming eligible for a benefit are assumed to receive a refund of contributions with interest assumed to be 4% per year.

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SCHEDULE D

FUNDING POLICY OF THE EMPLOYEES' RETIREMENT SYSTEM BOARD OF CONTROL FOR THE ADMINISTRATION OF THE JUDICIAL RETIREMENT SYSTEM

Effective 9/30/2021

The purpose of the funding policy is to state the overall funding objectives for the Judicial Retirement Fund (Fund), 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 Fund 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 Fund will strive to meet the following funding objectives:

- To maintain an increasing funded ratio (ratio of fund 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 Fund.
- 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 Fund 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 Fund'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.

- **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).
 - **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 after the initial valuation date 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 closed 19-year 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 Sections 36-27-24 and 12-18-2.



- 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 the pre-retirement death benefit fund, a contribution rate for administrative expenses, the individual amortization rate for each of the New Incremental UAAL bases, and the amortization rate for the remaining initial UAAL.

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 Fund's experience at least every five years and utilize the results of the investigation to form the basis for those recommendations.